LAI FUNG HOLDINGS

(Stock Code: 1125)

LAI FUNG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report
Year ended 31 July 2017

Cover Photo
Hong Kong Plaza, Shanghai, China

Contents

Corporate Information

Place of Incorporation

Cayman Islands

Board of Directors

Executive Directors

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

Non-executive Directors

Lucas Ignatius Loh Jen Yuh
Puah Tze Shyang
(also alternate director to Lucas Ignatius Loh Jen Yuh)

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Authorised Representatives

Chew Fook Aun
Lam Kin Ming

Company Secretary

Yim Lai Wa

Registered Office

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

Principal Place of Business

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

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

Share Registrar and Transfer Office in Cayman Islands

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

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

Independent Auditor

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

1125/400 shares

Notes

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

American Depositary Receipt

CUSIP Number:	50731L104
Trading Symbol:	LNGHY
ADR to Ordinary Share Ratio:	1:8
Depositary Bank:	The Bank of New York Mellon

Website

www.laifung.com

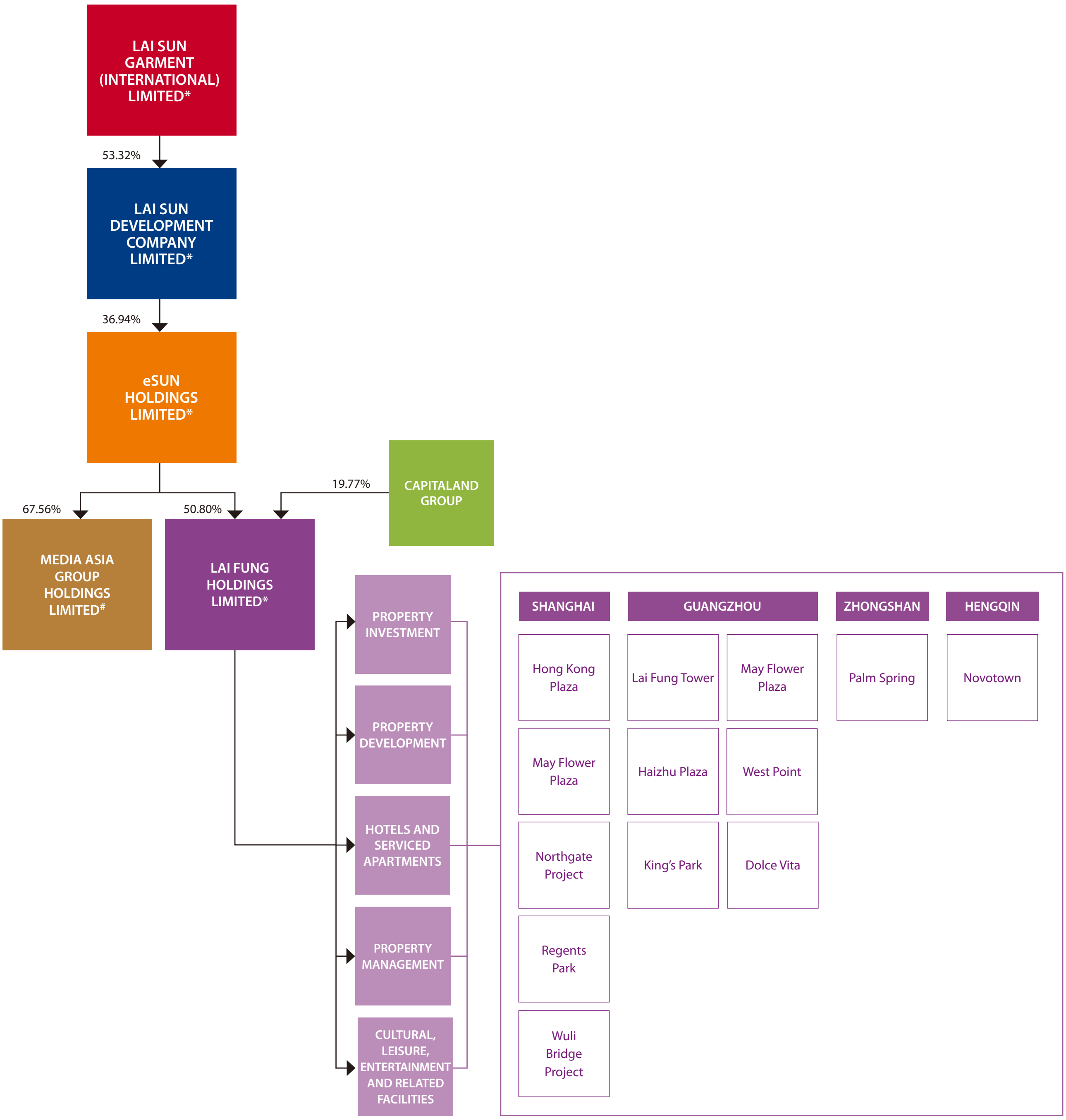
Investor Relations

Tel: (852) 2853 6116
Fax: (852) 2853 6651
Email: ir@laifung.com

Corporate Profile

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

Lai Fung's core businesses include the investment and development of serviced apartments, residential, office and commercial properties and development and operation of and investment in cultural, leisure, entertainment and related facilities in China.



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

Corporate structure as at 19 October 2017

Chairman's Statement

Mr. Chew Fook Aun
Chairman

I am pleased to present the audited consolidated results of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 July 2017.

Overview of Final Results

For the year ended 31 July 2017, the Group recorded a turnover of HK$1,326.7 million (2016: HK$2,043.5 million) and a gross profit of HK$664.2 million (2016: HK$1,088.8 million), representing a decrease of approximately 35.1% and 39.0%, respectively over last year. The decrease in turnover and gross profit was primarily due to projects such as Guangzhou Eastern Place Phase V, Guangzhou King's Park and Shanghai May Flower Plaza having been sold and substantially recognised during the year ended 31 July 2016 and fewer properties being available for sale during the year under review. The average Renminbi exchange rate for the year under review depreciated by approximately 4.7% over last year. Excluding the effect of currency translation against a depreciating Renminbi, the decrease in Renminbi denominated turnover was 31.9%. Set out below is the turnover by segment:

	For the year ended 31 July			For the year ended 31 July		
	2017* **(HK$ million)**	2016* (HK$ million)	% change	**2017** **(RMB million)**	2016 (RMB million)	% change
Rental income	**702.1**	629.4	11.6%	**616.2**	526.6	17.0%
Sales of properties	**624.6**	1,414.1	-55.8%	**548.2**	1,183.2	-53.7%
Total:	**1,326.7**	2,043.5	-35.1%	**1,164.4**	1,709.8	-31.9%

* *The exchange rates adopted for the years ended 31 July 2017 and 2016 are 0.8777 and 0.8367, respectively.*

Overview of Final Results (continued)

Net profit attributable to owners of the Company was approximately HK$1,477.5 million (2016: HK$873.5 million), representing an increase of approximately 69.1% over last year. The increase is due to a mix of:

(a) lower operating profit due to lower recognised property sales from subsidiaries of the Group;

(b) increased profit contribution from the sales of Guangzhou Dolce Vita, the joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") as compared to last year, which is recognised as a component of "Share of profits of joint ventures" in the consolidated income statement;

(c) a higher revaluation gain arising from the revaluation of the Group's investment properties for the year ended 31 July 2017 as compared to last year;

(d) the fair value gain arising on the cross currency swaps which were entered into in relation to the Company's RMB1.8 billion senior notes issued in 2013; and

(e) tax indemnity amount received by the Group from Lai Sun Development Company Limited pursuant to the tax indemnity deed in connection with the listing of the Company on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") in 1997.

Basic earnings per share was HK$4.547 (2016 (adjusted): HK$2.702).

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK$987.9 million (2016: HK$484.3 million), representing an increase of approximately 104.0% over last year. Basic earnings per share excluding the effect of property revaluations increased to HK$3.040 (2016 (adjusted): HK$1.498).

Excluding the effect of property revaluations, fair value gains on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss, net profit attributable to owners of the Company was approximately HK$884.1 million (2016: HK$494.0 million), representing an increase of approximately 79.0% over last year. Basic earnings per share excluding the effect of property revaluations, fair value gains on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss increased to HK$2.721 (2016 (adjusted): HK$1.528).

Overview of Final Results (continued)

Adjustments have been made to the weighted average number of issued shares of the Company for the year ended 31 July 2017 and 31 July 2016, respectively for the calculations of basic earnings per share and adjusted basic earnings per share as above due to the share consolidation on a 1-for-50 basis ("**Share Consolidation**") of the Company being effective on 15 August 2017 post year end.

	For the year ended 31 July	
Profit attributable to owners of the Company (HK$ million)	**2017**	2016
Reported	**1,477.5**	873.5
Adjustments in respect of investment properties		
Revaluation of properties	**(800.1)**	(528.0)
Deferred tax on investment properties	**200.0**	132.0
Non-controlling interests' share of revaluation movements less deferred tax	**110.5**	6.8
Net profit after tax and tax indemnity excluding revaluation gains of investment properties	**987.9**	484.3
Adjustment in respect of fair value gains on cross currency swaps	**(111.7)**	—
Adjustment in respect of ineffective portion of the effective hedge recognised in profit or loss	**7.9**	9.7
Net profit after tax and tax indemnity excluding adjustments in respect of investment properties, fair value gains on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss	**884.1**	494.0

Net assets attributable to owners of the Company as at 31 July 2017 amounted to HK$14,584.1 million (2016: HK$13,314.8 million). Adjusted net asset value per share attributable to owners of the Company increased to HK$44.78 per share as at 31 July 2017 from HK$41.10 per share (adjusted) as at 31 July 2016. Adjustments have been made to the total number of issued shares of the Company as at 31 July 2017 and 31 July 2016, respectively due to the Share Consolidation of the Company being effective on 15 August 2017 post year end.

Final Dividend

The Board has recommended a final dividend of HK$0.20 per share for the year ended 31 July 2017 (2016 (adjusted): HK$0.18 per share) payable to shareholders ("**Shareholders**") whose names appear on the Hong Kong Branch Register of Members of the Company ("**Register of Members**") at the close of business on Friday, 22 December 2017. Subject to the approval of Shareholders at the forthcoming annual general meeting of the Company ("**AGM**"), the proposed final dividend, will be payable in cash, with an option for the Shareholders to receive new fully paid shares of par value of HK$5.00 each in the share capital of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "**Scrip Dividend Scheme**").

A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to the Shareholders on or about Wednesday, 3 January 2018.

Final Dividend (continued)

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

Final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on Tuesday, 30 January 2018 to the Shareholders whose names appear on the Register of Members on Friday, 22 December 2017.

Business Review and Outlook

Major economies around the world continue to navigate in uncertain waters during the year under review. The capital markets have demonstrated resilience and robustness despite a precarious economic outlook, punctuated by global events such as elections in Europe, uncertainties surrounding the terms of Brexit, domestic terror events in the United States and Europe, and geopolitical tensions in the Korean peninsula. Some of these events are likely to linger in the near future and cast a shadow on the outlook.

Notwithstanding the seemingly turbulent environment, the Central Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. Whilst it is clear that some of the sectors, such as exports, continued to weaken as a result of lackluster global economic performance. Some of the slowdown has been countered by promoting other sectors and raising domestic consumption. The property sector has been a beneficiary of this as observed in various land auctions and transaction values recently. We have continued to benefit from this as seen in the results, mitigated by a depreciating Renminbi during the corresponding periods. 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.

Architect's impression of Shanghai Northgate Plaza after redevelopment

Architect's impression of Shanghai Wuli Bridge Project

Business Review and Outlook (continued)

The Group's regional focus and rental-led strategy has demonstrated resilience in recent years. The rental portfolio of approximately 3.2 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. The asset swap transaction as announced on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, has been completed in August 2017 post year end. This enables the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. As at the date of this Annual Report, the total gross floor area ("**GFA**") of this property owned by the Group increased to approximately 707,800 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property have been fully leased.

For the year ended 31 July 2017, the Group performed steadily and underpinned by a full year's rental contribution from Guangzhou Lai Fung Tower and recognition of sales from the joint venture project with CapitaLand China, Guangzhou Dolce Vita. However this good performance was countered by currency translation against a depreciating Renminbi on a reported basis. The sale of residential units in Guangzhou Dolce Vita, Guangzhou Eastern Place Phase V and Zhongshan Palm Spring underpinned this set of results.

The Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 3.2 million square feet to approximately 6.7 million square feet through developing the existing projects on hand over the next few years. The acquisition of 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**") was completed in September 2016. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan and therefore enhance the overall value of the combined development. Demolition of Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

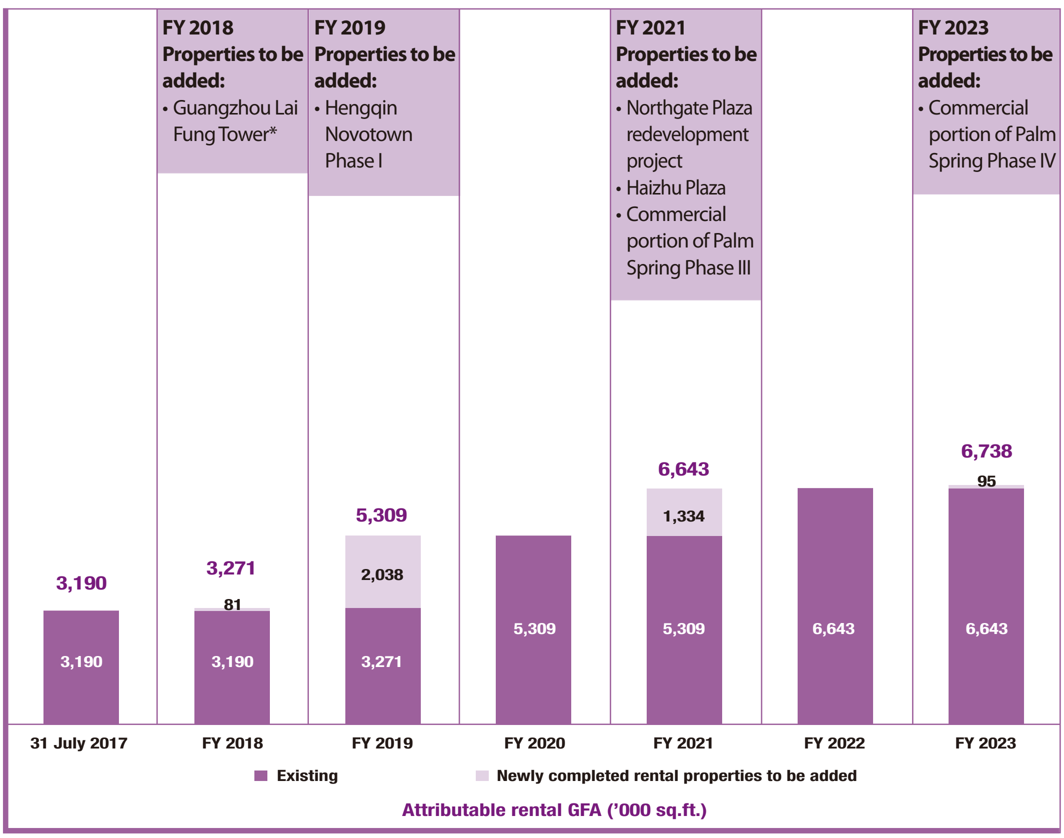
The construction works of Phase I of the Novotown project in Hengqin ("**Novotown**") commenced at the end of 2015 and is now progressing at a good pace. In January 2017, the Group entered into a shareholders' agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company co-developing a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximately 86,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

In June 2017, the Group entered into a licence agreement with Real Madrid Club de Fútbol ("**Real Madrid**") in relation to the development and operation of a location based entertainment centre ("**Real Madrid LBE**") in Novotown and subsequent to the year end, the Group entered into a framework agreement in September 2017 with Dr. Ing. h.c. F. Porsche AG ("**Porsche**") in relation to the development and operation of an auto experience theme centre ("**Porsche Experience Centre**") in Novotown. Both Real Madrid LBE and the Porsche Experience Centre are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

The remaining residential units in Guangzhou Dolce Vita and Zhongshan Palm Spring are expected to contribute to the income statement of the Group in the coming financial years. The Group will continue its prudent and flexible approach in growing its landbank.

Set out below is the expected growth of the rental portfolio of the Group and the pipeline of development projects of the Group as at 31 July 2017:

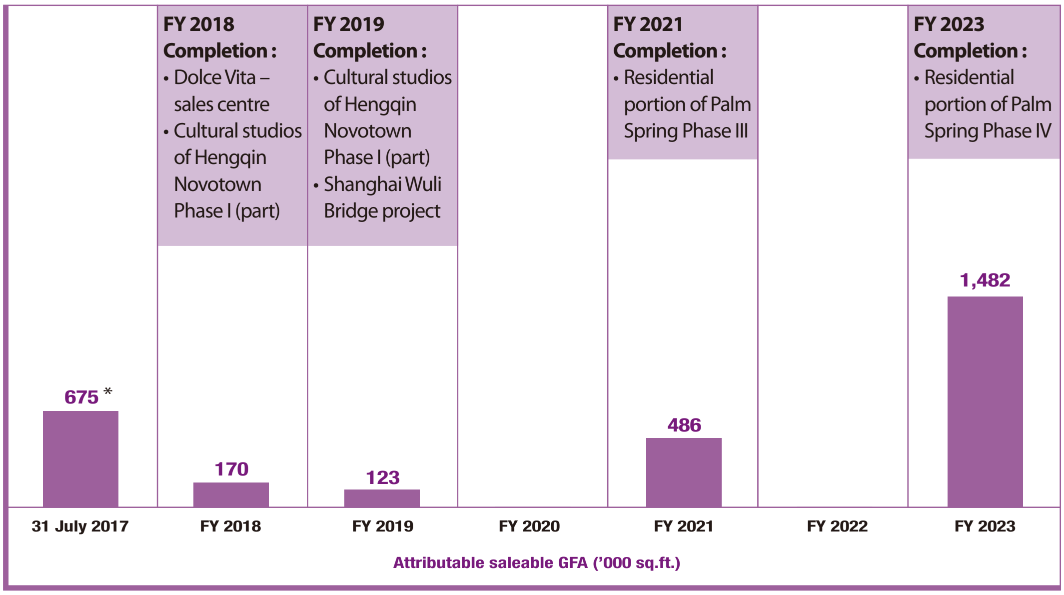
Rental Portfolio



* *Upon completion of the asset swap transaction announced by the Company on 15 January 2015 in August 2017 post year end, the total GFA of Guangzhou Lai Fung Tower owned by the Group increased to approximately 707,800 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017.*

Business Review and Outlook (continued)

For-sale Projects



* *Excluding commercial portion of the Zhongshan Palm Spring for self-use and Guangzhou Paramount Centre which is subject to the asset swap transaction announced by the Company on 15 January 2015 that has been completed in August 2017 post year end.*

Zhongshan Palm Spring

Business Review and Outlook (continued)

The Share Consolidation and change in board lot size from 20,000 shares to 400 shares as announced by the Group on 18 July 2017 is effective from 15 August 2017. It is hoped that this will make investing in the shares of the Group more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company.

As at 31 July 2017, the Group has a landbank of 5.7 million square feet. The Group's strong cash position of HK$2,628.4 million of cash on hand and undrawn facilities of HK$3,528.0 million with a net debt to equity ratio of 24% as at 31 July 2017 provides the Group with full confidence and the means to review opportunities more actively.

Appreciation

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

I am delighted to welcome Mr. Puah Tze Shyang who joined the Board as a Non-executive Director and the alternate director to Mr. Lucas Ignatius Loh Jen Yuh, another Non-executive Director, with effect from 1 April 2017. I would like to thank Mr. Chan Boon Seng who left the Board during the year for his valuable contributions to the Company during his tenure.

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

Chew Fook Aun
Chairman
Hong Kong
19 October 2017

Financial Highlights

		Year ended 31 July 2017	Year ended 31 July 2016	%
Turnover	(HK$M)	**1,326.7**	2,043.5	-35.1%
Gross profit	(HK$M)	**664.2**	1,088.8	-39.0%
Gross profit margin	(%)	**50%**	53%	
Operating profit	(HK$M)	**1,209.3**	1,274.2	-5%
Operating profit margin	(%)	**91%**	62%	
Profit attributable to owners of the Company	(HK$M)			
— as reported		**1,477.5**	873.5	69.1%
— adjusted *(Note 1)*		**884.1**	494.0	79.0%
Net profit margin	(%)			
— as reported		**111%**	43%	
— adjusted		**67%**	24%	
Basic earnings per share *(Note 2)*	(HK$)			
— as reported		**4.547**	2.702	68.3%
— adjusted		**2.721**	1.528	78.1%
Net assets attributable to owners of the Company	(HK$M)	**14,584.1**	13,314.8	9.5%
Net borrowings	(HK$M)	**3,463.0**	2,364.8	46.4%
Net asset value per share *(Note 3)*	(HK$)	**44.78**	41.10	9.0%
Share price as at 31 July *(Note 4)*	(HK$)	**12.00**	7.15	67.8%
Price earnings ratio	(times)			
— as reported		**2.6**	2.6	
— adjusted		**4.4**	4.7	
Market capitalisation as at 31 July	(HK$M)	**3,908.4**	2,316.3	68.7%
Return on shareholders' equity	(%)			
— as reported		**10%**	7%	
— adjusted		**6%**	4%	
Dividend per share *(Note 4)*	(HK$)	**0.20**	0.18	
Dividend yield	(%)	**1.7%**	2.5%	
Gearing — net debt to equity	(%)	**24%**	18%	
Interest cover *(Note 5)*	(times)			
— as reported		**4.6**	3.0	
— adjusted		**2.8**	1.7	
EBITDA *(Note 6)*/Interest expenses	(times)	**3.4**	3.4	
Current ratio	(times)	**1.1**	2.3	
Discount to net asset value	(%)	**73%**	83%	

Note 1: Excluding the effect of property revaluations, fair value gains on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss.

Note 2: Adjustments have been made to the weighted average number of issued shares of the Company for the year ended 31 July 2017 and 31 July 2016, respectively due to the share consolidation of the Company being effective on 15 August 2017 post year end.

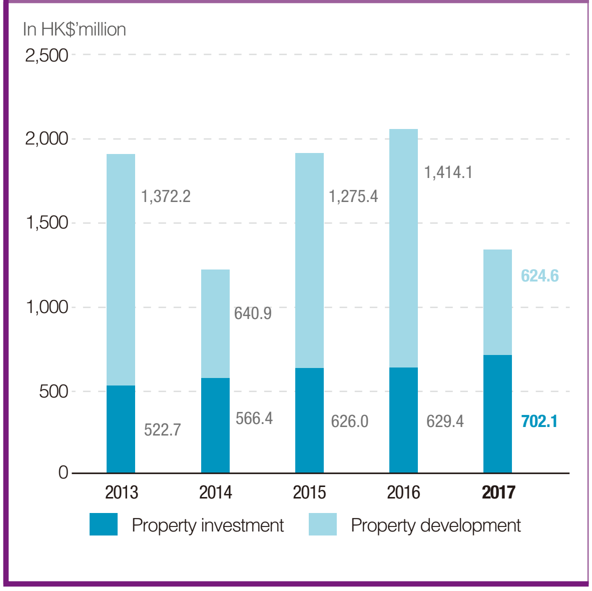
Note 3: Adjustments have been made to the number of issued shares of the Company as at 31 July 2017 and 31 July 2016 due to the share consolidation of the Company being effective on 15 August 2017 post year end.

Note 4: Adjusted to reflect the share consolidation being effective on 15 August 2017. Comparative figures have also been adjusted on the assumption that the share consolidation had been effective in the prior year.

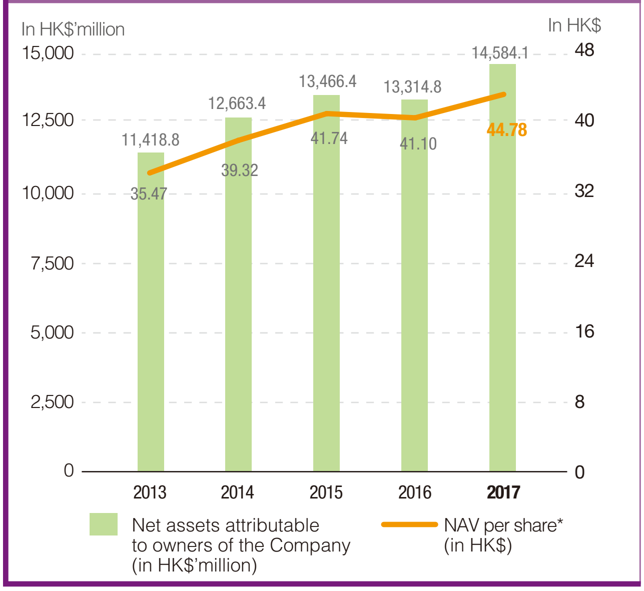
Note 5: Calculated as profit attributable to owners of the Company over cash interest.

