eSun Holdings Limited
豐德麗控股有限公司
(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

Stock Code 股份代號: 571

ANNUAL REPORT
年度報告

Year ended 31 July 2016
二零一六年七月三十一日止

Amicable results amid challenging environment

攻堅克難 穩步增長

Cover Photo

Palm Spring Phase Ib — A property of the Company's subsidiary Lai Fung Holdings Limited located at Zhongshan, China

封面圖片

本公司附屬公司麗豐控股有限公司位於中國中山之物業 —
棕櫚彩虹花園第一b期

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CORPORATE INFORMATION

PLACE OF INCORPORATION
Bermuda

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

Non-executive Directors
U Po Chu
Andrew Y. Yan

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

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

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

AUTHORISED REPRESENTATIVES
Chew Fook Aun
Lui Siu Tsuen, Richard

COMPANY SECRETARY
Wong Lai Chun

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITORS
Ernst & Young
Certified Public Accountants

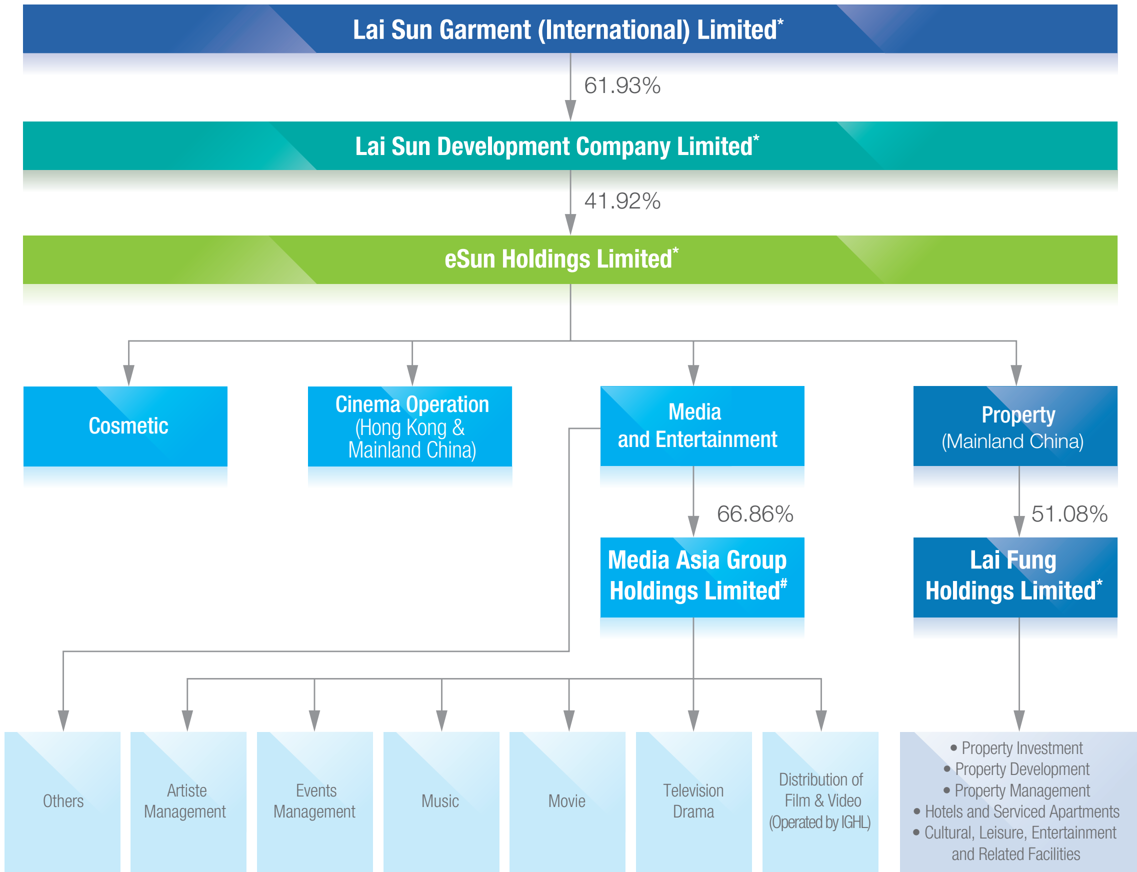
PRINCIPAL BANKERS
Bank of China Limited
The Bank of East Asia, Limited
China CITIC Bank Corporation Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

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

Stock Code/Board Lot
571/2,000 shares

WEBSITE
www.esun.com

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



* *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 19 October 2016

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

Since 9 June 2011, Media Asia Group Holdings Limited ("**MAGHL**", formerly known as "Rojam Entertainment Holdings Limited") has become a subsidiary of the Company. MAGHL is a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (Stock Code: 8075). The Company currently holds about 66.86% of the issued shares in MAGHL and its principal activities include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programmes; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

In addition, the Company's 51.08%-owned subsidiary, Lai Fung Holdings Limited ("**Lai Fung**"), is a company listed on the Main Board of the Stock Exchange (Stock Code: 1125). The principal activities of Lai Fung and its subsidiaries consist of property development for sale, property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities in Mainland China.

In August 2013, the Company acquired an 85% equity interest in Intercontinental Group Holdings Limited ("**IGHL**", formerly known as "Kadokawa Intercontinental Group Holdings Limited") which has become a subsidiary of the Company. IGHL is one of the leading film and video distribution companies in Hong Kong, releasing around 30 films every year and distributing a variety of video products. IGHL is also one of the leading multiplex cinema operators in Hong Kong, owning and operating a total of 12 cinemas in Hong Kong and Mainland China as well as having a 30% joint venture interest in The Grand Cinema at the Elements, MTR Kowloon Station.

I am pleased to present the audited consolidated results of eSun Holdings Limited ("**Company**") and its subsidiaries (collectively, "**Group**") for the year ended 31 July 2016.

OVERVIEW OF ANNUAL RESULTS

For the year ended 31 July 2016, the Group recorded a turnover of HK$3,369.3 million, representing an increase of 1.2% from HK$3,329.5 million of last year. The gross profit decreased by approximately 2.9% to HK$1,378.2 million (2015: HK$1,418.8 million).

For the year ended 31 July 2016, net profit attributable to owners of the Company was approximately HK$80.8 million (2015: HK$258.2 million). The decrease is primarily due to (i) a lower revaluation gain arising from the revaluation of the investment properties of Lai Fung Holdings Limited ("**Lai Fung**", a non-wholly-owned subsidiary of the Company) and its subsidiaries (collectively, "**Lai Fung Group**") for the year ended 31 July 2016 as compared to last year; and (ii) the decrease in results of Media Asia Group Holdings Limited ("**MAGHL**", a non-wholly-owned subsidiary of the Company) and its subsidiaries (collectively, "**MAGHL Group**") during the year which is primarily attributable to (a) the decrease in both the turnover and the gross profit ratio due to the decrease in the number of large-scale films released and events held by MAGHL Group during the year and (b) the increase in other operating expenses of MAGHL Group which is mainly due to the exchange loss arising from depreciating Renminbi. Basic earnings per share was HK$0.065 (2015: HK$0.208).

Net loss attributable to owners of the Company for the year ended 31 July 2016 excluding the effect of property revaluations was approximately HK$121.3 million (2015: net loss of HK$112.7 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK$0.098 per share.

"Well positioned to capitalise on the trend with its solid foundation in the industry"

Low Chee Keong
Chairman

Profit/(loss) attributable to owners of the Company	For the year ended 31 July 2016 HK$'million	 2015 HK$'million
Reported	**80.8**	258.2
Adjustments in respect of investment properties		
Revaluation of properties	**(270.5)**	(495.1)
Deferred tax on revaluation of properties	**67.6**	123.8
Non-controlling interests' share of revaluation movements less deferred tax	**0.8**	0.4
Net loss after tax excluding revaluation gains of investment properties	**(121.3)**	(112.7)
Adjustment in respect of fair value losses on cross currency swaps	**–**	44.5
Adjustment in respect of ineffective portion of the effective hedge recognised in profit or loss	**5.0**	–
Net loss after tax excluding adjustments in respect of investment properties, fair value losses on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss	**(116.3)**	(68.2)

Equity attributable to owners of the Company as at 31 July 2016 amounted to HK$8,599.3 million (31 July 2015: HK$9,164.7 million). Net asset value per share attributable to owners of the Company decreased to HK$6.917 per share as at 31 July 2016 from HK$7.372 per share as at 31 July 2015. The decrease in net asset value is primarily due to the depreciation of Renminbi partially offset by net profits earned during the year under review.

FINAL DIVIDEND

The board of directors of the Company ("**Board**") does not recommend the payment of a dividend for the year ended 31 July 2016 (2015: Nil).

BUSINESS REVIEW AND OUTLOOK

Media and Entertainment/Film Production and Distribution/Cinema Operation

The Mainland China entertainment market continues to grow at an unprecedented pace. The Group continues to expand its media and entertainment businesses in Mainland China, optimising income from its film, TV, live entertainment, artiste management, music and cinema in this fast growing market. The Group is well positioned to capitalise on this trend with its solid foundation in the industry.

- Film – continued drive to increase its original production of films which appeal to Chinese language audiences and emphasis will be put on increasing production capabilities and deriving more fee related income from the production.
- TV – expanded its activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China as well as a way to provide exposure and training for the Group's stable of artistes.
- Live Entertainment – successfully produced and promoted a large number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The Group is expanding its activities and continues to be a driving force in this area whilst exploring other types of live entertainment such as musicals and theatrical performances in addition to concerts.
- Artiste Management – expanded its Chinese artiste roster as well as collaborated with high profile Asian artistes such as top Korean music groups. With diverse projects including film, TV, music and live events which ensure maximum commercial value and appeal, the Group is in a good position to attract stars and develop new talents.
- Music – as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. With a vast and well-known Chinese music library under management and a continual supply of new hits, the Group is poised to capitalise on this new economic model.

- Cinema – acquisition of Intercontinental Group Holdings Limited bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and Mainland China. Our new cinemas, the Grand Windsor Cinema in Causeway Bay in Hong Kong, MCL South Horizons Cinema in South Horizons in Hong Kong and the Festival Grand Cinema in the Festival Walk in Kowloon Tong were opened on 26 September 2015, 23 March 2016 and 8 June 2016, respectively. It is expected that the new cinema in Green Code in Fanling, Hong Kong will commence operations by the end of 2016. The Group also secured two cinema projects in Suzhou and Wuxi in Mainland China, which are expected to commence businesses in the coming financial years. We are excited by the outlook for cinemas in Hong Kong and Mainland China and we will continue to seek out opportunities to expand our footprint.

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

Mainland China Property Market

The 2015/2016 financial year was dominated by political and geopolitical uncertainties at home and abroad. These included the US presidential election, Brexit, protracted conflicts in the Middle East, refugee issues in Europe, Legislative Council elections in Hong Kong, to name a few. Major global economies continued to be hindered by these factors. The fundamentals remained delicate and capital markets performances around the world are correspondingly cautious.

Against this backdrop, the Central Government in China continued to demonstrate stability in achieving economic growth through implementing a combination of proactive fiscal policy and prudent monetary policy. Whilst it is clear that some of the sectors, such as exports, have been slowing. Such slowdown has been countered by promoting other sectors. The property sector has been a beneficiary of this during this financial year and reflected in the results before they were mitigated by a depreciating Renminbi during the same period. We believe the property sector will remain 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.

Zhongshan Palm Spring Phase II

Guangzhou Lai Fung Tower

May Flower Cinema City at Zhongshan Palm Spring Mall

Lai Fung Group's regional focus coupled with the rental-led strategy that Lai Fung Group adopted since 2012 has demonstrated resilience against such a challenging operating environment. The rental portfolio of approximately 3.5 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. Lai Fung Tower in Guangzhou was completed in June 2016 and has been added to the rental portfolio of the Group. Up to the date of this Annual Report, excluding the office area that is subject to the asset swap transactions as jointly announced by Lai Fung and the Company on 15 January 2015, approximately 83.5% of the gross floor area ("**GFA**") of the building has been leased or has offers to lease.

During the year ended 31 July 2016, Lai Fung Group performed admirably but suffered from currency translation against a depreciated Renminbi on a reported basis. The sale of the residential portion of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring residential units underpinned this set of results and once again confirmed the strength and depth of the underlying demand in Mainland China.

Lai Fung Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 3.5 million square feet to approximately 7.1 million square feet through developing the existing projects on hand over the next few years. On 30 September 2015, Lai Fung 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 was completed in September 2016.

The construction work for Phase I of the Novotown project in Hengqin ("**Novotown**") which is 80% owned by Lai Fung and 20% owned by the Company has commenced in the end of 2015. Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of an immersive experience center in the Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase of the Lionsgate-themed immersive experience center in the Novotown for a minimum of ten years. Lai Fung Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a Family Edutainment Center. In April 2016, Lai Fung Group entered into a cooperation framework agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

Architect's impression of Hengqin Novotown Project Phase I

Architect's impression of Shanghai Northgate Plaza after redevelopment

Guangzhou Dolce Vita

The remaining residential units in Guangzhou Dolce Vita Phases IV and V, Guangzhou Eastern Place Phase V and Zhongshan Palm Spring are expected to contribute to the income statement of Lai Fung Group in the coming financial years. Lai Fung Group will continue its prudent and flexible approach in growing its landbank.

The Group's consolidated cash position of HK$4,365.6 million (HK$303.0 million excluding Lai Fung Group and MAGHL Group) (31 July 2015: HK$4,647.4 million (HK$1,016.3 million excluding Lai Fung Group and MAGHL Group)) with a net debt to equity ratio of 24.6% as at 31 July 2016 (31 July 2015: 23.7%) provides the Group with full confidence and the means to review opportunities more actively.

However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

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

Low Chee Keong
Chairman
Hong Kong
19 October 2016

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 July				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
TURNOVER	**3,369,275**	3,329,495	2,344,796	2,631,699	702,151
PROFIT BEFORE TAX	**718,532**	1,182,410	934,921	502,883	1,102,672
Income tax expense	**(405,526)**	(560,534)	(286,533)	(305,820)	(16,661)
PROFIT FOR THE YEAR	**313,006**	621,876	648,388	197,063	1,086,011
Attributable to:					
Owners of the Company	**80,825**	258,231	268,618	(17,208)	1,161,588
Non-controlling interests	**232,181**	363,645	379,770	214,271	(75,577)
	313,006	621,876	648,388	197,063	1,086,011

Assets, Liabilities and Non-controlling Interests

	As at 31 July				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Property, plant and equipment	**2,768,546**	2,580,696	2,836,175	2,736,990	2,051,020
Properties under development	**1,188,387**	1,631,376	644,353	495,504	1,253,651
Investment properties	**15,065,759**	14,914,881	13,909,411	11,867,497	10,786,016
Film rights	**23,682**	25,197	37,360	47,225	47,317
Film products	**123,768**	81,947	80,298	101,223	74,235
Music catalogs	**14,918**	14,832	16,371	20,665	31,999
Goodwill	**123,440**	123,440	123,440	10,435	10,182
Other intangible assets	**28,605**	–	–	64,018	71,467
Investments in joint ventures	**1,161,752**	1,231,634	1,136,546	1,092,289	1,115,588
Investments in associates	**26,894**	28,875	32,842	17,856	6,035
Available-for-sale investments	**138,592**	167,092	154,553	158,491	166,209
Long-term deposits, prepayments and other receivables	**323,905**	124,273	156,124	89,147	78,211
Long-term pledged and restricted time deposits	**–**	135,669	204,957	–	–
Deferred tax assets	**6,101**	5,072	5,421	–	–
Current assets	**7,407,402**	7,811,709	7,189,555	10,304,361	8,026,791
TOTAL ASSETS	**28,401,751**	28,876,693	26,527,406	27,005,701	23,718,721
Current liabilities	**(3,175,552)**	(4,753,177)	(2,323,937)	(3,907,528)	(3,212,071)
Long-term deposits received, finance lease payables, bank and other borrowings, derivative financial instruments, loan from a joint venture, convertible notes, guaranteed notes and fixed rate senior notes	**(6,152,509)**	(4,176,022)	(4,990,148)	(4,414,137)	(2,300,535)
Deferred tax liabilities	**(2,808,906)**	(2,804,979)	(2,633,212)	(2,367,086)	(2,339,330)
TOTAL LIABILITIES	**(12,136,967)**	(11,734,178)	(9,947,297)	(10,688,751)	(7,851,936)
NON-CONTROLLING INTERESTS	**(7,665,526)**	(7,977,835)	(7,653,924)	(8,010,030)	(7,868,885)
Equity attributable to owners of the Company	**8,599,258**	9,164,680	8,926,185	8,306,920	7,997,900

FINANCIAL HIGHLIGHTS

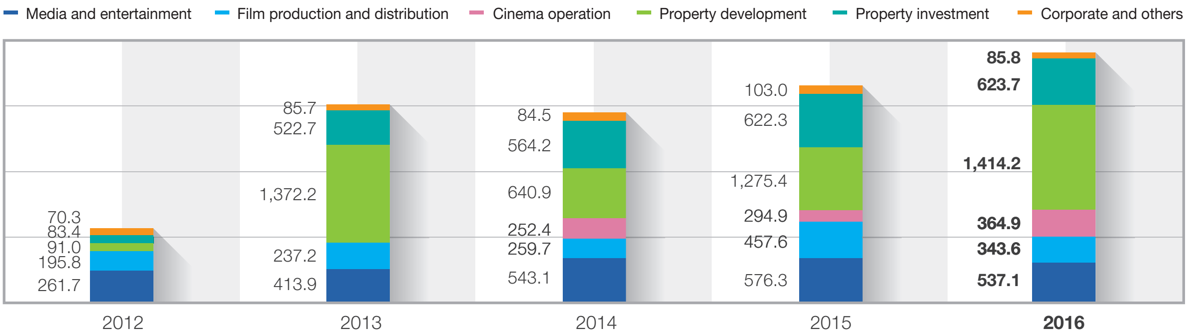
		Year ended 31 July 2016	Year ended 31 July 2015	Approximate percentage change
Turnover	(HK$'M)	**3,369.3**	3,329.5	1.2%
Gross profit	(HK$'M)	**1,378.2**	1,418.8	-2.9%
Gross profit margin	(%)	**40.9%**	42.6%	
Operating profit	(HK$'M)	**872.0**	1,387.6	-37.2%
Operating profit margin	(%)	**25.88%**	41.68%	
Profit/(loss) attributable to owners of the Company	(HK$'M)			
– excluding the effect of property revaluations		**(121.3)**	(112.7)	N/A
– including the effect of property revaluations		**80.8**	258.2	-68.7%
Net profit margin	(%)			
– excluding the effect of property revaluations		**-4%**	-3%	
– including the effect of property revaluations		**2%**	8%	
Basic earnings/(loss) per share	(HK$)			
– excluding the effect of property revaluations		**(0.098)**	(0.091)	N/A
– including the effect of property revaluations		**0.065**	0.208	-68.8%
Net assets attributable to owners of the Company	(HK$'M)	**8,599.3**	9,164.7	-6.2%
Net borrowings	(HK$'M)	**2,114.3**	2,173.9	-2.7%
Net asset value per share	(HK$)	**6.917**	7.372	-6.2%
Share price as at 31 July	(HK$)	**0.75**	0.81	-7.4%
Price earnings ratio	(times)			
– excluding the effect of property revaluations		**N/A**	N/A	
– including the effect of property revaluations		**11.5**	3.9	
Market capitalisation as at 31 July	(HK$'M)	**932.4**	1,007.0	-7.4%
Return on shareholders' equity	(%)			
– excluding the effect of property revaluations		**-1%**	-1%	
– including the effect of property revaluations		**1%**	3%	
Gearing – net debt to equity	(%)	**24.6%**	23.7%	
Interest cover *(Note 1)*	(times)			
– excluding the effect of property revaluations		**N/A**	N/A	
– including the effect of property revaluations		**0.22**	0.70	
EBITDA *(Note 2)*/Interest expenses	(times)	**1.77**	1.95	
Current ratio	(times)	**2.3**	1.6	
Discount to net asset value	(%)	**89%**	89%	

Notes:

1. *Calculated as profit attributable to owners of the Company over cash interest expenses*
2. *EBITDA = Operating profit – Property revaluation gain/loss + Depreciation + Amortisation*

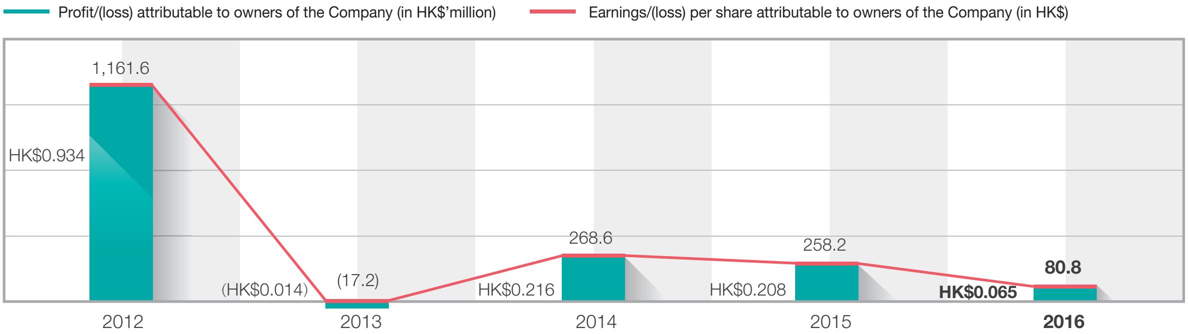
TURNOVER BY SEGMENT

in HK$'million



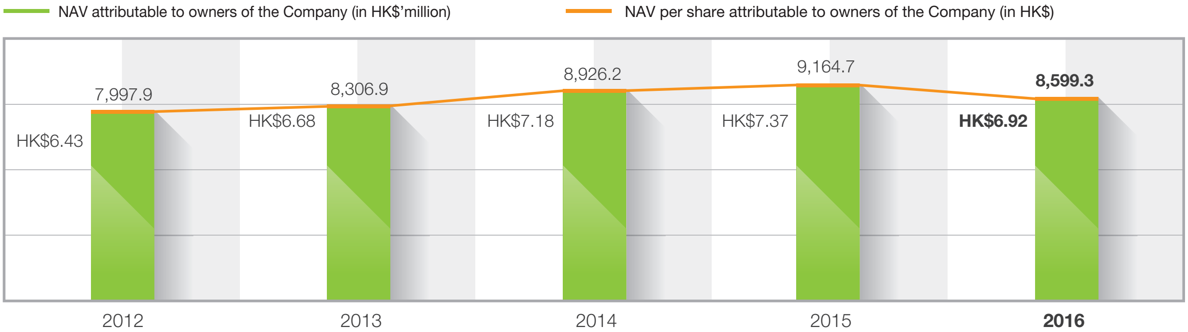
For the year ended 31 July

PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY



For the year ended 31 July

NET ASSETS & NET ASSET VALUE ("NAV") PER SHARE



As at 31 July

OVERVIEW

Media and Entertainment

For the year ended 31 July 2016, this segment recorded a turnover of HK$537.1 million (2015: HK$576.3 million) and segment result decreased from a profit of HK$50.2 million to a profit of HK$16.5 million.

Live Entertainment

The Group remains highly active on the live entertainment front. During the year ended 31 July 2016, the Group organised and invested in 197 (2015: 114) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Miriam Yeung, Ivana Wong, EXO, Infinite, SHINee, Super Junior, a group of Ekin Cheng, Jordan Chan, Michael Tse, Jerry Lamb and Chin Ka Lok, Grasshopper, Kelly Chen, George Lam, Rene Liu, Jolin Tsai and Hebe Tien. Besides pop music events, the Group has also extended its production to Cantonese Opera to promote traditional Chinese culture. The famous title *《牡丹亭驚夢》* featuring Ms. Chan Po Chu and Ms. Mui Suet See gained huge support when staged in May 2016 and has been rerun in August 2016.

Music Production, Distribution and Publishing

For the year ended 31 July 2016, the Group released 57 (2015: 85) albums, including titles by Miriam Yeung, Ivana Wong, Grasshopper, C AllStar, a group of Richie Jen, William So, Edmond Leung and Steve Wong, Justin Lo, Sean Pang, RubberBand and Han Hong. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

The Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing television drama production and film production business. The Group is actively looking for new talent in Mainland China and co-operation with Asian artistes.

Film and TV Programme Production and Distribution

For the year ended 31 July 2016, this segment recorded a turnover of HK$343.6 million (2015: HK$457.6 million) and segment results of a loss of HK$55.5 million (2015: a profit of HK$34.4 million).

For the year ended 31 July 2016, the Group released theatrically a total of 7 (2015: 7) films which were produced/ invested by the Group, namely *The Assassin, All You Need Is Love, Office, She Remembers, He Forgets, From Vegas to Macau III, Trivisa* and *Three.* In addition, the Group has completed principal photography of another 5 films, most of them are expected to be released by 2017, whilst with 11 other films in the production pipeline or under development. The Group also distributed 33 (2015: 29) films and 308 (2015: 287) videos with high profile titles including *No Escape, Point Break, Dirty Grandpa, Gods of Egypt, Scouts Guide to the Zombie Apocalypse, Star Trek Beyond, Avengers: Age of Ultron, Jurassic World, Star Wars: The Force Awakens* and *Zootopia.*

The Group has made investments in the production of 7 (2015: 3) TV drama series in Mainland China which are expected to generate return to the Group in the coming financial years.

Cinema Operation

For the year ended 31 July 2016, this segment recorded a turnover of HK$364.9 million (2015: HK$294.9 million). As at 31 July 2016, the Group operates four cinemas in Mainland China and eight cinemas in Hong Kong as well as one joint venture cinema in Hong Kong. Our new cinemas, the Grand Windsor Cinema in Causeway Bay in Hong Kong, MCL South Horizons Cinema in South Horizons in Hong Kong and the Festival Grand Cinema in the Festival Walk in Kowloon Tong were opened on 26 September 2015, 23 March 2016 and 8 June 2016, respectively. It is expected that the new cinema in Green Code in Fanling, Hong Kong will commence operations by the end of 2016. The Group also secured two cinema projects in Suzhou and Wuxi in Mainland China, which are expected to commence businesses in the financial years ending 31 July 2017 and 31 July 2018, respectively. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses.

Details on the number of screens and seats of each cinema as at 31 July 2016 are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens *(Note)*	No. of seats *(Note)*
Mainland China			
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
MCL Cinema City in Shekou	85	5	629
MCL Cinema City in Luohu	85	5	529
Subtotal		**22**	**2,669**
Hong Kong			
Festival Grand Cinema	85	8	1,196
MCL Metro Cinema	85	7	957
MCL Telford Cinema	85	6	819
STAR Cinema	85	6	622
MCL Kornhill Cinema	85	5	836
MCL South Horizons Cinema	85	3	555
Grand Windsor Cinema	85	3	246
MCL JP Cinema	85	2	658
The Grand Cinema	25.5	12	1,566
Subtotal		**52**	**7,455**
Total		**74**	**10,124**

Note: On 100% basis

Property Investment

The following details are extracted from Lai Fung's annual reports for the two years ended 31 July 2016 and 31 July 2015.

