LAI SUN DEVELOPMENT

(Stock Code: 488)

LAI SUN DEVELOPMENT COMPANY LIMITED

Annual Report
Year ended 31 July 2018

Cover Photo
Hong Kong Ocean Park Marriott Hotel

Contents

Corporate Information

Place of Incorporation

Hong Kong

Board of Directors

Executive Directors

Lam Kin Ngok, Peter, *GBS (Chairman)*
Chew Fook Aun *(Deputy Chairman)*
Lau Shu Yan, Julius *(Chief Executive Officer)*
Lam Hau Yin, Lester

Non-executive Directors

Lam Kin Ming
U Po Chu

Independent Non-executive Directors

Ip Shu Kwan, Stephen, *GBS, JP*
Lam Bing Kwan
Leung Shu Yin, William
Leung Wang Ching, Clarence

Audit Committee

Leung Shu Yin, William *(Chairman)*
Lam Bing Kwan
Lam Kin Ming
(ceased with effect from 25 October 2018)
Leung Wang Ching, Clarence
(appointed with effect from 25 October 2018)

Remuneration Committee

Leung Shu Yin, William *(Chairman)*
Chew Fook Aun
Lam Bing Kwan

Company Secretary

Chow Kwok Wor

Registered Office / Principal Office

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

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

Authorised Representatives

Chew Fook Aun
Chow Kwok Wor

Share Registrar and Transfer Office

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 (Hong Kong) Limited
The Bank of East Asia, Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Limited

Shares Information

Place of Listing

The Main Board of The Stock Exchange of Hong Kong Limited

Stock Code / Board Lot

488 / 300 Shares

American Depositary Receipt

CUSIP Number:	50731V102
Trading Symbol:	LSNVY
ADR to Ordinary Share Ratio:	1:8
Depositary Bank:	The Bank of New York Mellon

Website

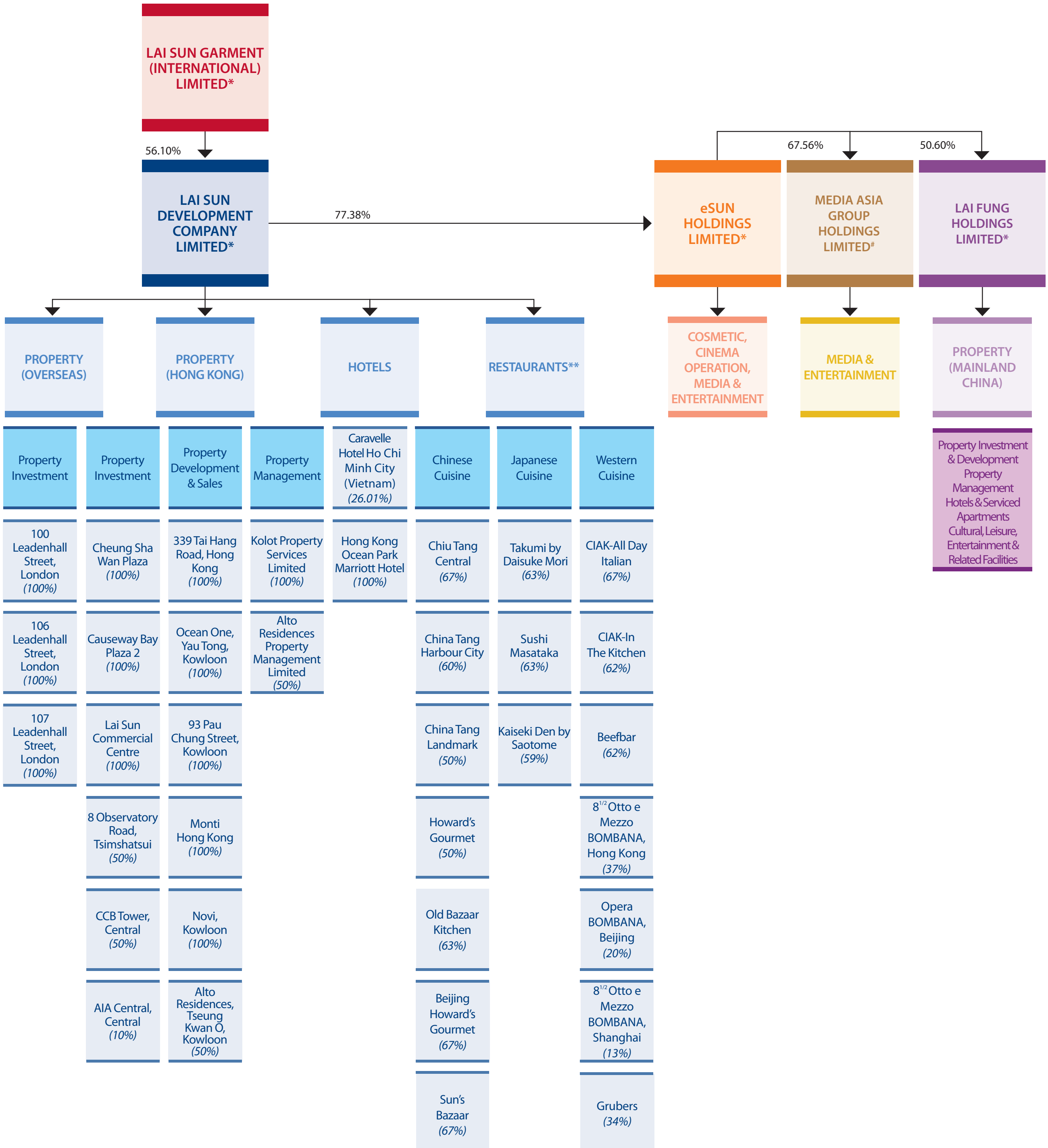
www.laisun.com

Investor Relations

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

Corporate Profile

Lai Sun Development Company Limited is a member of the Lai Sun Group. The Company is well diversified and its principal activities include property investment, property development, investment in and operation of hotels and restaurants and investment holding. The Company was listed on The Stock Exchange of Hong Kong Limited in March 1988 following a reorganisation of the Group.