Note 6: EBITDA = Profit before tax and tax indemnity - Property revaluation gain/loss + Depreciation + Amortisation + Finance costs

Turnover by Segment

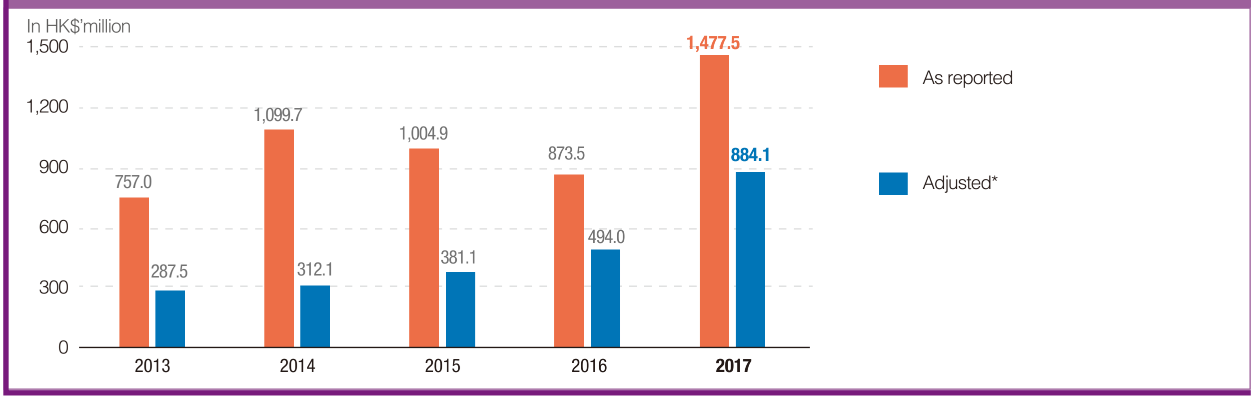


Net Assets and Net Asset Value ("NAV") per share



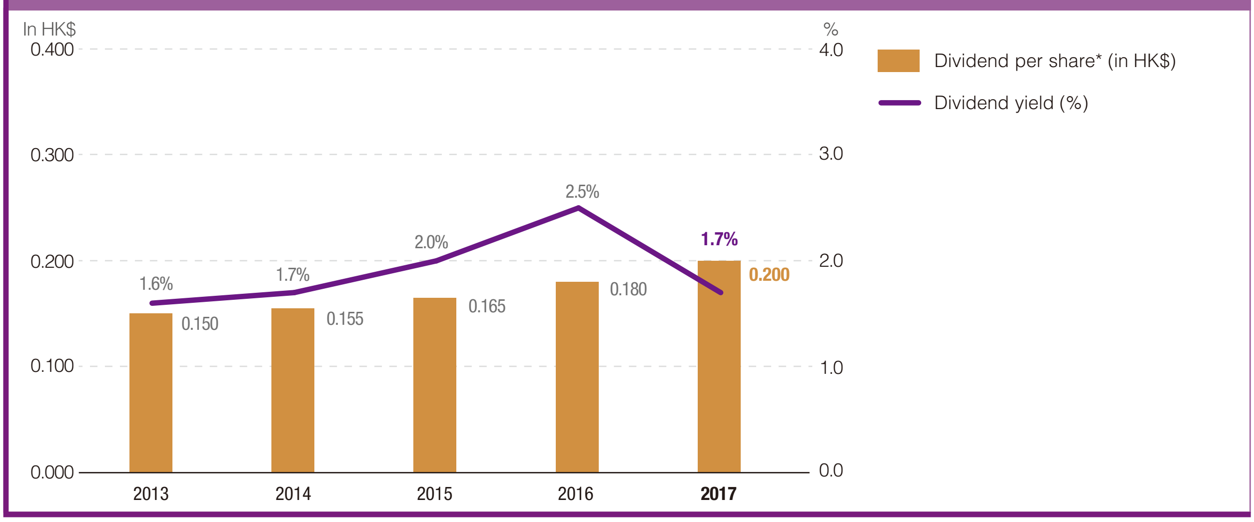
* *Adjustments have been made to the number of issued shares of the Company due to the Share Consolidation of the Company being effective on 15 August 2017 post year end.*

Profit attributable to owners of the Company



* *Excluding the effect of property revaluations, fair value gains/(losses) on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss wherever applicable.*

Dividend & Dividend Yield



* *Adjustments have been made to the dividend per share of the Company due to the Share Consolidation of the Company being effective on 15 August 2017 post year end.*

Management Discussion and Analysis

Overview

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

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 July 2017:

	Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	1,625	967	—	—	2,592	799
Completed Hotel Properties and Serviced Apartments	—	—	598	—	598	—
Properties under Development[2]	1,109	1,745	821	2,051	5,726	4,402
Completed Properties Held for Sale	63[3]	77	—	671	811	2,319
Total GFA of major properties of the Group	**2,797**	**2,789**	**1,419**	**2,722**	**9,727**	**7,520**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties for sale, including 53,223 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use and expected to be reclassified as completed properties held for rental purpose as it is being leased out over time.*

Guangzhou West Point

Guangzhou Lai Fung Tower

Guangzhou May Flower Plaza

Property Investment

Rental Income

For the year ended 31 July 2017, the Group's rental operations recorded a turnover of HK$702.1 million (2016: HK$629.4 million), representing an 11.6% increase over last year. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated rental income was 17.0%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			For the year ended 31 July			
	2017# **(HK$ million)**	2016# (HK$ million)	% Change	**2017** **(RMB million)**	2016 (RMB million)	% Change	**Year end occupancy (%)**
Shanghai							
Shanghai Hong Kong Plaza	**399.4**	398.2	0.3	**350.6**	333.2	5.2	Retail: 95.2% Office: 91.8% Serviced Apartments: 85.3%
Shanghai May Flower Plaza	**75.4**	71.4	5.6	**66.2**	59.7	10.9	Retail: 100.0% Hotel: 81.6%
Shanghai Regents Park	**20.0**	14.3	39.9	**17.5**	12.0	45.8	100.0%
Shanghai Northgate Plaza I	**—**	4.9	-100.0	**—**	4.1	-100.0	0.0%*
Guangzhou							
Guangzhou May Flower Plaza	**105.5**	109.5	-3.7	**92.6**	91.6	1.1	99.2%
Guangzhou West Point	**18.4**	17.2	7.0	**16.1**	14.4	11.8	99.6%
Guangzhou Lai Fung Tower	**74.9**	6.2	1,108.1	**65.7**	5.2	1,163.5	Retail: 100.0% Office: 100.0%**
Zhongshan							
Zhongshan Palm Spring	**8.5**	7.7	10.4	**7.5**	6.4	17.2	Retail: 86.4%*** Serviced Apartments: 56.9%
Total:	**702.1**	629.4	11.6	**616.2**	526.6	17.0	

The exchange rates adopted for the years ended 31 July 2017 and 2016 are 0.8777 and 0.8367, respectively

* *All tenants were vacated for project redevelopment and demolition has been completed in May 2017*

** *Excluding the office area that is subject to the asset swap transaction as announced by the Company on 15 January 2015 and the asset swap transaction has been completed in August 2017*

*** *Excluding self-use area*

Zhongshan Palm Spring Rainbow Mall

Shanghai May Flower Plaza

Property Investment (continued)

Rental Income (continued)

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

	For the year ended 31 July 2017			For the year ended 31 July 2016		
	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		181.7	468,434		175.4	468,434
Office		93.4	362,096		93.0	360,687
Serviced Apartments (room revenue and F&B)		117.1	355,267		123.3	354,239
Car-parking spaces		7.2	N/A		6.5	N/A
		399.4	1,185,797		398.2	1,183,360
Shanghai May Flower Plaza	100%			100%		
Retail		35.1	320,314		30.1	320,314
Hotel (room revenue and F&B)		36.6	143,846		38.3	143,846
Car-parking spaces		3.7	N/A		3.0	N/A
		75.4	464,160		71.4	464,160
Shanghai Regents Park	95%			95%		
Retail		16.6	77,959		10.7	77,959
Car-parking spaces		3.4	N/A		3.6	N/A
		20.0	77,959		14.3	77,959
Shanghai Northgate Plaza I*	100%			100%		
Retail		—	—		—	192,348
Office		—	—		4.7	130,233
Car-parking spaces		—	—		0.2	N/A
		—	—		4.9	322,581
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		91.3	357,424		94.5	357,424
Office		10.9	79,431		11.4	79,431
Car-parking spaces		3.3	N/A		3.6	N/A
		105.5	436,855		109.5	436,855
Guangzhou West Point	100%			100%		
Retail		18.4	171,968		17.2	171,968
Guangzhou Lai Fung Tower	100%			100%		
Retail		9.4	101,283		0.7	100,341
Office		62.5	525,463		5.1	525,463
Car-parking spaces		3.0	N/A		0.4	N/A
		74.9	626,746		6.2	625,804
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail		3.3	127,884		2.9	112,124
Serviced Apartments (room revenue)		5.2	98,556		4.8	98,556
		8.5	226,440		7.7	210,680
Total:		702.1	3,189,925		629.4	3,493,367

* *Demolition of this property has been completed in May 2017 and foundation works for the redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and Hui Gong Building in Shanghai commenced in September 2017*

Property Investment (continued)

Rental Income (continued)

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 asset swap transaction with Guangzhou Light Industry Real Estate Limited ("**Guangzhou Light Industry**") as announced on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, has been completed in August 2017 post year end. This enables the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. As at the date of this Annual Report, the total GFA of this property owned by the Group increased to approximately 707,800 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property have been fully leased.

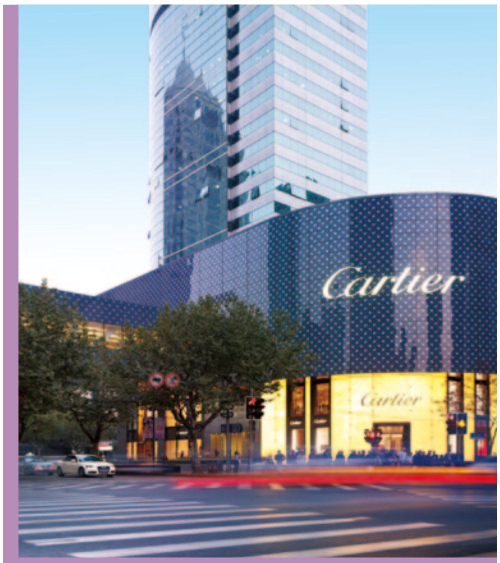
The acquisition of Hui Gong Building was completed in September 2016. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. Demolition of Shanghai Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

Excluding self-use area of approximately 53,223 square feet, all commercial area of Zhongshan Palm Spring Rainbow Mall has been reclassified as rental properties.

Review of Major Rental Properties

Shanghai Hong Kong Plaza

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



Shanghai Hong Kong Plaza

The property's total GFA is approximately 1.19 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 362,100 square feet, 468,400 square feet and 355,300 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, Tiffany and internationally renowned luxury brands and a wide array of dining options. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza has been completed and new tenants have moved in by the end of 2014.

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

The Group owns 100% of this property.

Property Investment (continued)

Review of Major Rental Properties (continued)

Shanghai May Flower Plaza

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

The Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility.

Guangzhou May Flower Plaza

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

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

The Group owns 100% of this property.

Guangzhou West Point

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

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

The asset swap transaction with Guangzhou Light Industry as announced on 15 January 2015 has been completed in August 2017 post year end. As at the date of this Annual Report, the total GFA of this property owned by the Group increased to approximately 707,800 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring Rainbow Mall is the commercial element of the Group's wholly-owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at year end was approximately 86.4%.

Property Investment (continued)

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet GFA attributable to the Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 83.1% was achieved during the year under review and the average room tariff was approximately HK$1,220.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 79.1% was achieved during the year under review and the average room tariff was approximately HK$507.

STARR Hotel Shanghai

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game/Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type: one- and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has an F&B outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 50.0% was achieved during the period under review and the average room tariff was approximately HK$354.

Management Discussion and Analysis

Property Development

Recognised Sales

For the year ended 31 July 2017, the Group's property development operations recorded a turnover of HK$624.6 million (2016: HK$1,414.1 million) from sale of properties, representing a 55.8% decrease in sales revenue over last year.

Total recognised sales was primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 21,364 and 641,366 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$129.2 million and HK$485.3 million, respectively.

For the year ended 31 July 2017, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$983 per square foot (2016: HK$4,207 per square foot). Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$2,584 per square foot (2016: 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 2017 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA (Square feet)	Average Selling Price# (HK$/square foot)	Turnover* (HK$ million##)	Turnover* (RMB million)
Guangzhou Eastern Place					
Residential Units — Phase V	19	21,364	6,481	129.2	113.4
Zhongshan Palm Spring					
Residential High-Rise Units	479	597,959	743	420.1	368.7
Residential House Units	15	43,407	1,582	65.2	57.2
Others				0.4	0.4
Subtotal	**513**	**662,730**	**983**	**614.9**	**539.7**
Guangzhou King's Park					
Car-parking Spaces	14			9.0	7.9
Guangzhou West Point					
Car-parking Spaces	1			0.7	0.6
Total				**624.6**	**548.2**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	514	737,122	2,570	1,794.7	1,575.2
Retail Units**(47.5% basis)	2	2,521	6,521	15.6	13.7
Subtotal	**516**	**739,643**	**2,584**	**1,810.3**	**1,588.9**
Car-parking Spaces**(47.5% basis)	373			122.4	107.4
Total				**1,932.7**	**1,696.3**

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

\## *The exchange rate adopted for the year ended 31 July 2017 is 0.8777*

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2017, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project was HK$3,811.2 million (excluding car-parking spaces) and approximately 1,557,142 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project was HK$257.7 million.*

Property Development (continued)

Contracted Sales

As at 31 July 2017, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$91.1 million and HK$49.7 million from sales of residential units in Zhongshan Palm Spring and Guangzhou Eastern Place Phase V, respectively and HK$2.3 million from sales of 3 car-parking spaces in Guangzhou King's Park. Sales of the remainder of the completed residential units of Zhongshan Palm Spring were strong and achieved an average selling price of HK$1,087 per square foot. Excluding the effect of currency translation against a depreciated Renminbi, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 July 2017 amounted to RMB125.7 million (31 July 2016: RMB484.4 million).

The total contracted but not yet recognised sales of the Group as at 31 July 2017 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$402.8 million (31 July 2016: HK$2,249.1 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 July 2017 amounted to RMB353.6 million (31 July 2016: RMB1,881.8 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2017 is as follows:

Contracted basis	No. of Units	Approximate GFA (Square feet)	Average Selling Price# (HK$/square foot)	Turnover# (HK$ million##)	Turnover# (RMB million)
Guangzhou Eastern Place					
Residential Units — Phase V	7	7,522	6,607	49.7	43.6
Zhongshan Palm Spring					
Residential High-rise Units	69	83,791	1,087	91.1	80.0
Subtotal	**76**	**91,313**	**1,542**	**140.8**	**123.6**
Guangzhou King's Park					
Car-parking Spaces	3			2.3	2.1
Subtotal				**143.1**	**125.7**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	38	80,140	3,203	256.6	225.2
Car-parking Spaces**(47.5% basis)	9			3.1	2.7
Subtotal				**259.7**	**227.9**
Total (excluding car-parking spaces)	**114**	**171,453**	**2,318**	**397.4**	**348.8**

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

\## *The exchange rate adopted for the year ended 31 July 2017 is 0.8777*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2017, the contracted but not yet recognised sales attributable to the full project was HK$540.2 million (excluding car-parking spaces) and approximately 168,715 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 was HK$6.5 million.*

Property Development (continued)

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza Redevelopment Project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. Demolition of Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

Shanghai May Flower Plaza

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

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units with a total GFA of approximately 627,500 square feet. The for sale portion of the office apartments comprised of 96 units with a total GFA of approximately 57,500 square feet. All residential units and office apartments units have been sold out. As of 31 July 2017, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$104.2 million.

Shanghai Wuli Bridge Project

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 83,700 square feet and is intended to be developed into a high end luxury residential project. Construction work commenced in August 2017. This project is expected to complete in the first quarter of 2019.

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development will have a total GFA attributable to the Group of approximately 946,100 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block and ancillary retail spaces (GFA 626,700 square feet approximately). Construction work of residential blocks was completed during the year ended 31 July 2015 and the office block was completed in June 2016.

The residential portion of the Guangzhou Eastern Place Phase V comprised of 317 units. For the year ended 31 July 2017, 21,364 square feet was recognised at an average selling price of HK$6,481 per square foot, which contributed HK$129.2 million to the turnover. As at 31 July 2017, completed residential units held for sale in this development amounted to approximately 7,522 square feet with a carrying amount of approximately HK$19.9 million.

Property Development (continued)

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

Guangzhou Dolce Vita

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou has a total project GFA of approximately 5.459 million square feet. The project comprises of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.833 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

During the year under review, 739,643 square feet attributable to the Group was recognised and generated attributable sale proceeds of HK$1,810.3 million. As at 31 July 2017, contracted but not yet recognised sales excluding car-parking spaces amounted to HK$256.6 million at average selling prices of HK$3,203 per square foot. Up to the year end, constructions of this project have been completed except for the commercial units with a total GFA of approximately 18,900 square feet that are currently used by the Group as a sales centre for the project. These commercial units are expected to be refurbished for sale by end of 2017.

Guangzhou King's Park

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

During the year under review, the sales of 14 car-parking spaces contributed HK$9.0 million to the turnover. As at 31 July 2017, the contracted but not yet recognised sales of the 3 car-parking spaces amounted to approximately HK$2.3 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 602,800 square feet and is intended to be developed for rental purposes. The completion is expected to be in the first half of 2021.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.075 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.466 million square feet.

Management Discussion and Analysis

PROPERTY DEVELOPMENT (CONTINUED)

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

Zhongshan Palm Spring (continued)

During the year under review, 43,407 square feet of house units and 597,959 square feet of residential units were recognised at average selling prices of HK$1,582 and HK$743 per square foot, respectively, which contributed a total of HK$485.3 million to the sales turnover. As at 31 July 2017, contracted but not yet recognised sales for high-rise residential units amounted to HK$91.1 million, at average selling prices of HK$1,087 per square foot. As at 31 July 2017, completed residential units held for sale in this development amounted to 571,600 square feet with a carrying amount of approximately HK$456.3 million. The remaining GFA under development was approximately 2,099,200 square feet.

Zhongshan Palm Spring Phase II

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

Phase	Description	Approximate GFA* (square feet)	Expected completion
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2022

* *Excluding car-parking spaces and ancillary facilities*

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

Hengqin Novotown

On 25 September 2013, the Company announced it had successfully won Phase I of the Novotown project in Hengqin which is 80% owned by the Group and 20% owned by eSun Holdings Limited. The Phase I of Novotown has a total GFA of 4.2 million square feet including car-parking spaces and ancillary facilities. The minimum investment requirement for the Phase I of Novotown is approximately RMB3.0 billion (equivalent to approximately HK$3.5 billion), of which approximately RMB523.3 million (equivalent to approximately HK$606.7 million) is land cost as per the land grant contract entered into between the Group and The Land and Resources Bureau of Zhuhai on 27 September 2013. The master layout plan for Phase I of Novotown has been approved in January 2015 and construction work commenced at the end of 2015.

Property Development (continued)

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

Hengqin Novotown (continued)

Hengqin Novotown Project Phase I

The expected GFA breakdown of Hengqin Novotown Phase I by usage is set out below:

Usage	GFA (square feet)
Cultural themed hotel	596,727
Cultural workshop	429,641
Cultural commercial area	523,843
Performance halls	167,982
Cultural attractions	286,247
Office	542,447
Cultural studios (for sale)	250,553
Car-parking spaces	593,797
Ancillary facilities and others	828,800
Total	**4,220,037**

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 one of the two performance halls in 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 Phase I of Novotown, oversee the preopening and to operate the immersive experience center for a minimum of ten years. The immersive experience center is expected to feature attractions, retail, and dining experiences themed around some of Lionsgate's most captivating global film franchises, including The Hunger Games, The Divergent Series, Now You See Me and three additional film franchises yet to be announced.

Property Development (continued)

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

Hengqin Novotown (continued)

The 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. The size of the Family Edutainment Center is expected to be approximately 50,200 square feet, containing no less than 5 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions.

Architect's impression of Hengqin Novotown Project Phase I

In April 2016, the 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.

In January 2017, the Group entered into a shareholders' agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company co-developing a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximately 86,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

In June 2017, the Group entered into a licence agreement with Real Madrid in relation to the development and operation of a location based entertainment centre in Novotown and subsequent to the year end, the Group entered into a framework agreement in September 2017 with Porsche in relation to the development and operation of an auto experience theme centre in Novotown. Both Real Madrid LBE and the Porsche Experience Centre are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2017, cash and bank balances held by the Group amounted to HK$2,628.4 million and undrawn facilities of the Group was HK$3,528.0 million.

As at 31 July 2017, the Group had total borrowings amounting to HK$6,091.4 million (2016: HK$5,977.4 million), representing an increase of HK$114.0 million from 2016. The consolidated net assets attributable to the owners of the Company amounted to HK$14,584.1 million (2016: HK$13,314.8 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 24% (2016: 18%). The maturity profile of the Group's borrowings of HK$6,091.4 million is well spread with HK$2,355.1 million repayable within 1 year, HK$692.9 million repayable in the second year, HK$2,954.2 million repayable in the third to fifth years and HK$89.2 million repayable beyond the fifth year.

Approximately 48% and 48% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK$4,011.0 million were 55% denominated in Renminbi ("**RMB**"), 33% in Hong Kong dollars ("**HKD**") and 12% in United States dollars ("**USD**").

The Group's fixed rate senior notes of HK$2,080.4 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK$2,628.4 million were 81% denominated in RMB, 11% in HKD and 8% in USD.

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

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$10,401.2 million, properties under development with a total carrying amount of approximately HK$497.2 million, serviced apartments and related properties with a total carrying amount of approximately HK$517.6 million, construction in progress with a total carrying amount of approximately HK$726.1 million and bank balances of approximately HK$401.3 million.