Rental Income

For the year ended 31 July 2016, Lai Fung Group's rental operations recorded a turnover of HK$629.4 million (2015: HK$626.0 million), representing a 0.5% increase over last year. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated rental income was 5.2%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July		Approximate percentage change	Year end occupancy	
	2016 HK$'million	2015 HK$'million	(%)		(%)
Shanghai					
Shanghai Hong Kong Plaza	**398.2**	407.2	-2.2	Retail:	98.3
				Office:	97.8
				Serviced Apartments:	88.8
Shanghai May Flower Plaza	**71.4**	61.7	15.7	Retail:	99.5
				Hotel:	90.4
Shanghai Regents Park	**14.3**	13.4	6.7		100.0
Shanghai Northgate Plaza I	**4.9**	10.8	-54.6		0.0*
Guangzhou					
Guangzhou May Flower Plaza	**109.5**	108.9	0.6		98.6
Guangzhou West Point	**17.2**	17.2	–		98.7
Guangzhou Lai Fung Tower	**6.2**	–	N/A	Retail:	91.8
				Office:	53.9
Zhongshan					
Zhongshan Palm Spring	**7.7**	6.8	13.2	Retail:	82.0**
				Serviced Apartments:	57.1
Total	**629.4**	626.0	0.5		

* *All tenants have been vacated for project redevelopment.*

** *Excluding self-use area*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. Rental income growth was partially offset by depreciation of Renminbi during the year under review. The increase in turnover of Shanghai May Flower Plaza is mainly driven by a better performance of the STARR Hotel Shanghai since its soft opening in November 2013.

Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed and added to the rental portfolio of Lai Fung Group in June 2016 and has started to contribute to the rental income of Lai Fung Group. Up to the date of this Annual Report, excluding the office area that is subject to the asset swap transactions as jointly announced by Lai Fung and the Company on 15 January 2015, approximately 83.5% of the GFA of the building has been leased or has offers to lease.

All tenants of Shanghai Northgate Plaza I have been vacated for redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the 6th to 11th floors of Hui Gong Building acquired by Lai Fung Group in September 2016. Lai Fung Group is currently discussing the redevelopment proposal with professional consultants and local authorities.

A portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 62% 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.

Property Development

The following details are extracted from Lai Fung's annual reports for the two years ended 31 July 2016 and 31 July 2015.

Recognised Sales

For the year ended 31 July 2016, Lai Fung Group's property development operations recorded a turnover of HK$1,414.1 million (2015: HK$1,275.4 million) from sale of properties, representing a 10.9% increase in sales revenue over last year. Total recognised sales were primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V of which approximately 182,574 square feet of residential GFA were sold, achieving sales revenue of HK$1,052.5 million. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated turnover from sales of properties during the year under review was 16.0%.

Primarily due to the depreciation of Renminbi, average selling price recognised as a whole (excluding Guangzhou Dolce Vita) for the year ended 31 July 2016 decreased to approximately HK$4,207 per square foot (2015: HK$4,243 per square foot).

Sales of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$2,915 per square foot. This is recognised as a component of "Share of profits of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2016 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	9,681	5,169	47.2
Office Apartment Units	12,564	3,660	43.4
Guangzhou Eastern Place			
Residential Units – Phase V	182,574	6,087	1,052.5
Residential Units – Phase IV	891	4,226	3.6
Guangzhou King's Park			
Residential Units	21,404	4,707	95.0
Zhongshan Palm Spring			
Residential High-rise Units	11,190	701	7.4
Residential House Units	113,709	1,416	151.8
Subtotal	**352,013**	**4,207**	**1,400.9**
Guangzhou King's Park			
Car-parking Spaces			13.2
Total			**1,414.1**
Recognised sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	249,775	2,886	680.9
Retail Units**(47.5% basis)	1,953	6,516	11.7
Subtotal	**251,728**	**2,915**	**692.6**
Car-parking Spaces**(47.5% basis)			19.2
Total			**711.8**

Before business tax and value-added tax inclusive

* *After business tax and value-added tax exclusive*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2016, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK$1,458.1 million (excluding car-parking spaces) and approximately 529,954 square feet of GFA (excluding car-parking spaces) were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$40.4 million.*

Contracted Sales

As at 31 July 2016, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, have contracted but not yet recognised sales of HK$571.7 million from sale of residential units in Zhongshan Palm Spring and HK$7.3 million from sales of 10 car-parking spaces in Guangzhou King's Park. Sales of the remainder of completed residential units of Zhongshan Palm Spring were strong and achieved an average selling price of HK$846 per square foot (excluding car-parking spaces). Excluding the effect of currency translation against a depreciated Renminbi, the Renminbi denominated contracted but not yet recognised sales of residential units, excluding Guangzhou Dolce Vita as at 31 July 2016 amounted to RMB478.3 million (2015: RMB162.1 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 July 2016 including Guangzhou Dolce Vita amounted to HK$2,249.1 million (including car-parking spaces of Guangzhou King's Park and Guangzhou Dolce Vita). The Renminbi denominated contracted but not yet recognised sales of residential units, including Guangzhou Dolce Vita as at 31 July 2016 amounted to RMB1,875.2 million (2015: RMB1,048.4 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2016 is as follows:

Contracted basis	**Approximate GFA** Square feet	**Average selling price#** HK$/square foot	**Turnover#** HK$'million
Zhongshan Palm Spring			
Residential High-rise Units	635,762	798	507.4
Residential House Units	39,917	1,611	64.3
Subtotal	**675,679**	**846**	**571.7**
Guangzhou King's Park			
Car-parking Spaces			7.3
Subtotal			**579.0**
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	665,452	2,492	1,658.6
Retail Units**(47.5% basis)	1,585	6,814	10.8
Subtotal	**667,037**	**2,503**	**1,669.4**
Car-parking Spaces**(47.5% basis)			0.7
Subtotal			**1,670.1**
Total (excluding car-parking spaces)	**1,342,716**	**1,669**	**2,241.1**

\# *Before business tax and value-added tax inclusive*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2016, the contracted but not yet recognised sales attributable to the full project is HK$3,514.5 million (excluding car-parking spaces) and approximately 1,404,288 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$1.5 million.*

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2016, cash and bank balances held by the Group amounted to HK$4,365.6 million (2015: HK$4,647.4 million) of which around 22% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 78% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 July 2016 was HK$303.0 million (2015: HK$1,061.3 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2016, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$6,479.9 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 July 2016, the Group had revolving bank loans of HK$365.2 million. The maturity profile of the Group's bank loans is spread with HK$24 million repayable within 1 year and HK$341.2 million repayable in the second year. All bank loans are on floating rate basis and are denominated in HKD.

During the year, the Group repurchased and redeemed the secured guaranteed notes of HK$766.3 million which were denominated in RMB with original maturity date of 24 June 2018 for bullet repayment. These notes were effectively delisted on 5 July 2016. In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$79.8 million for the said unsecured other borrowings as at 31 July 2016. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2016.

MAGHL

As at 31 July 2016, MAGHL has unsecured and unguaranteed 3-year zero coupon TFN Convertible Notes with an aggregate outstanding principal amount of HK$130.0 million issued to a subscriber. As at 31 July 2016, MAGHL has unsecured and unguaranteed 3-year zero coupon Specific Mandate Convertible Notes with an aggregate outstanding principal amount of HK$166.8 million, comprising HK$100.0 million and HK$66.8 million issued to the Group and other subscribers, respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the TFN Convertible Notes and the Specific Mandate Convertible Notes, they will be redeemed by MAGHL on the maturity dates of 13 May 2018 and 3 July 2018, respectively, at the principal amount outstanding. For accounting purpose, after deducting the equity portion of the convertible notes from the principal amount, the carrying amount of the TFN Convertible Notes as recorded in the Group was HK$110.6 million and the resultant carrying amount of the Specific Mandate Convertible Notes as recorded in the Group was HK$55.6 million as at 31 July 2016 after adjusting for (i) accrued interest and (ii) intra-group elimination.

Lai Fung

As at 31 July 2016, Lai Fung Group had total borrowings in the amount of HK$5,977.4 million comprising bank loans of HK$3,035.5 million, fixed rate senior notes of HK$2,092.7 million, loans from a subsidiary of the Company of HK$221.7 million, loans from a joint venture of HK$572.8 million and other borrowing of HK$54.7 million. The maturity profile of Lai Fung Group's borrowings of HK$5,977.4 million is well spread with HK$637.9 million repayable within 1 year, HK$2,906.6 million repayable in the second year, HK$2,307.7 million repayable in the third to fifth years, and HK$125.2 million repayable beyond the fifth year.

Approximately 44% and 51% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 5% of Lai Fung Group's borrowings were interest free.

Apart from the fixed rate senior notes, Lai Fung Group's other borrowings of HK$3,884.7 million were 46% denominated in RMB, 42% in HKD and 12% in USD.

Lai Fung Group's fixed rate senior notes of HK$2,092.7 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), Lai Fung Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

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

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings and banking facility of the Group, including investment properties with a total carrying amount of approximately HK$9,398.1 million, completed properties for sale with a total carrying amount of approximately HK$55.6 million, properties under development with a total carrying amount of approximately HK$365.0 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,471.6 million, properties and construction in progress with a total carrying amount of approximately HK$513.5 million and bank balances of approximately HK$131.6 million.

In addition, as at 31 July 2016, a revolving loan facility in the amount of HK$600.0 million was granted by a bank to the Group. As at the date of this Annual Report, the said loan facility is secured by the charge over securities accounts and share mortgage of the ordinary shares of Lai Fung and certain ordinary shares of MAGHL held by the Company. The Group has utilised the said loan facility for an amount of HK$350 million as at 31 July 2016. As at 31 July 2016, guaranteed general banking facilities in the amount of HK$79.0 million were granted by other banks to the Group. The said guaranteed general banking facilities are subject to annual review by the banks for renewal and the Group had utilised letter of credit and letter of guarantee facilities and revolving loans for a total amount of HK$39.6 million as at 31 July 2016. As such, the Group (other than Lai Fung) has the undrawn facilities of HK$289.4 million as at 31 July 2016. The undrawn facilities of Lai Fung Group was HK$3,576.2 million as at 31 July 2016.

As at 31 July 2016, the consolidated net assets attributable to the owners of the Company amounted to HK$8,599.3 million (2015: HK$9,164.7 million). The gearing ratio, being net debt (total borrowings of HK$6,479.9 million less pledged bank balances and time deposits of HK$1,066.5 million and cash and cash equivalents of HK$3,299.1 million) to net assets attributable to the owners of the Company was approximately 24.6%.

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 for its present requirements to finance its existing operations and projects underway.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 July 2016 are set out in note 47 to the Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2016, the Group employed a total of around 2,100 (2015: 1,900) 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.

COMPLETED PROPERTIES HELD FOR RENTAL

Property name	Location	Group interest	Tenure	Approximate attributable gross floor area (square feet) Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	51.08%	The property is held for a term of 50 years commencing on 16 September 1992	239,276	184,239	423,515	179
May Flower Plaza	Sujiaxiang, Jing'an District	51.08%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	163,616	–	163,616	–
Northgate Plaza I	99 Tian Mu Road West, Jing'an District	51.08%	The property is held for a term of 50 years commencing on 15 June 1993	98,251	66,523	164,774	52
Regents Park	88 Huichuan Road, Changning District	48.53%	The property is held for a term of 70 years commencing on 4 May 1996	39,821	–	39,821	–
Subtotal of major completed properties held for rental in Shanghai:				**540,964**	**250,762**	**791,726**	**231**
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	51.08%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	182,572	40,573	223,145	69
West Point	Zhongshan Qi Road, Liwan District	51.08%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	87,841	–	87,841	–
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	51.08%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	51,254	268,407	319,661	104
Subtotal of major completed properties held for rental in Guangzhou:				**321,667**	**308,980**	**630,647**	**173**
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	51.08%	The property is held for a term expiring on 30 March 2075 for commercial/residential use	57,273	–	57,273	–
Subtotal of major completed properties held for rental in Zhongshan:				**57,273**	**–**	**57,273**	**–**
Total of major completed properties held for rental:				**919,904**	**559,742**	**1,479,646**	**404**

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	51.08%	The property is held for a term of 50 years commencing on 16 September 1992	299	180,945	–
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	51.08%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	73,477	–
Subtotal of major hotel properties and serviced apartments in Shanghai:				**538**	**254,422**	**–**
Zhongshan						
STARR Resort Residence Zhongshan	Caihong Planning Area, Western District	51.08%	The property is held for a term expiring on 23 October 2073	90	50,342	–
Subtotal of major hotel properties and serviced apartments in Zhongshan:				**90**	**50,342**	**–**
Total of major hotel properties and serviced apartments:				**628**	**304,764**	**–**

PROPERTIES UNDER DEVELOPMENT

Property name	Location	Group interest	Stage of construction	Expected completion date	Approximate site area (square feet) (Note 1)	Approximate attributable gross floor area (square feet) Commercial/ Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Guangzhou											
Dolce Vita (Phase V)	Jinshazhou, Hengsha, Baiyun District	24.26%	Construction work in progress	Q4 2016	3,217,769 (Note 2)	4,707 (Note 3)	–	–	318,618	323,325	433
Haizhu Plaza	Chang Di Main Road, Yuexiu District	51.08%	Resettlement in progress	H1 2021 (Note 4)	90,708	46,955	260,947 (Note 5)	–	–	307,902	153
Subtotal of major properties under development in Guangzhou:						51,662	260,947	-	318,618	631,227	586
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	51.08%	Construction work in progress	Phase Ib: Q2 2017 Phase II: Q3 2017 Phase III: Q3 2020 Phase IV: Q3 2022	2,547,298 (Note 2)	139,139	–	–	1,600,602	1,739,741	1,234
Subtotal of major properties under development in Zhongshan:						139,139	-	-	1,600,602	1,739,741	1,234
Shanghai											
Wuli Bridge project	Wuliqiao Road, 104 Jie Fang, Huangpu District	51.08%	Development under planning	Q4 2018	74,112	–	–	–	42,495	42,495	43
Northgate Plaza II	Tian Mu Road West, Jing'an District	51.08%	Development under planning	Q4 2020 (Note 6)	44,293	31,857	100,904	–	–	132,761	80
Subtotal of major properties under development in Shanghai:						31,857	100,904	-	42,495	175,256	123
Hengqin											
Novotown	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	60.86%	Construction work in progress	Q4 2017	1,401,184	586,225	561,451	625,089	–	1,772,765	1,271
Subtotal of major properties under development in Hengqin:						586,225	561,451	625,089	-	1,772,765	1,271
Total of major properties under development:						808,883	923,302	625,089	1,961,715	4,318,989	3,214

Notes:

1. *On project basis*
2. *Including portions of the projects that have been completed for sale/lease*
3. *The commercial units are currently used by Lai Fung Group as sales centre for the project and expected to be refurbished for sale by the end of 2016.*
4. *In the process of negotiating the buildable area for the site with the city government*
5. *Office/office apartments*
6. *In the process of discussing a comprehensive redevelopment proposal with the district government*

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	Residential	Office	Total (excluding car-parking space & ancillary facilities)	
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	51.08%	35,236	26,479	–	61,715	–
Subtotal of major completed properties held for sale in Zhongshan:			**35,236**	**26,479**	**–**	**61,715**	**–**
Shanghai							
May Flower Plaza	Sujiaxiang, Jing'an District	51.08%	–	–	–	–	234
Regents Park, Phase II	88 Huichuan Road, Changning District	48.53%	–	–	–	–	197
Subtotal of major completed properties held for sale in Shanghai:			**–**	**–**	**–**	**–**	**431**
Guangzhou							
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	51.08%	–	14,731	–	14,731	76
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	24.26%	1,627	101,584	–	103,211	14
Paramount Centre	Nos. 407 and 409 Yan Jiang Dong Road, Yuexiu District	51.08%	2,862	–	39,061	41,923	23
King's Park	Donghua Dong Road, Yuexiu District	51.08%	1,705	–	–	1,705	17
Eastern Place	787 Dongfeng East Road, Yuexiu District	51.08%	–	–	–	–	1
West Point	Zhongshan Qi Road, Liwan District	51.08%	–	–	–	–	65
Subtotal of major completed properties held for sale in Guangzhou:			**6,194**	**116,315**	**39,061**	**161,570**	**196**
Total of major completed properties held for sale:			**41,430**	**142,794**	**39,061**	**223,285**	**627**

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.

To protect the Group's intellectual property rights, the Group has registered its domain name and various trademarks have been applied for or registered in various classes in Hong Kong, Macau, Mainland China and other relevant jurisdictions and takes all appropriate actions to enforce its intellectual property rights.

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 programmes.

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.

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2016 ("**Year**") save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**Executive Directors**"). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

(2) BOARD OF DIRECTORS

(2.1) Responsibilities and Delegation

The Board oversees the overall management of the Company's businesses 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 the 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 businesses to the management and the Executive Committee, and focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the overall business and commercial strategy of the Company and its subsidiaries ("**Group**") as well as overall policies and guidelines.

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

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

(2.2) Composition of the Board

The Board currently comprises ten members, of whom four are Executive Directors, two are NEDs and the remaining four are INEDs, exceeding the minimum number of INEDs required under Rule 3.10(1) of the Listing Rules. The Company has also complied with Rule 3.10A of the Listing Rules with INEDs representing at least one-third of the Board. The Board will review the management structure regularly to ensure that it continues to meet the Group's objectives and is in line with the industry practices.

The Directors who served the Board during the Year and up to the date of this Report are as follows:

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

Non-executive Directors
Madam U Po Chu
Mr. Andrew Y. Yan

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

The brief biographical particulars of the existing Directors are set out in the section headed "*Biographical Details of Directors*" of this Annual Report on pages 40 to 44.

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

(2.3) Attendance Record at Board Meetings

The Board meets at least four times a year with meeting dates scheduled prior to the beginning of the year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory materials as and when required.

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

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

(2.4) Independent Non-Executive Directors

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

(2.5) Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

(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. Directors are requested to provide records of training they received to the Company Secretary of the Company ("**Company Secretary**"). During the Year, the Company has arranged for the INEDs to attend a seminar organised by the Company's independent auditors ("**Independent Auditors**").

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

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

(4) BOARD COMMITTEES

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

(4.1) Remuneration Committee

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

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

(a) Duties of the Remuneration Committee

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

(b) Work Performed by the Remuneration Committee

The Remuneration Committee held a meeting during the Year to deliberate on matters relating to the payment of discretionary bonuses to and the review of the remuneration packages of certain Executive Directors and discuss other remuneration-related matters. No Director was involved in deciding his/her own remuneration at the meeting of the Remuneration Committee.

(c) Attendance Record at Remuneration Committee Meeting

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

Committee Members	Number of Meeting Attended/ Number of Meeting Held
Executive Directors	
Mr. Chew Fook Aun	1/1
Mr. Lui Siu Tsuen, Richard	1/1
Independent Non-executive Directors	
Mr. Low Chee Keong *(Chairman)*	1/1
Dr. Ng Lai Man, Carmen	1/1
Mr. Alfred Donald Yap	1/1

(4.2) Audit Committee

On 29 April 1999, the Board established an Audit Committee which currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive director) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. All members of the Audit Committee have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial skills of the Company.

(a) Duties of the Audit Committee

The Board believes that good corporate governance is essential to the success of the Group and the enhancement of Shareholders' value. While recognising corporate governance is the collective responsibility of all of its members, the Board has delegated the corporate governance functions to the members of Audit Committee who are considered to be better positioned to provide an objective and independent guidance on governance-related matters.

On 29 March 2012, the Board formalised the governance-related policies and procedures, established on the foundations of accountability, transparency, fairness and integrity and adopted by the Group for years, into a set of corporate governance policy ("**CG Policy**"). The Audit Committee has been delegated with the responsibilities to develop, review, monitor, and make recommendations to the Board (as appropriate) in respect of the Company's policies and practices of corporate governance (including the compliance with the CG Code and the relevant disclosures in the Company's interim and annual reports), the practices in compliance with legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management.

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

In compliance with new requirements relating to risk management and internal controls stipulated in the CG Code, which came into effect for accounting periods beginning on 1 January 2016, the Board has delegated the duties of overseeing and reviewing the Company's risk management and internal control systems to the Audit Committee in March 2016. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

(b) Work Performed by the Audit Committee

The Audit Committee held three meetings during the Year. It has reviewed the audited final results of the Company for the year ended 31 July 2015, the unaudited interim results of the Company for the six months ended 31 January 2016 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 budget for the ensuing year, the internal control review reports on the Company and the enterprise risk management proposal prepared by Deloitte Touche Tohmatsu, an independent external risk advisory firm ("**Deloitte**" or "**Independent Advisor**") and put forward relevant recommendations to the Board for approval.

On 18 October 2016, 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 representative of the Independent Auditors. It also reviewed this Corporate Governance Report and an internal control review report on the Company prepared by the Independent Advisor.

(c) Attendance Record at Audit Committee Meetings

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

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

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

(5) CHAIRMAN AND CHIEF EXECUTIVE

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

During the Year and up to the date of this Report, Mr. Low Chee Keong (an INED) is the Chairman of the Board and Mr. Lui Siu Tsuen, Richard (an Executive Director) is the Chief Executive Officer. 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 businesses. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

(6) NON-EXECUTIVE DIRECTORS

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

(7) NOMINATION OF DIRECTORS

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies and procedures for the selection and nomination of Directors, and arrangements for the performance of other duties of the nomination committee have also been disclosed therein. No candidate has been proposed for appointment as a Director during the Year.

(8) BOARD DIVERSITY POLICY

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

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

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

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

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

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(10) INDEPENDENT AUDITORS' REMUNERATION

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditors for the Year amounted to approximately HK$10,453,000 and HK$3,600,000 respectively. The non-audit services mainly consisted of certain agreed-upon procedures, tax advisory and other reporting services. An analysis of such fees is set out below:

	Audit service HK$'000	**Non-audit service** HK$'000
The Group (excluding Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGHL**") and their respective subsidiaries)	5,028	2,083
MAGHL and its subsidiaries	2,146	508
Lai Fung and its subsidiaries	3,279	1,009
Total	**10,453**	**3,600**

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Group and of their 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. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

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

(12) INDEPENDENT AUDITORS' REPORTING RESPONSIBILITY

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

(13) INTERNAL CONTROLS

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

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

(14) COMPANY SECRETARY

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

(15) SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(16) COMMUNICATION WITH SHAREHOLDERS

(16.1) Shareholders' Communication Policy

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

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

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

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

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

(iv) corporate information is made available on the Company's website and the Memorandum of Association and Bye-laws of the Company is made available on the respective websites of the Stock Exchange and the Company;

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

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

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

(16.2) Directors' Attendance at General Meetings

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

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

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being the SGM held on Friday, 11 December 2015 at 10:15 a.m., was held at Harbour View Rooms I & II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong. At the SGM, Shareholders approved, confirmed and ratified the conditional agreement dated 30 September 2015 entered into among (i) the Federation of Trade Union of Zhabei District of Shanghai* (上海市閘北區總工會) as vendor; (ii) Shanghai Zhabei Plaza Real Estate Development Company Limited* (上海閘北廣場房地產發展有限公司) as purchaser; and (iii) Lai Fung as guarantor (both the purchaser and the guarantor are indirect non-wholly-owned subsidiaries of the Company), for the acquisition of the entire interest in the premises situated at the 6th to 11th Floors, Hui Gong Building* (匯貢大廈), No. 99 Tian Mu Road West, Zhabei, Shanghai, the People's Republic of China, together with the corresponding land use rights and the right to use 20 car-parking spaces in the basement, and the transactions contemplated thereunder or incidental thereto.

Further details of the above SGM are contained in the Company's circular dated 23 November 2015 and the voting result of the above SGM are set out in the Company's announcement dated 11 December 2015, both published on the websites of the Company and the Stock Exchange.

** For identification purposes only*

(17) INVESTOR RELATIONS

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

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

Month	Event	Organiser	Location
October 2015	Post results non-deal roadshow	BNP	Hong Kong
October 2015	Post results non-deal roadshow	DBS	New York/ Philadelphia/ Boston/ San Francisco
October 2015	Post results non-deal roadshow	Daiwa	Paris/Basel/Zurich/ London
November 2015	Post results non-deal roadshow	BNP	Singapore
January 2016	DBS Vickers Pulse of Asia Conference	DBS	Singapore
January 2016	Asia Pacific Financial, Property & Logistics Conference	BNP	Hong Kong
January 2016	The Sixth Hong Kong Corporate Summit	Daiwa	Hong Kong
March 2016	Post results non-deal roadshow	DBS	Hong Kong
April 2016	Post results non-deal roadshow	DBS	Singapore
April 2016	Post results non-deal roadshow	Daiwa	London
April 2016	Post results non-deal roadshow	Daiwa	New York/ Los Angeles/ San Diego/ San Francisco

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

(18) CONSTITUTIONAL DOCUMENTS

During the Year, there was no significant change in the Memorandum of Association and Bye-laws of the Company which are available on both the websites of the Company at www.esun.com and the Stock Exchange at www.hkexnews.hk.

EXECUTIVE DIRECTORS

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

Mr. Lui Siu Tsuen, Richard, aged 60, was appointed the Chief Executive Officer of the Company in January 2011 and is presently a member of both the Executive Committee and the Remuneration Committee of the Company. He joined the Company in April 2010 as the chief operating officer of its Media and Entertainment Division and became an Executive Director with effect from July 2010. Mr. Lui is also an executive director of MAGHL and he was an executive director of LSG, LSD and Lai Fung respectively from 1 January 2011 to 31 October 2012. In addition, Mr. Lui has been appointed the Chairman of Audio, Visual & Multi-media Products Committee of The Chinese Manufacturers' Association of Hong Kong for a term of three years from 1 January 2015 to 31 December 2017.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited and was an independent non-executive director of 21 Holdings Limited (currently known as "Huanxi Media Group Limited") from 23 June 2009 to 9 April 2014. The issued shares of the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. Prior to joining the Company, Mr. Lui had held senior executive positions in a few Hong Kong and overseas listed companies.

Mr. Lui has over 30 years of experience in property investment, corporate finance and media and entertainment businesses. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Chartered Institute of Management Accountants, United Kingdom and holds a Master of Business Administration Degree from The University of Adelaide in Australia.

The Company and Mr. Lui have entered into an employment contract with no fixed term. In accordance with the provisions of the Bye-laws of the Company ("**Bye-laws**"), Mr. Lui will be subject to retirement from office as a 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. Lui presently receives annual remuneration of about HK$4,314,600 from the Group and an annual director's fee of HK$120,000 from MAGHL as well as other allowances (where applicable), and such remuneration and discretionary bonus as may be determined by the respective boards of the Company and MAGHL from time to time with reference to the results of the Company and MAGHL, his performance, duties, responsibilities and time allocated to the Company and MAGHL as well as the prevailing market conditions.

Save as disclosed above, Mr. Lui 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 the share option granted to him to subscribe for 3,729,636 shares of the Company pursuant to the share option scheme of the Company adopted on 23 December 2005, Mr. Lui does not have any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**").

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

Mr. Chew Fook Aun, aged 54, was appointed an Executive Director on 5 June 2012. He is presently a member of both the Executive Committee and Remuneration Committee of the Company. Mr. Chew is also the deputy chairman and an executive director of LSG and LSD as well as the chairman and an executive director of Lai Fung.

Prior to joining the Lai Sun Group, Mr. Chew was an executive director and the group chief financial officer of Esprit Holdings Limited ("**Esprit**") from 1 February 2009 to 1 May 2012, and an executive director and the chief financial officer of The Link Management Limited (currently known as "Link Asset Management Limited") acting as manager of The Link Real Estate Investment Trust (currently 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 the 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 and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the United Kingdom with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the HKICPA and The Institute of Chartered Accountants in England and Wales. He was a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of the operations review committee of the Independent Commission Against Corruption ("**ICAC**") and a member of the Barristers Disciplinary Tribunal Panel for a term of five years with effect from 1 September 2015. He was a member of the advisory committee of the Securities and Futures Commission, the corruption prevention advisory committee of the ICAC, the standing committee on company law reform of the Companies Registry and a council member of the Financial Reporting Council.