* Listed on the Main Board of The Stock Exchange of Hong Kong Limited

\# Listed on GEM of The Stock Exchange of Hong Kong Limited

** Operated under various subsidiaries and associates

Corporate structure as at 25 October 2018

Note: The above chart excludes the 0.005% interest held by Lai Sun Development Company Limited in Lai Fung Holdings Limited as equity investment.

Dr. Lam Kin Ngok, Peter
Chairman

I am pleased to present the audited consolidated results of Lai Sun Development Company Limited ("**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 July 2018.

Overview of Final Results

For the year ended 31 July 2018, the Group recorded turnover of HK$1,693.0 million (2017: HK$1,704.1 million), representing a decrease of approximately 0.7% over last year. The gross profit increased slightly to HK$970.3 million from HK$968.1 million of last year. Set out below is the turnover by segment:

	For the year ended 31 July			
	2018 (HK$ million)	2017 (HK$ million)	Difference (HK$ million)	% change
Property Investment	**704.5**	686.7	17.8	2.6%
Property development and sales	**0.4**	89.2	-88.8	-99.6%
Restaurant operation	**514.0**	481.5	32.5	6.7%
Hotel operation and others	**474.1**	446.7	27.4	6.1%
Total	**1,693.0**	1,704.1	-11.1	-0.7%

Overview of Final Results (continued)

For the year ended 31 July 2018, net profit attributable to owners of the Company was approximately HK$4,335.2 million (2017: HK$2,093.6 million), representing an increase of approximately 107.1% over last year. The increase is primarily due to a substantial increase in the revaluation of investment properties owned by the Group and held through joint ventures of the Group during the year under review.

Basic earnings per share was HK$7.159 (2017: HK$3.465).

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK$188.8 million (2017: net loss of HK$37.0 million). Net profit per share excluding the effect of property revaluations was HK$0.312 (2017: net loss of HK$0.061 per share).

Excluding the effect of property revaluations and non-recurring transactions during the year under review, net profit attributable to owners of the Company was approximately HK$188.5 million (2017: HK$250.8 million). Net profit per share excluding the effect of property revaluations and non-recurring transactions during the year under review was HK$0.311 (2017: HK$0.415 per share).

Profit attributable to owners of the Company	For the year ended 31 July	
	2018	2017
	HK$ million	HK$ million
Reported	**4,335.2**	2,093.6
Less: Adjustments in respect of revaluation gains of investment properties held by		
— the Company and subsidiaries	**(2,410.4)**	(1,238.1)
— associates and joint ventures	**(1,736.0)**	(892.5)
Net profit/(loss) after tax excluding revaluation gains of investment properties	**188.8**	(37.0)
Less: Adjustments in respect of non-recurring transactions		
— reversal of provision for tax indemnity	**(0.3)**	(142.5)
— loss on deemed disposal of interest in eSun	**—**	573.1
— discount on acquisition of additional interest in eSun	**—**	(142.8)
Net profit after tax excluding revaluation gains of investment properties and excluding non-recurring transactions	**188.5**	250.8

Equity attributable to owners of the Company as at 31 July 2018 amounted to HK$31,158.7 million, up from HK$26,599.8 million as at 31 July 2017. Net asset value per share attributable to owners of the Company increased by 16.9% to HK$51.410 per share as at 31 July 2018 from HK$43.965 per share as at 31 July 2017.

Final Dividend

The Directors have resolved to recommend the payment of a final dividend of HK10.80 cents per share (2017: HK10.00 cents per share), amounting to approximately HK$65,456,000 for the financial year ended 31 July 2018 to shareholders of the Company ("**Shareholders**") whose names appear on the Register of Members of the Company on Friday, 4 January 2019 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 21 December 2018 ("**AGM**").

No interim dividend was declared during the year (2017: Nil).

The Directors propose that shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the AGM; and (2) The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to shareholders together with the form of election for scrip dividend on or about Thursday, 10 January 2019. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to Shareholders on or about Wednesday, 13 February 2019.

Business Review and Outlook

Major economies around the world continue to navigate in uncertain waters during the year under review. The capital markets has demonstrated steadiness backed by cautious optimism despite a delicate economic outlook, punctuated by global events such as elections in Europe, uncertainties surrounding the terms of Brexit, domestic terror events in the US and Europe, and the more recent trade disputes between the USA and China. Some of these events are likely to linger in the near future and continue to cast a shadow on the outlook.