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

Contingent Liabilities

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

Employees and Remuneration Policies

As at 31 July 2017, the Group employed a total of around 1,300 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Financial Summary

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

Results

	Year ended 31 July				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Turnover	**1,326,682**	2,043,530	1,901,394	1,207,302	1,894,938
Profit before tax and tax indemnity	**1,652,804**	1,285,585	1,579,246	1,483,028	1,343,189
Tax	**(556,156)**	(388,163)	(571,197)	(390,411)	(530,622)
Tax indemnity	**493,936**	—	—	24,302	—
Profit for the year	**1,590,584**	897,422	1,008,049	1,116,919	812,567
Attributable to:					
Owners of the Company	**1,477,452**	873,527	1,004,901	1,099,727	757,045
Non-controlling interests	**113,132**	23,895	3,148	17,192	55,522
	1,590,584	897,422	1,008,049	1,116,919	812,567

Assets, liabilities and non-controlling interests

	As at 31 July				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Property, plant and equipment and prepaid land lease payments	**1,708,128**	1,455,494	1,331,211	1,505,123	1,497,117
Investment properties	**16,457,221**	14,661,728	14,479,603	13,479,025	11,377,034
Properties under development	**1,341,974**	1,184,375	1,617,398	662,386	513,517
Investments in joint ventures	**1,387,570**	804,431	739,028	590,758	436,340
Investments in associates	**343**	—	—	—	—
Deposit for acquisition of an investment property	**—**	228,620	—	—	—
Deposit for acquisition of land use right	**—**	—	—	89,765	—
Goodwill	**—**	—	—	426	1,032
Current assets	**4,325,043**	5,564,954	5,113,389	4,511,628	7,697,302
TOTAL ASSETS	**25,220,279**	23,899,602	23,280,629	20,839,111	21,522,342
Current liabilities	**(3,870,380)**	(2,431,081)	(4,070,850)	(1,674,289)	(3,412,775)
Long-term deposits received	**(140,240)**	(124,389)	(103,369)	(92,564)	(77,021)
Non-current interest-bearing bank loans, secured	**(2,814,062)**	(2,747,970)	(533,780)	(1,604,858)	(1,774,856)
Fixed rate senior notes	**—**	(2,092,741)	(2,220,914)	(2,232,738)	(2,223,610)
Advances from a former substantial shareholder	**(54,143)**	(54,675)	(58,198)	(58,688)	(58,621)
Loans from a fellow subsidiary	**(218,279)**	(221,714)	(229,244)	(152,760)	—
Loans from a joint venture	**(649,779)**	(222,430)	—	—	—
Derivative financial instruments	**—**	(210,068)	(111,654)	(25,162)	(43,712)
Deferred tax liabilities	**(2,704,032)**	(2,406,920)	(2,407,392)	(2,203,747)	(1,819,897)
TOTAL LIABILITIES	**(10,450,915)**	(10,511,988)	(9,735,401)	(8,044,806)	(9,410,492)
	14,769,364	13,387,614	13,545,228	12,794,305	12,111,850
Non-controlling interests	**(185,253)**	(72,847)	(78,875)	(130,871)	(693,016)
	14,584,111	13,314,767	13,466,353	12,663,434	11,418,834

Particulars of Major Properties

Completed Properties held for Rental

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	468,434	362,096	830,530	350
May Flower Plaza	Sujiaxiang, Jing'an District	100%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	320,314	—	320,314	—
Regents Park	88 Huichuan Road, Changning District	95%	The property is held for a term of 70 years commencing on 4 May 1996	77,959	—	77,959	—
Subtotal of major completed properties held for rental in Shanghai:				**866,707**	**362,096**	**1,228,803**	**350**
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	357,424	79,431	436,855	136
West Point	Zhongshan Qi Road, Liwan District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	171,968	—	171,968	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	101,283	525,463	626,746	313
Subtotal of major completed properties held for rental in Guangzhou:				**630,675**	**604,894**	**1,235,569**	**449**

Completed Properties held for Rental (continued)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan							
Palm Spring	Caihong Planning Area, West District	100%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	127,884	–	127,884	–
Subtotal of major completed properties held for rental in Zhongshan:				**127,884**	**–**	**127,884**	**–**
Total of major completed properties held for rental:				**1,625,266**	**966,990**	**2,592,256**	**799**

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	100%	The property is held for a term of 50 years commencing on 16 September 1992	300	355,267	–
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	100%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	143,846	–
Subtotal of major hotel properties and serviced apartments in Shanghai:				**539**	**499,113**	**–**
Zhongshan						
STARR Resort Residence Zhongshan	Caihong Planning Area, West District	100%	The property is held for a term expiring on 23 October 2073	90	98,556	–
Subtotal of major hotel properties and serviced apartments in Zhongshan:				**90**	**98,556**	**–**
Total of major hotel properties and serviced apartments:				**629**	**597,669**	**–**

Particulars of Major Properties

Properties Under Development

Property Name	Location	Group Interest	Stage of Construction	Expected completion date	Approximate site area (square feet) *(Note 1)*	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Guangzhou											
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	47.5%	Construction work in progress	Q4 2017	3,217,769 *(Note 2)*	8,988	–	–	–	8,988	22
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Resettlement in progress	H1 2021 *(Note 3)*	90,708	91,925	510,860 *(Note 4)*	–	–	602,785	299
Subtotal of major properties under development in Guangzhou:						**100,913**	**510,860**	**–**	**–**	**611,773**	**321**
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	100%	Construction work in progress	Phase III: Q3 2020 Phase IV: Q3 2022	2,547,298 *(Note 2)*	131,493	–	–	1,967,670	2,099,163	1,761
Subtotal of major properties under development in Zhongshan:						**131,493**	**–**	**–**	**1,967,670**	**2,099,163**	**1,761**
Shanghai											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	100%	Construction work in progress	Q2 2021	107,223	94,174	599,426	–	–	693,600	554
Wuli Bridge project	Wuliqiao Road, 104 Jie Fang, Huangpu District	100%	Construction work in progress	Q1 2019	74,112	–	–	–	83,697	83,697	96
Subtotal of major properties under development in Shanghai:						**94,174**	**599,426**	**–**	**83,697**	**777,297**	**650**
Hengqin											
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	80%	Construction work in progress	Q4 2018	1,401,184	782,458	634,400	821,094	–	2,237,952	1,670
Subtotal of major properties under development in Hengqin:						**782,458**	**634,400**	**821,094**	**–**	**2,237,952**	**1,670**
Total of major properties under development:						**1,109,038**	**1,744,686**	**821,094**	**2,051,367**	**5,726,185**	**4,402**

Note 1: On project basis
Note 2: Including portions of the projects that have been completed for sale/lease
Note 3: In the process of negotiating the buildable area for the site with the city government
Note 4: Office/office apartments

Completed Properties Held for Sale

Property Name	Location	Group interest	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Residential	Office	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	100%	53,223	571,619	—	624,842	1,186
Subtotal of major completed properties held for sale in Zhongshan:			**53,223**	**571,619**	**—**	**624,842**	**1,186**
Shanghai							
May Flower Plaza	Sujiaxiang, Jing'an District	100%	—	—	—	—	458
Regents Park, Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	386
Subtotal of major completed properties held for sale in Shanghai:			**—**	**—**	**—**	**—**	**844**
Guangzhou							
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	—	7,522	—	7,522	45
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	47.5%	665	92,283	—	92,948	49
Paramount Centre *(Note)*	Nos 407 and 409 Yan Jiang Dong Road, Yuexiu District	100%	5,602	—	76,471	82,073	46
King's Park	Donghua Dong Road, Yuexiu District	100%	3,337	—	—	3,337	20
Eastern Place	787 Dongfeng East Road, Yuexiu District	100%	—	—	—	—	2
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	127
Subtotal of major completed properties held for sale in Guangzhou:			**9,604**	**99,805**	**76,471**	**185,880**	**289**
Total of major completed properties held for sale:			**62,827**	**671,424**	**76,471**	**810,722**	**2,319**

Note: *The asset swap transaction that was announced by the Group on 15 January 2015 in relation to this project has been completed in August 2017.*

Environmental, Social and Governance Report

The Company is delighted to present its first Environmental, Social and Governance ("**ESG**") report which discloses the management approach, strategies and performance of the Company and its subsidiaries (together, "**Group**") in accordance to the Environmental, Social and Governance Reporting Guide published by The Stock Exchange of Hong Kong Limited ("**HKEx ESG Guide**"). Unless otherwise specified, the report covers our ESG performance from 1 August 2016 to 31 July 2017.

Stakeholder Engagement

In addition to utilising the regular communication channels during its daily operations, the Company has also engaged an independent consultant to conduct stakeholder engagement online surveys to understand stakeholders' perspectives and priorities of ESG issues relevant to the business. ESG topics were prioritised in accordance to the materiality results from stakeholders' perspectives and the importance of relevant ESG topics to business development.

Materiality Analysis

While we pay attention to all ESG issues which affects our businesses and stakeholders, we have identified the two most material issues in each sectors of our business which we have paid additional focus on. Materiality of these issues are identified through stakeholder engagement exercises, management reviews and industry analyses. Issues which are considered more material are indicated in the following table.

<table>
<tr><th colspan="2">ESG Aspects</th><th>ESG Issues</th><th>Property</th></tr>
<tr><td colspan="2" rowspan="3">Environmental</td><td>Emissions</td><td></td></tr>
<tr><td>Use of resources</td><td>✓</td></tr>
<tr><td>Environment and natural resources</td><td>✓</td></tr>
<tr><td rowspan="9">Social</td><td rowspan="4">Employment and labour practices</td><td>Employment</td><td>✓</td></tr>
<tr><td>Health and safety</td><td></td></tr>
<tr><td>Development and training</td><td></td></tr>
<tr><td>Labour standards</td><td>✓</td></tr>
<tr><td rowspan="4">Operating practices</td><td>Supply chain management</td><td></td></tr>
<tr><td>Product responsibility</td><td>✓</td></tr>
<tr><td>Intellectual property</td><td></td></tr>
<tr><td>Anti-corruption</td><td>✓</td></tr>
<tr><td>Community</td><td>Community investment</td><td>✓</td></tr>
</table>

Our Governance Structure for ESG Management

The scope of the following report is drafted with reference to the businesses relevant to our corporate structure. A dedicated management team with expertise in the environmental, health and safety issues of the property business sector will oversee the formulation of ESG policies and procedures and review relevant ESG risks for the business.

Overall Environmental Management Approach

We endeavor to minimise negative environmental impact in our business operations, and have therefore established environmental management policies to manage and control our output in emissions, waste management, energy usage and environmental impact. All relevant laws and regulations on environmental protection are observed and are important references for our environmental management strategies.

Environmental Management and Air Emissions

Air emissions may be generated in moderate amounts through some processes of our businesses. Where applicable, we take a proactive approach in managing our emissions through abatement procedures or by minimising emissions at source.

During property development phases, emissions will be generated while properties are being constructed. To mitigate relevant emissions, the Company outlines agreements with contractors with reference terms to relevant local and national environmental requirements. Various procedures are carried out at construction sites with the objective to mitigate emissions generated on site.

New projects are in compliance with local and national requirements on green building and are designed and planned with reference to "LEED 2009 for Core and Shell Development". Emission control such as waste disposal and sewage discharge are suggested by LEED consultant and are handled in responsible manner with required emission permit. Each construction projects are required to pass the Environment Impact Assessment ("**EIA**") to minimise the impact to the environment, and our selected contractors will be responsible to carry out the requirement listed in the EIA. The use of green building design and the compliance of EIA are to ensure air pollution, noise pollution, wastewater pollution and waste disposal will be strictly monitored and managed from design stage to construction stage. In order to demonstrate our commitment in environmental management, Shanghai HKP Property Management Limited, a wholly-owned subsidiary of the Company, has certified for ISO 14001:2004 Environmental Management System since 2012 and planning to improve its management system in according to updated ISO 14001:2015 Environmental Management System in the coming year.

Waste Management

A waste management plan is in place as a means to manage and to minimise waste generated in our daily operations. For easier management and to facilitate recycling, we separate waste into different categories, depending on the nature of waste generated. Recycling is highly encouraged in our operations. Where applicable and feasible, recycling bins are located in our office areas, and properties. Where feasible, we support the reuse of resources in our operations while unrecyclable waste will be managed by qualified waste management companies. Electronic waste or other hazardous waste will be managed as per local requirements. Procedures are in place to ensure that the collection and handling of electronics waste in our operations are in compliance with the Regulation on the Administration of the Recovery and Disposal of Waste Electrical and Electronic Products.

During the construction phase of each of our projects, we ensure that relevant waste management procedures are in place and are in compliance with relevant laws and regulations. Waste materials commonly generated at our construction sites include general refuse, inert construction waste, non-inert construction waste, recyclable metals waste and chemical waste. We apply the 3R principle in our waste disposal plan to reduce, reuse and recycle materials through on-site sorting, while the rest of the construction waste disposed of by licensed contractors.

Overall Environmental Management Approach (continued)

Resources Management and Conservation

We encourage all parties in the Company to be conscious in the use and management of natural resources such as electricity, fuel and water sources etc. Conscious use of resources and recycling initiatives are generally supported within the Company.

In overall environmental management of our properties and the built environment, we seek to continuously monitor our energy and water consumption and will seek for conservation opportunities in our existing property portfolio. A resource and energy management plan is formulated to encourage water and energy saving initiatives. The use of recycling water for irrigation and cleaning are encouraged. Monthly monitoring of energy and water consumption are carried out to manage the use of energy and to prevent water leakage. We also carry out energy saving asset enhancement projects where appropriate, for example, the air conditioning system in our Shanghai property is upgraded to optimise the energy efficiency and LED light bulb is used in our property. Similarly, we would continually review the energy and water consumption performances of other leasing and investment properties and will seek to further reduce energy consumption and electricity consumption.

Co-existence with the Natural Environment

We strive to balance the development of our businesses and associated environmental impacts. By outlining a set of policies and guidelines to minimise adverse environmental impacts of our Company, we seek to minimise our businesses' negative impact to the environment.

We understand that our construction projects will to a certain extent impact natural resources and the surrounding environment. We will incorporate green building elements in our projects with reference to the "LEED 2009 for Core and Shell Development", for all of our projects from design stage to demolition stage, to reduce the impact of our buildings to the surrounding environment. Besides requiring our contractors to submit the environmental management plan, actual performance on site will be reviewed against the environmental management plan to ensure that the planned mitigation measures are carried out.

Taking into consideration of all environmental related measures mentioned in the chapter above, one of our projects in Guangzhou China, Lai Fung Tower, has successfully achieved Gold rating in LEED 2009 Core and Shell Development scheme.

Overall Approach on Employment

Employment

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group complies with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, the Labour Law of the People's Republic of China ("**PRC**") and Labour Contract Law of the PRC in Hong Kong and China respectively, and have outlined relevant terms and conditions of employment in our staff handbook. With the aim to promote a harmonious and respectful workplace, employees' rights and benefits, including compensation, termination, recruitment, working hours, leave management, workplace safety, etc. and our expectations to employees' conduct and behavior are also stipulated in our staff handbook. To demonstrate our commitment in providing equal opportunity, we are open to provide job opportunities to disabled people, and as of this reporting year, we have hired a total of 10 disabled people in our business portfolio.

Employees' benefits within the Company in Hong Kong and China includes mandatory provident fund, social and housing fund, health care and meal arrangement, etc. in the event of needs for eligible employee enroll into the outpatient and/or hospitalisation plans. Depends on region, employees who have worked with the Company after probationary period or over twelve months of service will be eligible to participate in a tuition scheme to receive subsidy and sponsorship for training and development.

We have to ensure there are minimal risk of discriminate and harassment case in our workplace. As a demonstration of our commitment to the issue, we have established guideline within the staff handbook to ensure that all employees are aware of the issue. All complaints regarding harassment in the workplace will be addressed and will be handled in a confidential yet professional manner in order to protect the rights of the victim.

Health and Safety

We endeavor to minimise all health and safety related risks in all business sectors and will ensure that all necessary safety precautionary arrangements are met. The management teams will continuously seek to manage and control the health and safety risks which our employees are exposed to during their work, while ensuring that all health and safety issues that are present at our premises are fully addressed and will not affect our customers, guests and patrons. We will continue to identify potential risks in our operations and will maintain zero tolerance to work-related incidents and fatalities.

We are committed to eliminating the health and safety risks which may affect our employees. We are in compliance with relevant laws and regulations of Law of the PRC on the Prevention and Control of Occupational Diseases, and we seek to provide safe working conditions for our employees. Employees will receive health and safety training regarding safety measures in relation to personal safety and the use of equipment. First aid classes and talks on workplace health and safety were conducted this year. We will also ensure that safety measures are implemented in all property projects and will continuously strive to increase employees' awareness on health and safety issue. For example we encourage property managers to apply for relevant certifications such as OHSAS 18001:2007 Occupational Health and Safety Management.

It is our priority to safeguard the occupational health and safety standards at our construction sites. Selected contractors are required to submit on-site safety management plans and safety officers will be hired for each project to oversee health and safety issues. The safety officer is responsible for overseeing on-site occupational risks and organising safety training to new joiners. With the objective to oversee safety conditions on site and to fulfill our target of minimising work-related injuries and fatalities, weekly meetings with safety officers and other related parties are held to identify safety issues in the project and to ensure that corrective and preventive measures are carried out accordingly.

Overall Approach on Employment (continued)

Development and Training

Our employees are important assets for our growth, hence the Company designs and arranges numerous internal and external development programs to meet the needs of our operational development and employee career development. Employees after probation or with over twelve months of services with the Company will be entitled to our tuition scheme in respective region, where sponsorship of the tuition fee will be granted for further training and development course suitable for the employees' position and scope of work. We seek to enhance employee training with subsidised courses and to assist them in achieving professional and personal goals.

Our property management employees regularly receive training such as onboard training, health and safety training, customer service training and skill-based training targeted for the needs of their specific positions. To strive for continuous improvement in customer services, we would provide additional tailored training to employees to ensure they all have capabilities to provide high quality service.

As a way to retain our talents, we provide career development opportunities for our employees. Different levels of employees, from the front line employees to our property manager, would have the opportunities to attend trainings on property safety management and customer service skill etc. Through these trainings, employees can enhance their occupational skills and management skills for future career growth. They can also take this chance to share their experiences with each other and with the external lecturer for further knowledge exchange.

Labour Standards

We consider it imperative that we safeguard the rights of our employees. Improper use of labour in the form of child labour and forced labour is strictly prohibited. We ensure full compliance to relevant laws and regulations in the Labour Law of the PRC and in the Labour Contract Law of the PRC which stipulates the prevention of the use of child labour of ages under 16 and the prevention of any unlawful way of forced labour. Labour rights are protected and there will be no forced overtime work. Should overtime work be required, workers will be paid as per relevant legal requirements or compensated for time-off arrangement. We have equality stringent requirements for our contractors, and they are required to observe and comply with the same regulations.

Employee Welfare

With employees as our valued assets, we strive to enhance employee relations through provision of staff benefits and caring for their wellbeing. We regularly organise activities to reinforce our relationship with our employees and encourage a work-life balanced lifestyle. For example, we organise "Lunch Talk" sessions for our staff on a monthly basis, providing talks on various topics, for example, knowledge on occupational safety, health talks, and numerous interest classes.

We also organise large-scale annual events for our employees, including Group Annual Dinner Party, Group One-Day Tour and Two-Day Leisure Tour in some other region. In general, these activities were well-received by our employees and we believe that our employees will benefit from the activities, which are also great opportunities for team-building and bonding with other colleagues.

Overall Approach on Managing Operating Practices

Supply Chain Management

We value the importance of openness and fairness in our tendering process and other supply chain related issues. We have formulated a clear tendering process outlining required number of quotations for construction projects of different scales.

Environmental and safety issues of our contractors are issues that we take responsibility in through outlining standards and requirements to contractors which are in line with local regulations. During the tendering process, environmental and safety measures of potential contractors are elements will be taken into consideration as part of our selection criteria. All contractors will be required to submit an environmental management plan and safety management plan upon selection.

During the construction, we require our contractors to follow the environmental control plan to eliminate pollution and waste to surrounding and to follow the mitigation measurement in the EIA of the project. Our management team will hold on-site meeting with site management and licensed third party consultants, including resident engineering, clerk of works and building services inspector etc., to ensure the quality of work and the health and safety standards of the project.

Data Protection and Privacy

We are dedicated to protect our clients' privacy rights. We have clear written procedures on the handling of personal data received during the property sales and management process. Such data and sales records, and other information which are obtained during the sales process are kept in our internal system. Only management level will be granted with access right to such information, while general staff need approval from the management level for client's information. During the property sales and marketing process, general staff can only access the information of its own clients and the collected information. All information collected would be kept as confidential and only for the purpose of the agreed sales. Measures are in place to ensure that client data would be not be misused for other marketing purposes.

Responsible and Ethical Practices

We comply with relevant laws and regulations of Urban Real Estate Administration Law of the PRC regarding the sales process of our property and our marketing material is counselled by our legal and management level to ensure the compliance. We follow strictly to the government laws and regulations in order to receive the official sales permit from the Real Estate Administrative Department. Different departments, our financial, project management, sales and marketing departments are involved to ensure the marketing material is fair and accurate to represent the actual project planning and nearby facilities, in which there is not exaggerate and misleading marketing information.

Overall Approach on Managing Operating Practices (continued)

Service Excellence

We are committed to providing high quality of experience to our customers in our property management operation. We regularly send out questionnaire to our customers to understand their opinion and satisfaction rate to our service, including customer service, security service, environment and greening, and construction management.

We strive to provide excellent services to our clients. Standard complaint handling guidelines and procedures are provided to our property management employees to standardise their responses and to equip them with the ability to handle customers' and tenants' complaint. We also emphasise the importance of ensuring that complaints are followed through and thoroughly communicated with our customers. All cases are documented and recorded for continuous improvement purposes.

Intellectual Property Rights

We respect and protect intellectual property rights and ensure that appropriate security measures and confidentiality agreements are observed. Across all operational segments in the Company, we ensure that agreements on collaborations with third parties are reviewed by our legal team to minimise opportunities for infringement.

Integrity and Discipline

Integrity, fairness and discipline are our core values. We expect high level of ethics and integrity from our employees and we request strict adherence to rules and procedures in our staff handbook. We make it a priority to ensure that no cases of fraud or corruption are present in any of our business segments.

In order to steer clear from potential risks for corruption, we provide employees with clear guidelines to handle any presents or gifts involved in the business. Anyone in violation of our policy and procedures would be penalised, while those who violate relevant government ordinances would be subject to legal consequences.

We have a whistleblowing procedure as a monitoring process to maintain integrity and discipline within all levels of our Company. People who discover any inappropriate act or violation of our policy are encouraged to report to our management level for immediate investigation into the case.

Overall Approach on Managing Operating Practices (continued)

Overall Approach on Community Development

We value the concept of giving back to the society and seek to utilise resources within our business to give back to the society. We work closely with the local charities where we operate, to meet the needs of our community.

At Group level, we purchase festive food products from social enterprises for our employees, such as Caritas Hong Kong — La Vie Bakery and Fair Taste mooncakes. The purchase of products from local social enterprises are our efforts in supporting employment opportunities for women and to encourage the utilisation of local neighborhood craftsmanship.

We have been long-term supporters to Orbis through annual donations to support their work for the blind and visually impaired. We render our support to Orbis as a gesture to show our commitment to helping more people with receiving basic eye health care services and relevant education.

In our operations in China, we provide continuous support to alleviate poverty issues within our local community through donations and charity walks. During the reporting year, we have offered a total of RMB 380,000 donation to Shanghai Charity Foundation (Jing'an District), Shanghai Charity Foundation (Huangpu District) and Zhuhai Foundation For Poverty Alleviation. The donations were used to fund poverty alleviation projects in China, for example, to provide housing maintenance services and to provide housekeeping assistance to those in need and education opportunities. Other donations collected from our participation in charity walks were donated to Zhongshan Branch Red Cross Society of China.

As a property manager and developer, we are committed to providing a comfortable living environment to our customers and we care about youth development and family relationships. During the reporting year, we have spread our love and care to families in need through two rounds of family visits during Mid-Autumn Festival and Dragon Boat Festival. We gave out moon-cake, rice dumplings and necessities to help families enjoy the festivals as normal families do. Also, we have participated in an event for youth to raise the awareness on hazards of using drugs and organised a Mother's Day family screening event.

Apart from poverty alleviation and family relationships, we support sustainable community development. In July 2017, we have participated in the Zhongshan Government Green Energy Saving Campaign. We took the opportunity to discuss with peers on the new environmental technologies which are available, to foster the growth of a greener economy through carbon reduction.

We also seek to innovate on our business segments and collaborated with partners to create interactive ways of creating a harmonious society.

One of the most notable example is Novotown, an integrated tourism and entertainment development project situated in Hengqin, Guangdong. As a project due for completion by 2019, we have included designs to incorporate elements from Lionsgate Entertainment World™ and National Geographic Ultimate Explorer. Lionsgate Entertainment World™ is a combination of film and reality. Our guests can get first-hand experience of various Lions Gate® movies. National Geographic Ultimate Explorer is an integration of museum, gaming and role-playing with the aid of the latest technology. The project enables our guests to experience different natural scenes around the globe as an explorer.

These two infotainment establishments are targeted for families, children and teenagers and are designed to educate guests on the importance of conservation in an experiential and entertaining way and to provide guests with the opportunity to appreciate the beauty of nature.

Appendix: HKEx ESG Guide Content Index

Subject Areas, Aspects, and General Disclosure		Sections
A. Environmental		
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management and Air Emissions; Waste Management
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Resources Management and Conservation
Aspect A3: Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Co-existence with the Natural Environment
B. Social		
Employment and Labour Practices		
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment

Appendix: HKEx ESG Guide Content Index (continued)

Subject Areas, Aspects, and General Disclosure		**Sections**
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards	General Disclosure Information on: Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Data Protection and Privacy; Responsible and Ethical Practices; Service Excellence; Intellectual Property Rights

Appendix: HKEx ESG Guide Content Index (continued)

Subject Areas, Aspects, and General Disclosure		Sections
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity and Discipline
Community		
Aspect B8: Community Investment	General Disclosure Community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Overall Approach on Community Development

Corporate Governance Report

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

(1) Corporate Governance Practices

The Company has complied with all the code provisions set out in the CG Code for the year ended 31 July 2017 ("**Year**") save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

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

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

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

(2) Board of Directors

(2.1) Responsibilities and Delegation

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

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

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

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

(2.2) Composition of the Board

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

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

(2) Board of Directors (continued)

(2.2) Composition of the Board (continued)

Non-executive Directors

Lucas Ignatius Loh Jen Yuh
Puah Tze Shyang *(appointed on 1 April 2017)*
(also alternate director to Lucas Ignatius Loh Jen Yuh)
Chan Boon Seng *(Note)* *(resigned on 1 April 2017)*

Independent Non-executive Directors

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

Note: Mr. Chan ceased to act as the alternate director to Mr. Loh on 1 April 2017.