Mr. Lam Hau Yin, Lester, aged 35, was appointed an Executive Director on 1 November 2012 and is currently a member of the Executive Committee of the Company. He is also an executive director of both LSG and LSD, as well as an executive director and the chief executive officer of Lai Fung. Further, Mr. Lam is also an alternate director to Madam U Po Chu (also a non-executive Director of the Company ("**NED**")) in her capacity as an executive director of LSG.

Mr. Lam is a grandson of Madam U and a son of Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**", a substantial shareholder of the Company within the meaning of Part XV of the SFO).

Mr. Lam holds a Bachelor of Science in Business Administration Degree from the Northeastern University in Boston of the United States of America. He completed the Kellogg–HKUST Executive MBA program in July 2016. Mr. Lam has acquired working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products, entertainment and property development and investment.

Mr. Yip Chai Tuck, aged 42, was appointed an Executive Director on 14 February 2014 and is currently a member of the Executive Committee of the Company. He is also the chief executive officer of LSG and an executive director of MAGHL. He has extensive experience in corporate advisory, business development and investment banking. Prior to joining the Company, Mr. Yip was a managing director and head of Mergers and Acquisitions ("**M&A**") for China of Goldman Sachs. He had also worked for PCCW Limited, a Hong Kong listed company, as Vice President of Ventures and M&A, responsible for strategic investments and M&A transactions.

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

NON-EXECUTIVE DIRECTORS

Madam U Po Chu, aged 91, is a NED and was first appointed as Director in October 1996. She is also an executive director of LSG and Lai Fung as well as a non-executive director of LSD.

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

Madam U is the grandmother of Mr. Lam Hau Yin, Lester (an Executive Director) and the mother of Dr. Peter Lam.

Madam U does not have a service contract with the Company. However, in accordance with the provisions of the Bye-laws, she will be subject to retirement from office as a Director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs.

Madam U currently does not receive any remuneration from the Company while receives an annual remuneration of about HK$4,318,000 from Lai Fung and other allowances (where applicable), and such remuneration and discretionary bonus as may be determined by the respective boards of the Company and Lai Fung from time to time with reference to the results of the Company and Lai Fung, her performance, duties and responsibilities and time allocated to the Company and Lai Fung as well as the prevailing market conditions.

Apart from the aforesaid, Madam U does 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 interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of Madam U's re-election as a Director at the forthcoming AGM in accordance with the Bye-laws, save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Andrew Y. Yan, aged 59, was appointed a NED on 1 September 2011. He joined SAIF Partners in 2001 and is currently its founding managing partner. He holds a Master's degree in International Political Economy from the Princeton University in the United States and a Bachelor's degree in Engineering from the Nanjing Aeronautic Institute (presently the Nanjing University of Aeronautics and Astronautics) in Mainland China.

Mr. Yan is currently a non-executive director of China Huiyuan Juice Group Limited and Guodian Technology & Environment Group Corporation Limited as well as an independent non-executive director of China Resources Land Limited and Cogobuy Group. The issued shares of all aforesaid companies are listed and traded on the Stock Exchange.

He is also currently an independent non-executive director of China Petroleum & Chemical Corporation (listed on the Stock Exchange, Shanghai Stock Exchange, London Stock Exchange and New York Stock Exchange ("**NYSE**")). Further, Mr. Yan is an independent director of ATA Inc. (listed on the NASDAQ Global Market), BlueFocus Communication Group (listed on the ChiNext in the Shenzhen Stock Exchange), Sky Solar Holdings, Ltd. (listed on NASDAQ) and TCL Corporation (listed on the Shenzhen Stock Exchange) as well as a director of ATA Online (Beijing) Education Technology Co., Ltd. (listed on the New Third Board, the over-the-counter stock exchange in Mainland China).

In addition, Mr. Yan was an independent non-executive director of China Mengniu Dairy Company Limited (10 January 2013 to 25 March 2014), Fosun International Limited (23 March 2007 to 25 September 2014) and CPMC Holdings Limited (17 March 2014 to 31 August 2016) (all listed on the Stock Exchange); a non-executive director of MOBI Development Co., Ltd. (2 January 2003 to 1 August 2013) and Digital China Holdings Limited (19 December 2007 to 30 June 2016) (both listed on the Stock Exchange) and a director of Eternal Asia Supply Chain Management Ltd (listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange) (October 2006 to 14 June 2013). He was also a non-executive director (October 2006 to 2 April 2013) and the chairman (24 May 2012 to 2 April 2013) of NVC Lighting Holding Limited (listed on the Stock Exchange); a director of Global Education & Technology Group Limited (March 2007 to 19 December 2011 when its shares were withdrawn from listing on the NASDAQ Global Market on 20 December 2011); a director of China Digital TV Holding Co., Ltd (listed on the NYSE) (November 2013 to 28 April 2014); and an independent director of Giant Interactive Group, Inc. (October 2006 to 17 July 2014 when its shares were withdrawn from listing on the NYSE on 18 July 2014). Mr. Yan is no longer acted as a director of Acorn International Inc. (listed on the NYSE) with effect from 31 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Low Chee Keong, aged 56, has been the Chairman of the Board since June 2010 and is currently an independent non-executive director of the Company ("**INED**"), a member of the Audit Committee and the chairman of the Remuneration Committee of the Company. Mr. Low first joined the Board in August 1999 as an INED, was re-designated as a NED in June 2010, and was further re-designated as an INED on 1 September 2011. Serving as a member of the Remuneration Committee since October 2009, he was the chairman of the Remuneration Committee from October 2009 to late March 2011 and re-assumed the Remuneration Committee chairmanship on 1 September 2011.

Mr. Low graduated from the Chartered Institute of Marketing in the United Kingdom in 1986. He has over 21 years' experience in the property development and maintenance industry in Singapore.

Mr. Lo Kwok Kwei, David, aged 56, joined the Board as a NED in March 2009 and has been re-designated from a NED to an INED with effect from 1 September 2011. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984 and has been a member of The Law Society of Hong Kong since 1987. Mr. Lo has been practicing as a solicitor in Hong Kong for over 26 years and is a partner of a law firm David Lo & Partners. In addition, he is currently an independent non-executive director of Man Yue Technology Holdings Limited and was an independent non-executive director of ENM Holdings Limited from 17 June 2010 to 3 June 2016 (the issued shares of both companies are listed and traded on the Stock Exchange).

Dr. Ng Lai Man, Carmen, aged 52, was appointed an INED in March 2009 and is presently the chairwoman of the Audit Committee and a member of the Remuneration Committee of the Company. She has over 20 years of experience in professional accounting services and corporate finance in Hong Kong, Mainland China, Singapore, the United States, Canada and Europe.

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

Mr. Alfred Donald Yap, J.P., aged 77, is an INED and a member of both the Audit Committee and the Remuneration Committee of the Company. He was first appointed to the Board in December 1996. Mr. Yap is presently a consultant of K. C. Ho & Fong, Solicitors and Notaries. He was a former president of both The Law Society of Hong Kong and The Law Association for Asia and the Pacific (LAWASIA). He was also a former Hong Kong Affairs Adviser appointed by the Chinese Government. Mr. Yap is an independent non-executive director of Hung Hing Printing Group Limited and Wong's International Holdings Limited (the issued shares of both companies are listed and traded on the Stock Exchange).

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements ("**Financial Statements**") of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2016 ("**Year**").

PRINCIPAL ACTIVITIES

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

Particulars of the Company's principal subsidiaries as at 31 July 2016 are set out in note 49 to the Financial Statements.

BUSINESS REVIEW

A fair review of the businesses of the Company as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "*Chairman's Statement*" and "*Management Discussion and Analysis*" set out on pages 4 to 9 and pages 14 to 21 of this Annual Report, respectively. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the "*Financial Summary and Highlights*" on pages 10 to 13 of this Annual Report. The financial risk management objectives and policies of the Group are set out in note 46 to the Financial Statements. These discussions form part of this Report.

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the Group's financial position as at 31 July 2016 are set out in the Financial Statements and their accompanying notes on pages 64 to 192.

The board of Directors ("**Board**") does not recommend the payment of a final dividend in respect of the Year (2015: Nil). No interim dividend was paid or declared in respect of the Year (2015: Nil).

DIRECTORS

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

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

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

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

In accordance with Bye-law 87 of the Bye-laws of the Company ("**Bye-laws**"), Directors shall retire from office by rotation once every three years since their last election. Mr. Lui Siu Tsuen, Richard ("**Mr. Richard Lui**") and Madam U Po Chu ("**Madam U**") will retire from office by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election.

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

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

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the existing Directors are set out on pages 40 to 44 of this Annual Report. Directors' other particulars are contained elsewhere in this Report.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Bye-law 166(1) of the Bye-laws and subject to the provisions of the Statutes, every Director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution or holding of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged Directors' and officers' liability insurance policy of the Company during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in note 5 to the Financial Statements, no Director nor a connected entity of a Director had a material interest, whether 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.

MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors' Interests*" in this Report below and in note 38 to the Financial Statements, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Four Executive Directors, namely Mr. Richard Lui, Mr. Chew Fook Aun ("**Mr. FA Chew**"), Mr. Lam Hau Yin, Lester ("**Mr. Lester Lam**") and Mr. Yip Chai Tuck ("**Mr. CT Yip**") as well as Madam U, a NED, held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of media and entertainment and/or property investment and development and/or development and operation of and investment in cultural, leisure, entertainment and related facilities in Hong Kong and/or Mainland China. Mr. Andrew Y. Yan ("**Mr. Andrew Yan**"), a NED, controlled certain investment funds which also made investment in companies engaged in the businesses of media and entertainment.

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

SHARE OPTION SCHEMES

1. The Company

On 11 December 2015, the Company adopted a new share option scheme ("**2015 Scheme**") and terminated its share option scheme adopted on 23 December 2005 ("**2005 Scheme**"). Upon the termination of the 2005 Scheme, no further share options will be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable. The 2015 Scheme which became effective on 23 December 2015 remains in force for a period of 10 years commencing on its adoption date. The details of the 2015 Scheme are set out in the circular of the Company dated 12 November 2015. The maximum number of the Company's shares ("**Shares**") issuable pursuant to the 2015 Scheme is 124,321,216, being 10% of the total issued Shares on the date of the approval of the 2015 Scheme.

As at 31 July 2016 and the date of this Report, no share options have been granted under the 2015 Scheme since its adoption and the Company has a total of 33,450,665 underlying Shares comprised in the options outstanding under the 2005 Scheme (representing approximately 2.69% of the total issued Shares as at those dates).

The movements of the share options granted under the 2005 Scheme during the Year are as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) *(Note 1)*	Number of underlying Shares comprised in share options: As at 1 August 2015	Granted during the Year	Lapsed during the Year	As at 31 July 2016	Exercise period (dd/mm/yyyy)	Exercise price per Share (HK$) *(Note 2)*
Directors							
Chew Fook Aun	05/06/2012	6,216,060	–	–	6,216,060	05/06/2012 – 04/06/2022	0.92
Lam Hau Yin, Lester	18/01/2013	12,432,121	–	–	12,432,121	18/01/2013 – 17/01/2023	1.612
Lui Siu Tsuen, Richard	18/01/2013	3,729,636	–	–	3,729,636	18/01/2013 – 17/01/2023	1.612
Subtotal		**22,377,817**	**–**	**–**	**22,377,817**		
Employees and other eligible participants							
Lam Kin Ngok, Peter ("**Dr. Peter Lam**") *(Note 3)*	18/01/2013	1,243,212	–	–	1,243,212	18/01/2013 – 17/01/2023	1.612
Employees (in aggregate)	18/01/2013	8,029,636	–	–	8,029,636	18/01/2013 – 17/01/2023	1.612
	21/01/2015	1,800,000	–	–	1,800,000	21/01/2015 – 20/01/2025	0.728
Subtotal		**11,072,848**	**–**	**–**	**11,072,848**		
Total		**33,450,665**	**–**	**–**	**33,450,665**		

Notes:

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

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

3. *Dr. Peter Lam, a substantial shareholder of the Company (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")), was an Executive Director from 15 October 1996 to 13 February 2014.*

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2005 Scheme and the 2015 Scheme during the Year. Further details of the 2005 Scheme and the 2015 Scheme are disclosed in note 38(a) to the Financial Statements.

2. Media Asia Group Holdings Limited ("MAGHL")

On 18 December 2012, MAGHL, a company listed on the Growth Enterprise Market of the Stock Exchange ("**GEM**") and a non-wholly-owned subsidiary of the Company since 9 June 2011, adopted a new share option scheme ("**2012 MAGHL Scheme**") and terminated its share option scheme adopted on 19 November 2009 ("**2009 MAGHL Scheme**"), under which no further share options will be granted. The adoption of the 2012 MAGHL Scheme and the termination of the 2009 MAGHL Scheme were also approved by the Shareholders at a special general meeting of the Company ("**SGM**") held on 18 December 2012. The 2012 MAGHL Scheme will remain in force for a period of 10 years commencing on its adoption date.

In compliance with Chapter 23 of the Rules Governing the Listing of Securities on the GEM ("**GEM Listing Rules**"), MAGHL's shareholders passed a resolution at its annual general meeting held on 11 December 2015 to refresh scheme limit under the 2012 MAGHL Scheme, allowing MAGHL to grant options to subscribe for up to a total of 213,605,682 MAGHL's shares ("**Refreshment**"), representing 10% of its total issued shares as at the date of passing the relevant resolution. The Refreshment was also approved by the Shareholders at an AGM held on 11 December 2015 pursuant to the requirements of Rule 17.01(4) of the Listing Rules and Rule 23.01(4) of the GEM Listing Rules.

All outstanding share options under the 2009 MAGHL Scheme had lapsed in the financial year ended 31 July 2013. No share options have been granted under the 2012 MAGHL Scheme since its adoption on 18 December 2012. Further details of the 2012 MAGHL Scheme are disclosed in note 38(b) to the Financial Statements.

3. Lai Fung Holdings Limited ("Lai Fung")

On 18 December 2012, Lai Fung, a non-wholly-owned subsidiary of the Company listed on the Main Board of the Stock Exchange, adopted a new share option scheme ("**2012 Lai Fung Scheme**") and terminated its share option scheme adopted on 21 August 2003 ("**2003 Lai Fung Scheme**"). Upon the termination of the 2003 Lai Fung Scheme, no further share options will be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable. The adoption of the 2012 Lai Fung Scheme and the termination of the 2003 Lai Fung Scheme were also approved by the Shareholders at a SGM held on 18 December 2012. The 2012 Lai Fung Scheme will remain in force for a period of 10 years commencing on its adoption date. The maximum number of shares of Lai Fung ("**Lai Fung Shares**") issuable pursuant to the 2012 Lai Fung Scheme is 1,609,591,295, being 10% of the total issued Lai Fung Shares on the date of approval of the 2012 Lai Fung Scheme.

As at 31 July 2016 and the date of this Report, Lai Fung might grant further options under the 2012 Lai Fung Scheme to subscribe for a maximum of 1,153,864,865 Lai Fung Shares (representing about 7.12% of total issued Lai Fung Shares as at those dates (i.e. 16,197,692,086)) and Lai Fung has a total of 536,205,994 underlying Lai Fung Shares comprised in options outstanding (representing about 3.31% of total issued Lai Fung Shares as at those dates), of which a share option comprising 80,479,564 underlying Lai Fung Shares was granted under the 2003 Lai Fung Scheme and share options comprising 455,726,430 underlying Lai Fung Shares were granted under the 2012 Lai Fung Scheme.

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

Category/Name of participants	Date of grant (dd/mm/yyyy) *(Note 1)*	Number of underlying Lai Fung Shares comprised in share options: As at 1 August 2015	Granted during the Year	Lapsed during the Year	As at 31 July 2016	Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share (HK$) *(Note 2)*
Directors of Lai Fung							
Chew Fook Aun	12/06/2012	80,479,564	–	–	80,479,564	12/06/2012 – 11/06/2020	0.133
Lam Hau Yin, Lester	18/01/2013	160,959,129	–	–	160,959,129	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	18/01/2013	32,000,000	–	–	32,000,000	18/01/2013 – 17/01/2023	0.228
Subtotal		**305,630,518**	**–**	**–**	**305,630,518**		
Employees and other eligible participants (in aggregate)							
Batch 1	18/01/2013	210,575,476 *(Note 3)*	–	–	210,575,476	18/01/2013 – 17/01/2023	0.228
Batch 2	26/07/2013	14,000,000	–	(3,000,000)	11,000,000	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		**233,575,476**	**–**	**(3,000,000)**	**230,575,476**		
Total		**539,205,994**	**–**	**(3,000,000)**	**536,205,994**		

Notes:

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

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

3. *Dr. Peter Lam, a substantial shareholder of Lai Fung (within the meaning of Part XV of the SFO), was granted a share option to subscribe for a total of 16,095,912 Lai Fung Shares on 18 January 2013.*

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed under the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the Year. Further details of the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme are disclosed in note 38(c) to the Financial Statements.

DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2016 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as otherwise known by the Directors:

(I) Interests in the Company

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

Notes:

1. *The total number of issued Shares as at 31 July 2016 (1,243,212,165 Shares) has been used in the calculation of the approximate percentage.*

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

3. *Details of the share options granted to Mr. Lester Lam and Mr. FA Chew (both Executive Directors) and Mr. Richard Lui (an Executive Director and the Chief Executive Officer) under the 2005 Scheme are shown in the section headed "Share Option Schemes" of this Report.*

(II) Interests in Associated Corporation – Lai Fung

Name of Directors	Capacity	Long positions in Lai Fung Shares and underlying Lai Fung Shares				
		Number of Lai Fung Shares		Lai Fung share options		
		Personal interests	Corporate interests	Personal interests	Total	Approximate percentage of total issued Lai Fung Shares *(Note 1)*
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	160,959,129 *(Note 2)*	160,959,129	0.99%
Chew Fook Aun	Beneficial owner	Nil	Nil	80,479,564 *(Note 3)*	80,479,564	0.50%

Notes:

1. *The total number of issued Lai Fung Shares as at 31 July 2016 (16,197,692,086 Lai Fung Shares) has been used in the calculation of the approximate percentage.*

2. *Details of the share option granted to Mr. Lester Lam, an Executive Director (currently also the chief executive officer and an executive director of Lai Fung) under the 2012 Lai Fung Scheme are shown in the section headed "Share Option Schemes" of this Report.*

3. *Details of the share option granted to Mr. FA Chew, an Executive Director (currently also the chairman and an executive director of Lai Fung) under the 2003 Lai Fung Scheme are shown in the section headed "Share Option Schemes" of this Report.*

Save as disclosed above, as at 31 July 2016, none of the Directors and the chief executive of the Company and their respective close associates was interested, or was deemed to be interested, in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 July 2016, so far as it was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (one being an existing Director), who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

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

Notes:

1. *The total number of issued Shares as at 31 July 2016 (1,243,212,165 Shares) has been used in the calculation of the approximate percentage.*

2. *As at 31 July 2016, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, were also executive directors of LSD. Madam U, a NED, was also a non-executive director of LSD.*

3. *As at 31 July 2016, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, and Madam U, a NED, were also executive directors of LSG. Mr. CT Yip, an Executive Director, was also the chief executive officer of LSG.*

4. *Dr. Peter Lam (an Executive Director from 15 October 1996 to 13 February 2014) and LSG were deemed to be interested in the same 521,204,186 Shares held by LSD. As at 31 July 2016, Dr. Peter Lam was deemed to be interested in 521,204,186 Shares (approximately 41.92% of the total issued Shares) indirectly owned by LSD by virtue of his personal and deemed controlling shareholding interests of approximately 42.23% (excluding share option) in LSG. LSD was approximately 61.93% directly and indirectly owned by LSG. LSG was approximately 12.53% (excluding share option) owned by Dr. Peter Lam and approximately 29.70% owned by Wisdoman Limited, which was in turn 100% beneficially owned by Dr. Peter Lam.*

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

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

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) which/who, as at 31 July 2016, 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 5 to the Financial Statements and the section headed "*Continuing Connected Transactions*" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

1.1 The Company

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

1.2 MAGHL

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

1.3 Lai Fung

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

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

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

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

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

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

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

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

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

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

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

For the Year, rental and management fee received or receivable from, and rental and management fee paid or payable to LSD Group amounted to HK$69,000 and HK$11,097,000, respectively.

2. Ascott Management Agreement

The Company and Lai Fung jointly announced on 24 May 2013 that two pre-existing agreements entered into by Lai Fung on 5 May 2009 relating to Ascott Management Agreement (as defined below) and on 16 April 2010 regarding the Breakfast Agreement (already expired on 31 August 2013), respectively had subsequently become CCTs of the Company from 30 October 2012 under Chapter 14A of the Listing Rules, as Lai Fung had been consolidated as a subsidiary of the Company from 11 June 2012 due to the adoption of HKFRS 10 by the Company during the year ended 31 July 2012 already explained in the first paragraph under item 1 of this section above.

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

The board of directors of Lai Fung expected that the total fees payable by Li Xing to Ascott during the initial term of the Ascott Management Agreement would not exceed RMB19 million per annum. For the Year, total fees paid or payable to Ascott amounted to RMB7,902,000 (approximately HK$9,444,000).

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

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

(b) on normal commercial terms or better; and

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

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

(i) have not been approved by the Board;

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

(iii) have exceeded the annual cap as set by the Company.

Moreover, during the Year, there were sharing of corporate salaries and administrative expenses on a cost basis allocated from and to the LSG Group and the LSD Group. These CCTs are exempt from announcement, reporting and shareholders' approval requirements pursuant to Rule 14A.98 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group are provided under note 5 to the Financial Statements.

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. Discussions 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 "*Corporate Social Responsibility Report*" and "*Corporate Governance Report*" on page 26 and pages 27 to 39 of this Annual Report, respectively.

SHARE CAPITAL

Details of the Company's share capital are set out in note 37 to the Financial Statements.

CONVERTIBLE NOTES, FIXED RATE SENIOR NOTES AND SECURED GUARANTEED NOTES

Details of the convertible notes, fixed rate senior notes and secured guaranteed notes issued by the Group are set out in notes 32, 33 and 34 to the Financial Statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 July 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) ("**Companies Act**"), comprised retained profits of HK$365,850,000 and contributed surplus of HK$845,455,000.

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

DONATIONS FOR CHARITABLE AND OTHER PURPOSES

During the Year, the Group made contributions for charitable or other purposes totalling HK$7,072,000.

MAJOR CUSTOMERS AND SUPPLIERS

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

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom to the best knowledge and belief 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 and customers for the Year.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 23 May 2016, the Company entered into an 18-month HK$600 million revolving loan facility agreement. Pursuant to this facility agreement, the Company has undertaken to ensure that from the date of the facility agreement for so long as any liability is outstanding or the commitment is in force, LSD legally and beneficially owns at least 40% of the issued share capital of the Company. As at 31 July 2016, the outstanding loan balance of this facility amounted to HK$350 million.

BANK LOANS AND OTHER BORROWINGS

Details of the Company's bank loans and other borrowings as at 31 July 2016 are set out in notes 30 and 31 to the Financial Statements, respectively.

SUMMARY OF FINANCIAL INFORMATION

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

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 27 to 39.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EQUITY-LINK AGREEMENT

For the Year, the Company has not entered into any equity-link agreement, save for options to be granted under the above section of "*Share Option Schemes*" of this Report.