The property sector in Hong Kong as a whole continued to show resilience and robustness despite an increasingly uncertain global economic outlook. During the year under review, the retail segment has showed a strong recovery as demonstrated by improving visitor numbers and retail sales. However, rent growth has been mixed due to re-alignment of tenant mix which resulted in rent reduction in certain tourist hotspots. The office leasing market remained tight despite new supply from completion of new office buildings and resulted in modest rent increases. Central business district continued to be underpinned by PRC and financial corporations and other commercial areas continued to benefit from the decentralisation and consolidation of space. The residential market continued to be robust and demonstrated modest price increases driven by limited supply despite interest rates concerns. However, we observed a softening of the market in recent months due to the increasing uncertain economic outlook. Labour supply shortages in the construction industry continues to drive wage inflation and pose a challenge on the cost management side.

The management believes it is paramount to prepare the Group for the challenges and opportunities ahead. The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with the wider Lai Sun Group since refocusing the strategy in 2012. Set out below are the projects the Group secured after the implementation of the new rental focused strategy:

Date	Secured Projects	Total Gross Floor Area ("GFA") (square feet)	Use	Date of Occupation Permit
Hong Kong	**Development Properties**			
November 2012	Alto Residences	573,268	Commercial/ Residential	Q2 2018 Note 1
April 2014	93 Pau Chung Street	111,354	Commercial/ Residential	Q3 2018 Note 2
May 2014	Hong Kong Ocean Park Marriott Hotel	365,974	Hotel	Q1 2018 Note 3
September 2015	Monti (Sai Wan Ho Street Project)	59,799	Residential	Q3 2019 (Expected)
May 2016	Novi	42,851	Commercial/ Residential	Q3 2019 (Expected)
London, United Kingdom	**Investment Properties**			
April 2014	107 Leadenhall Street	146,606	Commercial/ Office	N/A
November 2014	100 Leadenhall Street	177,700	Office	N/A
December 2015	106 Leadenhall Street	19,924	Commercial/ Office	N/A

Notes:

1. *Construction works have been completed with the Occupation Permit issued by the Buildings Department in May 2018 and the Certificate of Compliance was issued by the Lands Department in September 2018.*
2. *Construction works have been completed with the Occupation Permit issued by the Buildings Department in July 2018. As of the date of this Annual Report, the application for the Certificate of Compliance from the Lands Department is in progress.*
3. *Construction works have been completed and the hotel license was issued by the Hotel and Guesthouse Accommodation Authority in October 2018. The soft opening has been scheduled on 29 October 2018.*

The Group as a whole performed steadily against this challenging environment. The rental portfolio comprises of approximately 1.8 million square feet attributable to the Group, of which about 1.3 million square feet is located in Hong Kong. Despite the softened economic sentiment and weakened retail activity, the Group's Hong Kong properties performed steadily at nearly full occupancy levels.

Business Review and Outlook (continued)

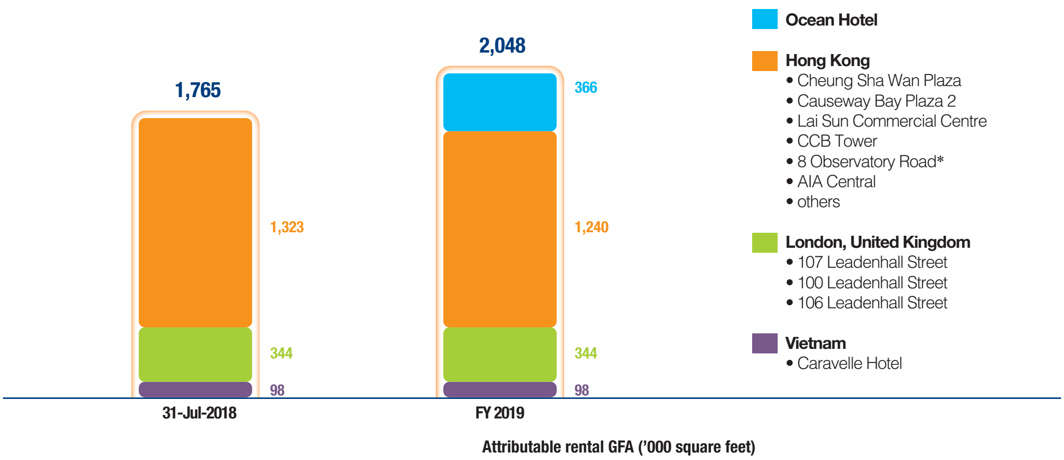
The City of London's Planning and Transportation Committee has approved a resolution to grant planning consent ("**Planning Consent**") to the Group to redevelop the three properties on Leadenhall Street in London, comprising 100, 106 and 107 Leadenhall Street ("**Leadenhall Properties**"). The Leadenhall Properties currently have a combined GFA of approximately 344,230 square feet. The Planning Consent would allow the Group to redevelop the Leadenhall Properties into a 56 storey tower with i) approximately 1,068,510 square feet gross internal area of office space as well as new retail space of approximately 8,730 square feet; ii) a free, public viewing gallery of approximately 19,967 square feet at levels 55 and 56 of the building which offers 360 degree views across London; and iii) new pedestrian routes between Leadenhall Street, Bury Street and St Mary Axe, and new public spaces around the base of the building. The total gross internal area of the proposed tower is expected to be approximately 1,275,642 square feet including ancillary facilities upon completion. All leases of the Leadenhall Properties have been aligned to expire in 2023. The Group will continue to monitor the market conditions in London closely.