The brief biographical particulars of the current Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report on pages 63 to 70.

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

(2) Board of Directors (continued)

(2.3) Attendance Record at Board Meetings

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

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Chew Fook Aun	4/4
Lam Kin Ming	1/4
Lam Kin Hong, Matthew	4/4
Lam Hau Yin, Lester	4/4
Cheng Shin How	4/4
Lee Tze Yan, Ernest	4/4
U Po Chu	3/4
Non-executive Directors	
Lucas Ignatius Loh Jen Yuh	4/4
Puah Tze Shyang *(Note 1)* *(also alternate director to Lucas Ignatius Loh Jen Yuh)*	1/1
Chan Boon Seng *(Note 2)* *(also alternate director to Lucas Ignatius Loh Jen Yuh until 31 March 2017)*	0/3
Independent Non-executive Directors	
Ku Moon Lun	4/4
Lam Bing Kwan	4/4
Law Kin Ho	4/4
Mak Wing Sum, Alvin	4/4
Shek Lai Him, Abraham	4/4

Notes:

1. *Mr. Puah has been appointed as a NED and the alternate director to Mr. Loh on 1 April 2017.*

2. *Mr. Chan resigned as a NED and ceased to act as the alternate director to Mr. Loh on 1 April 2017.*

(2) Board of Directors (continued)

(2.4) INEDs

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

(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 auditor and/or law firms in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written training materials to develop and refresh their professional skills; the Group's Legal and Company Secretarial Departments also organise and arrange seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Year, the Company arranged for the INEDs to attend a seminar organised by the independent auditor of the Company ("**Independent Auditor**").

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

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

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read Materials	Attend Seminars/ Briefings	Read Materials	Attend Seminars/ Briefings
Executive Directors				
Chew Fook Aun	√	√	√	√
Lam Kin Ming	√	√	√	—
Lam Kin Hong, Matthew	√	√	√	√
Lam Hau Yin, Lester	√	√	√	√
Cheng Shin How	√	√	√	—
Lee Tze Yan, Ernest	√	√	√	√
U Po Chu	√	√	√	—
Non-executive Directors				
Lucas Ignatius Loh Jen Yuh	√	√	√	√
Puah Tze Shyang (Note 1) *(also alternate director to Lucas Ignatius Loh Jen Yuh)*	√	√	√	√
Chan Boon Seng (Note 2) *(also alternate director to Lucas Ignatius Loh Jen Yuh until 31 March 2017)*	√	√	√	√
Independent Non-executive Directors				
Ku Moon Lun	√	√	√	√
Lam Bing Kwan	√	√	√	√
Law Kin Ho	√	√	√	√
Mak Wing Sum, Alvin	√	√	√	√
Shek Lai Him, Abraham	√	√	√	√

Notes:

1. *Mr. Puah has been appointed as a NED and the alternate director to Mr. Loh on 1 April 2017.*
2. *Mr. Chan resigned as a NED and ceased to act as the alternate director to Mr. Loh on 1 April 2017.*

(4) Board Committees

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

(4.1) Remuneration Committee

The Board established on 18 November 2005 a Remuneration Committee which currently comprises five members, including three INEDs, namely Messrs. Lam Bing Kwan (Chairman), Ku Moon Lun and Law Kin Ho, an ED, Mr. Chew Fook Aun, and a NED, Mr. Lucas Ignatius Loh Jen Yuh (alternate: Mr. Puah Tze Shyang in place of Mr. Chan Boon Seng with effect from 1 April 2017) during the Year and up to date of the Annual Report.

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

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

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

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

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

(4) BOARD COMMITTEES (CONTINUED)

(4.1) Remuneration Committee (continued)

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

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

Committee Members	Number of Meeting Attended/ Number of Meeting Held
Executive Director	
Chew Fook Aun	1/1
Non-executive Directors	
Lucas Ignatius Loh Jen Yuh *(alternate: Puah Tze Shyang in place of Chan Boon Seng with effect from 1 April 2017)*	1/1
Independent Non-executive Directors	
Ku Moon Lun	1/1
Lam Bing Kwan	1/1
Law Kin Ho	1/1

(4.2) Audit Committee

The Board established an Audit Committee on 31 March 2000 which currently comprises three members, including two of the INEDs, namely Mr. Law Kin Ho (Chairman) and Mr. Lam Bing Kwan, and a NED, Mr. Lucas Ignatius Loh Jen Yuh (alternate: Mr. Puah Tze Shyang in place of Mr. Chan Boon Seng with effect from 1 April 2017) during the Year and up to date of this Annual Report.

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

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

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

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

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

In compliance with the Stock Exchange's implementation of the revised Listing Rules relating to the risk management and internal controls under the CG Code for accounting periods beginning on or after 1 January 2016, the terms of reference of the Audit Committee were revised by the Board on 23 March 2016. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on the respective websites of the Stock Exchange and the Company.

Apart from performing the corporate governance functions, the Audit Committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgments contained in them before submission to the Board for approval, and the review and monitoring of the auditor's independence and objectivity as well as the effectiveness of the audit process. The Audit Committee is also responsible to oversight the Company's risk management and internal control systems.

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

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

The Audit Committee held three meetings during the Year. It has reviewed the audited results of the Company for the year ended 31 July 2016, the unaudited interim results of the Company for the six months ended 31 January 2017 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 internal audit plan for the ensuing three years, the budget for the ensuing year, risk management report and internal control review reports and put forward relevant recommendations to the Board for approval. The Audit Committee also approved the Enterprise Risk Management Policy and Framework proposed by an independent professional advisor engaged by the Company.

On 18 October 2017, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditor. It also reviewed this Corporate Governance Report, certain internal control review reports on the Company prepared by the independent professional advisor. The Audit Committee also assessed the effectiveness of the Group's systems of risk management and internal control.

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

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

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Non-executive Director	
Lucas Ignatius Loh Jen Yuh	3/3
(alternate: Puah Tze Shyang in place of Chan Boon Seng with effect from 1 April 2017)	
Independent Non-executive Directors	
Lam Bing Kwan	3/3
Law Kin Ho	3/3

(5) Chairman and Chief Executive

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

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

(6) Non-Executive Directors

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

(7) Nomination of Directors

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies and procedures for the selection and nomination of Directors, and arrangements for the performance of other duties of the nomination committee have also been disclosed therein. The EDs and the full Board followed such procedures in the appointment of Mr. Puah Tze Shyang, a NED, with effect from 1 April 2017.

(8) Board Diversity Policy

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

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

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

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

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

(9) Securities Transactions by Directors and Designated Employees

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

(10) Independent Auditor's Remuneration

For the Year, the fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor, Ernst & Young, Certified Public Accountants, Hong Kong amounted to HK$3,270,000 and HK$358,000, respectively. The non-audit services mainly consist of tax advisory, review and other reporting services.

(11) Directors' Responsibility for Preparing Financial Statements

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

(12) Independent Auditor's Reporting Responsibility

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

(13) Risk Management And Internal Control

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the Risk Management Taskforce. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. The design and implementation of internal controls are to identify weakness for improvement. The independent professional advisor will report to the Audit Committee and Board of Directors for identified weakness and proposed recommendation on a timely basis to ensure prompt remediation actions are taken.

(13) Risk Management And Internal Control (continued)

Risk management report and internal control review report are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of Securities & Futures Ordinance ("**SFO**") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

(14) Company Secretary

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

(15) Shareholders' Rights

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

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

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

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

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

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

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

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

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

(15) Shareholders' Rights (continued)

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

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

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

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

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

(16) Communication With Shareholders

(16.1) Shareholders' Communication Policy

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

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

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

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

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

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

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

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

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

(16) Communication With Shareholders (continued)

(16.2) Attendance Record at General Meeting

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

Directors	Number of Meeting Attended/ Number of Meeting Held
Executive Directors	
Chew Fook Aun	1/1
Lam Kin Ming	0/1
Lam Kin Hong, Matthew	1/1
Lam Hau Yin, Lester	0/1
Cheng Shin How	1/1
Lee Tze Yan, Ernest	1/1
U Po Chu	0/1
Non-executive Directors	
Lucas Ignatius Loh Jen Yuh	0/1
Puah Tze Shyang *(Note 1)*	
(also alternate director to Lucas Ignatius Loh Jen Yuh)	N/A
Chan Boon Seng *(Note 2)*	
(also alternate director to Lucas Ignatius Loh Jen Yuh until 31 March 2017)	0/1
Independent Non-executive Directors	
Ku Moon Lun	1/1
Lam Bing Kwan	1/1
Law Kin Ho	1/1
Mak Wing Sum, Alvin	0/1
Shek Lai Him, Abraham	1/1

Notes:

1. Mr. Puah has been appointed as a NED and the alternate director to Mr. Loh on 1 April 2017.

2. Mr. Chan resigned as a NED and ceased to act as the alternate director to Mr. Loh on 1 April 2017.

(16) Communication With Shareholders (continued)

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being the AGM for 2016, was held at 9:00 a.m. on 16 December 2016 at Harbour View Rooms I & II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong ("**2016 AGM**"). At the 2016 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2016 and the reports of the directors and the independent auditor thereon; (ii) the declaration of a final dividend with a scrip dividend option; (iii) the re-election of Mr. Lam Kin Hong, Matthew and Mr. Cheng Shin How as EDs, the re-election of Mr. Lucas Ignatius Loh Jen Yuh as an NED, the re-election of Mr. Lam Bing Kwan and Mr. Shek Lai Him as INEDs and the authorisation for the Board to fix the remuneration of the Directors; (iv) the re-appointment of Ernst & Young as the Independent Auditor for the Year and the authorisation for the Board to fix their remuneration; (v) the granting to the Directors a general mandate to buy back the shares of the company ("**Shares**") not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company; (vi) the granting to the Directors a general mandate to issue, allot and deal with additional Shares of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company; and (vii) the extension to the general mandate under above (vi) by adding the aggregate nominal amount of the Shares to be bought back by the Company pursuant to the above (v). The notice of the 2016 AGM and the poll results announcement in respect of the 2016 AGM were published on the websites of both the Stock Exchange and the Company on 17 November 2016 and 16 December 2016, respectively.

(17) Investor Relations

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations programme. Our 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.

(17) Investor Relations (continued)

During the year ended 31 July 2017, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organizer	Location
October 2016	Post results non-deal roadshow	DBS	Hong Kong
November 2016	Post results non-deal roadshow	DBS	Singapore
November 2016	Post results non-deal roadshow	Daiwa	New York/ Philadelphia/ Los Angeles/ San Francisco
November 2016	Post results non-deal roadshow	Daiwa	London/ Amsterdam/ Zurich
March 2017	Post results non-deal roadshow	Daiwa	Hong Kong
March 2017	Post results non-deal roadshow	Daiwa	New York/ San Francisco
April 2017	Post results non-deal roadshow	DBS	Singapore
April 2017	Post results non-deal roadshow	BNP	London
June 2017	Post results non-deal roadshow	HSBC	Taipei

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

Firm	Analyst	Publication Date
Credit Suisse	Daniel TAM	3 November 2016

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

Biographical Details of Directors

Executive Directors

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

Mr. Chew Fook Aun, Chairman, aged 55, has been the Chairman of the Board since 1 November 2012. He was appointed an Executive Director of the Company on 5 June 2012 and is currently a member of both the Executive Committee and the Remuneration Committee of the Company. Mr. Chew is also a deputy chairman and an executive director of LSG, the deputy chairman and an executive director of LSD as well as an executive director of eSun.

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

Mr. Chew has over 30 years of experience in accounting, auditing and finance in the United Kingdom ("**UK**") and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the UK with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Institute of Chartered Accountants in England and Wales. He was also a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of the Operations Review Committee of the Independent Commission Against Corruption ("**ICAC**") and a member of the Barristers Disciplinary Tribunal Panel, both being organisations established in Hong Kong. In addition, he was appointed as a member of the Board of Directors to the Hong Kong Sports Institute Limited for a term of two years with effect from 1 April 2017. 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.

Dr. Lam Kin Ming, Deputy Chairman, aged 80, was appointed an Executive Director of the Company in September 1997. Dr. Lam is the chairman and an executive director of LSG, a non-executive director of LSD and the chairman, the chief executive officer and an executive director of Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange.

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

Biographical Details of Directors

Executive Directors (continued)

Dr. Lam is the elder brother of Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong) ("**SFO**") and Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company) and an uncle of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

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

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

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

Mr. Lam Kin Hong, Matthew, Executive Deputy Chairman, aged 49, was appointed an Executive Director of the Company in December 2001. Mr. Lam is an executive director of LSG and Crocodile Garments Limited (a company listed on the Main Board of the Stock Exchange).

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

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

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

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

Executive Directors (continued)

Mr. Lam Hau Yin, Lester, Chief Executive Officer, aged 36, was appointed an Executive Director of the Company in April 2005 and is currently a member of the Executive Committee of the Company. He is also an executive director of LSG, LSD and eSun as well as an alternate director to Madam U Po Chu in her capacity as an executive director of LSG.

Mr. Lam holds a Bachelor of Science in Business Administration Degree from the Northeastern University in Boston of the United States of America. He 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. Lam is a son of Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the SFO, a nephew of Dr. Lam Kin Ming (Deputy Chairman of the Company) and Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company) and a grandson of Madam U Po Chu (Executive Director of the Company).

The Company does not have any service contract with Mr. Lam. However, in accordance with the provisions of the Articles of Association of the Company, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Lam presently receives a remuneration of HK$1,500,504 per annum and such other remuneration and discretionary bonus as may be determined by the board of directors of the Company from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Lam has not held any directorship in any other listed public companies in the last three years. As at the date of this Annual Report, except for his personal interest in 2,794,443 shares in eSun and a share option to subscribe for 3,219,182 shares in the Company and 12,432,121 shares in eSun pursuant to the respective share option scheme of the Company and eSun, Mr. Lam does not have any other interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Mr. Cheng Shin How, aged 51, was appointed an Executive Director of the Company in June 2007 and is currently a member of the Executive Committee of the Company.

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

Biographical Details of Directors

Executive Directors (continued)

Mr. Lee Tze Yan, Ernest, aged 53, was appointed an Executive Director of the Company in January 2015 and is currently a member of the Executive Committee of the Company.

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

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

Madam U Po Chu, aged 92, was appointed an Executive Director of the Company in February 2003. She is also an executive director of LSG and a non-executive director of LSD and eSun.

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

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

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh, aged 51, was appointed a Non-executive Director of the Company in July 2010. He is presently a member of both the Audit Committee and the Remuneration Committee of the Company.

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

Non-executive Directors (continued)

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

Mr. Puah Tze Shyang, aged 45, was appointed a Non-executive Director of the Company in April 2017. He is also the alternate director to Mr. Lucas Ignatius Loh Jen Yuh, a Non-executive Director of the Company.

Mr. Puah is currently the Chief Investment Officer and the Regional General Manager, Southwest China ("**RGM Southwest China**") of CapitaLand China Holdings Pte Ltd ("**CapitaLand China**"). CapitaLand China is a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**", together with its subsidiaries, "**CapitaLand Group**"), one of Asia's largest listed real estate companies, headquartered and listed in Singapore. CapitaLand China is a long-term real estate developer of high quality homes, commercial properties and integrated developments in China. CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd., a substantial shareholder of the Company.

As CapitaLand China's Chief Investment Officer, Mr. Puah is responsible for CapitaLand China's real estate investments, asset management and investment platforms. The investment platforms include the Raffles City China Fund, CapitaLand China Development Funds, CapitaLand Township Funds and Raffles City China Investment Partners III, with combined capital commitments of US$3.7 billion. Concurrently, as RGM Southwest China, Mr. Puah oversees a combined portfolio of seven residential projects and one integrated development in Chengdu, Wuxi, Xi'an and Shenyang. Mr. Puah is an alternate council member for the Singapore-Sichuan Trade and Investment Council (SSTIC). He had previously served as alternate council member for the Singapore-Liaoning Economic and Trade Council (SLETC).

Mr. Puah joined Surbana Corporation Pte Ltd ("**Surbana Corporation**") in July 2003. Surbana Corporation became known as CapitaLand Township Holdings Pte. Ltd. ("**CapitaLand Township**") after CapitaLand acquired a 40% stake in it in 2011, and CapitaLand subsequently raised its stake in CapitaLand Township to 100% in March 2015. From 2010 to March 2015, Mr. Puah was the Chief Executive Officer of CapitaLand Township Pte. Ltd. (formerly known as Surbana International Investment Pte. Ltd. from October 2006 to May 2007, and Surbana Land Pte. Ltd. from May 2007 to April 2013), a subsidiary of CapitaLand Township. On a regional basis, he has led the team to gross over RMB22 billion of residential sales, with La Botanica Township becoming the best-selling project in terms of residential unit sales in Xi'an from 2014 to 2016; Botanica Township was one of the top 10 best-selling projects in Chengdu in 2010. Under his stewardship, CapitaLand was also placed sixth in total residential sales for Chengdu city in 2016.

Biographical Details of Directors

Non-executive Directors (continued)

Mr. Puah started his career in real estate in 1997. Prior to joining Surbana Corporation, Mr. Puah was an Executive Engineer in the Housing and Development Board of Singapore ("**HDB**"), and he later helmed HDBuilders.com, a construction portal offering e-collaboration and e-procurement services for the real estate industry in Singapore. He was the industry pioneer for e-bidding for construction materials, having managed over S$350 million in online auctions during his time at HDBuilders from 2000 to 2003.

Mr. Puah received an overseas undergraduate scholarship from HDB and obtained his Masters of Engineering (First Class Honours) degree in Electrical and Electronic Engineering from Imperial College of Science, Technology and Medicine in 1997. He was later awarded a Post-graduate scholarship from Surbana Corporation and obtained his Executive Masters of Business Administration (Honours) degree from Chicago Booth School of Business in 2010.

Mr. Puah is currently a non-executive director of Central China Real Estate Limited, a company listed on the Main Board of the Stock Exchange.

Independent Non-executive Directors

Mr. Ku Moon Lun, aged 66, was appointed an Independent Non-executive Director of the Company in June 2006 and is currently a member of the Remuneration Committee of the Company.

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

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

Mr. Lam Bing Kwan, aged 67, was appointed an Independent Non-executive Director of the Company in July 2001 and is currently the chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

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

Independent Non-executive Directors (continued)

Mr. Law Kin Ho, aged 50, was appointed an Independent Non-executive Director of the Company in March 2009 and is currently the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. Law is a fellow member of the HKICPA and the Association of Chartered Certified Accountants, United Kingdom. He is an independent non-executive director of Creative China Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Law has extensive experience in the auditing and accounting fields in Hong Kong and is currently a practicing certified public accountant in Hong Kong. Prior to starting his own practice, Mr. Law worked with Yuanta Securities (Hong Kong) Company Limited, the Stock Exchange and Ernst & Young.

Mr. Mak Wing Sum, Alvin, aged 65, was appointed an Independent Non-executive Director of the Company in November 2012. Mr. Mak is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as a member of the HKICPA. He is currently an independent non-executive director of I.T Limited, Luk Fook Holdings (International) Limited, Hong Kong Television Network Limited and Goldpac Group Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. Mr. Mak is also an independent non-executive director of Crystal International Limited. He has also been a member of Hong Kong Housing Society since May 2015 and is currently a member of certain of its committees.

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

Biographical Details of Directors

Independent Non-executive Directors (continued)

Mr. Shek Lai Him, Abraham, aged 72, was appointed an Independent Non-executive Director of the Company in December 2012. He was appointed as Justice of the Peace in 1995 and awarded the Gold Bauhinia Star in July 2013. He has been a member of the Legislative Council for the Hong Kong Special Administrative Region of the PRC, representing the real estate and construction functional constituency since 2000.

Mr. Shek acts as an independent non-executive director of a number of companies listed on the Main Board of the Stock Exchange, including Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, NWS Holdings Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Cosmopolitan International Holdings Limited, Goldin Financial Holdings Limited, Eagle Asset Management (CP) Limited acting as the manager of Champion Real Estate Investment Trust and Regal Portfolio Management Limited acting as the manager of Regal Real Estate Investment Trust. Moreover, he is the chairman and an independent non-executive director of Chuang's China Investments Limited as well as the vice chairman and an independent non-executive director of ITC Properties Group Limited. Mr. Shek was an independent non-executive director of Titan Petrochemicals Group Limited, Hsin Chong Construction Group Ltd. (now known as Hsin Chong Group Holdings Limited), Dorsett Hospitality International Limited, TUS International Limited and ITC Corporation Limited (until 28 March 2017).

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

Note:

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

Report of the Directors

The directors of the Company ("**Directors**") present their report and the audited financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2017 ("**Year**").

Principal Activities

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

The Group's principal activities consisted of property development for sale and property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities.

Business Review

A review of the business of the Group during the Year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement as well as the Management Discussion and Analysis on pages 4 to 11 and pages 14 to 28 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 Highlights on pages 12 and 13 of this Annual Report. The financial risk management objectives and policies of the Group are set out in note 41 to the consolidated financial statements. In addition, 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 the Environmental, Social and Governance Report and Corporate Governance Report on pages 34 to 44 and pages 45 to 62 of this Annual Report, respectively.

Results and Dividends

Details of the profit of the Group for the Year and the Group's financial position as at 31 July 2017 are set out in the consolidated financial statements and their accompanying notes on pages 95 to 190.

No interim dividend was paid or declared in respect of the Year (2016: Nil).

The board of Directors ("**Board**") has recommended the payment of a final dividend of HK$0.20 per ordinary share in respect of the Year (2016 (adjusted): HK$0.18 per ordinary share) for the shareholders' approval at the forthcoming annual general meeting of the Company ("**AGM**").

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

Permitted Indemnity and Directors and Officers Liability Insurance

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

Report of the Directors

Directors

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

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

Non-executive Directors ("NEDs")

Lucas Ignatius Loh Jen Yuh	
Puah Tze Shyang *(also alternate director to Lucas Ignatius Loh Jen Yuh)*	(appointed on 1 April 2017)
Chan Boon Seng *(Note)*	(resigned on 1 April 2017)

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

Note: Mr. Chan ceased to act as the alternate director to Mr. Loh on 1 April 2017.

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

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

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

Biographical Details of Directors

Brief biographical particulars of the current Directors are set out on pages 63 to 70 of this Annual Report. Directors' other particulars are contained elsewhere in this Report and this Annual Report.

Directors' Service Contracts

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

Directors' Interests in Significant Transactions, Arrangements and Contracts

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

Directors' Interests in Competing Businesses

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

Mr. Chew Fook Aun, Dr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lucas Ignatius Loh Jen Yuh, Mr. Chan Boon Seng (up to 31 March 2017) and Mr. Puah Tze Shyang (from 1 April 2017) (together, "**Interested Directors**") held shareholding or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in the Mainland of China.

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

Arrangement for Directors to Acquire Shares or Debentures

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

Report of the Directors

SHARE OPTION SCHEMES

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

As at 31 July 2017, share options comprising a total of 503,205,994 underlying shares were outstanding, of which a share option comprising 50,479,564 underlying shares was granted under the 2003 Share Option Scheme and share options comprising 452,726,430 underlying shares were granted under the 2012 Share Option Scheme.