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITORS

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

On Behalf of the Board

Low Chee Keong
Chairman
Hong Kong
19 October 2016

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

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

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

(b) Bermuda

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

(c) Consultation with professional advisers

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

KEY DATES

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

	For Financial Year 2015/2016
Annual results announcement for the year ended 31 July 2016	19 October 2016
Latest time and date to lodge transfer documents with the Hong Kong branch share registrar for entitlement to attending and voting at the 2016 annual general meeting ("**AGM**")	4:30 p.m. on 13 December 2016
2016 AGM	10:00 a.m. on 16 December 2016

	For Financial Year 2016/2017
Interim results announcement for the six months ending 31 January 2017	on or before 31 March 2017
Annual results announcement for the year ending 31 July 2017	on or before 31 October 2017
2017 AGM	December 2017

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EY 安永

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

We have audited the consolidated financial statements of eSun Holdings Limited (the "Company") and its subsidiaries set out on pages 64 to 192, which comprise the consolidated statement of financial position as at 31 July 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 July 2016, 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

19 October 2016

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2016

	Notes	2016 HK$'000	2015 HK$'000
TURNOVER	6	**3,369,275**	3,329,495
Cost of sales		**(1,991,041)**	(1,910,742)
Gross profit		**1,378,234**	1,418,753
Other revenue	6	**178,117**	196,736
Selling and marketing expenses		**(176,069)**	(216,755)
Administrative expenses		**(626,142)**	(598,459)
Other operating gains		**24,855**	50,963
Other operating expenses		**(429,040)**	(341,742)
Fair value losses on cross currency swaps	35	**–**	(86,492)
Fair value gains on investment properties	14	**522,043**	964,632
PROFIT FROM OPERATING ACTIVITIES		**871,998**	1,387,636
Finance costs	8	**(235,186)**	(289,122)
Share of profits and losses of joint ventures		**79,623**	83,703
Share of profits and losses of associates		**2,097**	193
PROFIT BEFORE TAX	7	**718,532**	1,182,410
Income tax expense	10	**(405,526)**	(560,534)
PROFIT FOR THE YEAR		**313,006**	621,876
Attributable to:			
Owners of the Company		**80,825**	258,231
Non-controlling interests		**232,181**	363,645
		313,006	621,876
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic		**HK$0.065**	HK$0.208
Diluted		**HK$0.065**	HK$0.208

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2016

	Notes	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR		**313,006**	621,876
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange realignment on translation of foreign operations		**(1,056,093)**	(155,454)
Reclassification adjustments relating to disposal/deregistration of foreign operations during the year		**–**	(2,253)
Change in fair value of an available-for-sale investment	22	**(17,631)**	28,128
Share of other comprehensive loss of joint ventures		**(77,360)**	(11,530)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	35	**(88,697)**	–
Reclassification adjustments for exchange gain included in the consolidated income statement	35	**135,756**	–
		47,059	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(1,104,025)**	(141,109)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(791,019)**	480,767
Attributable to:			
Owners of the Company		**(502,306)**	197,975
Non-controlling interests		**(288,713)**	282,792
		(791,019)	480,767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**2,768,546**	2,580,696
Properties under development	13	**1,188,387**	1,631,376
Investment properties	14	**15,065,759**	14,914,881
Film rights	15	**23,682**	25,197
Film products	16	**123,768**	81,947
Music catalogs	17	**14,918**	14,832
Goodwill	18	**123,440**	123,440
Other intangible assets	19	**28,605**	–
Investments in joint ventures	20	**1,161,752**	1,231,634
Investments in associates	21	**26,894**	28,875
Available-for-sale investments	22	**138,592**	167,092
Deposit for acquisition of an investment property	23	**228,620**	–
Deposits, prepayments and other receivables	23	**95,285**	124,273
Pledged and restricted time deposits	27	**–**	135,669
Deferred tax assets	36	**6,101**	5,072
Total non-current assets		**20,994,349**	21,064,984
CURRENT ASSETS			
Properties under development	13	**802,635**	247,155
Completed properties for sale		**625,994**	1,683,336
Films under production	24	**450,849**	245,395
Inventories	25	**33,766**	27,127
Debtors	26	**384,508**	323,788
Deposits, prepayments and other receivables	23	**450,119**	470,400
Prepaid tax		**36,223**	37,300
Pledged and restricted time deposits and bank balances	27	**1,066,494**	1,360,665
Cash and cash equivalents	27	**3,299,148**	3,151,111
		7,149,736	7,546,277
Asset classified as held for sale	28	**257,666**	265,432
Total current assets		**7,407,402**	7,811,709
CURRENT LIABILITIES			
Creditors and accruals	29	**1,328,410**	1,198,969
Deposits received and deferred income		**765,052**	325,830
Tax payable		**420,214**	368,114
Interest-bearing bank loans, secured	30	**311,548**	2,487,367
Loans from a joint venture	20	**350,328**	372,897
Total current liabilities		**3,175,552**	4,753,177
NET CURRENT ASSETS		**4,231,850**	3,058,532
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,226,199**	24,123,516

	Notes	2016 HK$'000	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,226,199**	24,123,516
NON-CURRENT LIABILITIES			
Long-term deposits received		**124,389**	103,369
Interest-bearing bank loans, secured	30	**3,089,201**	533,780
Other borrowings	31	**247,510**	245,386
Convertible notes	32	**166,170**	166,576
Fixed rate senior notes	33	**2,092,741**	2,220,914
Guaranteed notes	34	**–**	794,343
Loan from a joint venture	20	**222,430**	–
Derivative financial instruments	35	**210,068**	111,654
Deferred tax liabilities	36	**2,808,906**	2,804,979
Total non-current liabilities		**8,961,415**	6,981,001
Net assets		**16,264,784**	17,142,515
EQUITY			
Equity attributable to owners of the Company			
Issued capital	37	**621,606**	621,606
Reserves	39	**7,977,652**	8,543,074
		8,599,258	9,164,680
Non-controlling interests		**7,665,526**	7,977,835
Total equity		**16,264,784**	17,142,515

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2016

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (Note 1)	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Hedge reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2015		621,606	4,230,797	891,289	15,293	42,683	(2,225)	108,742	679,315	64,690	2,512,490	9,164,680	7,977,835	17,142,515
Profit for the year		–	–	–	–	–	–	–	–	–	80,825	80,825	232,181	313,006
Other comprehensive income/(loss) for the year, net of tax:														
Exchange realignment on translation of foreign operations		–	–	–	–	–	–	(549,296)	–	–	–	(549,296)	(506,797)	(1,056,093)
Change in fair value of an available-for-sale investment		–	–	–	–	(17,631)	–	–	–	–	–	(17,631)	–	(17,631)
Share of other comprehensive loss of joint ventures		–	–	–	–	–	–	(40,242)	–	–	–	(40,242)	(37,118)	(77,360)
Net gain on cash flow hedges		–	–	–	–	–	24,038	–	–	–	–	24,038	23,021	47,059
Total comprehensive income/(loss) for the year		–	–	–	–	(17,631)	24,038	(589,538)	–	–	80,825	(502,306)	(288,713)	(791,019)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	15,749	15,749
Acquisition of additional interests in subsidiaries	49(a), (b)	–	–	–	–	–	–	–	(37,108)	–	–	(37,108)	(66,917)	(104,025)
Conversion of convertible notes of a subsidiary	49(a)	–	–	–	–	–	–	–	1,722	–	–	1,722	13,502	15,224
Capital contributions from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	4,291	4,291
Release of reserve upon lapse of share options of a subsidiary		–	–	–	–	–	–	–	–	–	87	87	(87)	–
Shares issued by a subsidiary in lieu of cash dividend	49(b)	–	–	–	–	–	–	–	(27,817)	–	–	(27,817)	35,789	7,972
Share of statutory reserve of joint ventures		–	–	–	–	–	–	–	–	6,042	(6,042)	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(25,923)	(25,923)
At 31 July 2016		**621,606**	**4,230,797***	**891,289***	**15,293***	**25,052***	**21,813***	**(480,796)***	**616,112***	**70,732***	**2,587,360***	**8,599,258**	**7,665,526**	**16,264,784**

* *These reserve accounts comprise the consolidated reserves of HK$7,977,652,000 (2015: HK$8,543,074,000) in the consolidated statement of financial position.*

Notes:

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

2. *No dividend was paid or proposed during the year ended 31 July 2016 (2015: Nil), nor has any dividend been proposed since the end of the reporting period.*

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (Note 1)	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Hedge reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2014		621,606	4,230,797	891,289	14,876	14,555	(2,225)	197,126	662,373	35,473	2,260,315	8,926,185	7,653,924	16,580,109
Profit for the year		–	–	–	–	–	–	–	–	–	258,231	258,231	363,645	621,876
Other comprehensive income/(loss) for the year, net of tax:														
Exchange realignment on translation of foreign operations		–	–	–	–	–	–	(80,296)	–	–	–	(80,296)	(75,158)	(155,454)
Reclassification adjustments relating to disposal/ deregistration of foreign operations during the year		–	–	–	–	–	–	(2,214)	–	–	–	(2,214)	(39)	(2,253)
Change in fair value of an available-for-sale investment		–	–	–	–	28,128	–	–	–	–	–	28,128	–	28,128
Share of other comprehensive loss of joint ventures		–	–	–	–	–	–	(5,874)	–	–	–	(5,874)	(5,656)	(11,530)
Total comprehensive income/(loss) for the year		–	–	–	–	28,128	–	(88,384)	–	–	258,231	197,975	282,792	480,767
Acquisition of additional interests in subsidiaries		–	–	–	–	–	–	–	(3,394)	–	–	(3,394)	(59,917)	(63,311)
Conversion of convertible notes of a subsidiary	49(a)	–	–	–	–	–	–	–	31,514	–	–	31,514	8,256	39,770
Equity-settled share option arrangements	38	–	–	–	417	–	–	–	–	–	–	417	371	788
Issue of TFN Convertible Notes by a subsidiary	32(ii)	–	–	–	–	–	–	–	–	–	–	–	30,951	30,951
Issue of Specific Mandate Convertible Notes by a subsidiary	32(iii)	–	–	–	–	–	–	–	–	–	–	–	20,977	20,977
Open offer of shares of a subsidiary	49(a)	–	–	–	–	–	–	–	–	–	–	–	72,347	72,347
Redemption of Second Completion Convertible Notes	32(i)	–	–	–	–	–	–	–	–	–	22,928	22,928	(22,928)	–
Release of reserve upon lapse of share options of a subsidiary		–	–	–	–	–	–	–	–	–	233	233	(233)	–
Shares issued by a subsidiary in lieu of cash dividend	49(b)	–	–	–	–	–	–	–	(11,178)	–	–	(11,178)	15,561	4,383
Transfer to statutory reserve		–	–	–	–	–	–	–	–	19,569	(19,569)	–	–	–
Share of statutory reserve of joint ventures		–	–	–	–	–	–	–	–	9,648	(9,648)	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(24,266)	(24,266)
At 31 July 2015		621,606	4,230,797	891,289	15,293	42,683	(2,225)	108,742	679,315	64,690	2,512,490	9,164,680	7,977,835	17,142,515

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**718,532**	1,182,410
Adjustments for:			
Fair value gains on investment properties	14	**(522,043)**	(964,632)
Finance costs	8	**235,186**	289,122
Share of profits and losses of joint ventures		**(79,623)**	(83,703)
Share of profits and losses of associates		**(2,097)**	(193)
Interest income	6	**(37,281)**	(50,391)
Loss on disposal of items of property, plant and equipment	7	**86**	1,199
Gain on return of land use right to the local authority	7	**(10,095)**	–
Gain on disposal/deregistration of subsidiaries	7	**–**	(2,471)
Gain on disposal/dissolution of joint ventures	7	**(721)**	–
Loss on repurchase and early redemption of guaranteed notes	7	**18,290**	–
Depreciation	7	**145,962**	148,476
Amortisation of film rights	7	**6,021**	12,885
Amortisation of film products	7	**128,391**	134,643
Amortisation of music catalogs	7	**3,914**	3,139
Amortisation of other intangible assets	7	**9,243**	–
Write-off of items of property, plant and equipment	7	**257**	772
Impairment of property, plant and equipment	7	**–**	12,941
Impairment of asset classified as held for sale	7	**–**	34,618
Write-down of completed properties for sale to net realisable value	7	**3,485**	8,209
Write-off of films under production	7	**3,042**	70
Impairment of film products	7	**–**	7,150
Provision for doubtful debts	7	**7,465**	1,448
Reversal of provision for doubtful debts	7	**(4,059)**	–
Provision for advances and other receivables	7	**6,536**	6,496
Reversal of provision for advances and other receivables	7	**(3,538)**	(7,950)
Provision for amounts due from joint ventures	7	**522**	1,314
Provision/(reversal of provision) for inventories	7	**1,188**	(137)
Equity-settled share option expense		**–**	540
Fair value losses on cross currency swaps		**–**	86,492
Ineffective portion of the effective hedge recognised in profit or loss	7	**9,717**	–
Foreign exchange differences, net	7	**52,975**	(33,485)
		691,355	788,962
Increase in properties under development		**(361,549)**	(1,250,582)
Decrease in completed properties for sale		**938,558**	927,064
Increase in asset classified as held for sale		**(8,299)**	–
Increase in inventories		**(7,827)**	(4,917)
Additions of film rights	15	**(4,506)**	(722)
Additions of films under production	24	**(384,879)**	(129,128)
Additions of film products	16	**(524)**	–
Additions of music catalogs		**(800)**	–
Increase in debtors		**(64,126)**	(69,537)
Decrease/(increase) in deposits, prepayments and other receivables		**25,471**	(200,330)
Increase in long-term deposits received		**21,020**	10,805
Increase/(decrease) in creditors and accruals		**(27,289)**	131,874
Increase in deposits received and deferred income		**439,222**	38,318
Proceeds from return of land use right to the local authority		**247,149**	–
Cash generated from operations		**1,502,976**	241,807
Hong Kong taxes paid, net		**(6,461)**	(4,655)
Mainland China taxes paid, net		**(190,353)**	(173,949)
Net cash flows generated from operating activities		**1,306,162**	63,203

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**37,281**	50,391
Additions of investment properties		**(476,187)**	(413,613)
Dividend income from joint ventures		**6,425**	–
Dividend income from an associate		**750**	1,020
Proceeds from disposal of items of property, plant and equipment		**51**	43
Purchases of items of property, plant and equipment		**(191,725)**	(22,055)
Deposits paid for acquisition of items of property, plant and equipment		**(16,427)**	(25,774)
Additions of other intangible assets		**(1,916)**	–
Advances to joint ventures		**(411)**	(19,154)
Repayment from joint ventures		**52,437**	3,624
Proceeds from dissolution of a joint venture		**4,257**	–
Repayment from associates		**3,328**	3,140
Acquisition of subsidiaries		**(4,492)**	1,696
Disposal of subsidiaries		**–**	(2,707)
Capital contribution to a joint venture		**–**	(7,500)
Increase in deposit for acquisition of an investment property		**(228,620)**	–
Refund of partial capital of an available-for-sale investment		**10,869**	15,589
Decrease/(increase) in pledged and restricted time deposits and bank balances		**429,840**	(732,368)
Net cash flows used in investing activities		**(374,540)**	(1,147,668)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from open offer of shares of a subsidiary	49(a)	**–**	72,347
Net proceeds from issue of TFN Convertible Notes of a subsidiary	32(ii)	**–**	129,831
Net proceeds from issue of Specific Mandate Convertible Notes of a subsidiary	32(iii)	**–**	86,081
New bank loans, net of direct costs		**3,899,694**	1,290,455
Repayment of bank loans		**(3,477,252)**	(589,686)
Loans from a joint venture		**222,430**	372,897
Redemption of Second Completion Convertible Notes	32(i)	**–**	(98,730)
Payment for repurchase and early redemption of guaranteed notes		**(766,285)**	–
Capital element of finance lease rental payments		**–**	(11)
Interest and bank financing charges paid		**(362,640)**	(369,522)
Capital contributions from non-controlling shareholders of a subsidiary		**4,291**	–
Acquisition of additional interests in subsidiaries		**(104,025)**	(63,311)
Dividend paid to non-controlling shareholders of subsidiaries		**(17,951)**	(19,883)
Net cash flows generated from/(used in) financing activities		**(601,738)**	810,468
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**329,884**	(273,997)
Cash and cash equivalents at beginning of year		**3,151,111**	3,454,948
Effect of foreign exchange rate changes, net		**(181,847)**	(29,840)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,299,148**	3,151,111
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	27	**2,387,394**	1,836,883
Non-pledged and non-restricted time deposits	27	**911,754**	1,314,228
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**3,299,148**	3,151,111

1. CORPORATE AND GROUP INFORMATION

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

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

- property development for sale and property investment for rental purposes;
- development and operation of and investment in cultural, leisure, entertainment and related facilities;
- development and operation of and investment in media, entertainment, music production and distribution;
- investment in and production and distribution of television programmes, films and video format products;
- cinema operation;
- sale of cosmetic products; and
- investment holding.

Details of the principal subsidiaries are set out in note 49 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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, derivative financial instruments and certain available-for-sale investments, 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 2016. A subsidiary is an entity (including a structured 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if 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 profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There were no new or revised standards adopted for the first time for the current year's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[3]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
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*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[3]
HKFRS 16	*Leases*[4]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 7	*Disclosure Initiative*[2]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
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 2017*
3 *Effective for annual periods beginning on or after 1 January 2018*
4 *Effective for annual periods beginning on or after 1 January 2019*
5 *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*
6 *No mandatory effective date yet determined but is available for adoption*

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 associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the income statement. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than completed properties for sale, properties under development, inventories, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Artiste management and service agreements

Artiste management and service agreements are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 3 years.

(ii) Online movie platform

Online movie platform is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 3 years.

Investment properties

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

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

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

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

A transfer from investment property under construction to property under development/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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

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

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.

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 and intangible assets classified as held for sale are not depreciated or amortised.

Completed properties for sale

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

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

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

Music catalogs

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Film rights, film products and films under production

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

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

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

Financial assets designated upon initial recognition 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 revenue in the income statement. The loss arising from impairment is recognised in the income statement as other operating expenses.

Available-for-sale financial investments

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

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

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

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include creditors and accruals, deposits received, interest-bearing bank loans, other borrowings, loans from a joint venture, convertible notes, fixed rate senior notes, guaranteed notes and derivative financial instruments.

Subsequent measurement

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

Loans and borrowings

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

Convertible notes

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, 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 a 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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

Current versus non-current classification

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

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

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

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Leases

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(a) revenue from the sale of properties, 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, in the period in which the properties are let and on the straight-line basis over the lease terms;

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

(o) dividend income, when the shareholder's right to receive payment has been established.

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes model and binomial option pricing model, further details of which are given in note 38 to the financial statements.

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

Service and non-market performance are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit schemes

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

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

Borrowing costs

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

Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

Dividends

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

Mainland China Land Appreciation Tax ("LAT")

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(i) 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 investment properties under construction can be reliably measured

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

(i) Accounting for film rights and film products

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

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

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to recoverable amount. This could have an impact on the Group's results of operations. The carrying amounts of film rights and film products are disclosed in notes 15 and 16 to the financial statements, respectively.

(ii) Estimation of fair value of investment properties

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

Further details, including the key assumptions used for fair value measurement, a sensitivity analysis and the carrying amount of investment properties, are given in note 14 to the financial statements.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

(v) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill is disclosed in note 18 to the financial statements.

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

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

(vii) Impairment of trade and other receivables

The Group makes impairment of receivables based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment of receivables in the year in which such estimate has been changed. The carrying amounts of trade and other receivables are disclosed in notes 26 and 23 to the financial statements, respectively.

(viii) Fair value of derivative financial instruments

Where fair values of financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgements include considerations of inputs such as expected exposure at default, credit spread and loss given default ratio. Changes in assumptions about these factors could affect the reported fair values of derivative financial instruments. The fair value of the Group's derivative financial instruments is disclosed in note 35 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 the following reportable segments:

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

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

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

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

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

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

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

Segment assets exclude available-for-sale investments, deferred tax assets, prepaid tax, 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 and other borrowings, tax payable, loans from a joint venture, convertible notes, fixed rate senior notes, guaranteed notes, derivative financial instruments, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue/results:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Segment revenue:														
Sales to external customers	**1,414,160**	1,275,352	**623,674**	622,257	**537,100**	576,343	**343,645**	457,639	**364,907**	294,860	**85,789**	103,044	**3,369,275**	3,329,495
Intersegment sales	**-**	–	**5,788**	3,785	**-**	312	**9,029**	7,559	**1,385**	1,425	**130**	932	**16,332**	14,013
Other revenue	**2,659**	1,459	**106,391**	108,730	**4,963**	6,839	**588**	1,356	**19,266**	19,202	**737**	448	**134,604**	138,034
Total	**1,416,819**	1,276,811	**735,853**	734,772	**542,063**	583,494	**353,262**	466,554	**385,558**	315,487	**86,656**	104,424	**3,520,211**	3,481,542
Elimination of intersegment sales													**(16,332)**	(14,013)
Total revenue													**3,503,879**	3,467,529
Segment results	**339,932**	286,682	**800,521**	1,263,542	**16,451**	50,158	**(55,495)**	34,395	**(17,036)**	3,403	**(228,602)**	(177,666)	**855,771**	1,460,514
Unallocated interest and other revenue	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**43,513**	58,702
Loss on repurchase and early redemption of guaranteed notes	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(18,290)**	–
Ineffective portion of the effective hedge recognised in profit or loss	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(9,717)**	–
Fair value losses on cross currency swaps	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(86,492)
Impairment of asset classified as held for sale	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(34,618)
Impairment of property, plant and equipment	**-**	–	**-**	(12,941)	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(12,941)
Gain on disposal/deregistration of subsidiaries	**-**	–	**-**	–	**-**	324	**-**	–	**-**	–	**-**	2,147	**-**	2,471
Gain on disposal/dissolution of joint ventures	**-**	–	**-**	–	**721**	–	**-**	–	**-**	–	**-**	–	**721**	–
Profit from operating activities													**871,998**	1,387,636
Finance costs	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(235,186)**	(289,122)
Share of profits and losses of joint ventures	**72,995**	76,705	**-**	–	**3,016**	2,336	**3,612**	4,662	**-**	–	**-**	–	**79,623**	83,703
Share of profits and losses of associates	**-**	–	**-**	–	**(70)**	(306)	**(24)**	(10)	**2,191**	509	**-**	–	**2,097**	193
Profit before tax													**718,532**	1,182,410
Income tax expense													**(405,526)**	(560,534)
Profit for the year													**313,006**	621,876

4. OPERATING SEGMENT INFORMATION (continued)

Segments assets/liabilities:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Segment assets	**2,828,299**	3,786,405	**17,766,757**	17,285,825	**499,848**	412,958	**1,196,039**	939,248	**473,398**	309,328	**3,923,995**	4,341,074	**26,688,336**	27,074,838
Investments in joint ventures	**1,113,516**	1,166,823	**-**	–	**20,579**	39,388	**27,657**	25,423	**-**	–	**-**	–	**1,161,752**	1,231,634
Investments in associates	**-**	–	**-**	–	**-**	–	**19,350**	19,380	**7,544**	9,495	**-**	–	**26,894**	28,875
Unallocated assets													**267,103**	275,914
Asset classified as held for sale													**257,666**	265,432
Total assets													**28,401,751**	28,876,693
Segment liabilities	**830,687**	479,129	**539,917**	350,510	**185,859**	145,707	**288,119**	322,280	**156,770**	106,003	**216,499**	224,539	**2,217,851**	1,628,168
Unallocated liabilities													**9,919,116**	10,106,010
Total liabilities													**12,136,967**	11,734,178

Other segment information:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Fair value gains on investment properties	**-**	–	**(522,043)**	(964,632)	**-**	–	**-**	–	**-**	–	**-**	–	**(522,043)**	(964,632)
Gain on return of land use right to the local authority	**(10,095)**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(10,095)**	–
Depreciation	**2,964**	3,001	**101,305**	105,365	**1,158**	1,958	**829**	907	**28,463**	23,938	**11,243**	13,307	**145,962**	148,476
Impairment of film products	**-**	–	**-**	–	**-**	–	**-**	7,150	**-**	–	**-**	–	**-**	7,150
Write-down of completed properties for sale to net realisable value	**3,485**	8,209	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**3,485**	8,209
Write-off of items of property, plant and equipment	**-**	–	**-**	–	**232**	707	**-**	11	**17**	34	**8**	20	**257**	772
Write-off of films under production	**-**	–	**-**	–	**-**	–	**3,042**	70	**-**	–	**-**	–	**3,042**	70
Amortisation of film rights	**-**	–	**-**	–	**-**	–	**6,021**	12,885	**-**	–	**-**	–	**6,021**	12,885
Amortisation of film products	**-**	–	**-**	–	**-**	–	**128,391**	134,643	**-**	–	**-**	–	**128,391**	134,643
Amortisation of music catalogs	**-**	–	**-**	–	**3,914**	3,139	**-**	–	**-**	–	**-**	–	**3,914**	3,139
Amortisation of other intangible assets	**-**	–	**-**	–	**8,817**	–	**426**	–	**-**	–	**-**	–	**9,243**	–
Provision for doubtful debts	**-**	–	**-**	–	**7,465**	253	**-**	1,195	**-**	–	**-**	–	**7,465**	1,448
Reversal of provision for doubtful debts	**-**	–	**-**	–	**-**	–	**(4,059)**	–	**-**	–	**-**	–	**(4,059)**	–
Provision for advances and other receivables	**-**	–	**-**	–	**594**	5,444	**5,942**	–	**-**	252	**-**	800	**6,536**	6,496
Reversal of provision for advances and other receivables	**-**	–	**-**	–	**(3,538)**	(7,950)	**-**	–	**-**	–	**-**	–	**(3,538)**	(7,950)
Provision for amounts due from joint ventures	**-**	–	**-**	–	**522**	1,314	**-**	–	**-**	–	**-**	–	**522**	1,314
Provision/(reversal of provision) for inventories	**-**	–	**-**	–	**138**	(258)	**175**	–	**-**	21	**875**	100	**1,188**	(137)
Additions of property, plant and equipment	**616**	1,822	**76,535**	25,480	**4,546**	147	**204**	881	**156,239**	7,307	**1,738**	4,371	**239,878**	40,008
Additions of properties under development	**361,549**	1,340,515	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**361,549**	1,340,515
Additions of investment properties	**-**	–	**602,046**	444,132	**-**	–	**-**	–	**-**	–	**-**	–	**602,046**	444,132
Additions of film rights	**-**	–	**-**	–	**-**	–	**4,506**	722	**-**	–	**-**	–	**4,506**	722
Additions of film products	**-**	–	**-**	–	**-**	–	**524**	–	**-**	–	**-**	–	**524**	–
Additions of films under production	**-**	–	**-**	–	**-**	–	**384,879**	129,128	**-**	–	**-**	–	**384,879**	129,128
Additions of music catalogs	**-**	–	**-**	–	**4,000**	1,600	**-**	–	**-**	–	**-**	–	**4,000**	1,600
Additions of other intangible assets	**-**	–	**-**	–	**-**	–	**1,916**	–	**-**	–	**-**	–	**1,916**	–
Additions of non-current deposit for acquisition of an investment property	**-**	–	**228,620**	–	**-**	–	**-**	–	**-**	–	**-**	–	**228,620**	–

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information:

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Revenue:								
Sales to external customers	**688,445**	703,812	**2,581,648**	2,550,823	**99,182**	74,860	**3,369,275**	3,329,495
Assets:								
Segment assets:								
– non-current assets	**589,734**	609,380	**20,218,350**	20,237,211	**1,852**	301	**20,809,936**	20,846,892
– current assets	**1,284,445**	1,748,396	**5,770,273**	5,728,930	**12,328**	11,129	**7,067,046**	7,488,455
Unallocated assets							**267,103**	275,914
Asset classified as held for sale							**257,666**	265,432
Total assets							**28,401,751**	28,876,693
Other information:								
Additions of property, plant and equipment	**134,685**	7,430	**104,175**	32,562	**1,018**	16	**239,878**	40,008
Additions of properties under development	**-**	–	**361,549**	1,340,515	**-**	–	**361,549**	1,340,515
Additions of investment properties	**-**	–	**602,046**	444,132	**-**	–	**602,046**	444,132
Additions of film rights	**4,506**	722	**-**	–	**-**	–	**4,506**	722
Additions of film products	**524**	–	**-**	–	**-**	–	**524**	–
Additions of films under production	**368,369**	69,987	**16,510**	59,141	**-**	–	**384,879**	129,128
Additions of music catalogs	**4,000**	1,600	**-**	–	**-**	–	**4,000**	1,600
Additions of other intangible assets	**1,916**	–	**-**	–	**-**	–	**1,916**	–
Additions of non-current deposit for acquisition of an investment property	**-**	–	**228,620**	–	**-**	–	**228,620**	–

Information about a major customer:

No revenue from customers of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 July 2016 and 2015.

5. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	2016 HK$'000	2015 HK$'000
Lai Sun Development Company Limited ("LSD") and its subsidiaries, and/or Lai Sun Garment (International) Limited and its subsidiaries, major shareholders of the Company:			
Rental expense and building management fee paid or payable	(i)	**11,966**	11,267
Rental income and management fee income received or receivable	(ii)	**69**	73
Sharing of corporate salaries on a cost basis allocated from		**46,129**	43,036
Sharing of administrative expenses on a cost basis allocated from		**6,130**	8,635
Sharing of corporate salaries on a cost basis allocated to		**6,980**	6,300
Sharing of administrative expenses on a cost basis allocated to		**1,563**	517
Joint ventures:			
Consultancy and production fee paid	(iii)	**3,550**	4,014
Interest income	(iv)	**715**	521
Interest expenses	8, 20, (v)	**15,138**	9,397
Management and other service fees paid or payable to a related company	(vi)	**9,444**	9,754

5. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

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

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

(iii) *The consultancy and production fee was charged on bases mutually agreed by the respective parties.*

(iv) *The interest income was charged in accordance with contractual terms with respective parties (2015: with reference to the People's Bank of China's base interest rate per annum).*

(v) *The related party is a joint venture of the Group, Guangzhou Beautiwin Real Estate Development Company Limited ("Guangzhou Beautiwin"). The terms of the loans are determined based on agreements entered into between the Group and Guangzhou Beautiwin and set out in note 20 to the financial statements.*

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

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

(b) Compensation of key management personnel of the Group

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	**37,799**	36,058
Post-employment benefits	**104**	89
Total compensation paid to key management personnel	**37,903**	36,147

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

6. TURNOVER AND OTHER REVENUE

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

	2016 HK$'000	2015 HK$'000
Turnover		
Sale of properties	**1,414,160**	1,275,352
Rental income from investment properties and serviced apartments	**623,674**	622,257
Entertainment event income	**257,349**	325,994
Distribution commission income and licence fee income from film products and film rights	**341,279**	455,578
Album sales, licence income and distribution commission income from music publishing and licensing	**77,630**	67,718
Box-office takings, concessionary income and related income from cinemas	**364,907**	294,860
Artiste management fee income	**34,388**	20,539
Advertising income	**2,366**	17,458
Sale of products	**253,522**	249,739
	3,369,275	3,329,495
Other revenue		
Property management fee income	**95,272**	92,280
Bank interest income	**36,147**	49,735
Other interest income	**419**	135
Interest income from an amount due from a joint venture, net	**715**	521
Government grants	**1,958**	2,148
Others	**43,606**	51,917
	178,117	196,736
	3,547,392	3,526,231

7. PROFIT BEFORE TAX

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

	Notes	2016 HK$'000	2015 HK$'000
Cost of completed properties sold		**1,008,273**	907,050
Outgoings in respect of rental income		**148,420**	159,856
Cost of film rights, licence rights and film products		**222,450**	236,409
Cost of artiste management services, advertising services, and services for entertainment events provided		**261,969**	297,454
Cost of theatrical releasing and concessionary sales		**148,367**	119,751
Cost of inventories sold		**201,562**	190,222
Total cost of sales		**1,991,041**	1,910,742
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**533,815**	500,990
Equity-settled share option expense	38	**–**	788
Pension scheme contributions ###		**6,619**	5,682
		540,434	507,460
Capitalised in films under production		**(1,349)**	(6,886)
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(85,052)**	(79,586)
		454,033	420,988
Auditors' remuneration		**10,453**	9,757
Depreciation ^	12	**145,962**	148,476
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		**5,121**	7,637
Cinemas **		**70,594**	40,669
Others		**38,717**	34,479
Contingent rents incurred for:			
Entertainment events #		**11,600**	26,233
Cinemas **		**33,473**	24,938
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(7,741)**	(5,523)
Total operating lease payments		**151,764**	128,433
Minimum lease income under operating leases		**(619,726)**	(620,332)
Contingent rents		**(3,948)**	(1,925)
Total rental income		**(623,674)**	(622,257)

7. PROFIT BEFORE TAX (continued)

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

	Notes	2016 HK$'000	2015 HK$'000
Impairment of film products #	16	**–**	7,150
Impairment of property, plant and equipment **	12	**–**	12,941
Impairment of asset classified as held for sale **	28	**–**	34,618
Write-down of completed properties for sale to net realisable value **		**3,485**	8,209
Write-off of items of property, plant and equipment **		**257**	772
Write-off of films under production #	24	**3,042**	70
Share of net income from entertainment events organised by co-investors *		**(6,086)**	(6,728)
Amortisation of film rights #	15	**6,021**	12,885
Amortisation of film products #	16	**128,391**	134,643
Amortisation of music catalogs #	17	**3,914**	3,139
Amortisation of other intangible assets #	19	**9,243**	–
Provision for doubtful debts **	26	**7,465**	1,448
Reversal of provision for doubtful debts *	26	**(4,059)**	–
Provision for advances and other receivables **	23	**6,536**	6,496
Reversal of provision for advances and other receivables *	23	**(3,538)**	(7,950)
Provision for amounts due from joint ventures **		**522**	1,314
Gain on disposal/dissolution of joint ventures *		**(721)**	–
Gain on disposal/deregistration of subsidiaries *		**–**	(2,471)
Gain on return of land use right to the local authority *	13	**(10,095)**	–
Loss on disposal of items of property, plant and equipment **		**86**	1,199
Loss on repurchase and early redemption of guaranteed notes **		**18,290**	–
Provision/(reversal of provision) for inventories #		**1,188**	(137)
Ineffective portion of the effective hedge recognised in profit or loss **		**9,717**	–
Foreign exchange differences, net ##		**52,975**	(33,485)

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

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

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

\## *Foreign exchange gains and losses, net are included in "Other operating gains" and "Other operating expenses" respectively, on the face of the consolidated income statement.*

\### *As at 31 July 2016 and 31 July 2015, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.*

^ *Depreciation charge of HK$125,229,000 (2015: HK$123,553,000) is included in "Other operating expenses" on the face of the consolidated income statement, of which HK$96,766,000 (2015: HK$99,615,000) is for serviced apartments and related leasehold improvements and HK$28,463,000 (2015: HK$23,938,000) is related to cinema operation.*

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	2016 HK$'000	2015 HK$'000
Interest on:			
Bank loans		**140,473**	141,938
Other borrowings		**5,647**	5,647
Second Completion Convertible Notes (as defined and disclosed in note 32)		**–**	10,505
TFN Convertible Notes (as defined and disclosed in note 32)		**9,640**	2,070
Specific Mandate Convertible Notes (as defined and disclosed in note 32)		**5,178**	522
2013 Notes (as defined and disclosed in note 33)		**141,117**	141,486
Guaranteed Notes (as defined and disclosed in note 34)		**58,483**	68,071
Loans from a joint venture	5	**15,138**	9,397
Amortisation of:			
Bank loans		**13,575**	14,736
2013 Notes	33	**7,583**	7,060
Guaranteed Notes	34	**4,634**	5,408
Bank financing charges and direct costs		**18,857**	26,133
Other finance costs		**285**	95
		420,610	433,068
Less: Capitalised in properties under development	13	**(99,172)**	(61,065)
Capitalised in investment properties under construction	14	**(72,288)**	(78,936)
Capitalised in construction in progress	12	**(13,964)**	(3,945)
		(185,424)	(143,946)
Total finance costs		**235,186**	289,122

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.2% (2015: 6.4%) has been applied to the expenditure on the individual assets for the year ended 31 July 2016.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 HK$'000	2015 HK$'000
Fees	**1,980**	1,855
Other emoluments:		
Salaries, allowances and benefits in kind	**19,903**	19,891
Pension scheme contributions	**104**	89
	20,007	19,980
	21,987	21,835
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(6,456)**	(6,269)
	15,531	15,566

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2016				
Executive directors:				
Lui Siu Tsuen, Richard^	120	3,573	14	3,707*
Chew Fook Aun	–	7,883	36	7,919**
Lam Hau Yin, Lester	–	1,609	18	1,627#
Yip Chai Tuck	–	2,290	36	2,326##
	120	15,355	104	15,579
Non-executive directors:				
U Po Chu	–	4,318	–	4,318#
Andrew Y. Yan	265	10	–	275
	265	4,328	–	4,593
Independent non-executive directors:				
Low Chee Keong	700	60	–	760
Alfred Donald Yap	265	60	–	325
Ng Lai Man, Carmen	365	60	–	425
Lo Kwok Kwei, David	265	40	–	305
	1,595	220	–	1,815
	1,980	19,903	104	21,987

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

* *The amounts included salaries and pension scheme contributions of HK$598,000 paid by Lai Fung and fees of HK$120,000 paid by Media Asia Group Holdings Limited ("MAGHL", together with its subsidiaries, "MAGHL Group").*

** *The amounts included salaries and pension scheme contributions of HK$3,959,000 paid by Lai Fung.*

The amounts were paid by Lai Fung.

The amounts included salaries and pension scheme contributions of HK$1,163,000 paid by MAGHL.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2015				
Executive directors:				
Lui Siu Tsuen, Richard^	120	3,428	14	3,562*
Chew Fook Aun	–	8,090	36	8,126**
Lam Hau Yin, Lester	–	1,543	18	1,561#
Yip Chai Tuck	–	2,213	21	2,234##
	120	15,274	89	15,483
Non-executive directors:				
U Po Chu	–	4,362	–	4,362#
Andrew Y. Yan	240	25	–	265
	240	4,387	–	4,627
Independent non-executive directors:				
Low Chee Keong	675	60	–	735
Alfred Donald Yap	240	60	–	300
Ng Lai Man, Carmen	340	65	–	405
Lo Kwok Kwei, David	240	45	–	285
	1,495	230	–	1,725
	1,855	19,891	89	21,835

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

* *The amounts included salaries and pension scheme contributions of HK$574,000 paid by Lai Fung and fees of HK$120,000 paid by MAGHL.*

** *The amounts included salaries and pension scheme contributions of HK$4,063,000 paid by Lai Fung.*

The amounts were paid by Lai Fung.

The amounts included salaries and pension scheme contributions of HK$1,118,000 paid by MAGHL.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 July 2016 and 2015.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(b) Employees' remuneration

The five highest paid employees during the year included two (2015: two) directors, details of whose emoluments are set out above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**27,430**	25,627
Pension scheme contributions	**36**	36
	27,466	25,663
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(4,302)**	(3,896)
	23,164	21,767

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

	Number of employees	
	2016	2015
HK$4,500,001 – HK$5,000,000	**1#**	1#
HK$6,500,001 – HK$7,000,000	**1@**	1@
HK$14,000,001 – HK$14,500,000	**–**	1^^
HK$15,500,001 – HK$16,000,000	**1^**	–
	3	3

\# *The amount was paid by MAGHL.*

@ *The amount was paid by Lai Fung.*

^ *The amount included salaries of HK$3,159,000 paid by Lai Fung and fees of HK$120,000 paid by MAGHL.*

^^ *The amount included salaries of HK$2,838,000 paid by Lai Fung and fees of HK$120,000 paid by MAGHL.*

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Note	2016 HK$'000	2015 HK$'000
Current			
– Hong Kong			
Charge for the year		**3,175**	7,096
Underprovision/(overprovision) in prior years		**(80)**	905
		3,095	8,001
– Elsewhere			
Charge for the year		**1,074**	940
Overprovision in prior years		**(4)**	(32)
		1,070	908
– Mainland China			
Corporate income tax			
Charge for the year		**132,605**	164,015
Underprovision in prior years		**21,021**	2,542
LAT			
Charge for the year		**176,315**	165,161
Overprovision in prior years		**(84,115)**	–
		245,826	331,718
		249,991	340,627
Deferred tax	36	**155,535**	219,907
Total tax charge for the year		**405,526**	560,534

10. INCOME TAX EXPENSE (continued)

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

	2016 HK$'000	2015 HK$'000
Profit before tax	**718,532**	1,182,410
Tax at the applicable tax rates	**234,813**	350,826
Provision for LAT	**176,315**	165,161
Adjustments in respect of LAT in prior years	**(84,115)**	–
Tax effect of provision for LAT	**(23,050)**	(41,290)
Profits and losses attributable to joint ventures and associates	**(19,689)**	(19,117)
Income not subject to tax	**(14,343)**	(9,420)
Expenses and losses not deductible for tax	**75,397**	68,610
Other temporary differences	**(1,120)**	328
Estimated tax losses utilised from prior years	**(5,860)**	(15,715)
Estimated tax losses not recognised	**36,917**	38,883
Adjustments in respect of current tax of prior years	**(92)**	3,415
Withholding tax on the distributable earnings of the subsidiaries established in Mainland China	**30,353**	18,853
Tax charge at the Group's effective rate	**405,526**	560,534

Tax Indemnity

In connection with the listing of Lai Fung (together with its subsidiaries, "Lai Fung Group") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (currently on the Main Board) (the "Listing"), a tax indemnity deed was signed on 12 November 1997, pursuant to which LSD has undertaken to indemnify the Lai Fung Group in respect of certain potential Mainland China income taxes and LAT payable or shared by the Lai Fung Group in consequence of the disposal of any of the property interests attributable to the Lai Fung Group through its subsidiaries and 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, 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 premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests.

10. INCOME TAX EXPENSE (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 Lai Fung Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Lai Fung Group as set out in the prospectus of Lai Fung dated 18 November 1997. During the year, no tax indemnity was received by the Lai Fung Group under the aforesaid indemnities (2015: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the Company and ordinary shares of 1,243,212,165 (2015: 1,243,212,165) in issue during the year.

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

The exercise of share options of the Company has an anti-dilutive effect on the basic earnings per share amount presented during the year ended 31 July 2016.

The conversion of the outstanding convertible notes issued by MAGHL has an anti-dilutive effect on the basic earnings per share amounts presented during the years ended 31 July 2016 and 2015.

The exercise of share options of Lai Fung has an anti-dilutive effect on the basic earnings per share amount presented during the year ended 31 July 2016.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

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

	2016 HK$'000	2015 HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**80,825**	258,231
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share*	**–**	(164)
Earnings for the purpose of diluted earnings per share	**80,825**	258,067

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,243,212,165**	1,243,212,165
Effect of dilution – weighted average number of ordinary shares: Share options	**–**	235,265
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**1,243,212,165**	1,243,447,430

* *Balance for the year ended 31 July 2015 represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK$164,000 assuming all dilutive outstanding share options of Lai Fung were exercised to subscribe for ordinary shares of Lai Fung at the beginning of the year.*

12. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
At 1 August 2014		306,850	2,366,191	456,843	136,419	31,035	22,623	277,484	3,597,445
Finance costs capitalised	8	–	–	–	–	–	–	3,945	3,945
Additions		428	1,497	5,625	8,057	1,470	2,116	20,815	40,008
Acquisition of subsidiaries		–	–	18	108	–	204	–	330
Transfer from investment properties under construction	14	–	–	–	–	–	–	176,355	176,355
Write-off		–	–	(2,910)	(2,524)	–	(2,038)	–	(7,472)
Disposals		–	–	(11,760)	(711)	(472)	(653)	–	(13,596)
Transfer to asset classified as held for sale	28	–	–	–	–	–	–	(299,926)	(299,926)
Exchange realignment		(942)	(9,526)	(1,940)	(157)	(82)	(60)	(2,318)	(15,025)
At 31 July 2015 and 1 August 2015		306,336	2,358,162	445,876	141,192	31,951	22,192	176,355	3,482,064
Finance costs capitalised	8	–	–	–	–	–	–	13,964	13,964
Additions		25,654	293	102,401	38,931	878	3,091	68,630	239,878
Transfer from investment properties under construction	14	–	–	–	–	–	–	165,465	165,465
Write-off		–	–	(2,016)	(1,932)	–	(97)	–	(4,045)
Disposals		–	–	–	(833)	(951)	(147)	–	(1,931)
Exchange realignment		(6,776)	(69,079)	(22,921)	(4,774)	(814)	(852)	(9,540)	(114,756)
At 31 July 2016		**325,214**	**2,289,376**	**523,340**	**172,584**	**31,064**	**24,187**	**414,874**	**3,780,639**
Accumulated depreciation and impairment:									
At 1 August 2014		63,747	353,319	210,513	93,137	25,508	15,046	–	761,270
Provided during the year		8,704	63,588	56,065	15,018	2,121	2,980	–	148,476
Acquisition of subsidiaries		–	–	18	88	–	194	–	300
Impairment during the year		12,941	–	–	–	–	–	–	12,941
Write-off		–	–	(2,283)	(2,473)	–	(1,944)	–	(6,700)
Disposals		–	–	(10,805)	(576)	(424)	(549)	–	(12,354)
Exchange realignment		(219)	(1,074)	(978)	(201)	(59)	(34)	–	(2,565)
At 31 July 2015 and 1 August 2015		85,173	415,833	252,530	104,993	27,146	15,693	–	901,368
Provided during the year		8,263	62,337	55,387	15,537	1,704	2,734	–	145,962
Write-off		–	–	(1,789)	(1,905)	–	(94)	–	(3,788)
Disposals		–	–	–	(783)	(884)	(127)	–	(1,794)
Exchange realignment		(2,910)	(9,465)	(13,025)	(3,058)	(642)	(555)	–	(29,655)
At 31 July 2016		**90,526**	**468,705**	**293,103**	**114,784**	**27,324**	**17,651**	**–**	**1,012,093**
Net carrying amount:									
At 31 July 2016		**234,688**	**1,820,671**	**230,237**	**57,800**	**3,740**	**6,536**	**414,874**	**2,768,546**
At 31 July 2015		221,163	1,942,329	193,346	36,199	4,805	6,499	176,355	2,580,696

12. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 July 2016, certain land and buildings, certain serviced apartments (including related leasehold improvements) and construction in progress with aggregate carrying amounts of HK$27,652,000 (2015: HK$123,188,000), HK$1,471,551,000 (2015: HK$1,557,066,000) and HK$414,874,000 (2015: Nil), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 30(a) to the financial statements.

At 31 July 2016, the Group's land and buildings in Hong Kong with a net carrying amount of HK$71,020,000 (2015: HK$47,745,000) were pledged to secure general banking facility granted to the Group.

During the year ended 31 July 2015, an impairment loss of HK$12,941,000 represented the write-down of the carrying amount of a building to its recoverable amount. The recoverable amount of the impaired building as at 31 July 2015 of HK$30,500,000 was based on a valuation performed by Knight Frank Petty Limited ("Knight Frank"), an independent professionally qualified valuer.

Fair value hierarchy

The fair value of the Group's impaired building as at 31 July 2015 was estimated by using significant unobservable inputs and the fair value measurement was categorised under Level 3.

Below is a summary of the valuation technique used and the key inputs to the valuation of the impaired building:

Valuation technique	Significant unobservable inputs	2015
Income capitalisation method	Average unit market rent per month (HK$/sq.m.)	31
	Capitalisation rate	5%

13. PROPERTIES UNDER DEVELOPMENT

	Notes	2016 HK$'000	2015 HK$'000
At the beginning of the reporting period		**1,878,531**	1,569,242
Finance costs capitalised	8	**99,172**	61,065
Additions (including capitalisation of prepaid land lease payments of HK$17,342,000 (2015: HK$10,961,000) and transfer of a deposit of nil (2015: HK$89,765,000))		**378,891**	1,351,476
Amortisation of prepaid land lease payments		**(17,342)**	(10,961)
Return of land use right to the local authority #		**(237,054)**	–
Transfer from investment properties under construction	14	**–**	200,782
Transfer to completed properties for sale		**–**	(1,279,531)
Exchange realignment		**(111,176)**	(13,542)
At the end of the reporting period		**1,991,022**	1,878,531
Amount classified as current assets		**(802,635)**	(247,155)
Non-current portion		**1,188,387**	1,631,376

13. PROPERTIES UNDER DEVELOPMENT (continued)

During the year ended 31 July 2016, a site located on Guan Lu Road in Yuexiu District of Guangzhou, Mainland China was returned to the local authority with a cash consideration of HK$247,149,000. A gain on return of land use right to the local authority of HK$10,095,000 (note 7) was included in "Other operating gains" on the face of the consolidated income statement.

As at 31 July 2016, certain properties under development with an aggregate carrying amount of HK$365,020,000 (2015: HK$91,512,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 30(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:

	2016 HK$'000	2015 HK$'000
At the beginning of the reporting period	**1,075,097**	267,190
Additions	**–**	719,003
Transfer from investment properties under construction	**–**	156,639
Amortised during the year	**(17,342)**	(10,961)
Return of land use right to the local authority #	**(91,965)**	–
Transfer to completed properties for sale	**–**	(54,584)
Exchange realignment	**(64,714)**	(2,190)
At the end of the reporting period	**901,076**	1,075,097

14. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
Completed investment properties	**12,664,144**	10,761,813
Investment properties under construction, at fair value	**550,000**	2,237,000
Investment properties under construction, at cost *	**1,851,615**	1,916,068
	15,065,759	14,914,881

* *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.*

14. INVESTMENT PROPERTIES (continued)

	Notes	2016 HK$'000	2015 HK$'000
At the beginning of the reporting period		**14,914,881**	13,909,411
Finance costs capitalised	8	**72,288**	78,936
Additions		**602,046**	444,132
Transfer from completed properties for sale		**34,846**	14,971
Transfer to property, plant and equipment	12	**(165,465)**	(176,355)
Transfer to properties under development	13	**–**	(200,782)
Net gain from fair value adjustments		**522,043**	964,632
Exchange realignment		**(914,880)**	(120,064)
At the end of the reporting period		**15,065,759**	14,914,881

The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(b) to the financial statements.

As at 31 July 2016, certain investment properties with an aggregate carrying amount of HK$9,398,143,000 (2015: HK$8,977,288,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 30(c) to the financial statements.

Valuation processes of the Group

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

The valuation techniques used in prior years have been consistently applied in the 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, 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 the 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 valuation 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 the 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.

14. INVESTMENT PROPERTIES (continued)

Valuation techniques (continued)

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

2016

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$/sq.m.)	42 – 357	Note 1
		Capitalisation rate	4.25% – 7.5%	Note 2
Commercial properties	Direct comparison method	Average market unit rate (HK$/sq.m.)	23,900 – 156,000	Note 3
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m.)	9,400 – 26,300	Note 4
		Developer's profit margin	30%	Note 5
		Budgeted costs to completion (HK$)	1,294,294,000	Note 6

14. INVESTMENT PROPERTIES (continued)

Valuation techniques (continued)

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

2015

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$/sq.m.)	44 – 393	Note 1
		Capitalisation rate	4.25% – 7.5%	Note 2
Commercial properties	Direct comparison method	Average market unit rate (HK$/sq.m.)	24,900 – 152,000	Note 3
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m.)	22,400 – 43,600	Note 4
		Developer's profit margin	4% – 25%	Note 5
		Budgeted costs to completion (HK$)	354,201,000 – 2,049,287,000	Note 6

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 market unit rate, the higher the fair value*
4. *The higher the gross development value, the higher the fair value*
5. *The higher the developer's profit margin, the lower the fair value*
6. *The higher the budgeted costs to completion, the lower the fair value*

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

15. FILM RIGHTS

	HK$'000
Cost:	
At 1 August 2014	270,754
Additions	722
At 31 July 2015 and 1 August 2015	271,476
Additions	4,506
Disposal	(2)
At 31 July 2016	**275,980**
Accumulated amortisation and impairment:	
At 1 August 2014	233,394
Provided during the year	12,885
At 31 July 2015 and 1 August 2015	246,279
Provided during the year	6,021
Disposal	(2)
At 31 July 2016	**252,298**
Net carrying amount:	
At 31 July 2016	**23,682**
At 31 July 2015	25,197

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of film rights and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2016 and 31 July 2015 were determined based on the present value of expected future revenue arising from the distribution and sub-licensing of the film rights and their residual values, which was derived from discounting the projected cash flows by a discount rate of approximately 15% (2015: 15%).

16. FILM PRODUCTS

	Note	HK$'000
Cost:		
At 1 August 2014		757,748
Transfer from films under production	24	143,315
Exchange realignment		215
At 31 July 2015 and 1 August 2015		901,278
Additions		524
Transfer from films under production	24	171,865
Exchange realignment		(3,903)
At 31 July 2016		**1,069,764**
Accumulated amortisation and impairment:		
At 1 August 2014		677,450
Provided during the year		134,643
Impairment during the year		7,150
Exchange realignment		88
At 31 July 2015 and 1 August 2015		819,331
Provided during the year		128,391
Exchange realignment		(1,726)
At 31 July 2016		**945,996**
Net carrying amount:		
At 31 July 2016		**123,768**
At 31 July 2015		81,947

In light of the circumstances of film industry, the Group regularly reviewed its film products to assess marketability of film products and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2016 and 31 July 2015 were determined based on the present value of expected future revenue arising from the distribution and sub-licensing of the film products and their residual values, which was derived from discounting the projected cash flows by a discount rate of 15% (2015: 15%). During the year ended 31 July 2015, an impairment loss of HK$7,150,000 was recognised in the consolidated income statement.

17. MUSIC CATALOGS

	HK$'000
Cost:	
At 1 August 2014	145,234
Additions	1,600
At 31 July 2015 and 1 August 2015	146,834
Additions	4,000
At 31 July 2016	**150,834**
Accumulated amortisation and impairment:	
At 1 August 2014	128,863
Provided during the year	3,139
At 31 July 2015 and 1 August 2015	132,002
Provided during the year	3,914
At 31 July 2016	**135,916**
Net carrying amount:	
At 31 July 2016	**14,918**
At 31 July 2015	14,832

In light of the circumstances of music licensing industry, the Group undertook a review of its library of music catalogs to assess the marketability of respective music catalogs and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2016 and 31 July 2015 were determined based on the present value of expected future cash flows generated from the music catalogs, which was discounted by a discount rate of approximately 13% (2015: 13%).

18. GOODWILL

	HK$'000
Cost:	
At 1 August 2014, 31 July 2015, 1 August 2015 and 31 July 2016	**126,917**
Accumulated impairment:	
At 1 August 2014, 31 July 2015, 1 August 2015 and 31 July 2016	**3,477**
Net carrying amount:	
At 31 July 2016	**123,440**
At 31 July 2015	123,440

Impairment testing of goodwill

Goodwill acquired through business combination had been allocated to cash-generating units (the "IGHL CGU"), which are components of media and entertainment segment, film production and distribution segment and cinema operation segment, for impairment testing.

Intercontinental Group Holdings Limited and its subsidiaries (collectively known as the "IGHL Group") is a group of IGHL CGU which generates cash inflows that are largely independent of the cash inflows from other assets.

The recoverable amount of the IGHL CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which is based on the management's expectation for market development. The discount rate applied to the cash flow projections is 14.5% (2015: 14.5%).

Assumptions were used in the value-in-use calculation of the IGHL CGU for 31 July 2016 and 31 July 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rate – The discount rate used is before tax.

19. OTHER INTANGIBLE ASSETS

	Note	Artiste management and service agreements HK$'000	Online movie platform HK$'000	Total HK$'000
Cost:				
At 1 August 2014, 31 July 2015 and 1 August 2015		–	–	–
Acquisition of subsidiaries	41	35,932	–	35,932
Additions		–	1,916	1,916
At 31 July 2016		**35,932**	**1,916**	**37,848**
Accumulated amortisation:				
At 1 August 2014, 31 July 2015 and 1 August 2015		–	–	–
Provided during the year		8,817	426	9,243
At 31 July 2016		**8,817**	**426**	**9,243**
Net carrying amount:				
At 31 July 2016		**27,115**	**1,490**	**28,605**
At 31 July 2015		–	–	–

Artiste management and service agreements

Artiste management and service agreements represented agreements with various artistes and an artiste management team which the Group had the right for the provision of artiste management services to the artistes and procured the artiste management team to manage the daily operation of the M&E Co. (as defined in note 41).

Online movie platform

Online movie platform represented the development cost of a licensed online system for the distribution of certain licensed film rights of the Group.

20. INVESTMENTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Share of net assets	**927,287**	939,469
Amounts due from joint ventures	**239,664**	298,523
Provision for impairment #	**(5,199)**	(6,358)
	234,465	292,165
Total investments in joint ventures	**1,161,752**	1,231,634
Loans from a joint venture	**572,758**	372,897
Amount classified as current liabilities	**(350,328)**	(372,897)
Non-current portion	**222,430**	–

As at 31 July 2016, impairment of HK$5,199,000 (2015: HK$6,358,000) was recognised for amounts due from joint ventures with carrying amounts of HK$5,199,000 (2015: HK$6,358,000) (before deducting the impairment loss) because these joint ventures have been loss-making for some time.

The amounts due from joint ventures are unsecured, interest-free and have no fixed terms of repayment but are not expected to be repayable within the next 12 months from the end of the reporting period, except for an amount of HK$11,708,000 (2015: HK$12,673,000) due from a joint venture with interest bearing at The People's Bank of China Benchmark Loan Interest Rate.

Except for the loan from a joint venture of HK$222,430,000 (2015: Nil) which bears interest at a fixed rate of 3.05% per annum and would mature in April 2019, the loans from a joint venture are unsecured, bear interest at fixed rates of 3.92% – 4.2% per annum (2015: 3.92% – 4.2% per annum) and are repayable within one year.

The joint ventures are accounted for using the equity method in these consolidated financial statements. During the year, the Group received dividend income amounting to HK$6,425,000 (2015: Nil) from joint ventures.

Details of the principal joint ventures are set out in note 50 to the financial statements.