The disposals of 36 Queen Street in London, United Kingdom and the 50% interest in No. 8 Observatory Road, Kowloon, Hong Kong in July 2018 represented good opportunities for the Group to realise its investment in the rental properties. The disposal of 36 Queen Street in London was completed in July 2018 and the completion of the disposal of No.8 Observatory Road is expected to be in March 2019.

Construction of the Hong Kong Ocean Park Marriott Hotel ("**Ocean Hotel**"), to be operated by the Marriott group has been completed and the hotel license was issued by the Hotel and Guesthouse Accommodation Authority in October 2018. With its soft opening scheduled on 29 October 2018, the Ocean Hotel will provide a total of 471 rooms and approximately 365,974 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.8 million square feet. The hotel project in Phuket, Thailand that the Group invested in June 2017 is at the start of the development stage and the Group will provide material updates on this project as and when available.


Hong Kong Ocean Park Marriott Hotel

Set out below is the expected growth of the rental portfolio of the Group:



**8 Observatory Road was disposed by the Group in July 2018 and the completion of the transaction is expected to be in March 2019.*

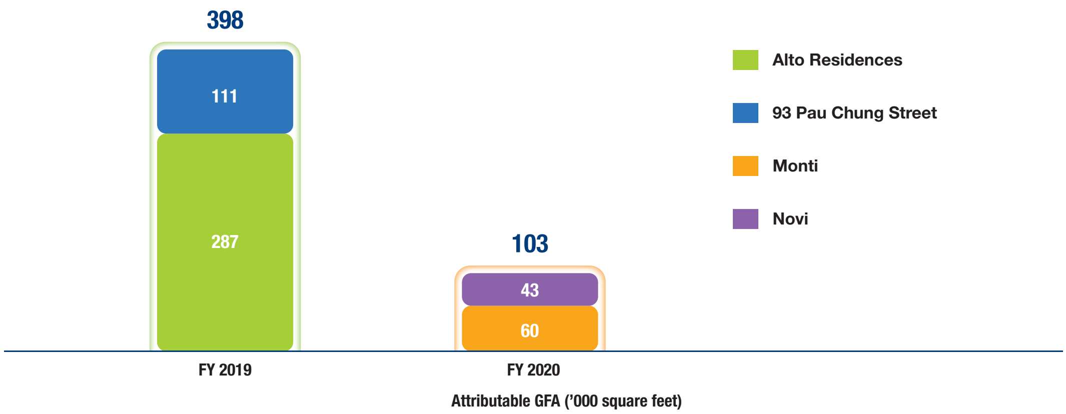
The pre-sale of 209 residential units of 93 Pau Chung Street has been completed, achieving an average selling price of approximately HK$16,400 per square foot. The Group released the commercial units of 93 Pau Chung Street for sale in July 2018. Up to 14 October 2018, 5 out of 7 commercial units with saleable area of approximately 14,000 square feet have been pre-sold and the average selling price was approximately HK$23,000 per square foot. The construction works of 93 Pau Chung Street have been completed with the Occupation Permit issued by the Buildings Department in July 2018. As of the date of this Annual Report, the application for the Certificate of Compliance from the Lands Department is in progress. Handover of pre-sold units will commence after the issuance of the Certificate of Compliance.

The Ki Lung Street project in Sham Shui Po, Kowloon, named "Novi" and the joint venture project in Tseung Kwan O named "Alto Residences" are well received. Up to 14 October 2018, the Group has pre-sold 137 units in Novi with saleable area of approximately 28,500 square feet and 541 units in Alto Residences with saleable area of approximately 304,700 square feet, at average selling prices of approximately HK$18,800 per square foot and HK$15,700 per square foot, respectively. Construction works of Alto Residences have been completed with the Occupation Permit issued by the Buildings Department in May 2018 and the Certificate of Compliance was issued by the Lands Department in September 2018. Handover of the pre-sold units is in progress. Construction of Novi is expected to be completed in the third quarter of 2019.

The Sai Wan Ho Street project with the Urban Renewal Authority in Shau Kei Wan, Hong Kong, named "Monti" providing 144 residential units with a total saleable area of 45,822 square feet was launched for pre-sale in August 2018. Up to 14 October 2018, the Group has pre-sold 10 units in Monti with saleable area of approximately 3,160 square feet at an average selling price of approximately HK$21,200 per square foot. Construction of Monti is expected to be completed in the third quarter of 2019.

Business Review and Outlook (continued)

The Group is encouraged by the property sales during the year under review which will be recognised in coming financial years and will continue to participate in government tenders to grow the pipeline. Set out below is the pipeline of development projects for sale of the Group:



In June 2018, the Group acquired an additional 49.96% equity interest in Camper & Nicholsons International S.A. ("**CNI**"). As at the date of this Annual Report, CNI is owned as to 99.92% by the Group. CNI is a global leader in luxury yachting activities, specialising in the brokerage, charter, marketing, management and crew placement of luxury yachts and it is a long established and internationally recognised brand associated with a luxury lifestyle. The Group believes that the consolidation of interest in CNI will bolster its offering of high-end hospitality services further.

The share consolidation on a 1-for-50 basis and change in board lot size from 15,000 shares to 300 shares announced by the Group on 27 April 2017 was effective from 15 August 2017 ("**Share Consolidation**"). 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.