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

		Number of underlying shares comprised in share options						
Name or category of participants	Date of grant *(Note 1)*	As at 1 August 2016	Granted during the Year	Exercised during the Year	Lapsed during the Year	As at 31 July 2017	Exercise period	Exercise price per share (HK$) *(Note 2)*
Directors								
Chew Fook Aun	12/06/2012	80,479,564	–	(30,000,000) *(Note 3)*	–	50,479,564	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**	**–**	**(30,000,000)**	**–**	**275,630,518**		
Other Eligible Participants (in aggregate)								
Batch 1	18/01/2013	210,575,476 *(Note 4)*	–	–	(3,000,000)	207,575,476	18/01/2013-17/01/2023	0.228
Batch 2	26/07/2013	11,000,000	–	–	–	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		**230,575,476**	**–**	**–**	**(3,000,000)**	**227,575,476**		
Total		**536,205,994**	**–**	**(30,000,000)**	**(3,000,000)**	**503,205,994**		

SHARE OPTION SCHEMES (CONTINUED)

Notes:

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

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

3. *During the Year, 30,000,000 ordinary shares of HK$0.10 each were issued in respect of a share option exercised under the 2003 Share Option Scheme at an exercise price of HK$0.133 per share. The weighted average closing price of the shares of the Company immediately before the dates of exercises of the share option during the Year was HK$0.170 per share.*

4. *Dr. Lam Kin Ngok, Peter (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) was granted a share option to subscribe for a total of 16,095,912 shares of the Company on 18 January 2013.*

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

Adjustments to the 2003 Share Option and 2012 Share Options

Subsequent to the year end, the Shareholders approved at the extraordinary general meeting held on 14 August 2017 that every fifty (50) issued and unissued ordinary shares of HK$0.10 each in the share capital of the Company be consolidated into one (1) ordinary share of HK$5.00 each in the share capital of the Company which became effective on 15 August 2017 ("**Share Consolidation**"). As a result of the Share Consolidation, the exercise price of the outstanding share options and number of shares comprised in the outstanding share options were adjusted in the following manner:

(a) Adjustments to the 2003 Share Option

		Immediately prior to the adjustments as a result of the Share Consolidation		Immediately after the adjustments as a result of the Share Consolidation	
Date of grant	Exercisable period	Exercise price per existing share (HK$)	Number of existing shares to be issued upon exercise of the 2003 share option	Exercise price per consolidated share (HK$)	Number of consolidated shares to be issued upon exercise of the 2003 share option
12/06/2012	12/06/2012-11/06/2020	0.133	50,479,564	6.65	1,009,591

Share Option Schemes (continued)

Adjustments to the 2003 Share Option and 2012 Share Options (continued)

(b) Adjustments to the 2012 Share Options

Date of grant	Exercisable period	Immediately prior to the adjustments as a result of the Share Consolidation: Exercise price per existing share (HK$)	Immediately prior to the adjustments as a result of the Share Consolidation: Number of existing shares to be issued upon exercise of the 2012 share options	Immediately after the adjustments as a result of the Share Consolidation: Exercise price per consolidated share (HK$)	Immediately after the adjustments as a result of the Share Consolidation: Number of consolidated shares to be issued upon exercise of the 2012 share options
18/01/2013	18/01/2013-17/01/2023	0.228	432,726,430	11.4	8,654,526
26/07/2013	26/07/2013-25/07/2023	0.190	11,000,000	9.5	220,000
16/01/2015	16/01/2015-15/01/2025	0.160	9,000,000	8.0	180,000
Total			**452,726,430**		**9,054,526**

On 13 September 2017, 40,000 ordinary shares of HK$5.00 each were issued in respect of a share option exercised under the 2012 Share Option Scheme by an eligible participant of the Company (not being a director of the Company) at an exercise price of HK$11.4 per share. The weighted average closing price of the shares of the Company immediately before the exercise date of the share option was HK$13.2 per share.

As at the date of this Report ("**Report Date**"), (i) a maximum number of 1,009,591 shares of the Company are available for issue in relation to the underlying shares comprised in the subsisting option granted under the 2003 Share Option Scheme and remained outstanding, representing approximately 0.31% of the shares in issue as at the Report Date; and (ii) further options to subscribe for a maximum of 23,137,299 shares could be granted under the 2012 Share Option Scheme, together with the 9,014,526 underlying shares comprised in the share options granted under the 2012 Share Option Scheme and remained outstanding as at the Report Date, a total number of 32,151,825 shares are available for issue under the 2012 Share Option Scheme, representing approximately 9.87% of the shares of the Company in issue as at the Report Date.

Further details of the 2003 Share Option Scheme and the 2012 Share Option Scheme are set out in note 31 to the financial statements.

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 July 2017 and their respective close associates (as defined in the Listing Rules) were interested or were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as known to the Directors:

(1) The Company

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

Name of Director	Capacity	Number of Shares Personal interests	Number of Shares Corporate interests	Number of underlying Shares Personal interests *(Note 1)*	Total	Approximate percentage of total issued Shares *(Note 2)*
Chew Fook Aun	Beneficial owner/ Owner of controlled corporation	Nil	30,000,000 *(Note 3)*	50,479,564	80,479,564	0.49%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	160,959,129	160,959,129	0.99%
Cheng Shin How	Beneficial owner	Nil	Nil	32,191,825	32,191,825	0.20%
Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	32,000,000	32,000,000	0.20%

Notes:

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

2. *The percentage has been complied based on the total number of issued Shares as at 31 July 2017 (i.e. 16,285,086,736 Shares).*

3. *These Shares are held by The Orchid Growers Association Limited, the entire issued share capital of which is beneficially owned by Mr. Chew Fook Aun.*

Directors' Interests (continued)

(1) The Company (continued)

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

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

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

(2) Associated Corporation

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

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

Name of Director	Capacity	Number of eSun Shares	Number of underlying eSun Shares	Total	Approximate Percentage of total issued eSun Shares *(Note 1)*
		Personal interests	Personal interests		
Chew Fook Aun	Beneficial owner	Nil	6,216,060 *(Note 2)*	6,216,060	0.42%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	12,432,121 *(Note 3)*	15,226,564	1.02%

Notes:

1. *The percentage has been complied based on the total number of issued eSun Shares as at 31 July 2017 (i.e. 1,491,854,598 eSun Shares).*

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

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

Save as disclosed above, as at 31 July 2017, none of the Directors and chief executive of the Company and their respective close associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, recorded in the Register of Directors and Chief Executive, notified under the Securities Code, or otherwise known to the Directors.

Substantial Shareholders' and Other Persons' Interests

As at 31 July 2017, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded, other than a Director or the chief executive of the Company, in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

(A) Long positions in the Shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares *(Note 1)*
Substantial Shareholders				
eSun Holdings Limited ("**eSun**")	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 2)*	50.81%
Lai Sun Development Company Limited ("**LSD**")	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 2)*	50.81%
Lai Sun Garment (International) Limited ("**LSG**")	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 2)*	50.81%
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 3)*	50.81%
Merit Worth Limited ("**MWL**")	Beneficial owner and owner of controlled corporation	Corporate	8,274,270,422 *(Note 4)*	50.81%
Silver Glory Securities Limited ("**SGS**")	Beneficial owner	Corporate	3,889,038,698 *(Note 4)*	23.88%
CapitaLand China Holdings Pte Ltd. ("**CapitaLand China**")	Owner of controlled corporation	Corporate	3,220,000,000 *(Note 5)*	19.77%
CapitaLand China Investments Limited ("**CapitaLand Investments**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 5)*	19.77%
CapitaLand LF (Cayman) Holdings Co., Ltd. ("**CapitaLand Cayman**")	Beneficial owner	Corporate	3,220,000,000	19.77%
CapitaLand Limited	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 5)*	19.77%
Temasek Holdings (Private) Limited ("**Temasek**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 5)*	19.77%

Substantial Shareholders' and Other Persons' Interests (continued)

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

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares *(Note 1)*
Other Persons				
Third Avenue Management LLC	Investment manager	Corporate	1,197,080,000 *(Note 6)*	7.35%
Third Avenue Management LLC, on behalf of Whitman High Conviction Fund	Beneficial owner	Corporate	1,197,080,000 *(Note 6)*	7.35%
Yu Cheuk Yi	Beneficial owner	Personal	836,991,848 *(Note 7)*	5.14%
Yu Siu Yuk	Beneficial owner	Personal	836,991,848 *(Note 7)*	5.14%

Notes:

1. *The percentage has been complied based on the total number of issued Shares as at 31 July 2017 (i.e. 16,285,086,736 Shares).*

2. *These interests in the Company represented all the Shares beneficially owned by MWL (4,385,231,724 Shares or approximately 26.93% of the total issued Shares) and SGS (3,889,038,698 Shares or approximately 23.88% of the total issued Shares), both being wholly-owned subsidiaries of eSun. As at 31 July 2017, eSun is owned as to approximately 36.94% by LSD which in turn is owned as to approximately 61.74% by LSG. As such, both LSD and LSG were deemed to be interested in the same 8,274,270,422 Shares held by eSun. As at the date of this Report, the Company is owned as to approximately 50.80% by eSun and LSD is owned as to approximately 53.32% by LSG.*

3. *Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 Shares held by eSun by virtue of his personal and deemed interests in approximately 41.99% (excluding share option) of the issued share capital of LSG.*

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

5. *These interests in the Company represented the Shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which in turn is wholly owned by CapitaLand Investments while CapitaLand Investments is wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 3,220,000,000 Shares held by CapitaLand Cayman by virtue of its approximate 41.06% interest in the issued share capital of CapitaLand Limited.*

6. *Third Avenue Management LLC, on behalf of Whitman High Conviction Fund held 1,197,080,000 Shares.*

7. *Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 836,991,848 Shares which were held jointly by them. Based on the disclosure of interests notices received by the Company, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held 985,731,848 Shares as at 7 August 2017.*

Substantial Shareholders' and Other Persons' Interests (continued)

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

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

Notes:

1. *The percentage has been complied based on the total number of issued Shares as at 31 July 2017 (i.e. 16,285,086,736 Shares).*

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

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 July 2017, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Controlling Shareholder's Interests in Significant Contracts

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

Continuing Connected Transactions

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

1. Ascott Management Agreement

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

Pursuant to the Ascott Management Agreement,

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

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

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

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

For the Year, such fees paid or payable to Ascott amounted to RMB7,635,000 (equivalent to approximately HK$8,698,000).

Continuing Connected Transactions (continued)

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

The Company, Lai Sun Garment (International) Limited ("**LSG**", together with its subsidiaries "**LSG Group**"), Lai Sun Development Company Limited ("**LSD**", together with its subsidiaries "**LSD Group**"), eSun Holdings Limited ("**eSun**", together with its subsidiaries "**eSun Group**") and Media Asia Group Holdings Limited ("**MAGHL**", together with its subsidiaries "**MAGHL Group**") entered into a renewal agreement on 31 July 2017 ("**Renewal Agreement**") to renew the memorandum of agreement dated 14 February 2014 ("**Existing Agreement**") in relation to all existing or future transactions with regard to the letting and/or licensing of premises within members of the Lai Sun Group, which includes the Group, LSG Group, LSD Group, eSun Group and MAGHL Group ("**Transactions**").

Pursuant to the Renewal Agreement, (i) each relevant transaction shall be governed by a written agreement on normal commercial terms and (ii) the rental or fees payable and/or receivable shall be fixed by reference to the prevailing market of comparable rental or fees, including property management fees. The Renewal Agreement is for a period of three years commencing on 1 August 2017 and expiring on 31 July 2020.

Under the Existing Agreement, the Company has adopted a maximum aggregate annual value ("**Cap Amount**") of (i) HK$4,600,000 for the Year in respect of Transactions with the LSG Group and the LSD Group; and (ii) HK$11,300,000 for the Year in respect of Transactions with the eSun Group (including MAGHL Group but excluding the Group).

Under the Renewal Agreement, the Company has adopted a Cap Amount of (i) HK$4,100,000, HK$4,400,000 and HK$4,800,000 for the respective financial years ending 31 July 2018, 2019 and 2020 in respect of its Transactions with the LSG Group and the LSD Group, and (ii) HK$10,200,000, HK$11,000,000 and HK$11,900,000 for the respective financial years ending 31 July 2018, 2019 and 2020 in respect of its Transactions with the eSun Group (including MAGHL Group but excluding the Group). Details of the Renewal Agreement are set out in an announcement dated 31 July 2017 jointly published by the Company, LSG, LSD, eSun and MAGHL.

eSun is the controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the Transactions between the eSun Group and the Group constitute continuing connected transactions of the Company.

Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**") is a connected person of the Company on account of his existing directorship in various subsidiaries of the Company.

Dr. Peter Lam is the controlling shareholder of LSG and as LSD is a subsidiary of LSG, both LSG and LSD are associates of Dr. Peter Lam and therefore connected persons of the Company. Accordingly, the Transactions between the Group, the LSG Group and the LSD Group constitute continuing connected transactions of the Company.

For the Year, rental and management fee income received or receivable from, and rental and management fee paid or payable to LSD Group amounted to HK$64,000 and HK$2,618,000, respectively.

For the Year, rental and management fee income received or receivable from the eSun Group (including MAGHL Group but excluding the Group) amounted to HK$8,231,000.

Continuing Connected Transactions (continued)

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

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

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

(b) on normal commercial terms or better; and

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

Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), the Company's independent auditor, were engaged to report on the Group's continuing connected transactions 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 the continuing connected transactions disclosed above by the Group to the Board in accordance with the relevant clauses of Rule 14A.56 of the Listing Rules and confirming that nothing has come to their attention that causes them to believe the continuing connected transactions under paragraphs 1 and 2 above:

(i) have not been approved by the Board;

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

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

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

Fixed Rate Senior Notes

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

Share Capital

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

Distributable Reserves

As at 31 July 2017, the Company's reserves available for distribution amounted to HK$851,162,000 which comprised retained earnings and exchange fluctuation reserves.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$4,075,257,000 may be applied for paying distributions or dividends to members provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2017 are set out in note 43 to the financial statements.

Donations for Charitable and Other Purposes

During the Year, the Group made donations for charitable or other purposes totaling HK$6,464,000.

Pre-Emptive Rights

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

Summary of Financial Information

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the Financial Summary of this Annual Report on page 29.

Major Customers and Suppliers

During the Year, turnover or sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover. During the Year, the Group's purchases from its five largest suppliers accounted for approximately 55% of the Group's total purchases, while the largest supplier accounted for approximately 29% of the Group's total purchases for the Year.

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

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

On 7 January 2016, a non-wholly owned subsidiary of the Company, as borrower, entered into a facility agreement pursuant to which a 5-year term loan facility of an amount up to RMB1,800,000,000 was granted to the borrower. Pursuant to this agreement, the Company and eSun shall maintain, in aggregate, 100% direct or indirect holding interest in the borrower. Upon a breach of this covenant, the lender may, inter alia, declare that the outstanding liability under the facility becomes immediately due and cancel the remaining undrawn facility.

Purchase, Sale or Redemption of Listed Securities

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

Public Float

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

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 45 to 62 of this Annual Report.

Independence of Independent Non-Executive Directors

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

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

Independent Auditor

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

On behalf of the Board

Chew Fook Aun
Chairman
Hong Kong
19 October 2017

Shareholders' Information

Taxation of Holders of Shares

(a) Hong Kong

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

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

(b) Cayman Islands

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

(c) Consultation with professional 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 2016/2017
Annual results announcement	19 October 2017
Latest time and date for lodging transfer documents with the Hong Kong branch share registrar ("**Registrar**") to ascertain entitlement to attending and voting at the 2017 Annual General Meeting ("**AGM**")	4:30 p.m. on 11 December 2017
2017 AGM	15 December 2017
Dividend ex-entitlement for shares	19 December 2017
Closure of Hong Kong branch register of members	21 and 22 December 2017
Record date for entitlement to the proposed final dividend	22 December 2017
Latest time and date for lodging form of election for scrip dividend with the Registrar	4:30 p.m. on 17 January 2018
Payment of final dividend	30 January 2018

	For Financial Year 2017/2018
Interim results announcement	on or before 31 March 2018
Annual results announcement	on or before 31 October 2018

EY 安永

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

Opinion

We have audited the consolidated financial statements of Lai Fung Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 190, which comprise the consolidated statement of financial position as at 31 July 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2017, and of its consolidated financial performance and, its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis For Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs ") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of investment properties	
The Group's investment properties measured at fair value amounted to HK$15.5 billion as at 31 July 2017. Significant estimation and judgement are required by management to determine the fair value of the investment properties. To support management's determination of the fair value, the Group engaged an external valuer to perform valuations on the investment properties at the end of the reporting period. The related disclosures for the estimation of fair value of investment properties are included in note 15 to the consolidated financial statements.	We evaluated the objectivity, independence and competency of the valuer. We involved our internal valuation specialists to assist us to evaluate the valuation techniques used. We also tested the underlying key estimations and assumptions for selected samples through enquiry with management and by reference to the historical information and open market information.
Land appreciation tax in Mainland China	
The Group is subject to land appreciation tax ("**LAT**") in respect of the Group's property development projects in Mainland China. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. Significant management judgement and estimations are required in determining the LAT provision for these projects. Changes in assumptions about the decisions that might be taken by the relevant tax authorities can materially impact the level of LAT provisions recorded in the financial statements. The final outcome could be different from the amounts that were initially recorded. The related disclosures in relation to LAT are included in note 10 to the consolidated financial statements.	We involved our internal tax specialists to assist us in the assessment of the LAT calculation prepared by management, including analysing and evaluating the estimates and assumptions used by management as well as the adequacy and completeness of the LAT provision.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments	
The Group's derivative financial instruments, which are the cross currency swap agreements, are accounted for as financial liabilities and measured at fair value with a carrying amount of HK$208 million as at 31 July 2017. These derivative financial instruments, which had significant unobservable inputs in the valuation and were categorised within Level 3 of the fair value hierarchy, involved a high degree of uncertainty in their valuation. Subjective judgements and assumptions are required by management to determine the fair value of derivative financial instruments. With different valuation techniques and assumptions applied, the valuation results can vary significantly. To support management's determination of the fair value, the Group engaged an external valuer to perform valuations of the derivative financial instruments at the end of the reporting period. The related disclosures for the valuation of derivative financial instruments are included in note 24 to the consolidated financial statements.	We evaluated the objectivity, independence and competency of the valuer. We also involved our internal valuation specialists to assist us in evaluating the valuation techniques, inputs and assumptions. The procedures included a comparison with the valuation techniques that are commonly used in the market, the validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lee Mee Kwan, Helena.

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

19 October 2017

Consolidated Income Statement

Year ended 31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
TURNOVER	5	**1,326,682**	2,043,530
Cost of sales		**(662,438)**	(954,724)
Gross profit		**664,244**	1,088,806
Other income and gains	5	**151,596**	133,476
Selling and marketing expenses		**(93,629)**	(61,498)
Administrative expenses		**(300,597)**	(289,680)
Other operating expenses, net		**(124,050)**	(124,930)
Fair value gains on cross currency swaps	24	**111,657**	—
Fair value gains on investment properties	15	**800,104**	528,015
PROFIT FROM OPERATING ACTIVITIES	7	**1,209,325**	1,274,189
Finance costs	6	**(166,083)**	(156,356)
Share of profits of joint ventures		**609,562**	167,752
PROFIT BEFORE TAX AND TAX INDEMNITY		**1,652,804**	1,285,585
Tax	10	**(556,156)**	(388,163)
Tax indemnity	10	**493,936**	—
PROFIT FOR THE YEAR		**1,590,584**	897,422
ATTRIBUTABLE TO:			
Owners of the Company		**1,477,452**	873,527
Non-controlling interests		**113,132**	23,895
		1,590,584	897,422
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	12		(Adjusted)
Basic		**HK$4.547**	HK$2.702
Diluted		**HK$4.542**	HK$2.702

Consolidated Statement of Comprehensive Income

Year ended 31 July 2017

	Note	**2017 HK$'000**	2016 HK$'000
PROFIT FOR THE YEAR		**1,590,584**	897,422
OTHER COMPREHENSIVE INCOME/(EXPENSES) TO BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange differences arising on translation to presentation currency		**(134,482)**	(987,871)
Share of other comprehensive income/(expenses) of joint ventures		**2,934**	(52,223)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	24	**(101,887)**	(88,697)
Reclassification adjustments for exchange gain included in the consolidated income statement		**69,653**	135,756
		(32,234)	47,059
		(163,782)	(993,035)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		**1,426,802**	(95,613)
ATTRIBUTABLE TO:			
Owners of the Company		**1,314,396**	(98,997)
Non-controlling interests		**112,406**	3,384
		1,426,802	(95,613)

Consolidated Statement of Financial Position

31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,703,731**	1,450,871
Prepaid land lease payments	16	**4,397**	4,623
Investment properties	15	**16,457,221**	14,661,728
Properties under development	14	**1,341,974**	1,184,375
Investments in joint ventures	18	**1,387,570**	804,431
Investments in associates	19	**343**	—
Deposit for acquisition of an investment property	17	**—**	228,620
Total non-current assets		**20,895,236**	18,334,648
CURRENT ASSETS			
Properties under development	14	**213,818**	791,844
Completed properties for sale		**904,811**	503,187
Debtors, deposits and prepayments	20	**256,671**	367,068
Prepaid tax		**42,844**	32,575
Pledged and restricted time deposits and bank balances	21	**571,022**	1,066,374
Cash and cash equivalents	21	**2,057,346**	2,546,240
		4,046,512	5,307,288
Asset classified as held for sale	22	**278,531**	257,666
Total current assets		**4,325,043**	5,564,954
CURRENT LIABILITIES			
Creditors and accruals	23	**957,047**	797,512
Deposits received and deferred income		**245,024**	596,367
Interest-bearing bank loans, secured	25	**82,031**	287,548
Fixed rate senior notes	28	**2,080,366**	—
Derivative financial instruments	24	**208,223**	—
Loans from a joint venture	18	**192,731**	350,328
Tax payable		**104,958**	399,326
Total current liabilities		**3,870,380**	2,431,081
NET CURRENT ASSETS		**454,663**	3,133,873
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,349,899**	21,468,521

Consolidated Statement of Financial Position

31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,349,899**	21,468,521
NON-CURRENT LIABILITIES			
Long-term deposits received		**140,240**	124,389
Interest-bearing bank loans, secured	25	**2,814,062**	2,747,970
Advances from a former substantial shareholder	26	**54,143**	54,675
Loans from a fellow subsidiary	27	**218,279**	221,714
Loans from a joint venture	18	**649,779**	222,430
Fixed rate senior notes	28	**—**	2,092,741
Derivative financial instruments	24	**—**	210,068
Deferred tax liabilities	29	**2,704,032**	2,406,920
Total non-current liabilities		**6,580,535**	8,080,907
		14,769,364	13,387,614
EQUITY			
Equity attributable to owners of the Company			
Issued capital	30	**1,628,509**	1,619,770
Reserves	32	**12,955,602**	11,694,997
		14,584,111	13,314,767
Non-controlling interests		**185,253**	72,847
		14,769,364	13,387,614

Chew Fook Aun
Director

Lam Hau Yin, Lester
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2017

		Attributable to owners of the Company											
	Notes	**Issued capital** HK$'000	**Share premium account** HK$'000	**Asset revaluation reserve** HK'000	**Share option reserve** HK$'000	**Hedge reserve** HK$'000	**Exchange fluctuation reserve** HK$'000	**Capital reserve** HK$'000	**Statutory reserve** HK$'000	**Retained earnings** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
1 August 2015		1,612,968	4,068,087	68,959	29,594	(6,656)	1,846,681	144,498	229,587	5,472,635	13,466,353	78,875	13,545,228
Profit for the year		—	—	—	—	—	—	—	—	873,527	873,527	23,895	897,422
Other comprehensive income/(expenses) for the year, net of tax:													
Exchange differences arising on translation to presentation currency		—	—	—	—	—	(967,360)	—	—	—	(967,360)	(20,511)	(987,871)
Share of other comprehensive expenses of joint ventures		—	—	—	—	—	(52,223)	—	—	—	(52,223)	—	(52,223)
Net gain on cash flow hedges	24	—	—	—	—	47,059	—	—	—	—	47,059	—	47,059
Total comprehensive income/(expenses) for the year, net of tax		—	—	—	—	47,059	(1,019,583)	—	—	873,527	(98,997)	3,384	(95,613)
Acquisition of additional interests in subsidiaries from non-controlling shareholders	33	—	—	—	—	—	—	(7,333)	—	—	(7,333)	(9,412)	(16,745)
Release of reserve upon lapse of share options		—	—	—	(170)	—	—	—	—	170	—	—	—
Share of statutory reserve of joint ventures		—	—	—	—	—	—	—	11,810	(11,810)	—	—	—
Shares issued in lieu of cash dividend	30	6,802	1,170	—	—	—	—	—	—	—	7,972	—	7,972
Final 2015 dividend paid		—	—	—	—	—	—	—	—	(53,228)	(53,228)	—	(53,228)
As at 31 July 2016 and 1 August 2016		1,619,770	4,069,257*	68,959*	29,424*	40,403*	827,098*	137,165*	241,397*	6,281,294*	13,314,767	72,847	13,387,614
Profit for the year		—	—	—	—	—	—	—	—	1,477,452	1,477,452	113,132	1,590,584
Other comprehensive income/(expenses) for the year, net of tax:													
Exchange differences arising on translation to presentation currency		—	—	—	—	—	(133,756)	—	—	—	(133,756)	(726)	(134,482)
Share of other comprehensive income of joint ventures		—	—	—	—	—	2,934	—	—	—	2,934	—	2,934
Net loss on cash flow hedges	24	—	—	—	—	(32,234)	—	—	—	—	(32,234)	—	(32,234)
Total comprehensive income/(expenses) for the year, net of tax		—	—	—	—	(32,234)	(130,822)	—	—	1,477,452	1,314,396	112,406	1,426,802
Issue of shares upon exercise of share options	30	3,000	2,361	—	(1,371)	—	—	—	—	—	3,990	—	3,990
Release of reserve upon lapse of share options		—	—	—	(170)	—	—	—	—	170	—	—	—
Transfer from asset revaluation reserve		—	—	(68,959)	—	—	—	—	—	68,959	—	—	—
Transfer to statutory reserve		—	—	—	—	—	—	—	28,208	(28,208)	—	—	—
Share of statutory reserve of joint ventures		—	—	—	—	—	—	—	59,300	(59,300)	—	—	—
Shares issued in lieu of cash dividend	30	5,739	3,639	—	—	—	—	—	—	—	9,378	—	9,378
Final 2016 dividend paid		—	—	—	—	—	—	—	—	(58,420)	(58,420)	—	(58,420)
As at 31 July 2017		**1,628,509**	**4,075,257***	**—***	**27,883***	**8,169***	**696,276***	**137,165***	**328,905***	**7,681,947***	**14,584,111**	**185,253**	**14,769,364**