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

20. INVESTMENTS IN JOINT VENTURES (continued)

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

	2016 HK$'000	2015 HK$'000
Current assets (including cash and cash equivalents of HK$742,188,000 (2015: HK$790,102,000))	**6,381,216**	3,791,743
Non-current assets	**469,517**	1,756,079
Total assets	**6,850,733**	5,547,822
Current liabilities	**(4,647,793)**	(3,109,704)
Non-current liabilities	**(226,064)**	(450,417)
Total liabilities	**(4,873,857)**	(3,560,121)
Current financial liabilities (excluding creditors and accruals)	**(371,271)**	(469,708)

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:

	2016 HK$'000	2015 HK$'000
Net assets of the Beautiwin Group	**1,976,876**	1,987,701
Less: Non-controlling interests	**(121,550)**	(126,015)
	1,855,326	1,861,686
Lai Fung's 50% interest in the Beautiwin Group	**927,663**	930,843
Amount due from the Beautiwin Group	**185,853**	235,979
Carrying amount of the Group's interests in the Beautiwin Group as recorded in the consolidated financial statements	**1,113,516**	1,166,822

20. INVESTMENTS IN JOINT VENTURES (continued)

	2016 HK$'000	2015 HK$'000
Revenue (including interest income of HK$17,132,000 (2015: HK$11,569,000))	**1,549,223**	1,210,491
Cost of sales	**(924,359)**	(734,593)
Expenses (including depreciation charges of HK$1,139,000 (2015: HK$1,075,000))	**(54,154)**	(47,183)
Income tax expense	**(415,475)**	(266,228)
Profit for the year	**155,235**	162,487
Other comprehensive loss for the year	**(166,060)**	(24,212)
Total comprehensive income/(loss) for the year	**(10,825)**	138,275
The Group's share of profit of the Beautiwin Group	**72,995**	76,704
The Group's share of other comprehensive loss of the Beautiwin Group	**(76,175)**	(11,603)
The Group's share of total comprehensive income/(loss) of the Beautiwin Group	**(3,180)**	65,101

Aggregate financial information of joint ventures that are not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of profits and losses	**6,628**	6,999
The Group's share of other comprehensive income/(loss)	**(1,185)**	73
The Group's share of total comprehensive income	**5,443**	7,072

21. INVESTMENTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	**7,014**	5,667
Amounts due from associates	**19,880**	19,377
Loan to an associate	**–**	3,831
	26,894	28,875

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

21. INVESTMENTS IN ASSOCIATES (continued)

The associates are accounted for using the equity method in these consolidated financial statements. During the year, the Group received dividend income amounting to HK$750,000 (2015: HK$1,020,000) from an associate.

As at 31 July 2016 and 31 July 2015, there were no material associates which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

Aggregate financial information of associates that are not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of profits and losses and total comprehensive income	**2,097**	193

22. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Unlisted equity investments, at cost	**60,381**	71,250
Less: Impairment	**(10,722)**	(10,722)
	49,659	60,528
Unlisted equity investment, at fair value	**88,933**	106,564
	138,592	167,092

As at 31 July 2016, unlisted equity investments of the Group with a carrying amount of HK$49,659,000 (2015: HK$60,528,000) were stated at cost less impairment because the variability in the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair value could not be measured reliably.

During the year, the gross loss in respect of the Group's unlisted equity investment stated at fair value recognised in other comprehensive loss amounted to HK$17,631,000 (2015: gross gain of HK$28,128,000).

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Deposits, prepayments and advances for artiste management, music production and film production (Note (a))	**330,606**	405,536
Other deposits, prepayments and other receivables	**443,418**	189,137
	774,024	594,673
Less: Portion classified as current	**(450,119)**	(470,400)
Non-current deposit for acquisition of an investment property (Note (b))	**(228,620)**	–
Non-current portion	**95,285**	124,273

Notes:

(a) *Included in deposits, prepayments and other receivables as at 31 July 2016 are advances of HK$24,720,000 (2015: HK$24,720,000) due from film owners for the Group's investments in film projects. The advances are unsecured, repayable within next 12 months and have a fixed guarantee return of 16.5% (2015: 16.5%).*

(b) *On 30 September 2015, Shanghai Zhabei Plaza Real Estate Development Company Limited ("Shanghai Zhabei", as purchaser), being a subsidiary of Lai Fung, Federation of Trade Union of Zhabei District of Shanghai ("Zhabei Trade Union", as vendor) and Lai Fung (as guarantor) entered into an agreement, pursuant to which Shanghai Zhabei 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 (approximately HK$415.7 million) (the "Zhabei Acquisition"). The Property, comprising portion of a commercial building with total gross floor area of approximately 10,345 sq.m. (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 Lai Fung Group and situated at Jing'an District, Shanghai.*

Further details of the Zhabei Acquisition are set out in a joint announcement of Lai Fung and the Company dated 30 September 2015 and in a circular of the Company dated 23 November 2015. The Zhabei Acquisition was approved by the shareholders of the Company at a special general meeting held on 11 December 2015.

As at 31 July 2016, a deposit for the Zhabei Acquisition of RMB195.3 million (approximately HK$228.6 million) (2015: Nil) was paid. The remaining consideration of RMB159.8 million (approximately HK$187.1 million) was paid and the Zhabei Acquisition was completed in September 2016.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Net of advances for artiste management and other receivables is a provision of HK$57,191,000 (2015: HK$54,227,000).

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

	2016 HK$'000	2015 HK$'000
At the beginning of reporting period	**54,227**	57,032
Provision for advances and other receivables	**6,536**	6,496
Reversal of provision for advances and other receivables	**(3,538)**	(7,950)
Write-off	**(34)**	(1,351)
At the end of reporting period	**57,191**	54,227

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$57,191,000 (2015: HK$54,227,000) with a gross carrying amount of HK$57,657,000 (2015: HK$54,441,000). The individually impaired receivables and advances relate to the portions of receivables that were not expected to be recovered.

24. FILMS UNDER PRODUCTION

	Note	2016 HK$'000	2015 HK$'000
At the beginning of the reporting period		**245,395**	259,292
Additions (including the capitalisation of employee benefit expense of HK$1,349,000 (2015: HK$6,886,000))		**384,879**	129,128
Transfer to film products	16	**(171,865)**	(143,315)
Write-off		**(3,042)**	(70)
Exchange realignment		**(4,518)**	360
At the end of the reporting period		**450,849**	245,395

25. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**6,172**	7,653
Work in progress	**1,741**	2,283
Finished goods	**25,853**	17,191
	33,766	27,127

26. DEBTORS

	2016 HK$'000	2015 HK$'000
Trade debtors	**393,409**	329,317
Impairment	**(8,901)**	(5,529)
	384,508	323,788

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

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

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

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

	2016 HK$'000	2015 HK$'000
Trade debtors:		
Neither past due nor impaired	**269,146**	244,115
1-90 days past due	**98,464**	64,809
Over 90 days past due	**16,898**	14,864
	384,508	323,788

26. DEBTORS (continued)

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

	2016 HK$'000	2015 HK$'000
At the beginning of the reporting period	**5,529**	5,539
Provision for doubtful debts	**7,465**	1,448
Reversal of provision for doubtful debts	**(4,059)**	–
Write-off	**(34)**	(1,458)
At the end of the reporting period	**8,901**	5,529

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$8,901,000 (2015: HK$5,529,000) with a gross carrying amount before provision of HK$8,901,000 (2015: HK$5,529,000). The individually impaired trade debtors related to customers that were in default in settlements and no portion of the receivables is expected to be recovered.

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

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

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

	Note	2016 HK$'000	2015 HK$'000
Cash and bank balances		**3,453,768**	3,004,124
Less: Pledged and restricted bank balances			
– Pledged for banking facilities *		**(5,692)**	(6,039)
– Pledged for bank loans	30(g)	**(131,538)**	(563,476)
– Restricted **		**(929,144)**	(597,726)
		(1,066,374)	(1,167,241)
Non-pledged and non-restricted cash and bank balances		**2,387,394**	1,836,883
Time deposits		**911,874**	1,643,321
Less: Non-current portion of pledged and restricted time deposits for Guaranteed Notes ***		**–**	(135,669)
Less: Current portion of pledged and restricted time deposits			
– Pledged and restricted time deposits for Guaranteed Notes ***		**–**	(67,835)
– Pledged for bank loans	30(g)	**–**	(125,589)
– Pledged for banking facilities Δ		**(120)**	–
		(120)	(193,424)
Non-pledged and non-restricted time deposits		**911,754**	1,314,228
Cash and cash equivalents		**3,299,148**	3,151,111

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

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

** *In accordance with the relevant laws and regulations imposed by the government authorities concerned or the terms and conditions set out in the relevant bank loan agreements, proceeds from the pre-sale of certain properties are required to be deposited into designated bank accounts and restricted to be used in the relevant project construction. Such restriction will be uplifted upon repayment of the relevant bank loans or the attainment of the relevant ownership certificates issued by the authorities. As at 31 July 2016, the balance was HK$778,893,000 (2015: HK$522,997,000).*

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 2016, the balance amounted to HK$33,153,000 (2015: HK$35,175,000).

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 2016, the balance amounted to HK$117,098,000 (2015: HK$39,554,000).

*** *On the issue date of the Guaranteed Notes (as defined and disclosed in note 34), the Group deposited an amount, being the amount of interest due in respect of the Guaranteed Notes for the interest periods after the issue of the Guaranteed Notes, into an interest reserve account which would be charged for the benefit of the holders of the Guaranteed Notes. The amount in the interest reserve account would be reduced by the interest payment on 24 June and 24 December of each year, commencing on 24 December 2014. The pledge of interest reserve account was released on 16 June 2016 pursuant to the extraordinary resolution passed at the meeting of the noteholders (as detailed in note 34). As at 31 July 2015, an amount approximately HK$203,504,000 (RMB163,313,000) of the Group's time deposits were deposited into the interest reserve account.*

Δ *The balance was pledged to a bank in respect of credit card facilities granted by the bank to a subsidiary of the Company.*

The conversion of Renminbi ("RMB") denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. As at 31 July 2016, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK$3,302,526,000 (2015: HK$2,457,083,000).

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

28. ASSET CLASSIFIED AS HELD FOR SALE

On 23 November 1993, Grand Wealth Limited ("Grand Wealth"), an indirect wholly-owned subsidiary of Lai Fung, 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 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 Lai Fung 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 the Company having approved the Transaction.

Further details of the Transaction were set out in a joint announcement of the Company and Lai Fung dated 15 January 2015, and in a circular of the Company dated 16 February 2015.

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

The Transaction is still underway and expected to be completed in the coming financial year.

28. ASSET CLASSIFIED AS HELD FOR SALE (continued)

The Substituted Property was classified as an asset classified as held for sale and its non-recurring fair value measurement is as follows:

Non-recurring fair value measurement:

	2016 HK$'000	2015 HK$'000
Asset classified as held for sale	**257,666**	265,432

In accordance with HKFRS 5, at 31 July 2016, the asset classified as held for sale with a carrying amount of HK$257,666,000 is assessed against its fair value of HK$302,388,000 less costs to sell of HK$44,722,000 and no impairment is recognised for the year ended 31 July 2016.

At 31 July 2015, the asset classified as held for sale with a carrying amount of HK$299,926,000 (note 12) 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$34,618,000 (note 7) which was included in "Other operating expenses" on the face of the consolidated income statement for the year ended 31 July 2015.

Valuation processes of the Group

The Group's asset classified as held for sale stated at fair value less costs to sell was valued by Knight Frank, an independent professionally qualified valuer. The valuation processes are the same as that of investment properties as disclosed in note 14.

28. ASSET CLASSIFIED AS HELD FOR SALE (continued)

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)

2016

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.)	37,500 — 55,000	Note

2015

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

Note: The higher the market unit rate, the higher the fair value

29. CREDITORS AND ACCRUALS

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

	2016 HK$'000	2015 HK$'000
Trade creditors:		
Less than 30 days	**113,644**	79,898
31 – 60 days	**21,203**	7,264
61 – 90 days	**6,025**	7,593
Over 90 days	**3,431**	1,167
	144,303	95,922
Other creditors and accruals	**1,184,107**	1,103,047
	1,328,410	1,198,969

Trade creditors and other creditors are interest-free and have an average credit term of three months.

30. INTEREST-BEARING BANK LOANS, SECURED

	2016		2015	
	Effective interest rate (%)	HK$'000	Effective interest rate (%)	HK$'000
Secured bank loans:				
Current	**2.23 – 6.89**	**311,548**	2.75 – 7.09	2,487,367
Non-current	**3.64 – 6.89**	**3,089,201**	5.51 – 8.00	533,780
		3,400,749		3,021,147
Maturity profile:				
Within one year		**311,548**		2,487,367
In the second year		**878,728**		212,799
In the third to fifth years, inclusive		**2,085,245**		150,302
Beyond five years		**125,228**		170,679
		3,400,749		3,021,147

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

As at 31 July 2015, HK$1,510,000,000 and HK$968,085,000 were outstanding under the 2013 Offshore Facilities and the 2013 Onshore Facilities, respectively. Both the 2013 Offshore Facilities and 2013 Onshore Facilities matured on 28 March 2016.

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

On 18 March 2016, Lai Fung (i) as borrower and, inter alios, the banks named therein as lenders entered into an offshore facility agreement in relation to facilities of HK$2,650,000,000 (the "2016 Offshore Facilities"); and (ii) as guarantor and, inter alios, certain subsidiaries of Lai Fung as borrowers and banks named therein as lenders entered into an onshore facility agreement in relation to facilities of approximately HK$936,000,000 equivalent (the "2016 Onshore Facilities").

The purposes of the 2016 Offshore Facilities are mainly for financing investments in property related projects, refinancing the loans outstanding under the 2013 Offshore Facilities due on 28 March 2016 and general corporate purposes of the Lai Fung Group. The entire 2016 Onshore Facilities were drawn and fully applied for refinancing the loans outstanding under the 2013 Onshore Facilities due on 28 March 2016. As at 31 July 2016, HK$1,394,000,000 and HK$916,581,000 were outstanding under the 2016 Offshore Facilities and the 2016 Onshore Facilities, respectively.

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

(a) mortgages over certain land and buildings, certain serviced apartments (including related leasehold improvements) and construction in progress of the Group with aggregate carrying amounts of HK$27,652,000 (2015: HK$123,188,000), HK$1,471,551,000 (2015: HK$1,557,066,000) and HK$414,874,000 (2015: Nil) (note 12), respectively;

(b) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$365,020,000 (2015: HK$91,512,000) (note 13);

(c) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$9,398,143,000 (2015: HK$8,977,288,000) (note 14);

(d) mortgages over certain completed properties for sale of the Group with an aggregate carrying amount of HK$55,595,000 (2015: HK$481,102,000);

(e) charges over the entire equity interests in certain subsidiaries of the Company (note 49) shared on a pari passu basis with the holders of fixed rate senior notes (note 33);

(f) charges over the entire equity interest in a subsidiary of the Company (note 49);

(g) charges over bank balances and time deposits of the Group with an aggregate carrying amount of HK$131,538,000 (2015: HK$689,065,000) (note 27); and

(h) charges over securities accounts and share mortgage in respect of 8,274,270,422 ordinary shares of Lai Fung and 1,415,132,837 ordinary shares of MAGHL granted by certain subsidiaries of the Company made on 21 September 2016 (note 49).

Pursuant to an intercreditor agreement dated 28 March 2013 (as amended, restated and supplemented from time to time) (the "Intercreditor Agreement"), (i) the lenders under the 2016 Offshore Facilities (2015: 2013 Offshore Facilities), (ii) the holder of 2013 Notes (as defined in note 33) and (iii) the holders of future permitted pari passu secured indebtedness, if any, are entitled to the benefit of a lien on a package of securities shared on a pari passu basis. Accordingly, as at 31 July 2016, the 2016 Offshore Facilities (2015: 2013 Offshore Facilities) are guaranteed on a joint and several basis by the same entities acting as subsidiary guarantors under the 2013 Notes, subject to certain limitations. In addition, the shares in certain subsidiaries of Lai Fung and a debt service reserve account (collectively, the "Collateral") have been charged to secure amounts outstanding under the 2016 Offshore Facilities (2015: 2013 Offshore Facilities) (and on a pari passu basis with the 2013 Notes).

After execution of the facility agreement in relation to the 2016 Offshore Facilities, on 21 March 2016, the agent of the 2016 Offshore Facilities acceded to and became a party to the Intercreditor Agreement. Upon and after the refinancing of the 2013 Offshore Facilities on 24 March 2016, the agent of the 2013 Offshore Facilities ceased to be a party to the Intercreditor Agreement in accordance with the terms thereof.

31. OTHER BORROWINGS

	Notes	Effective contractual interest rate (%)	2016 HK$'000	2015 HK$'000
Interest-bearing borrowings				
– unsecured	(i)	5.00	**192,835**	187,188
Other borrowing – unsecured	(ii)	–	**54,675**	58,198
			247,510	245,386

	2016 HK$'000	2015 HK$'000
Analysed into:		
Other borrowings repayable in the second year	**247,510**	245,386

Notes:

(i) The unsecured other borrowings represented amounts due to the late Mr. Lim Por Yen which bear interest at The Hongkong and Shanghai Banking Corporation Limited prime rate per annum except for the accrued interest portion with an amount of HK$79,897,000 (2015: HK$74,250,000) which is interest-free.

(ii) The unsecured other borrowing represented an amount due to the late Mr. Lim Por Yen which is interest-free.

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

32. CONVERTIBLE NOTES

	Notes	2016 HK$'000	2015 HK$'000
TFN Convertible Notes	(ii)	**110,590**	100,950
Specific Mandate Convertible Notes	(iii)	**55,580**	65,626
		166,170	166,576

32. CONVERTIBLE NOTES (continued)

Pursuant to a subscription agreement entered into between Perfect Sky Holdings Limited ("Perfect Sky"), a wholly-owned subsidiary of the Company, Sun Great Investments Limited, Next Gen Entertainment Limited, Memestar Limited, On Chance Inc. and Grace Promise Limited (together with Perfect Sky referred to as the "Subscribers"), and MAGHL on 23 March 2011, among others, MAGHL conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$371,386,642 (the "First Completion Convertible Notes") and HK$224,873,937 (the "Second Completion Convertible Notes"), which are convertible at the option of the holders into MAGHL's ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date. The outstanding First Completion Convertible Notes and the Second Completion Convertible Notes were redeemed by MAGHL on 8 June 2014 and 8 June 2015, respectively.

Pursuant to a subscription agreement entered into between TFN Media Co., Ltd. ("TFN Media") and MAGHL on 17 April 2015, among others, MAGHL conditionally agreed to issue, and the TFN Media conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$130,000,000 (the "TFN Convertible Notes"), which are convertible at the option of the holder into MAGHL's ordinary shares during the period commencing on the first day of the TFN Convertible Notes and expiring on that date which is five business days preceding the maturity date.

Pursuant to each of subscription agreements entered into by MAGHL with each of Perfect Sky, Fubon Financial Holding Venture Capital Corp., Kbro Media Co., Ltd., and MOMO.COM Inc. (collectively the "New Subscribers") on 17 April 2015, among others, MAGHL conditionally agreed to issue, and the New Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$186,840,000 (the "Specific Mandate Convertible Notes"), which are convertible at the option of the holders into MAGHL's ordinary shares during the period commencing on the first day of the Specific Mandate Convertible Notes and expiring on the date which is five business days preceding the maturity date.

(i) Second Completion Convertible Notes

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

Pursuant to the terms and conditions of the Second Completion Convertible Notes, as a result of the share consolidation of every twenty issued shares into one consolidated share passed by a special general meeting of MAGHL held on 8 January 2014 and became effective on 9 January 2014 ("Share Consolidation"), the conversion price of the Second Completion Convertible Notes set out above was adjusted from HK$0.02785 per share to HK$0.557 per share. As a result of the open offer of shares proposed by MAGHL on the basis of one offer share ("Offer Share") for every two existing shares at the subscription price of HK$0.30 per Offer Share as detailed in the announcement of MAGHL dated 17 April 2015 ("Open Offer"), the conversion price of the Second Completion Convertible Notes was adjusted from HK$0.557 per share to HK$0.482 per share. Accordingly, the number of shares upon conversion would be adjusted in inverse proportion to the adjusted conversion price.

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

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

32. CONVERTIBLE NOTES (continued)

(i) Second Completion Convertible Notes (continued)

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

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

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

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

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

32. CONVERTIBLE NOTES (continued)

(i) Second Completion Convertible Notes (continued)

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

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 August 2011	–	–	–
Issued on 9 June 2012	55,135	71,560	126,695
Cost of issue of convertible notes	(913)	(274)	(1,187)
Interest charged during the year	768	–	768
At 31 July 2012 and 1 August 2012	54,990	71,286	126,276
Interest charged during the year	5,367	–	5,367
At 31 July 2013 and 1 August 2013	60,357	71,286	131,643
Deemed issue during the year	60,593	6,247	66,840
Cost of deemed issue of convertible notes	(217)	–	(217)
Interest charged during the year	7,262	–	7,262
At 31 July 2014 and 1 August 2014	127,995	77,533	205,528
Interest charged during the year	10,505	–	10,505
Partial conversion during the year	(39,770)	(39,579)	(79,349)
Redemption during the year *	(98,730)	(37,954)	(136,684)
At 31 July 2015, 1 August 2015 and 31 July 2016	**–**	**–**	**–**

* *During the year ended 31 July 2015, the Group's share of the equity component amounting to HK$22,928,000, representing the Group's 60.41% equity interest in MAGHL, was transferred to retained profits. The remaining equity component of HK$15,026,000 was included in non-controlling interests.*

(ii) TFN Convertible Notes

The TFN Convertible Notes were issued to TFN Media, the holder of TFN Convertible Notes, on 13 May 2015. The TFN Convertible Notes in an aggregate principal amount of HK$130,000,000 carry the conversion right entitling TFN Media to subscribe for a total of 245,746,691 shares of HK$0.01 each in MAGHL at a conversion price of HK$0.529 per share.

32. CONVERTIBLE NOTES (continued)

(ii) TFN Convertible Notes (continued)

Pursuant to the terms and conditions of the TFN Convertible Notes, as a result of the Open Offer, the conversion price of the TFN Convertible Notes set out above was adjusted from HK$0.529 per share to HK$0.458 per share. Based on the issued and outstanding TFN Convertible Notes in the principal amount of HK$130,000,000 as at 31 July 2016, the number of shares to be allotted and issued to TFN Media would be adjusted from 245,746,691 shares to 283,842,794 shares as a result of the Open Offer assuming the conversion rights attaching thereto were exercised in full. However, as disclosed in MAGHL's announcement dated 13 May 2015, MAGHL elects to redeem the principal amount attributable to conversion shares under the TFN Convertible Notes in excess of the outstanding number of new shares issuable under the general mandate granted to the directors of MAGHL to issue shares of MAGHL at the annual general meeting of MAGHL held on 9 December 2014 ("General Mandate"), and therefore, having taken into account the maximum number of such issuable shares under the General Mandate and assuming no utilisation of the General Mandate (other than that for the allotment and issue of the conversion shares under the TFN Convertible Notes), the maximum number of conversion shares that could be allotted and issued to TFN Media under the TFN Convertible Notes shall be 267,973,164 shares, at the adjusted conversion price of HK$0.458 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the TFN Convertible Notes, it will be redeemed by MAGHL on the maturity date of 13 May 2018 at the principal amount outstanding.

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

The liability and equity components of the TFN Convertible Notes recognised on initial recognition are as follows:

	HK$'000
TFN Convertible Notes	
Face value of convertible notes issued	130,000
Equity component	(30,991)
Liability component at date of issue	99,009

32. CONVERTIBLE NOTES (continued)

(ii) TFN Convertible Notes (continued)

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

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 August 2014	–	–	–
Issued during the year	99,009	30,991	130,000
Cost of issue of convertible notes	(129)	(40)	(169)
Interest charged during the year	2,070	–	2,070
At 31 July 2015 and 1 August 2015	100,950	30,951	131,901
Interest charged during the year	9,640	–	9,640
At 31 July 2016	**110,590**	**30,951**	**141,541**

(iii) Specific Mandate Convertible Notes

The Specific Mandate Convertible Notes were issued to the New Subscribers on 3 July 2015. The Specific Mandate Convertible Notes in an aggregate principal amount of HK$186,840,000 carry the conversion right entitling the relevant holders to subscribe for a total of 407,947,597 shares of HK$0.01 each in MAGHL at a conversion price of HK$0.458 per share as adjusted for the Open Offer pursuant to the terms and conditions of the Specific Mandate Convertible Notes.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Specific Mandate Convertible Notes, they will be redeemed by MAGHL on the maturity date of 3 July 2018 at the principal amount outstanding.

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

32. CONVERTIBLE NOTES (continued)

(iii) Specific Mandate Convertible Notes (continued)

The net proceeds received from the issue of the Specific Mandate Convertible Notes, after eliminating the subscription of the Specific Mandate Convertible Notes of HK$100,000,000 by Perfect Sky at a conversion price of HK$0.458 per share as adjusted for the Open Offer, were split into the liability and equity components on the issue date as follows:

	HK$'000
Specific Mandate Convertible Notes	
Face value of convertible notes issued	86,840
Equity component	(21,162)
Liability component at date of issue	65,678

The movements of the liability component and the equity component of the Specific Mandate Convertible Notes are as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 August 2014	–	–	–
Issued during the year	65,678	21,162	86,840
Cost of issue of convertible notes	(574)	(185)	(759)
Interest charged during the year	522	–	522
At 31 July 2015 and 1 August 2015	65,626	20,977	86,603
Interest charged during the year	5,178	–	5,178
Partial conversion during the year	(15,224)	(4,842)	(20,066)
At 31 July 2016	**55,580**	**16,135**	**71,715**

Interest charged for the Second Completion Convertible Notes, the Second Completion Convertible Notes Deemed Issued, the TFN Convertible Notes and the Specific Mandate Convertible Notes were calculated by applying effective interest rates of 9.8% per annum, 9.87% per annum, 9.5% per annum and 9.9% per annum, respectively, to the respective liability components.

During the year ended 31 July 2016, a holder of the Specific Mandate Convertible Notes converted the Specific Mandate Convertible Notes in an aggregate principal amount of HK$20,000,000 into 43,668,122 shares of HK$0.01 each in MAGHL. After this conversion, the Group's shareholding in MAGHL has been reduced from 60.41% to 59.18%.

During the year ended 31 July 2015, the holders of the Second Completion Convertible Notes converted the Second Completion Convertible Notes with principal amounts of HK$22,000,000, HK$9,589,121 and HK$8,219,247 into 45,643,153, 19,894,441 and 17,052,379 shares of HK$0.01 each in MAGHL (after Share Consolidation), respectively.

33. FIXED RATE SENIOR NOTES

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

On 25 April 2013, Lai Fung issued RMB1,800,000,000 (equivalent to approximately HK$2,243,270,000) of 6.875% fixed rate senior notes (the "2013 Notes"), which will mature on 25 April 2018 for bullet repayment. The 2013 Notes bear interest from 25 April 2013 and are repayable 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 existing debt and for general corporate purposes. The net proceeds of the 2013 Notes after deducting the issue expenses amounted to approximately HK$2,205,883,000.

No 2013 Notes were repurchased during the year (2015: Nil).

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

	2016 **HK$'000**	2015 HK$'000
2013 Notes		
Carrying amount as at 1 August	**2,220,914**	2,232,738
Amortisation of the 2013 Notes (note 8)	**7,583**	7,060
Exchange realignment	**(135,756)**	(18,884)
Carrying amount as at 31 July	**2,092,741**	2,220,914
Portion classified as non-current	**(2,092,741)**	(2,220,914)
Current portion	**–**	–

The effective interest rate of the 2013 Notes is 7.28% per annum.

In connection with the 2013 Notes, Lai Fung entered into cross currency swap agreements (the "CCS") with financial institutions, which have effectively converted the 2013 Notes into fixed rate United States dollar ("US$") denominated loans. Taking into account the effects of the CCS, the effective interest rate of the 2013 Notes is 6.53% per annum. For the year ended 31 July 2016, an unrealised exchange gain on the 2013 Notes of HK$135,756,000 (2015: HK$18,884,000) was recognised in the consolidated income statement. Details of the CCS are set out in note 35 to the financial statements.