The voluntary general cash offer ("**eSun Offer**") made by the Company in May 2018 to acquire all shares of eSun Holdings Limited ("**eSun**") that are not already owned by the Company closed on 22 August 2018. The mandatory general offer ("**Lai Fung Offer**") to Lai Fung Holdings Limited ("**Lai Fung**") triggered by the eSun Offer closed on 13 September 2018. As at the date of this Annual Report, the Group's interest in eSun increased from that of 36.94% as at 31 July 2018 to 77.38% and eSun has become a subsidiary of the Group post year end and its financial results will be consolidated into the accounts of the Company. Lai Fung remains a 50.60%-owned subsidiary of eSun.

Business Review and Outlook (continued)

The Group's strong cash position of HK$4,339.8 million of cash on hand and HK$1,554.7 million of undrawn facilities with a net debt to equity ratio of 24.6% as at 31 July 2018 provides the Group with full confidence and the means to review opportunities more actively. The Group's gearing excluding the net debt of the London portfolio all of which have a positive carry net of financing costs is 21.6%. The financial liquidity of the Group has been bolstered by the US$400 million guaranteed notes issued in September 2017 which is listed on the Stock Exchange. The proceeds from this new bond helped to refinance the US$350 million guaranteed notes issued by the Group in 2013 which matured in January 2018. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

Appreciation

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

I am delighted to welcome Mr. Leung Wang Ching, Clarence who jointed the Board as an Independent Non-executive Director with effect from 1 August 2018.

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.

Lam Kin Ngok Peter
Chairman
Hong Kong
25 October 2018

Financial Highlights

		Year ended 31 July 2018	Year ended 31 July 2017	%
Turnover	(HK$M)	**1,693.0**	1,704.1	-1%
Gross profit	(HK$M)	**970.3**	968.1	0%
Gross profit margin	(%)	**57%**	57%	
Operating profit	(HK$M)	**2,850.0**	1,794.1	59%
Operating profit margin	(%)	**168%**	105%	
Profit attributable to owners of the Company	(HK$M)			
— as reported		**4,335.2**	2,093.6	107%
— adjusted *(Note 1)*		**188.5**	250.8	-25%
Net profit margin	(%)			
— as reported		**256%**	123%	
— adjusted		**11%**	15%	
Basic earnings per share *(Note 2)*	(HK$)			
— as reported		**7.159**	3.465	107%
— adjusted		**0.311**	0.415	-25%
Equity attributable to owners of the Company	(HK$M)	**31,158.7**	26,599.8	17%
Net borrowings	(HK$M)	**7,663.5**	6,689.8	15%
Net asset value per share *(Note 3)*	(HK$)	**51.410**	43.965	17%
Share price as at 31 July *(Note 3)*	(HK$)	**13.420**	14.500	-7%
Price earnings ratio	(times)			
— as reported		**1.9**	4.2	
— adjusted		**43.2**	34.9	
Market capitalisation as at 31 July	(HK$M)	**8,133.5**	8,772.9	-7%
Return on shareholders' equity	(%)			
— as reported		**14%**	8%	
— adjusted		**1%**	1%	
Dividend per share *(Note 4)*	(HK$)	**0.108**	0.100	
Dividend yield	(%)	**1%**	1%	
Gearing — net debt to equity	(%)	**25%**	25%	
Interest cover *(Note 5)*	(times)			
— as reported		**13.0**	7.1	
— adjusted		**0.6**	0.9	
EBITDA *(Note 6)*/Interest expenses	(times)	**1.6**	2.3	
Current ratio	(times)	**2.2**	1.1	
Discount to net asset value	(%)	**74%**	67%	

Note 1: excluding the effect of property revaluations and non-recurring transactions (if applicable) including reversal of provision for tax indemnity, loss on deemed disposal of interest in eSun and discount on acquisition of additional interest in eSun.

Note 2: adjustment has been made to the weighted average number of issued shares of the Company for the year ended 31 July 2017 due to the Share Consolidation of the Company being effective on 15 August 2017.

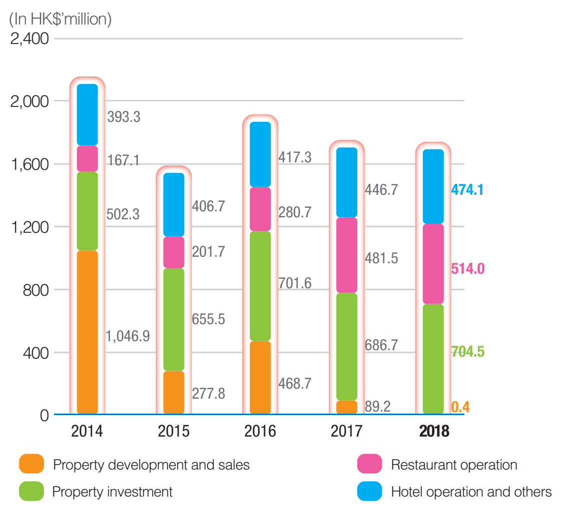
Note 3: adjustment has been made to the number of issued shares and stock price of the Company as at 31 July 2017 due to the Share Consolidation of the Company being effective on 15 August 2017.

Note 4: adjustment has been made to the dividend per share figure for the year ended 31 July 2017 due to the Share Consolidation of the Company being effective on 15 August 2017.