* *These reserve accounts comprise the consolidated reserves of HK$12,955,602,000 (2016: HK$11,694,997,000) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

Year ended 31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax and tax indemnity		**1,652,804**	1,285,585
Adjustments for:			
Fair value gains on investment properties	15	**(800,104)**	(528,015)
Finance costs	6	**166,083**	156,356
Share of profits of joint ventures		**(609,562)**	(167,752)
Interest income	5	**(22,595)**	(15,339)
Depreciation	7	**72,226**	71,201
Amortisation of prepaid land lease payments	7	**178**	186
Foreign exchange differences, net	7	**58,715**	24,513
Loss on return of land use right to the local authority	7	**—**	19,929
Loss on disposal of items of property, plant and equipment	7	**242**	99
Fair value gains on cross currency swaps	24	**(111,657)**	—
Ineffective portion of the effective hedge recognised in profit or loss	7	**7,925**	9,717
Write-down/(reversal of write-down) of completed properties for sale to net realisable value	7	**(3,829)**	3,485
		410,426	859,965
Decrease in completed properties for sale		**558,930**	736,590
Increase in properties under development		**(488,333)**	(361,549)
Decrease/(increase) in debtors, deposits and prepayments		**110,397**	(47,942)
Additions to asset classified as held for sale		**(23,374)**	(8,299)
Increase/(decrease) in creditors and accruals, and short term deposits received and deferred income		**(349,418)**	380,860
Increase in long term deposits received		**15,851**	21,020
Proceeds from return of land use right to the local authority		**—**	247,149
Cash generated from operations		**234,479**	1,827,794
Tax indemnity received	10	**493,936**	—
Mainland China taxes paid, net		**(531,455)**	(156,708)
Net cash flow from operating activities		**196,960**	1,671,086
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**22,595**	15,339
Purchases of items of property, plant and equipment		**(258,799)**	(70,539)
Additions to investment properties		**(662,882)**	(476,187)
Repayment/(advances) of loans to a joint venture		**(60)**	50,031
Investment in associates		**(283)**	—
Advances of loans to associates		**(60)**	—
Decrease in pledged and restricted time deposits and bank balances		**485,327**	165,675
Increase in deposit for acquisition of an investment property		**—**	(228,620)
Net cash flow used in investing activities		**(414,162)**	(544,301)

	Notes	**2017 HK$'000**	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**3,990**	—
New bank loans, net of direct costs		**483,638**	3,465,194
Repayment of bank loans		**(640,585)**	(3,407,252)
Loans from a fellow subsidiary		**27,888**	62,051
Repayment of loans from a fellow subsidiary		**(29,000)**	(56,000)
Loans from a joint venture		**609,490**	222,430
Repayment of loans from a joint venture		**(342,143)**	—
Interest and bank financing charges paid		**(318,056)**	(289,995)
Dividend paid	11	**(49,042)**	(45,256)
Acquisition of non-controlling interests	33	**—**	(16,745)
Net cash flow used in financing activities		**(253,820)**	(65,573)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(471,022)**	1,061,212
Cash and cash equivalents at beginning of year		**2,546,240**	1,571,281
Effect of foreign exchange rate changes, net		**(17,872)**	(86,253)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,057,346**	2,546,240
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	21	**1,776,001**	1,729,110
Non-pledged and non-restricted time deposits	21	**281,345**	817,130
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**2,057,346**	2,546,240

1. Corporate and Group Information

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

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") consisted of property development for sale, property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities.

Details of the principal subsidiaries are set out in note 43 to the financial statements.

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

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2017. A subsidiary is an entity (including a structural entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*

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

Notes to Financial Statements

31 July 2017

2.3 Issued But Not Yet Effective HKFRSs

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

Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 7	*Disclosure Initiative*[1]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
HK(IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
Amendments to HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[2]
HK(IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[3]
Amendments to HKFRS 1 included in Annual improvements 2014-2016 Cycle	*First-time Adoption of Hong Kong Financial Reporting Standards*[2]
Amendments to HKAS 28 included in Annual improvements 2014-2016 Cycle	*Investments in Associates and Joint Ventures*[2]
Amendments HKFRS 12 included in Annual improvements 2014-2016 Cycle	*Disclosure of Interests in Other Entities*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but 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 joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its 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 profit or loss.

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill

Business combinations from 1 August 2009

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. 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.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Business combinations from 1 August 2009 (continued)

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets other than goodwill

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

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

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

Related parties

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

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

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

or

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

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

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

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

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

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

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

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

(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.

Property, plant and equipment and depreciation

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

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

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Investment properties

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

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

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

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

Properties under development

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

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

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

Completed properties for sale

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Non-current assets held for sale

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

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

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Available-for-sale financial investments

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

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. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

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

Loans and borrowings

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

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

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: (a) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (b) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

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

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

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

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 Summary of Significant Accounting Policies (continued)

Income tax

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

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and 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.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

Mainland China land appreciation tax ("**LAT**")

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

Revenue recognition

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

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

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

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

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

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

Employee benefits

Share-based payments

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Share-based payments (continued)

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

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

Other employee benefits

Pension schemes

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

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5.7% has been applied to the expenditure on the individual assets.

2.4 Summary of Significant Accounting Policies (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

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

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

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

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

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

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

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

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

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

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

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

(iii) Income tax

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

As explained in note 29 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

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

Estimation uncertainty

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

(i) Estimation of fair value of investment properties

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

The carrying amount of investment properties measured at fair value at 31 July 2017 was HK$15,502,400,000 (2016: HK$13,247,500,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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

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

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

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

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

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

(v) Fair value of derivative financial instruments

Where fair value of derivative financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement including considerations of inputs such as expected exposure at default, credit spread and loss given default ratio. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments. The fair value of the Group's derivative financial instruments are disclosed in note 24 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(vi) Provision for LAT and corporate income tax ("CIT")

The Group is subject to LAT in the PRC. The provision of LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculations and payments with the tax authorities for certain property development projects. The final tax outcome could be different from the amounts that were initially recorded, and any differences will impact the LAT expenses and the related LAT provision in the period in which such taxes are finalised with the tax authorities.

The Group is mainly subject to CIT in the PRC. As a result of the fact that certain matters relating to the CIT have not been confirmed by the tax authorities, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences will impact on the CIT and related CIT provision in the period in which such taxes are finalised with the tax authorities.

4. Operating Segment Information

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

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

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

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

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

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

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

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**624,592**	1,414,160	**702,090**	629,370	**1,326,682**	2,043,530
Other revenue	**1,617**	2,659	**120,634**	109,247	**122,251**	111,906
Total	**626,209**	1,416,819	**822,724**	738,617	**1,448,933**	2,155,436
Segment results	**44,340**	511,683	**1,167,066**	846,094	**1,211,406**	1,357,777
Interest income from bank deposits					**22,595**	15,339
Unallocated gains					**6,750**	6,231
Fair value gains on cross currency swaps					**111,657**	—
Unallocated expenses, net					**(143,083)**	(105,158)
Profit from operating activities					**1,209,325**	1,274,189
Finance costs					**(166,083)**	(156,356)
Share of profits of joint ventures	**609,562**	167,752	**—**	—	**609,562**	167,752
Profit before tax and tax indemnity					**1,652,804**	1,285,585
Tax					**(556,156)**	(388,163)
Tax indemnity					**493,936**	—
Profit for the year					**1,590,584**	897,422
Segment assets/liabilities:						
Segment assets	**2,502,894**	2,690,689	**18,240,394**	16,379,121	**20,743,288**	19,069,810
Investments in joint ventures	**1,387,570**	804,431	**—**	—	**1,387,570**	804,431
Investments in associates	**—**	—	**343**	—	**343**	—
Unallocated assets					**2,810,547**	3,767,695
Asset classified as held for sale					**278,531**	257,666
Total assets					**25,220,279**	23,899,602
Segment liabilities	**439,278**	830,687	**767,616**	541,816	**1,206,894**	1,372,503
Unallocated liabilities					**9,244,021**	9,139,485
Total liabilities					**10,450,915**	10,511,988

During the year, no single customer accounted for over 10% of the Group's total turnover (2016: Nil).

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Other segment information:						
Depreciation	**2,248**	2,964	**65,090**	63,501	**67,338**	66,465
Corporate and other unallocated depreciation					**4,888**	4,736
					72,226	71,201
Capital expenditure	**1,142**	616	**1,340,700**	678,582	**1,341,842**	679,198
Corporate and other unallocated capital expenditure					**2,022**	367
					1,343,864	679,565
Fair value gains on investment properties	**—**	—	**800,104**	528,015	**800,104**	528,015
Reversal of write-down/(write-down) of completed properties for sale to net realisable value	**3,829**	(3,485)	**—**	—	**3,829**	(3,485)
Loss on return of land use right to the local authority	**—**	19,929	**—**	—	**—**	19,929
Compensation received on return of land use right to the local authority	**6,801**	—	**—**	—	**6,801**	—
Loss on disposal of items of property, plant and equipment	**34**	8	**208**	91	**242**	99

5. Turnover, Other Income and Gains

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

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

	2017 HK$'000	2016 HK$'000
Turnover:		
Sale of properties	**624,592**	1,414,160
Rental income from investment properties and serviced apartments	**702,090**	629,370
	1,326,682	2,043,530
Other income and gains:		
Property management fee income	**108,194**	98,128
Interest income from bank deposits	**22,595**	15,339
Consultancy fee income	**143**	311
Others	**20,664**	19,698
	151,596	133,476

6. Finance Costs

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

	Notes	**2017 HK$'000**	2016 HK$'000
Interest on:			
Bank loans		**138,726**	139,501
2013 Notes (as defined and disclosed in note 28)		**140,957**	141,117
Loans from a joint venture		**25,668**	15,138
Amortisation of :			
Bank loans		**19,055**	12,844
2013 Notes	28	**8,145**	7,583
Bank financing charges and direct costs		**12,689**	18,857
		345,240	335,040
Less: Capitalised in properties under development	14	**(91,480)**	(97,536)
Capitalised in investment properties under construction	15	**(62,586)**	(68,596)
Capitalised in construction in progress	13	**(25,091)**	(12,552)
		(179,157)	(178,684)
Total finance costs		**166,083**	156,356

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5.7% (2016: 6.1%) has been applied to the expenditure on the individual assets for the year ended 31 July 2017.

7. Profit From Operating Activities

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

	Notes	**2017 HK$'000**	2016 HK$'000
Cost of completed properties sold		**509,032**	806,304
Outgoings in respect of rental income		**153,406**	148,420
Total cost of sales		**662,438**	954,724
Depreciation #	13	**72,226**	71,201
Ineffective portion of the effective hedge recognised in profit or loss **	24	**7,925**	9,717
Amortisation of prepaid land lease payments		**15,413**	17,528
Capitalised in properties under development	14	**(15,235)**	(17,342)
	16	**178**	186

7. Profit From Operating Activities (continued)

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

	Note	2017 HK$'000	2016 HK$'000
Minimum lease payments under operating leases in respect of land and buildings		**12,335**	11,343
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(8,695)**	(7,741)
		3,640	3,602
Employee benefit expense (including directors' remuneration — note 8):			
Salaries, wages and benefits		**286,189**	269,692
Pension scheme contributions *		**1,204**	1,208
		287,393	270,900
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(96,852)**	(84,936)
		190,541	185,964
Auditor's remuneration to auditor of the Company		**3,270**	3,279
Foreign exchange differences, net **		**58,715**	24,513
Loss on disposal of items of property, plant and equipment #		**242**	99
Loss on return of land use right to the local authority **	14	**—**	19,929
Compensation received on return of land use right to the local authority **	14	**(6,801)**	—
Contingent rents		**(13,112)**	(4,109)
Write-down/(reversal of write-down) of completed properties for sale to net realisable value **		**(3,829)**	3,485

The depreciation charge of HK$59,380,000 (2016:HK$60,310,000) for serviced apartments and related leasehold improvements and the loss on disposal of items of property, plant and equipment of HK$242,000 (2016: HK$99,000) are included in "Other operating expenses, net" on the face of the consolidated income statement.

* As at 31 July 2017, the Group had no forfeited contributions available to reduce its contributions to the MPF Scheme in future years (2016: Nil).

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

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, 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:

	2017 **HK$'000**	2016 HK$'000
Fees	**1,500**	1,375
Other emoluments:		
Salaries, allowances and benefits in kind	**20,995**	20,181
Pension scheme contributions	**129**	129
	21,124	20,310
	22,624	21,685
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(13,493)**	(13,220)
	9,131	8,465

For the years ended 31 July 2017 and 2016, no directors were granted share options.

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8. Directors' Remuneration (continued)

The remuneration paid to executive directors, non-executive directors and independent non-executive directors during the year are as follows:

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2017				
Executive directors:				
Lam Kin Ming	—	1,140	—	1,140
Lam Kin Hong, Matthew	—	1,140	57	1,197
Lam Hau Yin, Lester	—	1,604	18	1,622
U Po Chu	—	4,275	—	4,275
Chew Fook Aun	—	4,257	18	4,275
Cheng Shin How	—	7,087	18	7,105
Lee Tze Yan, Ernest	—	1,492	18	1,510
	—	20,995	129	21,124
Non-executive directors:				
Lucas Ignatius Loh Jen Yuh	—	—	—	—
Chan Boon Seng (resigned on 1 April 2017)	—	—	—	—
Puah Tze Shyang (appointed on 1 April 2017)	—	—	—	—
	—	—	—	—
Independent non-executive directors:				
Lam Bing Kwan	300	—	—	300
Ku Moon Lun	300	—	—	300
Law Kin Ho	300	—	—	300
Mak Wing Sum, Alvin	300	—	—	300
Shek Lai Him, Abraham	300	—	—	300
	1,500	—	—	1,500
Total	1,500	20,995	129	22,624

8. Directors' Remuneration (continued)

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2016				
Executive directors:				
Lam Kin Ming	—	1,140	—	1,140
Lam Kin Hong, Matthew	—	1,140	57	1,197
Lam Hau Yin, Lester	—	1,609	18	1,627
U Po Chu	—	4,318	—	4,318
Chew Fook Aun	—	3,941	18	3,959
Cheng Shin How	—	6,601	18	6,619
Lee Tze Yan, Ernest	—	1,432	18	1,450
	—	20,181	129	20,310
Non-executive directors:				
Lucas Ignatius Loh Jen Yuh	—	—	—	—
Chan Boon Seng	—	—	—	—
	—	—	—	—
Independent non-executive directors:				
Lam Bing Kwan	275	—	—	275
Ku Moon Lun	275	—	—	275
Law Kin Ho	275	—	—	275
Mak Wing Sum, Alvin	275	—	—	275
Shek Lai Him, Abraham	275	—	—	275
	1,375	—	—	1,375
Total	1,375	20,181	129	21,685

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2016: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2016: two) non-director highest paid employees are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**6,355**	5,929
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(4,067)**	(3,854)
	2,288	2,075

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

	Number of employees	
	2017	2016
HK$2,500,001 — HK$3,000,000	**1**	1
HK$3,000,001 — HK$3,500,000	**1**	1
	2	2

10. Tax and Tax Indemnity

(a) Tax

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2016: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	Note	**2017 HK$'000**	2016 HK$'000
Current — Mainland China			
CIT			
Charge for the year		**59,843**	130,622
Underprovision in prior years		**—**	21,029
		59,843	151,651
LAT			
Charge for the year		**58,391**	176,315
Underprovision/(overprovision) in prior years		**122,258**	(84,115)
		180,649	92,200
Deferred	29	**315,664**	144,312
Total tax charge for the year		**556,156**	388,163

10. Tax and Tax Indemnity (continued)

(a) Tax (continued)

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

	2017 HK$'000	2016 HK$'000
Profit before tax and tax indemnity	**1,652,804**	1,285,585
Tax at the statutory tax rate	**413,201**	321,396
Adjustments for tax rates of other jurisdictions	**6,436**	10,986
Provision for LAT	**58,391**	176,315
Adjustment in respect of LAT of prior years	**122,258**	(84,115)
Tax effect of provision for LAT	**(45,162)**	(23,050)
Profits attributable to joint ventures	**(152,390)**	(41,938)
Income not subject to tax	**(20,086)**	(169)
Expenses and losses not deductible for tax	**131,952**	45,035
Tax losses not recognised	**3,902**	1,299
Withholding tax on the distributable earnings of the subsidiaries established in Mainland China	**43,004**	30,353
Other temporary difference	**(5,350)**	(47,949)
Tax charge at the Group's effective tax rate	**556,156**	388,163

10. Tax and Tax Indemnity (continued)

(b) Tax indemnity

	2017 HK$'000	2016 HK$'000
Tax indemnity	**493,936**	—

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

The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing Mainland China income tax and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Group as set out in the Company's prospectus dated 18 November 1997. During the year, tax indemnity of HK$493,936,000 (2016: Nil) was received from LSD in relation to the CIT and LAT incurred and paid by the Group which is attributable to the disposal of certain properties located in Guangzhou, Mainland China.

11. Dividend

	2017 HK$'000	2016 HK$'000
Final dividend paid in respect of the year ended 31 July 2016 (2016: final dividend paid in respect of the year ended 31 July 2015)	**58,420**	53,228
Proposed final – HK$0.20 per ordinary share (2016: HK$0.0036 per ordinary share before the effect of the Share Consolidation (as defined in note 30) or HK$0.18 per ordinary share after the effect of the Share Consolidation)	**65,148**	58,312

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

On 16 December 2016, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.0036 per share payable in cash with a scrip dividend alternative (the "**2016 Scrip Dividend Scheme**") for the year ended 31 July 2016 (the "**2016 Final Dividend**"). During the year ended 31 July 2017, 57,394,650 new shares of HK$0.10 each were issued by the Company at a deemed price of HK$0.1634 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2016 Scrip Dividend Scheme to settle HK$9,378,000 of the 2016 Final Dividend. The remainder of the 2016 Final Dividend of HK$49,042,000 was satisfied by cash.

Further details of the 2016 Scrip Dividend Scheme are set out in the Company's circular dated 4 January 2017.

On 11 December 2015, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.0033 per share payable in cash with a scrip dividend alternative (the "**2015 Scrip Dividend Scheme**") for the year ended 31 July 2015 (the "**2015 Final Dividend**"). During the year ended 31 July 2016, 68,017,617 new shares of HK$0.10 each were issued by the Company at a deemed price of HK$0.1172 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2015 Scrip Dividend Scheme to settle HK$7,972,000 of the 2015 Final Dividend. The remainder of the 2015 Final Dividend of HK$45,256,000 was satisfied by cash.

12. Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share amounts was based on the profit for the year attributable to owners of the Company of HK$1,477,452,000 (2016: HK$873,527,000), and the weighted average number of ordinary shares of 324,941,534 (2016: adjusted as 323,281,099) in issue during the year, as adjusted to reflect the effect of the Share Consolidation as defined in note 30. Comparative figures have also been adjusted on the assumption that the Share Consolidation had been effective in the prior year.

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

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 July 2016 in respect of a dilution as the share options had an anti-dilutive effect on the basic earnings per share amount presented. The calculations of basic and diluted earnings per share are based on:

	2017 HK$'000	2016 HK$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**1,477,452**	873,527

	Number of shares	
	2017	2016 (Adjusted)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**324,941,534**	323,281,099
Effect of dilution — weighted average number of ordinary shares:		
Share options	**357,669**	—
	325,299,203	323,281,099

13. Property, Plant and Equipment

	Notes	Leasehold buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
As at 1 August 2015		110,839	1,227,141	287,572	42,817	20,285	13,189	175,875	1,877,718
Finance costs capitalised	6	—	—	—	—	—	—	12,552	12,552
Additions		—	293	4,518	2,297	878	903	68,630	77,519
Disposals		—	—	—	(516)	(664)	(82)	—	(1,262)
Transfer from investment properties under construction	15	—	—	—	—	—	—	164,411	164,411
Exchange realignment		(3,929)	(45,523)	(17,020)	(1,877)	(694)	(621)	(9,540)	(79,204)
As at 31 July 2016 and 1 August 2016		106,910	1,181,911	275,070	42,721	19,805	13,389	411,928	2,051,734
Finance costs capitalised	6	—	—	—	—	—	—	25,091	25,091
Additions		—	7,725	3,474	3,787	1,282	3,006	292,490	311,764
Disposals		—	—	(339)	(1,451)	(471)	(443)	—	(2,704)
Exchange realignment		(594)	(6,884)	(2,701)	(302)	(92)	(113)	(3,405)	(14,091)
As at 31 July 2017		**106,316**	**1,182,752**	**275,504**	**44,755**	**20,524**	**15,839**	**726,104**	**2,371,794**
Accumulated depreciation:									
As at 1 August 2015		33,975	301,035	159,190	32,269	16,317	8,836	—	551,622
Depreciation provided during the year	7	2,648	25,881	35,702	3,965	1,350	1,655	—	71,201
Disposals		—	—	—	(492)	(597)	(74)	—	(1,163)
Exchange realignment		(1,563)	(6,960)	(9,981)	(1,342)	(539)	(412)	—	(20,797)
As at 31 July 2016 and 1 August 2016		35,060	319,956	184,911	34,400	16,531	10,005	—	600,863
Depreciation provided during the year	7	2,567	25,449	36,533	4,909	1,182	1,586	—	72,226
Disposals		—	—	(279)	(1,296)	(471)	(416)	—	(2,462)
Exchange realignment		(218)	(891)	(1,196)	(148)	(57)	(54)	—	(2,564)
As at 31 July 2017		**37,409**	**344,514**	**219,969**	**37,865**	**17,185**	**11,121**	**—**	**668,063**
Net carrying amount:									
As at 31 July 2017		**68,907**	**838,238**	**55,535**	**6,890**	**3,339**	**4,718**	**726,104**	**1,703,731**
As at 31 July 2016		71,850	861,955	90,159	8,321	3,274	3,384	411,928	1,450,871

As at 31 July 2017, certain serviced apartments (including related leasehold improvements) and construction in progress with an aggregate carrying amount HK$517,575,000 (2016: HK$572,068,000) and HK$726,104,000 (2016: HK$411,928,000), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(a) and note 25(b) to the financial statements.

14. Properties Under Development

	Notes	2017 HK$'000	2016 HK$'000
Carrying amount as at 1 August		**1,976,219**	1,895,857
Finance costs capitalised	6	**91,480**	97,536
Additions (including capitalisation of prepaid land lease payments of HK$15,235,000 (2016: HK$17,342,000))		**503,568**	378,891
Amortisation of prepaid land lease payments	7	**(15,235)**	(17,342)
Transfer to completed properties for sale		**(982,980)**	—
Return of land use right to the local authority #		**—**	(267,078)
Exchange realignment		**(17,260)**	(111,645)
Carrying amount as at 31 July		**1,555,792**	1,976,219
Amount classified as current assets		**(213,818)**	(791,844)
Non-current portion		**1,341,974**	1,184,375

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 received. A loss on return of land use right to the local authority of HK$19,929,000 (note 7) was included in "Other operating expenses, net" on the face of the consolidated income statement for the year ended 31 July 2016. During the year ended 31 July 2017, a compensation of HK$6,801,000 with regard to the aforesaid return of land use right was received by the Group from the local authority (note 7) and was included in "Other operating expenses, net" on the face of the consolidated income statement for the year ended 31 July 2017.