As detailed in note 30 to the financial statements, the holder of 2013 Notes are entitled to the benefit of a lien on a package of securities, comprising guarantees provided by certain subsidiaries of Lai Fung and charges over the Collateral, on a pari passu basis with the lenders under the 2016 Offshore Facilities (2015: 2013 Offshore Facilities) and the holders of future permitted pari passu secured indebtedness, if any.

34. GUARANTEED NOTES

RMB650,000,000 8.375% Secured Guaranteed Notes due 2018

On 24 June 2014, eSun International Finance Limited ("EIF"), a wholly-owned subsidiary of the Company, issued RMB650,000,000 (equivalent to approximately HK$809,364,000) of 8.375% secured guaranteed notes (the "Guaranteed Notes"), which would mature on 24 June 2018 for bullet repayment.

The Guaranteed Notes were secured by the share charge in respect of 8,274,270,422 ordinary shares of Lai Fung and 842,675,225 ordinary shares of MAGHL granted by certain subsidiaries of the Company and the account charge in respect of the interest reserve accounts for all amounts payable on the notes. The Guaranteed Notes were guaranteed by the Company and had the benefit of a keepwell and security shortfall support deed and a deed of equity interest purchase undertaking by LSD. The interest on the Guaranteed Notes were payable semi-annually in arrears on 24 June and 24 December of each year, commencing on 24 December 2014. The Guaranteed Notes were listed and traded on the Stock Exchange.

On 24 May 2016, EIF commenced an offer to repurchase for cash any and all of the Guaranteed Notes (the "Repurchase Offer") at the purchase price of 100% of their principal amount together with payment of any accrued interest. In conjunction with the Repurchase Offer, EIF was also soliciting consents from the noteholders to implement the proposal to make certain modifications to the conditions of the Guaranteed Notes, including but not limited to inserting an early redemption option, to release the related security and to terminate the relevant documents with a consent fee of RMB50 per RMB10,000 in principal amounts of the Guaranteed Notes (the "Proposal"). Details of the terms and conditions of the Repurchase Offer are set out in the tender offer memorandum issued by EIF on 24 May 2016.

On 16 June 2016, EIF announced that valid tenders of RMB580,810,000 in aggregate principal amount of Guaranteed Notes were received in respect of the Repurchase Offer. In addition, the extraordinary resolution in respect of the Proposal was duly passed. Accordingly, the share charge in respect of 8,274,270,422 ordinary shares of Lai Fung and 842,675,225 ordinary shares of MAGHL and the account charge in respect of the interest reserve accounts were released on 16 June 2016, following the execution of the relevant documents. On the same day, EIF has served notice to noteholders for redemption of the remaining outstanding Guaranteed Notes of RMB69,190,000 in aggregate principal amount of the Guaranteed Notes (the "Outstanding Notes") on 23 June 2016.

On 23 June 2016, EIF repurchased RMB580,810,000 (equivalent to HK$684,717,000) in principal amount of the Guaranteed Notes (the "Repurchased Notes") and also redeemed the Outstanding Notes. All Repurchased Notes and Outstanding Notes were cancelled. The Guaranteed Notes were effectively delisted on 5 July 2016.

	2016 HK$'000	2015 HK$'000
Guaranteed Notes		
Carrying amount as at 1 August	**794,343**	794,589
Amortisation of the Guaranteed Notes (note 8)	**4,634**	5,408
Repurchase and redemption during the year	**(756,075)**	–
Exchange differences	**(42,902)**	(5,654)
Carrying amount as at 31 July	**–**	794,343

The effective interest rate of the Guaranteed Notes was 9.2876% per annum.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 HK$'000	2015 HK$'000
Financial liabilities – CCS	**210,068**	111,654

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

	2016 HK$'000	2015 HK$'000
Carrying amount as at 1 August	**111,654**	25,162
Fair value losses charged to the hedge reserve *(note a)*	**88,697**	–
Ineffective portion of the effective hedge recognised in profit or loss	**9,717**	–
Fair value losses charged to the consolidated income statement *(note b)*	**–**	86,492
Carrying amount as at 31 July	**210,068**	111,654

Cross Currency Swaps – cash flow hedge

On 25 April 2013, Lai Fung Group entered into the CCS with financial institutions with an aggregate nominal amount of RMB1,800,000,000 for the purpose of hedging the foreign currency risk arising from the 2013 Notes as detailed in note 33 to the financial statements.

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

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

35. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross Currency Swaps – cash flow hedge (continued)

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

(a) As at 31 January 2016 and 31 July 2016, the cash flow hedges of the 2013 Notes were assessed to be highly effective and net gains on the cash flow hedges of HK$301,000 and HK$46,758,000 for the period between 1 August 2015 and 31 January 2016 and for the period between 1 February 2016 and 31 July 2016, respectively, were included in the hedge reserve, of which HK$24,038,000 and HK$23,021,000 were attributed to the owners of the Company and the non-controlling interests, respectively, as follows:

	2016 **HK$'000**
Total fair value loss charged to the hedge reserve	**(88,697)**
Transferred from the hedged reserve to the consolidated income statement for the exchange gains of the 2013 Notes	**135,756**
Net gain on cash flow hedges	**47,059**

(b) As at 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 were charged to the consolidated income statement.

36. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 HK$'000	2015 HK$'000
Deferred tax assets	**6,101**	5,072
Deferred tax liabilities	**(2,808,906)**	(2,804,979)
	(2,802,805)	(2,799,907)

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

	Notes	Accelerated tax depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 August 2014		(426,912)	(626,288)	(1,441,201)	(46,732)	1,549	(88,207)	(2,627,791)
Deferred tax credited/(charged) to the income statement during the year	10	(39,620)	40,357	(241,158)	(18,853)	9,692	29,675	(219,907)
Deferred tax utilised during the year		–	–	–	27,091	–	–	27,091
Exchange realignment		3,844	2,881	13,397	–	(47)	625	20,700
At 31 July 2015 and 1 August 2015		(462,688)	(583,050)	(1,668,962)	(38,494)	11,194	(57,907)	(2,799,907)
Acquisition of subsidiaries	41	–	(5,929)	–	–	–	–	(5,929)
Deferred tax credited/(charged) to the income statement during the year	10	(46,759)	(10,729)	(130,511)	(30,353)	15,492	47,325	(155,535)
Exchange realignment		29,171	20,656	107,261	–	(935)	2,413	158,566
At 31 July 2016		**(480,276)**	**(579,052)**	**(1,692,212)**	**(68,847)**	**25,751**	**(8,169)**	**(2,802,805)**

At 31 July 2016, the Group has tax losses arising in Hong Kong of HK$1,083,580,000 (2015: HK$997,173,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 July 2016, the Group had tax losses arising in Mainland China of HK$271,720,000 (2015: HK$242,696,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

36. DEFERRED TAX (continued)

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

At 31 July 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$13,621,000 at 31 July 2016 (2015: HK$10,620,000).

37. SHARE CAPITAL

Shares

	2016		2015	
	Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,500,000**	**1,250,000**	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,243,212**	**621,606**	1,243,212	621,606

Share options

Details of the share option schemes of the Company, MAGHL and Lai Fung and the share options issued under the respective schemes are included in note 38 to the financial statements.

38. SHARE OPTION SCHEMES

(a) The Company

2005 Share Option Scheme

On 23 December 2005, the Company adopted the share option scheme (the "2005 Share Option Scheme") for the purpose of giving any eligible employee, director of the Company or any of its subsidiaries, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "Participants") an opportunity to have a personal stake in the Company and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Company. The 2005 Share Option Scheme was adopted by the Company on 23 December 2005 and became effective on 5 January 2006 and unless otherwise cancelled or amended, the 2005 Share Option Scheme will remain in force for 10 years from latter date. The 2005 Share Option Scheme was terminated upon the adoption of the 2015 Share Option Scheme (as defined below) on 11 December 2015. The principal terms of the 2005 Share Option Scheme were:

38. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2005 Share Option Scheme (continued)

(i) The total number of shares in respect of which options may be granted under the 2005 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue unless the 10% limit has been refreshed on shareholders' approval. The 10% limit was refreshed on shareholders' approval at a special general meeting of the Company held on 27 May 2011. The maximum number of shares issuable under share options granted to each Participant in the 2005 Share Option Scheme within any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

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

(iii) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors in its absolute discretion.

(iv) The subscription (or exercise) price of any share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

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

2015 Share Option Scheme

On 11 December 2015 (the "2015 Adoption Date"), the Company adopted a new share option scheme (the "2015 Share Option Scheme") and terminated the 2005 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 2015 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-calibre Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of the Group. Unless otherwise cancelled or amended, the 2015 Share Option Scheme will remain in force for 10 years from the 2015 Adoption Date. The principal terms of the 2015 Share Option Scheme are:

38. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2015 Share Option Scheme (continued)

(i) The maximum number of shares in respect of which options may be granted under the 2015 Share Option Scheme and any other share option schemes of the Company (i) shall not exceed 10% of the total number of shares in issue on the 2015 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 in the 2015 Share Option Scheme 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 shareholders' approval in a general meeting of the Company.

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

(iii) The offer of a grant of share options may be accepted within 30 days from the date of offer, to be accompanied by payment of a consideration of HK$1 per share option by the grantee. The exercise period of the share options granted is determined by the board of directors in its absolute discretion.

(iv) The subscription (or exercise) price of any share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

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

Details of the share options outstanding granted under the 2005 Share Option Scheme during the year are as follows:

	2016		2015	
	Number of underlying shares comprised in share options '000	**Weighted average exercise price per share HK$**	Number of underlying shares comprised in share options '000	Weighted average exercise price per share HK$
Outstanding at the beginning of the year	**33,451**	**1.44**	31,651	1.47
Granted during the year	**–**	**–**	1,800	0.73
Outstanding at the end of the year	**33,451**	**1.44**	33,451	1.44

38. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2015 Share Option Scheme (continued)

No share options were exercised during the years ended 31 July 2016 and 2015.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2016

Number of underlying shares comprised in share options '000	**Exercise price* per share HK$**	**Exercise period (dd/mm/yyyy)**
6,216	**0.92**	**05-06-2012 to 04-06-2022**
25,435	**1.61**	**18-01-2013 to 17-01-2023**
1,800	**0.73**	**21-01-2015 to 20-01-2025**
33,451		

2015

Number of underlying shares comprised in share options '000	Exercise price* per share HK$	Exercise period (dd/mm/yyyy)
6,216	0.92	05-06-2012 to 04-06-2022
25,435	1.61	18-01-2013 to 17-01-2023
1,800	0.73	21-01-2015 to 20-01-2025
33,451		

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

The fair value of the share options granted during the year ended 31 July 2015 was HK$417,000, of which the Group recognised a share option expense of HK$417,000 during the year ended 31 July 2015 (note 48).

38. SHARE OPTION SCHEMES (continued)

(a) The Company (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	21 January 2015
Dividend yield (%)	–
Expected volatility (%)	68.365
Historical volatility (%)	68.365
Risk-free interest rate (%)	1.417
Expected life of options (years)	10
Closing share price (HK$ per share)	0.71

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.

At the end of the reporting period and at the date of approval of these financial statements, the Company had 33,450,665 share options outstanding under the 2005 Share Option Scheme which represented approximately 2.7% of the Company's shares in issue as at the respective dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 33,450,665 additional ordinary shares of the Company and additional share capital of approximately HK$16,725,000 and share premium of approximately HK$31,305,000 (before issue expenses).

(b) MAGHL

MAGHL Share Option Scheme

On 18 December 2012, MAGHL adopted a share option scheme (the "MAGHL Share Option Scheme") and terminated the share option scheme which was previously adopted by MAGHL on 19 November 2009 and became effective on 24 November 2009 as (i) MAGHL has become a subsidiary of the Company in June 2011 and Rule 23.01(4) of the GEM Listing Rules requires the relevant provisions of the MAGHL Share Option Scheme which are required to be approved by the shareholders/independent non-executive directors of MAGHL to be simultaneously approved by the shareholders/independent non-executive directors of the Company; and (ii) the Company would like to have a unified set of share option scheme rules for its subsidiaries. The purpose of the MAGHL Share Option Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to MAGHL Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of MAGHL Group or the affiliated companies. Eligible participants include any employee, director, officer or consultant of MAGHL Group and the affiliated companies, and any other group or classes of participants which the board of the directors of MAGHL, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangements, to the development and growth of MAGHL Group.

38. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

MAGHL Share Option Scheme (continued)

The principal terms of the MAGHL Share Option Scheme are:

(a) The total number of MAGHL's shares which may be issued upon exercise of all share options to be granted under the MAGHL Share Option Scheme and all options to be granted under any other share option schemes of any member of MAGHL (the "Other Schemes") must not in aggregate exceed 10% of the total number of MAGHL's shares in issue as at 18 December 2012 (the "MAGHL Scheme Limit").

(b) Subject to (a) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may refresh the MAGHL Scheme Limit at any time, provided that such limit as refreshed must not exceed 10% of the total number of shares in issue as at the date of approval of such refreshed limit. The refreshment of the MAGHL Scheme Limit was approved by MAGHL's and the Company's shareholders at the respective annual general meetings held on 11 December 2015.

(c) Subject to (a) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may grant the options beyond the 10% limit, provided that the options in excess of such limit are granted only to the eligible participants specifically identified by MAGHL before such shareholders' approval is sought.

(d) The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the MAGHL Share Option Scheme and Other Schemes must not in aggregate exceed 30% of the issued share capital of MAGHL from time to time.

(e) The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the MAGHL Share Option Scheme and the Other Schemes (including both exercised and outstanding share options) in any 12-month period up to and including the date of grant must not exceed 1% of the total number of shares of MAGHL in issue at any time. Any further grant of share options in excess of this limit must be separately approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings with such eligible participant and his associates abstaining from voting.

(f) Any grant of share options to a director, chief executive or substantial shareholder of MAGHL, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules).

(g) Any grant of share options to a substantial shareholder or an independent non-executive director of MAGHL, or to any of their respective associates, in excess of 0.1% of the shares of MAGHL in issue at any time or with an aggregate value (based on the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, must be approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) in advance at the respective general meetings.

(h) The offer of a grant of share options may be accepted within 30 days from the date of offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

38. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

MAGHL Share Option Scheme (continued)

The principal terms of the MAGHL Share Option Scheme are: (continued)

(i) The exercise period of the share options granted is determined by the directors of MAGHL provided that such period must not be longer than 10 years from the date upon which any share option is granted in accordance with the MAGHL Share Option Scheme.

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

Share options do not confer rights on the holders to dividends or to vote at general meetings of MAGHL.

No share options have been granted by MAGHL under the MAGHL Share Option Scheme during the years ended 31 July 2016 and 2015.

(c) Lai Fung

2003 Lai Fung Share Option Scheme

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

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

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

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

38. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

2003 Lai Fung Share Option Scheme (continued)

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

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

2012 Lai Fung Share Option Scheme

On 18 December 2012 (the "2012 Adoption Date"), Lai Fung adopted a new share option scheme (the "2012 Lai Fung Share Option Scheme") and terminated the 2003 Lai Fung Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2012 Lai Fung Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to Lai Fung Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-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 Lai Fung Group. Unless otherwise cancelled or amended, the 2012 Lai Fung Share Option Scheme will remain in force for 10 years from the 2012 Adoption Date.

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

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

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

38. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

2012 Lai Fung Share Option Scheme (continued)

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

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

Details of the share options outstanding during the year are as follows:

	2016		2015	
	Number of Lai Fung's underlying shares comprised in share options '000	Weighted average exercise price per Lai Fung's share HK$	Number of Lai Fung's underlying shares comprised in share options '000	Weighted average exercise price per Lai Fung's share HK$
Outstanding at the beginning of the year	**539,206**	**0.212**	538,206	0.213
Granted during the year	**–**	**–**	9,000	0.160
Lapsed during the year	**(3,000)**	**0.190**	(8,000)	0.219
Outstanding at the end of the year	**536,206**	**0.212**	539,206	0.212

No share options were exercised during the years ended 31 July 2016 and 31 July 2015.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2016

Number of Lai Fung's underlying shares comprised in shares options '000	Exercise price* per Lai Fung's share HK$	Exercise period (dd/mm/yyyy)
80,480	**0.133**	**12-06-2012 to 11-06-2020**
435,726	**0.228**	**18-01-2013 to 17-01-2023**
11,000	**0.190**	**26-07-2013 to 25-07-2023**
9,000	**0.160**	**16-01-2015 to 15-01-2025**
536,206		

38. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

2015

Number of Lai Fung's underlying shares comprised in shares options '000	Exercise price* per Lai Fung's share HK$	Exercise period (dd/mm/yyyy)
80,480	0.133	12-06-2012 to 11-06-2020
435,726	0.228	18-01-2013 to 17-01-2023
14,000	0.190	26-07-2013 to 25-07-2023
9,000	0.160	16-01-2015 to 15-01-2025
539,206		

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

Other than the lapse of share options comprising 3,000,000 (2015: 8,000,000) Lai Fung's underlying shares, no share options were exercised, lapsed or cancelled in accordance with the terms of the 2003 Lai Fung Share Option Scheme and 2012 Lai Fung Share Option Scheme during the year. The fair value of the share options granted during the year ended 31 July 2015 was HK$371,000 of which Lai Fung Group recognised a share option expense of HK$371,000 and HK$123,000 (before and after capitalisation to properties under development/investment properties under construction, respectively) for the year ended 31 July 2015.

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 the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	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 Lai Fung's share)	0.16

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 2016 and the date of approval of these financial statements, Lai Fung has 80,479,564 and 455,726,430 share options outstanding under the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme, respectively, which represented approximately 0.5% and 2.8% of Lai Fung's shares issued as at the respective dates.

39. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2016 and 2015 are presented in the consolidated statement of changes in equity.

Statutory reserve

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

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts after fair value adjustments and before intragroup eliminations.

Lai Fung

	2016 HK$'000	2015 HK$'000
Current assets	**5,698,552**	5,423,667
Non-current assets	**20,085,321**	20,140,657
Total assets	**25,783,873**	25,564,324
Current liabilities	**(2,431,081)**	(4,070,850)
Non-current liabilities	**(8,479,263)**	(6,062,353)
Total liabilities	**(10,910,344)**	(10,133,203)
Equity attributable to non-controlling interests of the Group	**7,327,074**	7,574,002

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Lai Fung (continued)

	2016 HK$'000	2015 HK$'000
Turnover	**2,043,530**	1,901,394
Other revenue	**133,476**	142,686
Fair value gains on investment properties	**524,682**	965,868
Share of profits of joint ventures	**72,995**	76,705
Expenses	**(2,200,692)**	(2,369,066)
Profit for the year	**573,991**	717,587
Other comprehensive loss for the year	**(1,069,533)**	(168,403)
Total comprehensive income/(loss) for the year	**(495,542)**	549,184
Profit attributable to the non-controlling interests	**273,984**	349,796
Other comprehensive loss attributable to the non-controlling interests	**(517,879)**	(81,338)
Total comprehensive income/(loss) attributable to the non-controlling interests	**(243,895)**	268,458
Dividend paid to non-controlling interests	**17,951**	19,883
Net cash flows from/(used in) operating activities	**1,671,086**	(1,204)
Net cash flows used in investing activities	**(544,301)**	(1,229,384)
Net cash flows from/(used in) financing activities	**(65,573)**	741,679
Net cash inflows/(outflows)	**1,061,212**	(488,909)

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

MAGHL

	2016 HK$'000	2015 HK$'000
Current assets	**1,244,611**	1,320,355
Non-current assets	**187,612**	182,124
Total assets	**1,432,223**	1,502,479
Current liabilities	**(371,849)**	(364,869)
Non-current liabilities	**(249,825)**	(242,794)
Total liabilities	**(621,674)**	(607,663)
Equity attributable to non-controlling interests of the Group	**312,670**	387,978
Turnover	**520,443**	712,418
Other income	**5,805**	6,908
Other operating gains	**8,495**	6,943
Share of profits and losses of joint ventures	**6,349**	7,563
Expenses	**(643,329)**	(709,214)
Profit/(loss) for the year	**(102,237)**	24,618
Other comprehensive income/(loss) for the year	**(5,291)**	881
Total comprehensive income/(loss) for the year	**(107,528)**	25,499
Profit/(loss) attributable to the non-controlling interests	**(40,001)**	9,888
Other comprehensive income/(loss) attributable to the non-controlling interests	**(2,740)**	512
Total comprehensive income/(loss) attributable to the non-controlling interests	**(42,741)**	10,400
Dividend paid to non-controlling interests	**–**	–
Net cash flows from/(used in) operating activities	**(268,354)**	54,687
Net cash flows from/(used in) investing activities	**13,201**	(31,737)
Net cash flows from financing activities	**4,291**	371,595
Net cash inflows/(outflows)	**(250,862)**	394,545

41. BUSINESS COMBINATIONS

For the year ended 31 July 2016

Acquisition of companies engaged in business under media and entertainment segment (the "M&E Co.")

During the year ended 31 July 2016, the Group completed an acquisition of majority equity interests in the M&E Co. at a total consideration of HK$18,000,000 (the "Acquisition"). The M&E Co. became non-wholly-owned subsidiaries of the Company.

The Group had elected to measure the non-controlling interests in the M&E Co. at the non-controlling interests' proportionate share of the identifiable net assets of M&E Co.

The fair values of the identifiable assets and liabilities of M&E Co. as at the date of acquisition were as follows:

	Notes	HK$'000
Other intangible assets	19	**35,932**
Deferred tax liabilities	36	**(5,929)**
Total identifiable net assets at fair value		**30,003**
Non-controlling interests		**(12,003)**
Satisfied by cash		**18,000**

An analysis of the cash flows in respect of the Acquisition was as follows:

	HK$'000
Cash consideration paid	**(18,000)**
Outflow of cash and cash equivalents included in cash flows from investing activities	**(18,000)**

Since the acquisition, the M&E Co. contributed HK$10,279,000 to the Group's turnover and HK$1,323,000 to the consolidated profit for the year ended 31 July 2016.

Had the combination taken place at the beginning of the year ended 31 July 2016, the turnover of the Group and the profit for the year of the Group would have been HK$3,369,275,000 and HK$313,006,000, respectively.

42. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Contracted but not provided for:		
Construction and development costs	**439,578**	338,169
Acquisition of an investment property	**187,053**	–
Acquisition of items of property, plant and equipment	**32,128**	2,624
	658,759	340,793

(b) As lessor

As at 31 July 2016, certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2015: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2016, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**454,640**	455,707
In the second to fifth years, inclusive	**941,580**	802,410
After five years	**206,890**	164,475
	1,603,110	1,422,592

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.

42. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS (continued)

(c) As lessee

As at 31 July 2016, the Group leased certain of its office premises and cinemas under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to fifteen years (2015: two to ten years).

As at 31 July 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**113,977**	67,340
In the second to fifth years, inclusive	**357,442**	91,523
After five years	**181,562**	1,535
	652,981	160,398

Certain non-cancellable operating leases included in the above are subject to contingent rent payments, which are charged at progressive rates from 10% to 40% (2015: 10% to 40%) of the excess of the annual gross box-office takings of the related cinema premises over certain level of box-office income as determined in the respective lease agreements.

43. PLEDGE OF ASSETS

Details of the Group's bank loans, fixed rate senior notes and guaranteed notes, which were secured by certain assets of the Group, are included in notes 30, 33 and 34 to the financial statements, respectively.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 July 2016

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Investments in joint ventures	234,465	–	234,465
Investments in associates	19,880	–	19,880
Available-for-sale investments	–	138,592	138,592
Debtors	384,508	–	384,508
Financial assets included in deposits, prepayments and other receivables	331,152	–	331,152
Pledged and restricted time deposits and bank balances	1,066,494	–	1,066,494
Cash and cash equivalents	3,299,148	–	3,299,148
	5,335,647	138,592	5,474,239

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	–	144,303	144,303
Financial liabilities included in other creditors and accruals	–	1,008,718	1,008,718
Financial liabilities included in deposits received	–	142,163	142,163
Interest-bearing bank loans, secured	–	3,400,749	3,400,749
Other borrowings	–	247,510	247,510
Convertible notes	–	166,170	166,170
Loans from a joint venture	–	572,758	572,758
Fixed rate senior notes	–	2,092,741	2,092,741
Derivative financial instruments	210,068	–	210,068
	210,068	7,775,112	7,985,180

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 July 2015

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Investments in joint ventures	292,165	–	292,165
Investments in associates	23,208	–	23,208
Available-for-sale investments	–	167,092	167,092
Debtors	323,788	–	323,788
Financial assets included in deposits, prepayments and other receivables	283,382	–	283,382
Pledged and restricted time deposits and bank balances	1,496,334	–	1,496,334
Cash and cash equivalents	3,151,111	–	3,151,111
	5,569,988	167,092	5,737,080

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	–	95,922	95,922
Financial liabilities included in other creditors and accruals	–	943,946	943,946
Financial liabilities included in deposits received	–	122,214	122,214
Interest-bearing bank loans, secured	–	3,021,147	3,021,147
Other borrowings	–	245,386	245,386
Convertible notes	–	166,576	166,576
Loans from a joint venture	–	372,897	372,897
Fixed rate senior notes	–	2,220,914	2,220,914
Guaranteed notes	–	794,343	794,343
Derivative financial instruments	111,654	–	111,654
	111,654	7,983,345	8,094,999

45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair values:

	Carrying amounts		Fair values	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Financial assets				
Available-for-sale investments	**88,933**	106,564	**88,933**	106,564
Financial liabilities				
Derivative financial instruments	**210,068**	111,654	**210,068**	111,654

Liabilities for which fair values are disclosed:

	Carrying amounts		Fair values	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Financial liabilities				
Convertible notes	**166,170**	166,576	**166,492**	167,123
Fixed rate senior notes	**2,092,741**	2,220,914	**2,097,984**	2,157,600
Guaranteed Notes	**–**	794,343	**–**	811,391
	2,258,911	3,181,833	**2,264,476**	3,136,114

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) the fair values of available-for-sale investments are based on quoted prices from the fund manager;

(ii) derivative financial instruments, being the cross currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amounts of the derivative financial instruments are the same as their fair values;

(iii) the fair values of the liability portion of the convertible notes are estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar instrument with consideration of MAGHL Group's own non-performance risk. The interest rates used to discount the future cash flows of the TFN Convertible Notes and the Specific Mandate Convertible Notes as at 31 July 2016 were 9.5% (2015: 9.5%) and 9.9% (2015: 9.9%), respectively; and

(iv) the fair values of fixed rate senior notes and the Guaranteed Notes are based on quoted market prices.

45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed: (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

2016	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments – CCS	Discounted cash flow with swaption approach	Expected exposure at default – counterparty	HK$0.00 to HK$4.97 million	1
		Expected exposure at default – Lai Fung	HK$114.77 million to HK$121.22 million	2
		Credit spread – counterparty	10.91 basis point to 230 basis point	3
		Credit spread – Lai Fung	377.37 basis point to 715.13 basis point	4
		Loss given default ratio – counterparty non-performance risk	80%	5
		Loss given default ratio – Lai Fung's credit risk	60%	6

2015	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments – CCS	Discounted cash flow with swaption approach	Expected exposure at default – counterparty	HK$0.01 to HK$8.1 million	1
		Expected exposure at default – Lai Fung	HK$69.91 million to HK$88.97 million	2
		Credit spread – counterparty	14.26 basis point to 129.43 basis point	3
		Credit spread – Lai Fung	571.08 basis point to 827.64 basis point	4
		Loss given default ratio – counterparty non-performance risk	80%	5
		Loss given default ratio – Lai Fung's 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 – Lai Fung, the higher the fair value of CCS*
3. *The higher the credit spread – counterparty, the lower the fair value of CCS*
4. *The higher the credit spread – Lai Fung, the higher the fair value of CCS*
5. *The higher the loss given default ratio – counterparty, the lower the fair value of CCS*
6. *The higher the loss given default ratio – Lai Fung, the higher the fair value of CCS*

Other than the above financial assets and liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 July 2016 and 31 July 2015.