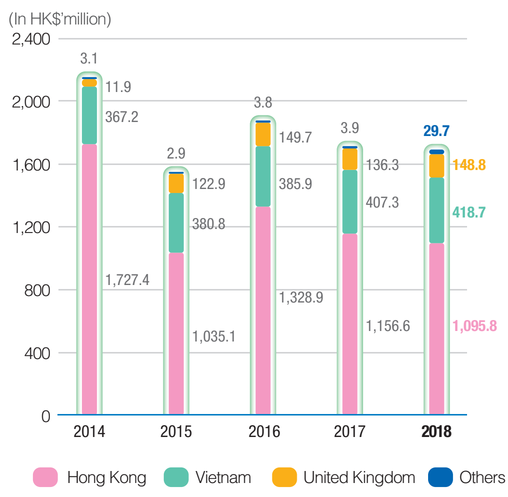
Note 5: calculated as profit attributable to owners of the Company over cash interest expenses.

Note 6: EBITDA = Operating profit — Property revaluation gain/loss + Depreciation + Amortisation.

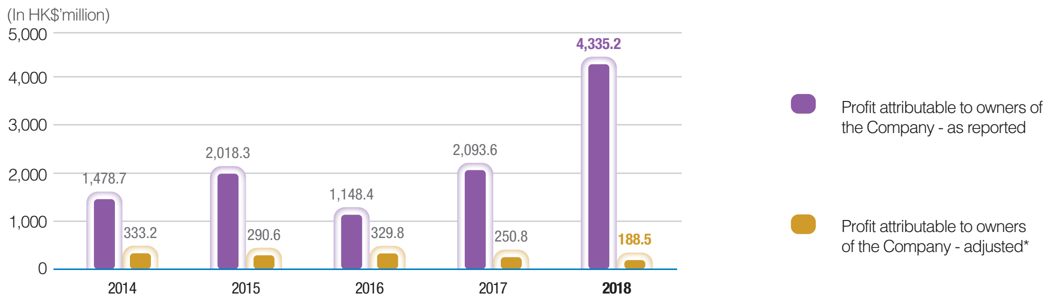
Turnover by Segment



Turnover by Geographical Location

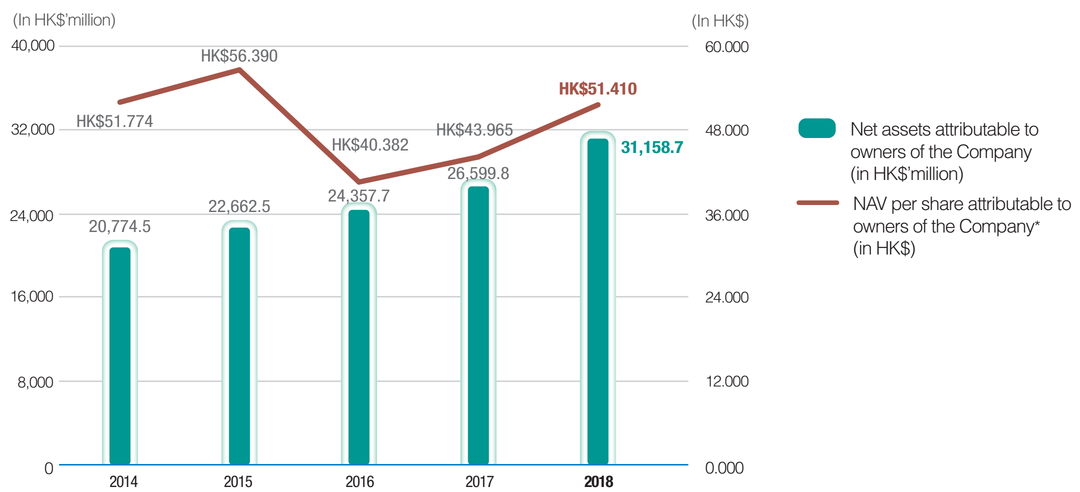


Profit attributable to owners of the Company



* *excluding the effect of property revaluations and non-recurring transactions (if applicable) including reversal of provision for tax indemnity, employee share option benefices, loss on deemed disposal of interest in eSun and discount on acquisition of additional interest in eSun.*

Net Assets & Net Asset Value ("NAV") per share attributable to owners of the Company



* *Adjustment has been made to the number of issued shares of the Company as at 31 July 2017 due to the Share Consolidation of the Company being effective on 15 August 2017.*

Property Portfolio Composition

As at 31 July 2018, the Group maintained a property portfolio with attributable GFA of approximately 2.7 million square feet. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces is as follows:

	Commercial/ Retail	Office	Industrial	Residential	Hotel	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Completed Properties Held for Rental[1]	536	1,067	64	—	—	1,667[2]	1,027
Completed Hotel Properties	—	—	—	—	98	98	—
Properties Under Development	80	—	—	421	366	867	196
Completed Properties Held for Sale	27	—	—	7	—	34	10
Total GFA of major properties of the Group	**643**	**1,067**	**64**	**428**	**464**	**2,666**	**1,233**

1. *Completed and rental generating properties*
2. *Including attributable GFA of 8 Observatory Road, Kowloon, Hong Kong that were disposed by the Group in July 2018, the completion of which is expected to be in March 2019.*

The above table does not include GFA of properties held by Lai Fung.

Property Investment

Rental Income

During the year under review, the Group's rental operations recorded a turnover of HK$704.5 million (2017: HK$686.7 million), representing a 2.6% increase over last year.