As at 31 July 2017, certain properties under development with an aggregate carrying amount of HK$497,190,000 (2016: HK$361,669,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(c) to the financial statements.

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

	Note	2017 HK$'000	2016 HK$'000
Carrying amount as at 1 August		**901,076**	1,075,097
Addition		**60,105**	—
Amortised during the year	7	**(15,235)**	(17,342)
Transfer to completed properties for sale		**(41,509)**	—
Return of land use right to the local authority		**—**	(91,965)
Exchange realignment		**(9,041)**	(64,714)
Carrying amount as at 31 July		**895,396**	901,076

15. Investment Properties

	2017 HK$'000	2016 HK$'000
Completed investment properties	**12,382,400**	12,697,500
Investment properties under construction, at fair value	**3,120,000**	550,000
Investment properties under construction, at cost *	**954,821**	1,414,228
Total	**16,457,221**	14,661,728

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

	Notes	2017 HK$'000	2016 HK$'000
Carrying amount as at 1 August		**14,661,728**	14,479,603
Finance costs capitalised	6	**62,586**	68,596
Additions		**1,032,100**	602,046
Transfer from completed properties for sale		**16,075**	34,582
Transfer to construction in progress	13	**—**	(164,411)
Net gain from fair value adjustments		**800,104**	528,015
Exchange realignment		**(115,372)**	(886,703)
Carrying amount as at 31 July		**16,457,221**	14,661,728

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

As at 31 July 2017, certain investment properties with an aggregate carrying amount of HK$10,401,180,000 (2016: HK$9,431,499,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(d) to the financial statements.

Valuation processes of the Group

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

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

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

15. Investment Properties (continued)

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

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

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

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

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

2017

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$/sq.m)	32-370	note 1
		Capitalisation rate	4.25%-7.50%	note 2
Residential property	Direct comparison method	Average market unit rate (HK$/sq.m)	160,000	note 6
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m)	14,500-88,700	note 3
		Developer's profit margin	5%-20%	note 4
		Budgeted costs to completion (HK$)	1,285,400,000-1,317,117,000	note 5

15. Investment Properties (continued)

Valuation techniques (continued)

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$/sq.m)	33-357	note 1
		Capitalisation rate	4.25% – 7.50%	note 2
Commercial/ residential properties	Direct comparison method	Average market unit rate (HK$/sq.m)	23,900 – 156,000	note 6
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m)	9,400 – 26,300	note 3
		Developer's profit margin	30%	note 4
		Budgeted costs to completion (HK$)	1,294,294,000	note 5

Notes:

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

16. Prepaid Land Lease Payments

	Note	2017 HK$'000	2016 HK$'000
Carrying amount as at 1 August		**4,623**	5,115
Amortised during the year	7	**(178)**	(186)
Exchange realignment		**(48)**	(306)
Carrying amount as at 31 July		**4,397**	4,623

17. Deposit For Acquisition of an Investment Property

On 30 September 2015, Shanghai Zhabei Plaza Real Estate Development Company Limited ("**Shanghai Zhabei**", as purchaser), being a subsidiary of the Company, Federation of Trade Union of Zhabei District of Shanghai ("**Zhabei Trade Union**", as vendor) and the Company (as guarantor) entered into an agreement, pursuant to which Shanghai Zhabei conditionally agreed to acquire and Zhabei Trade Union conditionally agreed to sell certain property (the "**Property**") at a cash consideration of approximately RMB355.1 million (equivalent to approximately HK$413.9 million) (the "**Acquisition**"). The Property, comprising portion of a commercial building with total gross floor area of approximately 10,345 sqm (equivalent to approximately 111,354 sq.ft.) and the right to use 20 basement carparking spaces, was physically connected to an investment property held by the Group and situated at Jing'an District, Shanghai.

Further details of the Acquisition are set out in a joint announcement of the Company and eSun dated 30 September 2015.

As at 31 July 2016, a deposit for the Acquisition of RMB195.3 million (equivalent to approximately HK$228.6 million) was paid. During the year ended 31 July 2017, the remaining consideration of RMB159.8 million (equivalent to approximately HK$185.3 million) was paid and the Acquisition was completed.

18. Investments in Joint Ventures

	2017 HK$'000	2016 HK$'000
Share of net assets, other than goodwill	**1,201,664**	618,578
Due from joint ventures	**185,906**	185,853
	1,387,570	804,431

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

18. Investments in Joint Ventures (continued)

	2017 Effective interest rate (%)	2017 HK$'000	2016 Effective interest rate (%)	2016 HK$'000
Unsecured loans from a joint venture:				
Current	**3.92**	**192,731**	3.92-4.20	350,328
Non-current	**3.05-4.20**	**649,779**	3.05	222,430
		842,510		572,758
Maturity profile:				
Within one year		**192,731**		350,328
In the second year		**220,264**		—
In the third to fifth years, inclusive		**429,515**		222,430
		842,510		572,758

Details of the joint ventures are set out in note 44 to the financial statements.

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

18. Investments in Joint Ventures (continued)

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

	2017 HK$'000	2016 HK$'000
Assets and liabilities		
Current assets (including cash and cash equivalents of HK$2,963,774,000 (2016: HK$742,188,000))	**3,826,574**	5,326,816
Non-current assets	**1,477,284**	647,143
Total assets	**5,303,858**	5,973,959
Current liabilities	**(2,372,663)**	(4,647,793)
Non-current liabilities	**(371,263)**	—
Total liabilities	**(2,743,926)**	(4,647,793)
Current financial liabilities (excluding creditors and accruals)	**—**	(371,271)
Profit and total comprehensive income for the year		
Revenue (including interest income of HK$44,523,000 (2016: HK$17,132,000))	**4,167,559**	1,549,223
Cost of sales	**(1,395,935)**	(601,111)
Expenses (including depreciation expenses of HK$841,000 (2016: HK$1,139,000))	**(40,581)**	(54,154)
Tax	**(1,504,598)**	(539,235)
Profit for the year	**1,226,445**	354,723
Other comprehensive income/(expense) for the year, net of tax	**7,321**	(115,638)
Total comprehensive income for the year, net of tax	**1,233,766**	239,085
Less: Non-controlling interests	**(67,594)**	(8,027)
	1,166,172	231,058

18. Investments in Joint Ventures (continued)

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

	2017 HK$'000	2016 HK$'000
Net assets of the Beautiwin Group	**2,559,932**	1,326,166
Less: Non-controlling interests	**(156,604)**	(89,010)
	2,403,328	1,237,156
The Group's 50% interests in the Beautiwin Group	**1,201,664**	618,578
Amount due from the Beautiwin Group	**185,906**	185,853
Carrying amount of the Group's interests in the Beautiwin Group as recorded in the consolidated financial statements	**1,387,570**	804,431

19. Investments In Associates

	2017 HK$'000	2016 HK$'000
Share of net assets	**283**	—
Amount due from an associate	**60**	—
	343	—

The amount due from an associate was unsecured, interest-free and had no fixed terms of repayment.

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

As at 31 July 2017, there were no material associates which principally affected the result for the year or formed a substantial portion of the net assets of the Group.

The aggregate financial information of the Group's associates that are not individually material is as follows:

	2017 HK$'000	2016 HK$'000
Share of the associates' profits or losses and total comprehensive income	**—**	—

20. Debtors, Deposits and Prepayments

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

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

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

	2017 **HK$'000**	2016 HK$'000
Trade receivables, net		
Within one month	**103,530**	239,078
One to three months	**2,897**	6,466
Over three months	**3,794**	5,276
	110,221	250,820
Other receivables, deposits and prepayments	**146,450**	116,248
Total	**256,671**	367,068

21. Cash And Cash Equivalents and Pledged and Restricted time Deposits and Bank Balances

	Note	2017 HK$'000	2016 HK$'000
Cash and bank balances		**2,160,244**	2,795,484
Less: Pledged and restricted bank balances			
Pledged for banking facilities *		**—**	(5,692)
Pledged for bank loans	25(f)	**(214,476)**	(131,538)
Restricted **		**(169,767)**	(929,144)
Non-pledged and non-restricted cash and bank balances		**1,776,001**	1,729,110
Time deposits		**468,124**	817,130
Less: Pledged and restricted time deposits			
Pledged for bank loans	25(f)	**(186,779)**	—
Non-pledged and non-restricted time deposits		**281,345**	817,130
Cash and cash equivalents		**2,057,346**	2,546,240

* 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 2017, the balance was HK$123,600,000 (2016: HK$778,893,000).

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 2017, the balance amounted to HK$24,681,000 (2016: HK$33,153,000).

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 2017, the balance amounted to HK$21,486,000 (2016: HK$117,098,000).

The conversion of Renminbi ("**RMB**") denominated time deposits and cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchange control promulgated by the government authorities concerned. As at 31 July 2017, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK$2,134,727,000 (2016: HK$3,083,928,000).

22. Asset Classified as Held For Sale

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

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

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

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

Subsequent to 31 July 2017, the Transaction was completed in August 2017.

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:

	2017 **HK$'000**	2016 HK$'000
Asset classified as held for sale	**278,531**	257,666

In accordance with HKFRS 5, as at 31 July 2017, the asset classified as held for sale with a carrying amount of HK$278,531,000 is assessed against its fair value of HK$315,905,000 less costs to sell of HK$37,374,000 and no impairment is recognised for the year ended 31 July 2017.

As 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.

Valuation process 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 Petty Limited, an independent professionally qualified valuer. The valuation process is the same as that of investment properties as disclosed in note 15.

22. 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)

2017

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)	37,100-54,500	note 1

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 1

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

23. Creditors and Accruals

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

	2017 HK$'000	2016 HK$'000
Trade payables		
Within one month	**201,075**	81,680
One to three months	**4,244**	16,777
Over three months	**552**	72
	205,871	98,529
Accruals and other payables	**751,176**	698,983
Total	**957,047**	797,512

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

24. Derivative Financial Instruments

	2017 HK$'000	2016 HK$'000
Financial liabilities - Cross currency swap agreements (the "**CCS**")	**208,223**	210,068

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

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

	Note	**2017 HK$'000**	2016 HK$'000
Carrying amount as at 1 August		**210,068**	111,654
Fair value losses charged to the hedge reserve (note a)		**101,887**	88,697
Fair value gains credited to the consolidated income statement (note b)		**(111,657)**	—
Ineffective portion of the effective hedge recognised in profit or loss	7	**7,925**	9,717
Carrying amount as at 31 July		**208,223**	210,068
Amount classified as current liabilities		**(208,223)**	—
Non-current portion		**—**	210,068

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24. Derivative Financial Instruments (continued)

Cross Currency Swaps - cash flow hedge

On 25 April 2013, the Group entered into the CCS with financial institutions with an aggregate nominal amount of RMB1,800,000,000 for the purpose of hedging the foreign currency risk arising from the 2013 Notes as detailed in note 28 to the financial statements.

Pursuant to the terms of the CCS, the Company receives interest payments semi-annually at a fixed rate of 6.875% per annum on the aggregate notional amount of RMB1,800,000,000 during the period from 25 April 2013 to 25 April 2018 right before each Interest Payment Date (as defined in note 28) of the 2013 Notes, and makes interest payments semi-annually at a fixed rate of 6.135% per annum on the aggregate notional amount of approximately US$291,616,000 (being the US$ equivalent amount of RMB1,800,000,000, translated at a contracted exchange rate of US$1 to RMB6.1725) during the period from 25 April 2013 to 25 April 2018 right before each Interest Payment Date. Right before 25 April 2018, the Group will receive the aggregate notional amount of RMB1,800,000,000 and will pay the aggregate notional amount of US$291,616,000.

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

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

(a) As at 31 January 2016, 31 July 2016 and 31 January 2017, the cash flow hedges of the 2013 Notes were assessed to be highly effective. A net loss on the cash flow hedges of HK$32,234,000 for the period between 1 August 2016 and 31 January 2017 (2016: a net gain of HK$47,059,000) was included in the hedge reserve as follows:

	2017 HK$'000	2016 HK$'000
Total fair value losses included in the hedge reserve	**(101,887)**	(88,697)
Transferred from the hedge reserve to the consolidated income statement for the exchange gains of the 2013 Notes	**69,653**	135,756
Net gain/(loss) on cash flow hedges	**(32,234)**	47,059

(b) As at 31 July 2017, the cash flow hedges of the 2013 Notes were assessed to be ineffective and did not qualify for hedge accounting. Fair value gains of HK$111,657,000 arising from changes in the fair values of the CCS between 1 February 2017 and 31 July 2017 were credited to the consolidated income statement for the year ended 31 July 2017.

25. Interest-Bearing Bank Loans, Secured

	2017 Effective interest rate (%)	2017 HK$'000	2016 Effective interest rate (%)	2016 HK$'000
Secured bank loans:				
Current	**4.14-5.88**	**82,031**	3.94-6.89	287,548
Non-current	**3.84-5.88**	**2,814,062**	3.64-6.89	2,747,970
		2,896,093		3,035,518
Maturity profile:				
Within one year		**82,031**		287,548
In the second year		**200,166**		537,497
In the third to fifth years, inclusive		**2,524,667**		2,085,245
Beyond five years		**89,229**		125,228
		2,896,093		3,035,518

On 28 March 2013, the Company (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 the Company as borrowers and banks named therein as lenders entered into an onshore facility agreement in relation to facilities of approximately HK$1,050,000,000 equivalent (the "**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.

On 18 March 2016, the Company (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 the Company 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 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 2017, HK$930,000,000 (2016: HK$1,394,000,000) and HK$897,151,000 (2016: HK$916,581,000) were outstanding under the 2016 Offshore Facilities and the 2016 Onshore Facilities, respectively.

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

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

(a) mortgages over certain serviced apartments (including related leasehold improvements) of the Group with an aggregate carrying amount of HK$517,575,000 (2016: HK$572,068,000) (note 13);

(b) mortgage over construction in progress of the Group with an aggregate carrying amount of HK$726,104,000 (2016: HK$411,928,000) (note 13);

(c) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$497,190,000 (2016: HK$361,669,000) (note 14);

(d) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$10,401,180,000 (2016: HK$9,431,499,000) (note 15);

(e) mortgages over certain completed properties for sale for the Group with an aggregate carrying amount of HK$55,900,000 as at 31 July 2016;

(f) charges over time deposits and bank balances of the Group with an aggregate carrying amount of HK$401,255,000 (2016: HK$131,538,000) (note 21);

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

(h) charges over the entire equity interest in a subsidiary of the Company.

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, (ii) the holder of 2013 Notes (as defined in note 28) 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 2017 and 31 July 2016, the 2016 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 the Company and a debt service reserve account (collectively, the "**Collateral**") have been charged to secure amounts outstanding under the 2016 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.

26. Advances From a Former Substantial Shareholder

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

27. Loans From a Fellow Subsidiary

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

28. Fixed Rate Senior Notes

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

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

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

No 2013 Notes were repurchased during the year (2016: Nil).

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

	2017 **HK$'000**	2016 HK$'000
Carrying amount as at 1 August	**2,092,741**	2,220,914
Amortisation of the 2013 Notes (note 6)	**8,145**	7,583
Exchange realignment	**(20,520)**	(135,756)
Carrying amount as at 31 July	**2,080,366**	2,092,741
Amount classified as current liabilities	**(2,080,366)**	—
Non-current portion	**—**	2,092,741

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

In connection with the 2013 Notes, the Company entered into the CCS (as defined in note 24) with financial institutions, which have effectively converted the 2013 Notes into fixed rate US$ denominated loans. Taking into account the CCS, the effective interest rate of the 2013 Notes is 6.53% per annum. Details of the CCS are set out in note 24 to the financial statements.

As detailed in note 25 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 the Company and charges over the Collateral, on a pari passu basis with the lenders under the 2016 Offshore Facilities and the holders of future permitted pari passu secured indebtedness, if any.

29. Deferred Tax

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

	Depreciation allowance in excess of related depreciation and development costs HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
As at 1 August 2015	468,566	115,938	1,737,681	38,494	(11,194)	57,907	2,407,392
Deferred tax charged/(credited) to the income statement during the year (note 10(a))	45,895	(3,443)	132,004	30,353	(12,548)	(47,949)	144,312
Exchange realignment	(29,245)	(6,939)	(107,016)	—	935	(2,519)	(144,784)
As at 31 July 2016 and 1 August 2016	485,216	105,556	1,762,669	68,847	(22,807)	7,439	2,406,920
Deferred tax charged/(credited) to the income statement during the year (note 10(a))	61,580	—	200,026	43,004	16,404	(5,350)	315,664
Exchange realignment	(3,691)	(1,027)	(14,178)	—	508	(164)	(18,552)
As at 31 July 2017	**543,105**	**104,529**	**1,948,517**	**111,851**	**(5,895)**	**1,925**	**2,704,032**

As at 31 July 2017, the Group had tax losses arising in Mainland China of HK$152,662,000 (2016: HK$137,054,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it may not be probable that taxable profits will be available against which the tax losses could be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% (2016: 10%). The Group is therefore liable to withholding taxes on dividends to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

30. Share Capital

Shares

	2017 HK$'000	2016 HK$'000
Authorised:		
20,000,000,000 (2016: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
16,285,086,736 (2016: 16,197,692,086) ordinary shares of HK$0.10 each	**1,628,509**	1,619,770

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

	Number of authorised shares	**Number of issued shares**	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
As at 1 August 2015	20,000,000,000	16,129,674,469	1,612,968	4,068,087	5,681,055
Shares issued in lieu of cash dividend (note 11)	—	68,017,617	6,802	1,170	7,972
As at 31 July 2016 and 1 August 2016	20,000,000,000	16,197,692,086	1,619,770	4,069,257	5,689,027
Issue of shares upon exercise of share options*	—	30,000,000	3,000	2,361	5,361
Shares issued in lieu of cash dividend (note 11)	—	57,394,650	5,739	3,639	9,378
As at 31 July 2017	20,000,000,000	16,285,086,736	1,628,509	4,075,257	5,703,766

* During the year ended 31 July 2017, 30,000,000 ordinary shares of HK$0.10 each were issued in respect of a share option exercised under the Company's share option scheme at an exercise price of HK$0.133 per share and total cash consideration of HK$3,990,000 was received. The share option reserve of HK$1,371,000 was released to the share premium account.

Subsequent to 31 July 2017, the shareholders of the Company approved at the extraordinary general meeting held on 14 August 2017 that every fifty issued and unissued ordinary shares of HK$0.10 each in the share capital of the Company are consolidated into one ordinary share of HK$5.00 each in the share capital of the Company which became effective on 15 August 2017 (the "**Share Consolidation**"). As a result of the Share Consolidation, the number of authorised ordinary shares was adjusted from 20,000,000,000 of HK$0.10 each to 400,000,000 of HK$5.0 each while the number of issued and fully paid ordinary shares was adjusted from 16,285,086,736 of HK$0.10 each to 325,701,734 of HK$5.0 each.

Further details of the Share Consolidation are set out in an announcement and circular of the Company dated 18 July 2017 and 26 July 2017, respectively.

30. Share Capital (continued)

Share options

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

31. Share Option Schemes

2003 Share Option Scheme

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

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

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

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

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

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

31. Share Option Schemes (continued)

2012 Share Option Scheme

On 18 December 2012 (the "**Adoption Date**"), the Company adopted a new share option scheme (the "**2012 Share Option Scheme**") and terminated the 2003 Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2012 Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to the Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-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 2012 Share Option Scheme will remain in force for 10 years from the Adoption Date.

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

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

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

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

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

31. Share Option Schemes (continued)

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

	2017		2016	
	Number of underlying shares comprised in share options	**Weighted average exercise price per share* HK$**	Number of underlying shares comprised in share options	Weighted average exercise price per share* HK$
Outstanding at beginning of year	**536,205,994**	**0.212**	539,205,994	0.212
Exercised during the year	**(30,000,000)**	**0.133**	—	—
Lapsed during the year	**(3,000,000)**	**0.228**	(3,000,000)	0.190
Outstanding at end of year	**503,205,994**	**0.216**	536,205,994	0.212

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

The weighted average closing price of the Company's shares immediately before and at the dates of exercise of share options during the year was HK$0.170 and HK$0.168 per share, respectively.

Other than the exercise of share options comprising 30,000,000 underlying shares and the lapse of share options comprising 3,000,000 underlying shares, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the 2003 Share Option Scheme and 2012 Share Option Scheme during the year.

As at 31 July 2017, a total of 503,205,994 underlying shares comprised in share options were outstanding, of which 50,479,564 underlying shares relate to a share option granted under the 2003 Share Option Scheme and 452,726,430 underlying shares relate to share options granted under the 2012 Share Option Scheme, represented approximately 0.3% and 2.8% of the Company's shares in issue, respectively, as at that date.

As at 31 July 2017, the adjusted outstanding number of underlying shares comprised in share options and the adjusted weighted average exercise price per share of the Company were 10,064,117 (2016: 10,724,117) and HK$10.821 (2016: HK$10.591), respectively, after considering the effect of the Share Consolidation.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 99 of the financial statements.

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

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of non-controlling interests

On 3 November 2015, Hankey Development Limited ("**Hankey**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with 上海匯貢經濟發展總公司 ("**上海匯貢**") to acquire 上海匯貢's interest in 1% of the registered capital of Shanghai Hankey Real Estate Development Company Limited ("**Shanghai Hankey**"), which directly holds Northgate Plaza I. The transaction was completed on 18 March 2016. Shanghai Hankey was an indirect 99%-owned subsidiary of the Company right before the completion of the transaction and became an indirect wholly-owned subsidiary of the Company upon completion of the transaction.

On 3 February 2016, Hankey entered into an agreement with 上海北城綜合經營部 ("**上海北城**") to acquire 上海北城's interest in 1% of the registered capital of Shanghai Zhabei, which directly holds Northgate Plaza II. The transaction was completed on 18 March 2016. Shanghai Zhabei was an indirect 99%-owned subsidiary of the Company right before the completion of the transaction and became an indirect wholly-owned subsidiary of the Company upon completion of the transaction.

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

	2017 **HK$'000**	2016 HK$'000
Considerations paid for acquisition of non-controlling interests	—	16,745
Decrease in non-controlling interests	—	(9,412)
Decrease in equity attributable to owners of the Company	—	7,333

34. Contingent Liabilities

The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2017, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$596,225,000 (2016: HK$666,669,000).

35. Operating Lease Arrangements

(a) As lessor

Certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2016: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2017, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**500,314**	457,842
In the second to fifth years, inclusive	**980,614**	957,570
After five years	**223,539**	260,036
	1,704,467	1,675,448

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

35. Operating Lease Arrangements (continued)

(b) As lessee

The Group leased certain office properties under operating lease arrangements with lease terms up to two years (2016: two years).

As at 31 July 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**1,377**	1,829
In the second to fifth years, inclusive	**123**	582
	1,500	2,411

36. Commitments

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

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Construction and development costs	**2,697,150**	439,578
Consideration for acquisition of an investment property	**—**	187,053
	2,697,150	626,631

37. Pledge Of Assets

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

38. Related Party Transactions

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

(a) Transactions with related parties

	Notes	**2017 HK$'000**	2016 HK$'000
Lai Sun Garment (International) Limited ("**LSG**") and its subsidiaries:			
Rental and management fee expenses paid or payable	(i)	**2,618**	2,349
Rental and management fee income received or receivable	(ii)	**64**	69
Tax indemnity received	(iii)	**493,936**	—
Sharing of corporate salaries on a cost basis allocated from		**20,507**	20,205
Sharing of administrative expenses on a cost basis allocated from		**2,864**	3,260
Sharing of corporate salaries on a cost basis allocated to		**2,990**	2,083
Sharing of administrative expenses on a cost basis allocated to		**566**	449

38. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

	Notes	2017 HK$'000	2016 HK$'000
eSun and its subsidiaries excluding the Group:			
Rental and management fee income received or receivable	(iv)	**8,231**	8,482
Advance of loans received	(v)	**27,888**	62,051
Repayment of loans	(v)	**29,000**	56,000
Sharing of corporate salaries on a cost basis allocated from		**2,093**	2,210
Sharing of administrative expenses on a cost basis allocated from		**120**	190
Sharing of corporate salaries on a cost basis allocated to		**820**	1,031
Sharing of administrative expenses on a cost basis allocated to		**26**	31
A subsidiary of CapitaLand Limited:			
Management and other service fees paid or payable	(vi)	**8,698**	9,444
Joint ventures of the Group			
Advance of loans received	(vii)	**609,490**	222,430
Advance of loans repaid	(vii)	**342,143**	—
Repayment of loans received/(advances of loans)		**(60)**	50,031
Interest expenses paid or payable	(vii)	**25,668**	15,138

38. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes:

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

(ii) The related company is a subsidiary of LSD. The terms of the rental and management fee were determined based on the agreements entered into between the Group and the related company.