45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair values:

As at 31 July 2016	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets				
Available-for-sale investments	**–**	**88,933**	**–**	**88,933**
Financial liabilities				
Derivative financial instruments	**–**	**–**	**210,068**	**210,068**

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
Financial assets				
Available-for-sale investments	–	106,564	–	106,564
Financial liabilities				
Derivative financial instruments	–	–	111,654	111,654

45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

During the years ended 31 July 2016 and 2015, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

As at 31 July 2016	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Convertible notes	–	–	166,492	166,492
Fixed rate senior notes	2,097,984	–	–	2,097,984
	2,097,984	–	166,492	2,264,476

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
Convertible notes	–	–	167,123	167,123
Fixed rate senior notes	2,157,600	–	–	2,157,600
Guaranteed Notes	811,391	–	–	811,391
	2,968,991	–	167,123	3,136,114

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, fixed rate senior notes, other borrowings, loans from a joint venture, Guaranteed Notes, convertible notes, derivative financial instruments, pledged and restricted time deposits and bank balances, and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations, and available-for-sale investments which are held by the Group for investment purpose.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces relatively conservative strategies on its risk management. Except for the Lai Fung Group entered into the CCS to manage the foreign currency risk arising from the Group's fixed rate senior notes, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by changes in market interest rates. The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

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

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

	Change in interest rate %	Impact on post-tax profit HK$'000	Impact on equity* HK$'000
2016	**+0.25**	**(5,150)**	**(2,800)**
	–0.25	**5,150**	**2,800**
2015	+0.25	(5,680)	(3,051)
	–0.25	5,680	3,051

* *excluding amounts attributable to non-controlling interests*

(ii) Foreign currency risk

RMB

Certain subsidiaries (mainly the Lai Fung Group) of the Group have transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against HK$.

The Lai Fung Group entered into the CCS in respect of the 2013 Notes to minimise the foreign currency exposures as detailed in note 35 to the financial statements. It's the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk (continued)

US$

Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of US$ against HK$.

The Group considered the impact on the equity from the change in US$ exchange rate was nominal at the end of the reporting period since HK$ is pegged to US$.

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

	Change in exchange rate %	Impact on post-tax profit HK$'000	Impact on equity* HK$'000
2016			
If US$/HK$ weakens against RMB	**5**	**13,618**	**4,725**
If US$/HK$ strengthens against RMB	**5**	**(12,733)**	**(4,585)**
2015			
If US$/HK$ weakens against RMB	5	62,441	44,549
If US$/HK$ strengthens against RMB	5	(61,208)	(44,337)

* *excluding amounts attributable to non-controlling interests*

(iii) Credit risk

The Group, other than the Lai Fung Group, trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Lai Fung Group maintains various credit policies for different business operations as described in note 26. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Lai Fung Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments, amounts due from associates and joint ventures and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables and trade debtors are disclosed in notes 23 and 26 to the financial statements, respectively.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

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

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 July 2016				
Trade creditors	**144,303**	**–**	**–**	**144,303**
Financial liabilities included in other creditors and accruals	**1,008,718**	**–**	**–**	**1,008,718**
Financial liabilities included in deposits received	**17,774**	**124,389**	**–**	**142,163**
Interest-bearing bank loans, secured	**459,885**	**3,382,066**	**136,512**	**3,978,463**
Other borrowings	**–**	**253,157**	**–**	**253,157**
Convertible notes	**–**	**196,840**	**–**	**196,840**
Loans from a joint venture	**362,766**	**234,340**	**–**	**597,106**
Fixed rate senior notes	**144,872**	**2,213,877**	**–**	**2,358,749**
Inflow of derivative financial instruments	**(144,872)**	**(2,213,877)**	**–**	**(2,358,749)**
Outflow of derivative financial instruments	**138,831**	**2,365,136**	**–**	**2,503,967**
	2,132,277	**6,555,928**	**136,512**	**8,824,717**

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 July 2015				
Trade creditors	95,922	–	–	95,922
Financial liabilities included in other creditors and accruals	943,946	–	–	943,946
Financial liabilities included in deposits received	18,845	103,369	–	122,214
Interest-bearing bank loans, secured	2,617,685	550,216	202,925	3,370,826
Other borrowings	–	251,033	–	251,033
Loans from a joint venture	372,897	–	–	372,897
Convertible notes	–	216,840	–	216,840
Fixed rate senior notes	154,206	2,510,709	–	2,664,915
Guaranteed Notes	67,835	938,758	–	1,006,593
Inflow of derivative financial instruments	(154,206)	(2,510,709)	–	(2,664,915)
Outflow of derivative financial instruments	139,547	2,516,874	–	2,656,421
	4,256,677	4,577,090	202,925	9,036,692

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk (continued)

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 47 to the financial statements. The earliest period in which the guarantee could be called is less than 12 months.

Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure.

The capital structure of the Group mainly consists of fixed rate senior notes, interest-bearing bank loans, other borrowings, guaranteed notes, convertible notes, cash and cash equivalents, pledged and restricted time deposits and bank balances and equity attributable to owners of the Company comprising issued share capital and reserves.

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

The Group monitors capital using, inter alios, a gearing ratio which is net debt divided by total equity. As at 31 July 2016, the consolidated net assets attributable to the owners of the Company amounted to approximately HK$8,599.3 million (2015: HK$9,165.6 million).

47. CONTINGENT LIABILITIES

(a) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2016, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$666,669,000 (2015: HK$120,159,000).

(b) The Group had provided corporate guarantees to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK$15,634,000 (2015: HK$15,735,000) were utilised.

48. 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:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**6,587,375**	6,399,772
Deposits, prepayments and other receivables	**9,857**	9,857
Total non-current assets	**6,597,232**	6,409,629
CURRENT ASSETS		
Deposits, prepayments and other receivables	**214**	264
Cash and cash equivalents	**21,204**	93,627
Total current assets	**21,418**	93,891
CURRENT LIABILITIES		
Creditors and accruals	**5,583**	1,936
NET CURRENT ASSETS	**15,835**	91,955
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,613,067**	6,501,584
NON-CURRENT LIABILITIES		
Other borrowings	**192,835**	187,188
Interest-bearing bank loans, secured	**341,231**	–
Total non-current liabilities	**534,066**	187,188
Net assets	**6,079,001**	6,314,396
EQUITY		
Issued capital	**621,606**	621,606
Reserves (Note)	**5,457,395**	5,692,790
Total equity	**6,079,001**	6,314,396

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2014	4,230,797	845,455	14,876	624,381	5,715,509
Loss for the year and total comprehensive loss for the year	–	–	–	(23,136)	(23,136)
Equity-settled share option arrangements (note 38(a))	–	–	417	–	417
At 31 July 2015 and 1 August 2015	4,230,797	845,455	15,293	601,245	5,692,790
Loss for the year and total comprehensive loss for the year	–	–	–	(235,395)	(235,395)
At 31 July 2016	**4,230,797**	**845,455**	**15,293**	**365,850**	**5,457,395**

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Accuremark Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Trading of securities
Capital Artists Limited	Hong Kong	HK$44,394,500	–	100	Music production and distribution
East Asia Entertainment Limited	Hong Kong	HK$2	–	100	Entertainment activity production
East Asia Films Distribution Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment in and licensing of film rights
East Asia Music (Holdings) Limited	Hong Kong	HK$10,000	–	100	Music production and distribution
eSun High-Tech Limited	Hong Kong	HK$2	–	100	Investment in and licensing of film rights
eSun.Com Limited	Hong Kong	HK$2	–	100	Investment in and licensing of film rights
eSun International Finance Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Corporate financing
Glynhill International Limited	Hong Kong	HK$912,623,351	100	–	Investment holding
Grandeur Limited	Hong Kong/ Macau	HK$1	–	100	Property holding
Guangzhou Beautifirm Cosmetic Ltd. ## *	PRC/ Mainland China	US$1,260,000 #	–	100	Sale of cosmetic products

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Intercontinental Film Distributors (H.K.) Limited	Hong Kong	HK$700,400	–	85	Film distribution
Intercontinental Group Holdings Limited	Cayman Islands/ Hong Kong	US$50,000	–	85	Investment holding
Intercontinental Video Limited	Hong Kong	HK$100	–	85	Distribution of movie video compact discs, digital video discs and blu-ray discs
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Property holding
Lauro Game Entertainment Limited	Hong Kong	HK$100,000	–	85	Trading of gaming products
Media Asia Distribution Ltd.	British Virgin Islands/ Hong Kong	US$80	–	100	Film distribution, licensing of film rights and film investment
Media Asia Distribution (HK) Limited	Hong Kong	HK$2	–	100	Film distribution and film library management
Media Asia Entertainment Group Limited *	Bermuda/ Hong Kong	HK$24,000,000	–	100	Investment holding
Media Asia Films Limited	Hong Kong	HK$2	–	100	Film production and investment holding
Media Asia Films (BVI) Ltd.	British Virgin Islands/ Hong Kong	US$7	–	100	Film production, licensing of films and investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Media Asia Group Limited	Hong Kong	HK$2	–	100	Investment holding and provision of management services
Media Asia Holdings Ltd. *	British Virgin Islands/ Hong Kong	US$6,831	–	100	Investment holding
Mega Star Video Distribution (HK) Limited	Hong Kong	HK$2	–	100	Licensing of film products and film rights and sale of video products
Merit Worth Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Multiplex Cinema Limited	Hong Kong	HK$1,000,000	–	85	Operation of cinemas
Perfect Advertising & Production Company Limited	Hong Kong	HK$10,000	–	85	Provision of advertising services, video duplication services, and translating and subtitling of television programmes
Perfect Sky	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100	–	75	Provision of artiste management services

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Silver Glory Securities Limited *	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Style International Management Group Limited @	Hong Kong	HK$1	–	60	Provision of artiste management services
Sunny Horizon Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
寰亞演藝經紀(上海)有限公司 ## *	PRC/ Mainland China	RMB7,000,000#	–	60	Provision of artiste management services
洲立影藝(深圳)有限公司 ## *	PRC/ Mainland China	HK$10,000,000#	–	85	Operation of cinemas
廣東五月花電影城有限公司 ## *	PRC/ Mainland China	RMB6,000,000#	–	100	Operation of cinemas
東亞豐麗演出經紀(北京)有限公司 ## *	PRC/ Mainland China	RMB25,000,000#	–	100	Provision of artiste management and performance agency services
MAGHL (Listed on the Growth Enterprise Market ("GEM") of the Stock Exchange) (Note (a))	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK$21,360,568	–	66.25	Investment holding
Champ Universe Limited ^	Hong Kong	HK$1	–	66.25	Provision of management services

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Media Asia Entertainment Limited ^	Hong Kong	HK$100	–	66.25	Entertainment activity production
Media Asia Film International Limited ^	British Virgin Islands/ Hong Kong	US$100	–	66.25	Film investment and production
Media Asia Film Production Limited ^	Hong Kong	HK$100	–	66.25	Investment holding and film production
寰亞文化傳播（中國）有限公司 ^ ## *	PRC/ Mainland China	HK$38,000,000#	–	66.25	Entertainment activity production
Lai Fung (Listed on the Stock Exchange) *(Note (b))*	Cayman Islands/ Hong Kong	HK$1,619,769,209	–	51.08	Investment holding
Canvex Limited ^^	Hong Kong	HK$2	–	51.08	Property Investment
Eastern Power Limited ^^	Hong Kong	HK$100,000	–	51.08	Investment holding
Eternal Medal Limited ^^	Hong Kong	HK$1	–	51.08	Investment holding
Fore Bright Limited ^^	Hong Kong	HK$1	–	51.08	Investment holding
Frank Light Development Limited ^^	Hong Kong	HK$19,999,999	–	51.08	Investment holding
Gentle Code Limited ^^	Hong Kong	HK$1	–	51.08	Investment holding
Gentle Holdings Limited ^^	Hong Kong	HK$1	–	51.08	Investment holding
Goldthorpe Limited ^^ *	British Virgin Islands/ Hong Kong	US$1	–	51.08	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Good Strategy Limited ^^	British Virgin Islands/ Mainland China	US$1	–	51.08	Property investment
Grand Wealth Limited ^^	Hong Kong	HK$2	–	51.08	Investment holding
Grosslink Investment Limited ^^	Hong Kong	HK$2	–	51.08	Investment holding
Guangzhou Gentle Code Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$22,830,000#	–	51.08	Property investment
Guangzhou Gentle Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$17,080,000#	–	51.08	Property development
Guangzhou Grand Wealth Properties Limited ^^ ### *	PRC/ Mainland China	HK$280,000,000#	–	51.08	Property development and investment
Guangzhou Guang Bird Property Development Limited ("Guangzhou Guang Bird") ^^ ### *	PRC/ Mainland China	US$79,600,000#	–	51.08	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited ^^ ### *	PRC/ Mainland China	RMB79,733,004#	–	51.08	Property development and investment
Guangzhou Jadepress Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$19,150,000#	–	51.08	Property development and investment
Guangzhou Jieli Real Estate Company Limited ^^ ## *	PRC/ Mainland China	HK$168,000,000#	–	51.08	Property investment
Hankey Development Limited ^^	Hong Kong	HK$10,000	–	51.08	Investment holding
Jadepress Limited ^^	Hong Kong	HK$1	–	51.08	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Kingscord Investment Limited ^^	Hong Kong	HK$2	–	51.08	Investment holding
Lai Fung Company Limited ^^	Hong Kong	HK$20	–	51.08	Investment holding
Manful Concept Limited ^^	Hong Kong	HK$2	–	51.08	Investment holding
Nicebird Company Limited ^^	Hong Kong	HK$2	–	51.08	Investment holding
Shanghai Hankey Real Estate Development Company Limited ("Shanghai Hankey") ^^ ##	PRC/ Mainland China	US$21,600,000#	–	51.08	Property investment
Shanghai HKP Property Management Limited ^^ ∆ *	PRC/ Mainland China	US$150,000#	–	51.08	Property management
Shanghai Hu Xin Real Estate Development Company Limited ^^ ##	PRC/ Mainland China	US$40,000,000#	–	51.08	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited ^^ ∆ *	PRC/ Mainland China	US$36,000,000#	–	51.08	Property investment
Shanghai Wa Yee Real Estate Development Company Limited ^^ ∆ *	PRC/ Mainland China	US$10,000,000#	–	48.53	Property development and investment
Shanghai Zhabei ^^ ##	PRC/ Mainland China	US$36,000,000#	–	51.08	Property investment
Sunlite Investment Limited ^^	Hong Kong	HK$2	–	51.08	Investment holding
Wide Angle Development Limited ^^	Hong Kong	HK$2	–	51.08	Investment holding
Winfield Concept Limited ^^	Hong Kong	HK$10,000	–	60.86	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhongshan Bao Li Properties Development Company Limited ^^ ## *	PRC/ Mainland China	HK$460,000,000#	–	51.08	Property development and investment
廣州高樂物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB1,100,000#	–	51.08	Property management
上海麗港物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB500,000#	–	51.08	Property management
上海麗星房地產發展有限公司 ^^ ## *	PRC/ Mainland China	RMB630,000,000#	–	51.08	Property development
中山高樂物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB500,000#	–	51.08	Property management
珠海橫琴麗新文創天地有限公司 ("麗新文創") ^^ ## *	PRC/ Mainland China	RMB1,900,000,000#	–	60.86	Property development and investment

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

\# *The registered capital of these subsidiaries were fully paid up, except for Guangzhou Guang Bird, Shanghai Hankey, Shanghai Zhabei and 麗新文創 of which capital of approximately US$13,247,000 (equivalent to approximately HK$102,800,000), US$9,800,000 (equivalent to approximately HK$76,048,000), US$15,000,000 (equivalent to approximately HK$116,400,000) and RMB760,000,000 (equivalent to approximately HK$889,721,000), respectively, were unpaid as at 31 July 2016. Subsequent to the end of the reporting period, the registered capital of Shanghai Hankey and Shanghai Zhabei of US$2,100,000 (equivalent to approximately HK$16,296,000) each was further paid.*

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

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

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

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

^ *They are subsidiaries of MAGHL*

^^ *They are subsidiaries of Lai Fung*

@ *The subsidiary was acquired by the Group during the year.*

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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 2016, the Group had unpaid capital contributions of approximately HK$213,956,000 (2015: HK$100,801,000) to four (2015: two) non-wholly-owned subsidiaries and a wholly-owned subsidiary (2015: nil).

As at 31 July 2016, charge over securities accounts and share mortgage in respect of 8,274,270,422 ordinary shares of Lai Fung and 1,415,132,837 ordinary shares of MAGHL were in the process of registration to secure certain interest-bearing bank loans of the Group. The charges over securities accounts and share mortgage were made on 21 September 2016 (note 30(h)). In addition, the entire equity interests in certain subsidiaries were pledged to secure fixed rate senior notes and certain bank borrowings of the Lai Fung Group on a pari passu basis (note 33 and note 30(e)).

As at 31 July 2015, 8,274,270,422 ordinary shares of Lai Fung and 842,675,225 ordinary shares of MAGHL were pledged to secure the Guaranteed Notes (note 34).

As at 31 July 2016, the entire equity interest in a subsidiary was pledged to secure certain bank borrowings of the Group (note 30(f)).

Notes:

(a) Interests in MAGHL

For the year ended 31 July 2016

During the year ended 31 July 2016, MAGHL issued an aggregate of 43,668,122 New Shares to a holder of the Specific Mandate Convertible Notes at a conversion price of HK$0.458 per share with an aggregate principal amount of HK$20,000,000. The change in the Group's shareholding interest in MAGHL resulted in an increase in other reserve of HK$1,722,000 and an increase in the non-controlling interests of HK$13,502,000 in the consolidated statement of changes in equity during the year ended 31 July 2016. After conversion of convertible notes (as detailed in note 32), the Group's shareholding in MAGHL has reduced from 60.41% to 59.18%.

During the year ended 31 July 2016, the Group acquired 151,120,000 shares of MAGHL from the public shareholders at a total consideration of approximately HK$87,280,000 and its equity interest in MAGHL increased from 59.18% (after the partial conversions of the Specific Mandate Convertible Notes mentioned above) to 66.25% as at 31 July 2016. The change in the Group's shareholding interest in MAGHL resulted in a decrease in other reserve of HK$33,174,000 and a decrease in the non-controlling interests of HK$54,106,000 in the consolidated statement of changes in equity during the year ended 31 July 2016.

Subsequent to the end of the reporting period, the Group acquired 13,136,000 shares of MAGHL from the public shareholders at a total consideration of approximately HK$6,661,000 and its equity interest in MAGHL increased from 66.25% as at 31 July 2016 to 66.86% as at the date of approval of the financial statements.

For the year ended 31 July 2015

During the year ended 31 July 2015, MAGHL raised funds by way of the Open Offer (as detailed in note 32). As a result, a total of 669,932,910 Offer Shares were issued. Among others, Perfect Sky subscribed for 421,337,612 Offer Shares, being its pro-rata entitlements of the Open Offer. The proceeds from the Open Offer of HK$72,347,000 (net of issue expenses of HK$2,232,000) were contributed by the non-controlling shareholders of MAGHL resulted in an increase in the non-controlling interests in the consolidated statement of changes in equity during the year ended 31 July 2015.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(a) Interests in MAGHL (continued)

For the year ended 31 July 2015 (continued)

During the period after the Open Offer, MAGHL issued an aggregate of 82,589,973 shares to certain holders of the Second Completion Convertible Notes at a conversion price of HK$0.482 per share as adjusted for the Open Offer for partial conversion of the Second Completion Convertible Notes with an aggregate principal amount of HK$39,808,368. The change in the Group's shareholding interest in MAGHL resulted in an increase in other reserve of HK$31,514,000 and an increase in the non-controlling interests of HK$8,256,000 in the consolidated statement of changes in equity during the year ended 31 July 2015.

After conversion of convertible notes (as detailed in note 32) and the Open Offer, the Group's shareholding in MAGHL had been reduced from 62.89% to 60.41% as at 31 July 2015.

(b) Interests in Lai Fung

For the year ended 31 July 2016

During the year ended 31 July 2016, Lai Fung issued new shares to its shareholders who had elected to receive scrip shares in lieu of cash dividend of HK$7,972,000 (2015: HK$4,383,000) under the scrip dividend scheme. As a result, the equity interest of the Group in Lai Fung decreased from 51.30% to 51.08% (2015: from 51.39% to 51.30%) as at 31 July 2016. The change in the Group's shareholding interest in Lai Fung resulted in a decrease in other reserve of HK$27,817,000 (2015: HK$11,178,000) and an increase in the non-controlling interests of HK$35,789,000 (2015: HK$15,561,000) in the consolidated statement of changes in equity during the year.

In addition, Lai Fung acquired additional shareholding interests in its subsidiaries at a consideration of approximately HK$16,745,000 (2015: HK$62,806,000). The change in Lai Fung's shareholding interests in its subsidiaries resulted in a decrease in other reserve of HK$3,934,000 (2015: HK$3,292,000) and a decrease in non-controlling interests of HK$12,811,000 (2015: HK$59,514,000) in the consolidated statement of changes in equity during the year.

50. PARTICULARS OF PRINCIPAL JOINT VENTURES

Particulars of the principal joint ventures are as follows:

Name	Place of incorporation/ registration and business	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Beautiwin	Hong Kong	Ordinary	25.54	Investment holding
Guangzhou Beautiwin **	PRC/ Mainland China	–*	24.26	Property development

* *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.*

Lai Fung, through its wholly-owned subsidiaries, owns 50% equity interest in Beautiwin, which in turn, owns 95% equity interest in Guangzhou Beautiwin. Accordingly, the Group effectively owns 25.54% and 24.26% equity interests in Beautiwin and Guangzhou Beautiwin, respectively.

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

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 October 2016.

NOTICE IS HEREBY GIVEN THAT an annual general meeting of the members ("**Members**") of eSun Holdings Limited ("**Company**") will be held at Harbour View Rooms I & II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 16 December 2016 at 10:00 a.m. ("**2016 AGM**") for the following purposes:

AS ORDINARY BUSINESS

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2016 and the reports of the directors and the independent auditors thereon.

2. To re-elect the retiring directors of the Company ("**Directors**") and to authorise the board of Directors ("**Board**") to fix the Directors' remuneration.

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

AS SPECIAL BUSINESS

4. To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(A) "**THAT**

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company ("**Shares**"), and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

(i) a Rights Issue (as hereinafter defined); or

(ii) an issue of Shares upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into Shares); or

(iii) an issue of Shares as scrip dividends pursuant to the Bye-laws of the Company ("**Bye-laws**") from time to time; or

(iv) an issue of Shares under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of Shares or rights to acquire Shares,

shall not exceed 20% of the total issued Shares as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" means the period from the date of passing this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company ("**AGM**"); or

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company ("**Members**") in a general meeting; or

(iii) the expiration of the period within which the next AGM is required by law or the Bye-laws to be held; and

"Rights Issue" means an offer of Shares open for a period fixed by the Directors to the holders of Shares whose names appear on the Register of Members and/or the Hong Kong Branch Register of Members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

(B) "**THAT** the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back the issued Shares on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong ("**SFC**") and the Stock Exchange under the Code on Share Buy-backs issued by the SFC, subject to and in accordance with all applicable laws, regulations and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period;

(b) such mandate shall authorise the Directors to procure the Company to buy back the Shares at such prices and on such terms as the Directors may at their absolute discretion determine;

(c) the aggregate number of Shares to be bought back by the Company pursuant to this Resolution during the Relevant Period shall not exceed 10% of the total issued Shares as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution, "Relevant Period" means the period from the date of passing this Resolution until whichever is the earliest of:

(i) the conclusion of the next AGM; or

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Members in a general meeting; or

(iii) the expiration of the period within which the next AGM is required by law or the Bye-laws to be held."

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. 4(A) and 4(B) in the notice convening this meeting above, the general mandate granted to the Directors and for the time being in force to exercise all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of such number of Shares 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 number of Shares shall not exceed 10% of the total issued Shares as at the date of passing this Resolution."

By Order of the Board
eSun Holdings Limited
Wong Lai Chun
Company Secretary

Hong Kong, 17 November 2016

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

*(1) A Member entitled to attend and vote at the 2016 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, more than one) proxy to attend the 2016 AGM and, on a poll, vote on his/her/its behalf in accordance with the Bye-laws. A proxy need not be a Member.*

*(2) To be valid, a form of proxy, duly signed and completed together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited ("**Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the 2016 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 2016 AGM or its adjourned meeting (as the case may be) should they so wish. In that case, the said form(s) of proxy shall be deemed to be revoked.*

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

(3) To ascertain the entitlements to attend and vote at the 2016 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, 13 December 2016 for registration.

(4) Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the 2016 AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto. However, if more than one of such joint holders are present at the 2016 AGM or its adjourned meeting (as the case may be) personally or by proxy, then one of such holders so present whose name stands first in the Register/Branch Register of Members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

(5) Concerning agenda item 2 of the Notice,

(i) in accordance with Bye-law 87 of the Bye-laws, Mr. Lui Siu Tsuen, Richard (an Executive Director) and Madam U Po Chu (a Non-executive Director) will retire from office as Directors by rotation at the 2016 AGM and, being eligible, offer themselves for re-election; and

*(ii) in accordance with Rule 13.74 of the Listing Rules, the requisite details of the aforesaid Directors are set out in the "Biographical Details of Directors" section of the Annual Report of the Company for the year ended 31 July 2016 ("**Annual Report**").*

*(6) Concerning agenda item 3 of the Notice, the Board (which concurs with the audit committee of the Company) has recommended that subject to the approval of Members at the 2016 AGM, Ernst & Young will be re-appointed the independent auditors of the Company for the year ending 31 July 2017 ("**Year 2017**"). Members should note that in practice, independent auditors' remuneration for the Year 2017 cannot be fixed at the 2016 AGM because such remuneration varies by reference to the scope and extent of the audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditors' remuneration as operating expenses for the Year 2017, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for the Year 2017 is required, and is hereby sought, at the 2016 AGM.*

(7) Details concerning agenda items 4(A), 4(B) and 4(C) of the Notice are set out in the circular of the Company dated 17 November 2016 will be despatched to Members together with the Annual Report.

(8) In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in the Notice shall be decided by way of a poll at the 2016 AGM.

(9) If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a "black" rainstorm warning signal is expected to be in force at any time after 8:00 a.m. on the date of the 2016 AGM, the 2016 AGM will be postponed. The Company will post an announcement on the respective websites of the Company (www.esun.com) and the Stock Exchange (www.hkexnews.hk) to notify Members of the date, time and venue of the rescheduled 2016 AGM.

If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 8:00 a.m. on the date of the 2016 AGM and where conditions permit, the 2016 AGM will be held as scheduled. The 2016 AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether they would attend the 2016 AGM under a bad weather condition and if they do so, they are advised to exercise care and caution.

Cinema Operation

providing a complementary distribution channel for the Group's

Film Production and **Distribution Businesses**

戲院營運為本集團**電影製作**及**發行業務**

提供輔助之分銷渠道

MCL South Horizons Cinema in South Horizons in Hong Kong

香港海怡半島之MCL海怡半島戲院

eSun Holdings Limited
豐德麗控股有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

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