Property Investment (continued)

Rental Income (continued)

The Group wholly owns three major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. Performance of the Group's 50:50 joint venture with China Construction Bank Corporation ("**CCB**") in Central, Hong Kong and the 50:50 joint venture with Henderson Land Development Company Limited ("**Henderson Land**") at 8 Observatory Road, Kowloon is recognised as "Share of profits and losses of joint ventures" in the consolidated income statement. Breakdown of rental turnover by major investment properties is as follows:

	For the year ended 31 July			
	2018 HK$ million	2017 HK$ million	% Change	Year end occupancy (%)
Hong Kong				
Cheung Sha Wan Plaza (including car-parking spaces)	**311.9**	302.1	3.2	96.3
Causeway Bay Plaza 2 (including car-parking spaces)	**181.1**	181.4	-0.2	98.8
Lai Sun Commercial Centre (including car-parking spaces)	**49.9**	54.6	-8.6	84.1
Others	**12.8**	12.3	4.1	
Subtotal:	**555.7**	550.4	1.0	
London, United Kingdom				
36 Queen Street#	**24.1**	23.1	4.3	100.0
107 Leadenhall Street	**55.6**	45.6	21.9	100.0
100 Leadenhall Street	**62.8**	61.9	1.5	100.0
106 Leadenhall Street	**6.3**	5.7	10.5	100.0
Subtotal:	**148.8**	136.3	9.2	
Total:	**704.5**	686.7	2.6	
Rental proceeds from joint venture projects				
Hong Kong				
CCB Tower## (50% basis)	**135.2**	122.4	10.5	100.0
8 Observatory Road### (50% basis)	**52.4**	55.0	-4.7	94.9
Total:	**187.6**	177.4	5.7	

\# *36 Queen Street was disposed by the Group in July 2018 and the transaction was completed in July 2018.*

\## *CCB Tower is a joint venture project with CCB in which each of the Group and CCB has an effective 50% interest. For the year ended 31 July 2018, the rental proceeds recorded by the joint venture is HK$270.4 million (2017: HK$244.8 million).*

\### *8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the year ended 31 July 2018, the rental proceeds recorded by the joint venture is HK$104.8 million (2017: HK$110.0 million). The Group disposed its 50% interest in this property in July 2018 and the completion is expected to be in March 2019.*

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 2018			For the year ended 31 July 2017		
	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Hong Kong						
Cheung Sha Wan Plaza	100%			100%		
Commercial		162.6	233,807		159.7	233,807
Office		129.6	409,896		124.7	409,896
Car-parking spaces		19.7	N/A		17.7	N/A
Subtotal:		311.9	643,703		302.1	643,703
Causeway Bay Plaza 2	100%			100%		
Commercial		120.5	109,770		124.1	109,770
Office		55.6	96,268		52.3	96,268
Car-parking spaces		5.0	N/A		5.0	N/A
Subtotal:		181.1	206,038		181.4	206,038
Lai Sun Commercial Centre	100%			100%		
Commercial		23.9	95,063		27.5	95,063
Office		7.2	74,181		9.2	74,181
Car-parking spaces		18.8	N/A		17.9	N/A
Subtotal:		49.9	169,244		54.6	169,244
Others		12.8	63,592*		12.3	63,592*
Subtotal:		555.7	1,082,577*		550.4	1,082,577*
London, United Kingdom						
36 Queen Street**	100%			100%		
Office		24.1	60,816		23.1	60,816
107 Leadenhall Street	100%			100%		
Commercial		4.4	48,182		4.6	48,149
Office		51.2	98,424		41.0	98,457
Subtotal:		55.6	146,606		45.6	146,606
100 Leadenhall Street	100%			100%		
Office		62.8	177,700		61.9	177,700
106 Leadenhall Street	100%			100%		
Commercial		1.2	3,540		1.2	4,404
Office		5.1	16,384		4.5	15,518
Subtotal:		6.3	19,924		5.7	19,922
Subtotal:		148.8	405,046		136.3	405,044
Total:		704.5	1,487,623*		686.7	1,487,621*

Property Investment (continued)

Rental Income (continued)

	For the year ended 31 July 2018			For the year ended 31 July 2017		
	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Joint Venture Projects						
Hong Kong						
CCB Tower## (50% basis)	**50%**			50%		
Office		**134.6**	**114,603*** **		121.9	114,555***
Car-parking spaces		**0.6**	**N/A**		0.5	N/A
Subtotal:		**135.2**	**114,603*** **		122.4	114,555***
8 Observatory Road### (50% basis)	**50%**			50%		
Commercial		**41.5**	**45,312#**		44.4	45,312#
Office		**8.5**	**37,273#**		8.3	37,273#
Car-parking spaces		**2.4**	**N/A**		2.3	N/A
Subtotal:		**52.4**	**82,585#**		55.0	82,585#
Total:		**187.6**	**197,188**		177.4	197,140

* *Excluding 10% interest in AIA Central.*

** *36 Queen Street was disposed by the Group in July 2018 and the transaction was completed in July 2018.*

*** *Referring to GFA attributable to the Group. The total GFA of CCB Tower is 229,206 square feet.*

\# *Referring to GFA attributable to the Group. The total GFA of 8 Observatory Road is 165,170 square feet.*