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

(iv) The related companies are subsidiaries of eSun where the Company does not hold, directly or indirectly, any equity interest in the related companies. The terms of the rental and management fee were determined based on the agreements entered into between the Group and the related companies.

(v) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. The terms of the loans are set out in note 27 to the financial statements.

(vi) The related company is a subsidiary of CapitaLand Limited and the Company is an associate of CapitaLand Limited. The related company provides management and other services on the serviced apartment operation of the Group. The terms of the management and other service fees were determined based on the agreement entered into between the Group and the related company.

(vii) The related party is a joint venture of the Group, Guangzhou Beautiwin. The terms of the loans are determined based on the agreements entered into between the Group and Guangzhou Beautiwin and set out in note 18 to the financial statements.

Certain of the above related party transactions also constitute connected transactions or continuing connected transactions as defined in chapter 14A of the Listing Rules and their details are disclosed in the Report of the Directors.

(b) Outstanding balances with related parties

Details of the loans from a joint venture, advances from a former substantial shareholder of the Company and loans from a fellow subsidiary are included in notes 18, 26 and 27 to the financial statements, respectively.

(c) Guarantees provided by a related party

eSun, which is the Company's ultimate holding company, provided guarantees for 20% (being eSun's equity interest in the relevant borrowers excluding the remaining 80% interest held via the Group) of the outstanding balances of certain bank loan facilities of up to HK$2,696,065,000 (2016: HK$2,753,623,000) in aggregate granted to certain subsidiaries of the Company as borrowers.

38. Related Party Transactions (continued)

(d) Compensation of key management personnel of the Group

	2017 HK$'000	2016 HK$'000
Short term employee benefits	**25,365**	24,715
Pension scheme contributions	**129**	129
Total	**25,494**	24,844

Further details of directors' emoluments are included in note 8 to the financial statements.

39. Financial Instruments by Category

Financial assets

The Group's financial assets as at 31 July 2017 and 2016 were categorised as loans and receivables.

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
2017			
Creditors and accruals	**—**	**863,712**	**863,712**
Deposits received	**—**	**165,749**	**165,749**
Interest-bearing bank loans, secured	**—**	**2,896,093**	**2,896,093**
Loans from a joint venture	**—**	**842,510**	**842,510**
Advances from a former substantial shareholder	**—**	**54,143**	**54,143**
Loans from a fellow subsidiary	**—**	**218,279**	**218,279**
Fixed rate senior notes	**—**	**2,080,366**	**2,080,366**
Derivative financial instruments	**208,223**	**—**	**208,223**
	208,223	**7,120,852**	**7,329,075**

39. Financial Instruments by Category (continued)

Financial liabilities (continued)

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
2016			
Creditors and accruals	—	695,752	695,752
Deposits received	—	142,163	142,163
Interest-bearing bank loans, secured	—	3,035,518	3,035,518
Loans from a joint venture	—	572,758	572,758
Advances from a former substantial shareholder	—	54,675	54,675
Loans from a fellow subsidiary	—	221,714	221,714
Fixed rate senior notes	—	2,092,741	2,092,741
Derivative financial instruments	210,068	—	210,068
	210,068	6,815,321	7,025,389

40. Fair Values and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	31 July 2017 HK$'000	31 July 2016 HK$'000	**31 July 2017 HK$'000**	31 July 2016 HK$'000
Financial liabilities				
Derivative financial instruments	**208,223**	210,068	**208,223**	210,068
Fixed rate senior notes	**2,080,366**	2,092,741	**2,090,492**	2,097,984
	2,288,589	2,302,809	**2,298,715**	2,308,052

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.

40. Fair Values and Fair Value Hierarchy of Financial Instruments (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) The fair values of fixed rate senior notes are based on quoted market prices; and

(ii) Derivative financial instruments, being the cross currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amounts of the derivative financial instruments are the same as their fair values.

Other than the above financial liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 July 2017 and 31 July 2016.

Fair value hierarchy

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

2017

	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$460.53	1
		Expected exposure at default — the Company	HK$107.41 million to HK$107.76 million	2
		Credit spread — counterparty	10.33 basis point to 116.82 basis point	3
		Credit spread — the Company	372.67 basis point to 661.30 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

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 — the Company	HK$114.77 million to HK$121.22 million	2
		Credit spread — counterparty	10.91 basis point to 230 basis point	3
		Credit spread — the Company	377.37 basis point to 715.13 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

40. Fair Values and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Notes:

1. The higher the expected exposure at default — counterparty, the lower the fair value of CCS
2. The higher the expected exposure at default — the Company, the higher the fair value of CCS
3. The higher the credit spread — counterparty, the lower the fair value of CCS
4. The higher the credit spread — the Company, the higher the fair value of CCS
5. The higher the loss given default ratio — counterparty, the lower the fair value of CCS
6. The higher the loss given default ratio — the Company, the higher the fair value of CCS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value

As at 31 July 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	**—**	**—**	**208,223**	**208,223**

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
Derivative financial instruments	—	—	210,068	210,068

The Group did not have any financial assets measured at fair value as at 31 July 2017 and 31 July 2016.

During the years ended 31 July 2017 and 31 July 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. The movement in the financial liabilities arising from the CCS is disclosed in note 24 to the financial statements.

40. Fair Values and Fair Value Hierarchy of Financial Instruments (continued)

Liabilities for which fair values are disclosed

The Group's financial liabilities for which fair values are disclosed include fixed rate senior notes, fair value of which are based on quoted market prices and are categorised in Level 1.

41. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group comprise pledged and restricted time deposits and bank balances and cash and cash equivalents. Management will, based on the Group's projected cash flow requirements, determine the types and the levels of these financial assets with a view to maintaining an appropriate level of fundings for the Group's operations and enhancing the returns generated from these financial assets. The Group's principal financial liabilities are bank loans and fixed rate senior notes.

The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment purposes. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. Management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts relatively conservative strategies on its risk management. During the year ended 31 July 2013, the Group entered into cross currency swap agreements to manage the foreign currency risk arising from the Group's fixed rate senior notes. The Group does not hold or issue derivative financial instruments for trading purposes.

The policies are summarised as follows:

(a) Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, US$ and HK$. The Group, with HK$ as its presentation currency, is exposed to foreign currency risk arising from the exposure of HK$ against US$ and RMB, respectively. Considering that HK$ is pegged against US$, the Group believes that the corresponding exposure to US$ exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in Mainland China and the revenues are predominantly in RMB.

The Group entered into CCS in respect of the 2013 Notes to minimise the foreign currency exposures as detailed in note 24 to the financial statements. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

41. Financial Risk Management Objectives and Policies (continued)

(a) Foreign currency risk (continued)

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the post-tax profit and equity (due to changes in the fair value of monetary assets and liabilities) of the Group.

	Change in exchange rate	Impact on post-tax profit HK$'000	Impact on equity * HK$'000
2017			
If US$/HK$ weakens against RMB	**5%**	**5,177**	**1,749**
If US$/HK$ strengthens against RMB	**5%**	**(4,686)**	**(1,588)**
2016			
If US$/HK$ weakens against RMB	5%	9,287	3,165
If US$/HK$ strengthens against RMB	5%	(8,402)	(2,891)

* excluding amounts attributable to non-controlling interests

(b) Interest rate risk

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by the changes of market interest rates.

The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At present, the Group does not intend to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

41. Financial Risk Management Objectives and Policies (continued)

(b) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings, net of amounts capitalised to properties under development, investment properties under construction and construction in progress) and the equity of the Group.

	Change in interest rate	Impact on post-tax profit HK$'000	Impact on equity * HK$'000
2017			
	+0.25%	**(4,530)**	**(4,530)**
	-0.25%	**4,530**	**4,530**
2016			
	+0.25%	(4,800)	(4,800)
	-0.25%	4,800	4,800

* excluding amounts attributable to non-controlling interests

(c) Liquidity risk

The Group monitors its risk of a shortage of funds by regularly reviewing its cash flow forecast. The cash flow forecast considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

41. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2017				
Creditors and accruals	**863,712**	**—**	**—**	**863,712**
Deposits received	**25,509**	**140,240**	**—**	**165,749**
Interest-bearing bank loans, secured	**207,803**	**2,708,583**	**94,043**	**3,010,429**
Loans from a joint venture	**219,928**	**673,418**	**—**	**893,346**
Advances from a former substantial shareholder	**—**	**54,143**	**—**	**54,143**
Loans from a fellow subsidiary	**—**	**218,279**	**—**	**218,279**
Fixed rate senior notes	**2,192,319**	**—**	**—**	**2,192,319**
Inflows of derivative financial instruments	**(2,192,319)**	**—**	**—**	**(2,192,319)**
Outflows of derivative financial instruments	**2,365,136**	**—**	**—**	**2,365,136**
	3,682,088	**3,794,663**	**94,043**	**7,570,794**
2016				
Creditors and accruals	695,752	—	—	695,752
Deposits received	17,774	124,389	—	142,163
Interest-bearing bank loans, secured	428,747	3,029,817	136,512	3,595,076
Loans from a joint venture	362,766	234,340	—	597,106
Advances from a former substantial shareholder	—	54,675	—	54,675
Loans from a fellow subsidiary	—	221,714	—	221,714
Fixed rate senior notes	144,872	2,213,877	—	2,358,749
Inflows of derivative financial instruments	(144,872)	(2,213,877)	—	(2,358,749)
Outflows of derivative financial instruments	138,831	2,365,136	—	2,503,967
	1,643,870	6,030,071	136,512	7,810,453

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 34 to the financial statements. The earliest period in which the guarantees could be called is less than 12 months.

41. Financial Risk Management Objectives and Policies (continued)

(d) Credit risk

The Group maintains various credit policies for different business operations as described in note 20. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

(e) Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group mainly consists of fixed rate senior notes, bank and other borrowings, and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on recommendations of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintaining of appropriate types and levels of debts.

41. Financial Risk Management Objectives and Policies (continued)

(e) Capital management (continued)

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by net assets attributable to owners of the Company. Net debt includes interest-bearing bank loans, advances from a former substantial shareholder, fixed rate senior notes, loans from a fellow subsidiary and loans from a joint venture, less pledged and restricted time deposits and bank balances and cash and cash equivalents. The gearing ratio as at the end of the reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
Interest-bearing bank loans, secured	**2,896,093**	3,035,518
Advances from a former substantial shareholder	**54,143**	54,675
Fixed rate senior notes	**2,080,366**	2,092,741
Loans from a fellow subsidiary	**218,279**	221,714
Loans from a joint venture	**842,510**	572,758
Less:		
Pledged and restricted time deposits and bank balances	**(571,022)**	(1,066,374)
Cash and cash equivalents	**(2,057,346)**	(2,546,240)
Net debt	**3,463,023**	2,364,792
Net assets attributable to owners of the Company	**14,584,111**	13,314,767
Gearing ratio	**24%**	18%

42. 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:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**9,662,468**	9,580,944
CURRENT ASSETS		
Deposits and prepayments	**5,462**	5,450
Pledged bank balance	**24,860**	31,458
Cash and cash equivalents	**117,107**	248,946
Total current assets	**147,429**	285,854
CURRENT LIABILITIES		
Creditors and accruals	**45,834**	47,063
Due to subsidiaries	**390**	390
Interest-bearing bank loan, secured	**40,860**	168,295
Fixed rate senior notes	**2,080,366**	—
Derivative financial instruments	**208,223**	—
Total current liabilities	**2,375,673**	215,748
NET CURRENT ASSETS/(LIABILITIES)	**(2,228,244)**	70,106
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,434,224**	9,651,050
NON-CURRENT LIABILITIES		
Interest-bearing bank loan, secured	**843,244**	1,167,292
Fixed rate senior notes	**—**	2,092,741
Derivative financial instruments	**—**	210,068
Total non-current liabilities	**843,244**	3,470,101
	6,590,980	6,180,949
EQUITY		
Issued capital	**1,628,509**	1,619,770
Reserves (note)	**4,962,471**	4,561,179
	6,590,980	6,180,949

42. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Hedge reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 August 2015		4,068,087	29,594	(9,558)	(6,656)	283,293	4,364,760
Profit for the year		—	—	—	—	201,418	201,418
Release of reserve upon lapse of share options		—	(170)	—	—	170	—
Shares issued in lieu of cash dividend	30	1,170	—	—	—	—	1,170
Net gain on cash flow hedges	24	—	—	—	47,059	—	47,059
Final 2015 dividend paid		—	—	—	—	(53,228)	(53,228)
As at 31 July 2016 and 1 August 2016		4,069,257	29,424	(9,558)	40,403	431,653	4,561,179
Profit for the year		—	—	—	—	487,317	487,317
Issue of shares upon exercise of share options	30	2,361	(1,371)	—	—	—	990
Release of reserve upon lapse of share options		—	(170)	—	—	170	—
Shares issued in lieu of cash dividend	30	3,639	—	—	—	—	3,639
Net loss on cash flow hedges	24	—	—	—	(32,234)	—	(32,234)
Final 2016 dividend paid		—	—	—	—	(58,420)	(58,420)
As at 31 July 2017		4,075,257	27,883	(9,558)	8,169	860,720	4,962,471

43. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Canvex Limited	Hong Kong	HK$2	—	100	Property investment
Eastern Power Limited	Hong Kong	HK$1	—	100	Investment holding
Eternal Medal Limited	Hong Kong	HK$1	—	100	Investment holding
Fore Bright Limited	Hong Kong	HK$1	—	100	Investment holding
Frank Light Development Limited	Hong Kong	HK$19,999,999	—	100	Investment holding

43. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Gentle Code Limited	Hong Kong	HK$1	—	100	Investment holding
Gentle Holdings Limited	Hong Kong	HK$1	—	100	Investment holding
Goldthorpe Limited *	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Good Strategy Limited	British Virgin Islands/ Mainland China	US$1	—	100	Property investment
Grand Wealth Limited	Hong Kong	HK$2	—	100	Investment holding
Grosslink Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Guangzhou Gentle Code Real Estate Company Limited @ *	PRC/ Mainland China	US$22,830,000##	—	100	Property investment
Guangzhou Gentle Real Estate Company Limited @ *	PRC/ Mainland China	US$17,080,000##	—	100	Property development
Guangzhou Grand Wealth Properties Limited µ *	PRC/ Mainland China	HK$280,000,000##	—	100	Property development and investment
Guangzhou Guang Bird Property Development Limited ("**Guangzhou Guang Bird**") µ *	PRC/ Mainland China	US$79,600,000##	—	100	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited µ *	PRC/ Mainland China	RMB79,733,004##	—	100	Property development and investment
Guangzhou Jadepress Real Estate Company Limited @ *	PRC/ Mainland China	US$19,150,000##	—	100	Property development and investment
Guangzhou Jieli Real Estate Company Limited @ *	PRC/ Mainland China	HK$168,000,000##	—	100	Property investment
Hankey Development Limited	Hong Kong	HK$10,000	—	100	Investment holding
Jadepress Limited	Hong Kong	HK$1	—	100	Investment holding

43. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kingscord Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Lai Fung Company Limited	Hong Kong	HK$20	100	—	Investment holding
Manful Concept Limited	Hong Kong	HK$2	—	100	Investment holding
Nicebird Company Limited	Hong Kong	HK$2	—	100	Investment holding
Pearl Merge Limited	Hong Kong	HK$1	—	80	Investment holding
Rosy Commerce Holdings Limited (Note)	British Virgin Islands/ Hong Kong	US$100	—	80	Investment holding
Shanghai Hankey Real Estate Development Company Limited ("**Shanghai Hankey**") @	PRC/ Mainland China	US$47,600,000##	—	100	Property investment
Shanghai HKP Property Management Limited @ *	PRC/ Mainland China	US$150,000##	—	100	Property management
Shanghai Hu Xin Real Estate Development Company Limited @	PRC/ Mainland China	US$40,000,000##	—	100	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited @ *	PRC/ Mainland China	US$36,000,000##	—	100	Property investment
Shanghai Wa Yee Real Estate Development Company Limited # *	PRC/ Mainland China	US$10,000,000##	70	25	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited ("**Shanghai Zhabei**") @	PRC/ Mainland China	US$79,800,000##	—	100	Property investment
Sunlite Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Wide Angle Development Limited	Hong Kong	HK$2	—	100	Investment holding

43. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Winfield Concept Limited	Hong Kong	HK$1	—	80	Investment holding
Win Merge Limited	Hong Kong	HK$1	—	80	Investment holding
Zhongshan Bao Li Properties Development Company Limited @ *	PRC/ Mainland China	HK$460,000,000##	—	100	Property development and investment
廣州高樂物業管理有限公司 Ø *	PRC/ Mainland China	RMB1,100,000##	—	100	Property management
上海麗港物業管理有限公司 Ø *	PRC/ Mainland China	RMB500,000##	—	100	Property management
上海麗星房地產發展有限公司 @ *	PRC/ Mainland China	RMB630,000,000##	—	100	Property development
中山高樂物業管理有限公司 Ø *	PRC/ Mainland China	RMB500,000##	—	100	Property management
珠海横琴麗新文創天地有限公司(「**麗新文創**」) @ *	PRC/ Mainland China	RMB1,900,000,000##	—	80	Property development and investment
珠海横琴創新方娛樂有限公司(「**創新方娛樂**」) @ *	PRC/ Mainland China	RMB450,000,000##	—	80	Development and operation of and investment in cultural, leisure, entertainment and related facilities
珠海横琴創新方文化創意有限公司(「**創新方文化**」) @ *	PRC/ Mainland China	RMB52,000,000##	—	80	Development and operation of and investment in cultural, leisure, entertainment and related facilities

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

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

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

Registered as equity joint ventures under the laws of the PRC

The registered capital of these subsidiaries were fully paid up, except for Guangzhou Guang Bird, Shanghai Hankey, Shanghai Zhabei, 麗新文創, 創新方娛樂 and 創新方文化 which capital of approximately US$13,247,000 (equivalent to approximately HK$103,459,000), US$26,000,000 (equivalent to approximately HK$203,060,000), US$43,800,000 (equivalent to approximately HK$342,078,000), RMB760,000,000 (equivalent to approximately HK$881,057,000), RMB376,000,000 (equivalent to approximately HK$435,891,000) and RMB49,000,000 (equivalent to approximately HK$56,805,000), respectively was unpaid as at 31 July 2017. Subsequent to 31 July 2017, the registered capital of 創新方娛樂 of RMB10,000,000 (equivalent to approximately HK$11,865,000) has been paid up.

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

ø Registered as domestic enterprises under the laws of the PRC

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

Note:

The Company, through its wholly-owned subsidiaries, held 80% equity interest in Rosy Commerce Holdings Limited and its subsidiaries (collectively referred to as "**Rosy Commerce Group**").

The non-controlling interest, which held equity interest of 20% in Rosy Commerce Group, was considered material to the Group. The profit of Rosy Commerce Group allocated to the non-controlling interest amounted to HK$109,578,000 (2016: HK$18,610,000) for the year ended 31 July 2017 and the accumulated non-controlling interest of Rosy Commerce Group amounted to HK$112,280,000 (2016: HK$3,219,000) as at 31 July 2017.

43. Particulars of Principal Subsidiaries (continued)

Note (continued):

The following tables illustrate the summarised financial information of Rosy Commerce Group. The amounts disclosed are before any inter-company eliminations:

	2017 HK$'000	2016 HK$'000
Current assets	**710,670**	507,426
Non-current assets	**2,373,513**	1,103,278
Total assets	**3,084,183**	1,610,704
Current liabilities	**(363,125)**	(93,955)
Non-current liabilities	**(2,159,683)**	(1,500,683)
Total liabilities	**(2,522,808)**	(1,594,638)
Turnover	**—**	—
Fair value gains on investment properties	**719,294**	34,377
Profit for the year	**547,892**	93,050
Other comprehensive expenses, net of tax	**(2,584)**	(68,747)
Total comprehensive income for the year	**545,308**	24,303
Dividends paid to non-controlling interests	**—**	—
Net cash flows used in operating activities	**(249,714)**	(208,249)
Net cash flows used in investing activities	**(172,490)**	(193,165)
Net cash flows from financing activities	**453,468**	413,803
Net cash inflow	**31,264**	12,389

44. Particulars of Joint Ventures

Particulars of the Group's material joint ventures as at 31 July 2017 are as follows:

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

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

** The statutory financial statements of this joint venture were not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.

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

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 19 October 2017.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting ("**AGM**") of the members ("**Members**") of Lai Fung Holdings Limited ("**Company**") will be held at Harbour View Rooms I & II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 15 December 2017 at 9:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements for the year ended 31 July 2017 ("**Year**") and the reports of the directors and the independent auditor of the Company thereon;

2. To declare a final dividend with a scrip dividend option;

3. To re-elect two Directors and to authorise the board of Directors ("**Board**") to fix the Directors' remuneration;

4. To re-appoint Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**") as the independent auditor of the Company and to authorise the Board to fix their remuneration; and

5. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

(A) "**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares of the Company on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Code on Share Buy-backs for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the shares to be bought back pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or

(iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles of Association of the Company to be held."

(B) "**THAT**:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares in the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

(i) a Rights Issue or Open Offer (each as hereinafter defined); or

(ii) an issue of shares in the Company upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company); or

(iii) an issue of shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or

(iv) an issue of shares in the Company under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares in the Company or rights to acquire shares in the Company,

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or

(iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles of Association of the Company to be held; and

"Rights Issue" or "Open Offer" means an offer of shares in the Company open for a period fixed by the Directors to the holders of shares whose names appear on the Register of Members and/or the Hong Kong Branch Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the applicable requirements of any recognised regulatory body or any stock exchange)."

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. 5(A) and 5(B) in the notice convening this meeting, the general mandate granted to the directors of the Company ("**Directors**") and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the share capital of the Company which has been bought back by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution."

By Order of the Board
Lai Fung Holdings Limited
Yim Lai Wa
Company Secretary

Hong Kong, 16 November 2017

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

Principal Place of Business in Hong Kong:
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

(1) A Member entitled to attend and vote at the AGM convened by the above notice ("**Notice**") or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more shares of HK$5.00 each in the share capital of the Company ("**Shares**"), more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association of the Company ("**Articles of Association**"). A proxy need not be a Member.

(2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited ("**Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or any of its adjourned meeting should they so wish. In that event, the said form(s) of proxy shall be deemed to be revoked.

The contact phone number of the Registrar is (852) 2980 1333.

(3) To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar no later than 4:30 p.m. on Monday, 11 December 2017 for registration.

(4) Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the AGM or its adjourned meeting (as the case may be) personally or by proxy, then one of such holders so present whose name stands first in the Register of Members or Hong Kong Branch Register of Members of the Company ("**Register of Members**") in respect of such Shares shall alone be entitled to vote in respect thereof.

(5) The proposed final dividend of HK$0.20 per Share as recommended by the Board is subject to the approval of the Members at the AGM. The record date for the proposed final dividend is at the close of business on Friday, 22 December 2017. For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Thursday, 21 December 2017 and Friday, 22 December 2017, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Registrar for registration no later than 4:30 p.m. on Wednesday, 20 December 2017.

(6) Concerning agenda item 3 of this Notice,

(i) in accordance with Article 116 of the Articles of Association, Dr. Lam Kin Ming and Mr. Lam Hau Yin, Lester will retire from office as Directors by rotation at the AGM and, being eligible, offer themselves for re-election; and

(ii) in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), the particulars of the aforesaid Directors are set out in the "Biographical Details of Directors" section of the Annual Report of the Company for the Year.

(7) Concerning agenda item 4 of this Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of Members at the AGM, Ernst & Young be re-appointed the independent auditor of the Company for the year ending 31 July 2018 ("**Year 2018**"). Members should note that in practice, the independent auditor's remuneration for the Year 2018 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditor are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditor's remuneration as operating expenses for the Year 2018, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2018 is required, and is hereby sought, at the AGM.

(8) A circular containing details regarding Ordinary Resolutions Nos. 5(A) to 5(C) will be sent to Members together with the Annual Report of the Company for the Year.

(9) In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice will be decided by way of a poll.

(10) If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 7:00 a.m. and 5:00 p.m. on the date of the AGM, the AGM will be postponed and the Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice posted on the respective websites of the Company and the Stock Exchange.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 7:00 a.m. on the date of the AGM and where conditions permit, the AGM will be held as scheduled.

The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether or not they would attend the AGM under any bad weather condition and if they do so, they are advised to exercise care and caution.