\## *CCB Tower is a joint venture project with CCB in which each of the Group and CCB has an effective 50% interest. For the year ended 31 July 2018, the rental proceeds recorded by the joint venture is HK$270.4 million (2017: HK$244.8 million).*

\### *8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the year ended 31 July 2018, the rental proceeds recorded by the joint venture is HK$104.8 million (2017: HK$110.0 million). The Group disposed its 50% interest in this property in July 2018 and the completion is expected to be in March 2019.*

The average Sterling exchange rate for the year under review appreciated by approximately 6.9% compared with the last year. Excluding the effect of currency translation, the Sterling denominated turnover from London properties increased by 2.2% during the year under review. Breakdown of rental turnover of London portfolio for the year ended 31 July 2018 is as follows:

	2018 HK$'000	2017 HK$'000	% Change	**2018 GBP'000**	2017 GBP'000	% Change
36 Queen Street	**24,092**	23,119	4.2	**2,275**	2,333	-2.5
107 Leadenhall Street	**55,627**	45,581	22.0	**5,253**	4,599	14.2
100 Leadenhall Street	**62,826**	61,938	1.4	**5,933**	6,250	-5.1
106 Leadenhall Street	**6,304**	5,666	11.3	**595**	572	4.0
Total:	**148,849**	136,304	9.2	**14,056**	13,754	2.2

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties

Hong Kong Properties

Cheung Sha Wan Plaza
The asset comprises of a 8-storey and a 7-storey office towers erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of 643,703 square feet (excluding car-parking spaces). The arcade is positioned to serve the local communities nearby with major banks and recognised restaurants chains as the key tenants.

Causeway Bay Plaza 2
The asset comprises of a 28-storey commercial/office building with car-parking facilities at basement levels which was completed in 1992. It is located at the heart of Causeway Bay with a total GFA of 206,038 square feet (excluding car-parking spaces). Key tenants include a HSBC branch and commercial offices and major restaurants.

Lai Sun Commercial Centre
The asset comprises a 13-storey commercial/carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of 169,244 square feet (excluding car-parking spaces).


Causeway Bay Plaza 2


Cheung Sha Wan Plaza


Lai Sun Commercial Centre

Property Investment (continued)

Review of major investment properties (continued)

Hong Kong Properties (continued)

CCB Tower
The Group has a 50:50 interest with CCB in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This 27-storey office tower is a landmark property in Central featuring underground access to the Central MTR station. The property has a total GFA of 229,206 square feet (excluding car-parking spaces). CCB Tower was completed in 2012 and added 114,603 square feet of attributable GFA to the rental portfolio of the Group. CCB Tower is now fully leased out with 20 floors of the office floors and 2 banking hall floors leased to CCB for its Hong Kong operations.

8 Observatory Road
The Group has a 50:50 interest with Henderson Land in this joint development project at Observatory Road, Kowloon. The property is a 19-storey commercial building with a total GFA of 165,170 square feet (excluding car-parking spaces). The Group disposed its 50% interest in this property in July 2018 and the completion is expected to be in March 2019.

AIA Central
The Group has 10% interest in AIA Central which is situated in the central business district of Hong Kong and commands spectacular views over Victoria Harbour, to Kowloon Peninsula to the north, and across Charter Garden and The Peak to the south. This 38-storey office tower provides prime office space with a total GFA of approximately 428,962 square feet (excluding car-parking spaces).


8 Observatory Road


CCB Tower


AIA Central

Property Investment (continued)

Review of major investment properties (continued)

Overseas Properties

107 Leadenhall Street, London EC3, United Kingdom
In April 2014, the Group acquired a property located at the core of the insurance district in the City of London, surrounded by 30 St Mary Axe (commonly known as the Gherkin), Lloyd's of London and the Willis Building at 51 Lime Street. It is a freehold commercial property housing commercial, offices and retail space. The building comprises 146,606 square feet gross internal area of office accommodation extending over basement, ground, mezzanine and seven upper floors. The building is currently fully leased out.

100 Leadenhall Street, London EC3, United Kingdom
Following the acquisition of 107 Leadenhall Street in April 2014, the Group announced the acquisition of 100 Leadenhall Street in November 2014 which was completed in January 2015. This property comprises a basement, a lower ground floor, ground floor and nine upper floors and provides 177,700 square feet gross internal area of offices and ancillary accommodation. The property is currently fully let to Chubb Market Company Limited.

106 Leadenhall Street, London EC3, United Kingdom
In December 2015, the Group acquired the property located adjacent to 100 and 107 Leadenhall Street, namely 106 Leadenhall Street, which is a multi-tenanted asset with approximately 19,924 square feet gross internal area of commercial and offices including ancillary space. The property is currently fully leased out.

The City of London's Planning and Transportation Committee has approved a resolution to grant Planning Consent to the Group to redevelop the Leadenhall Properties. The Leadenhall Properties currently have a combined GFA of approximately 344,230 square feet. The Planning Consent would allow the Group to redevelop the Leadenhall Properties into a 56 storey tower with i) approximately 1,068,510 square feet gross internal area of office space as well as new retail space of approximately 8,730 square feet; ii) a free, public viewing gallery of approximately 19,967 square feet at levels 55 and 56 of the building which offers 360 degree views across London; and iii) new pedestrian routes between Leadenhall Street, Bury Street and St Mary Axe, and new public spaces around the base of the building. The total gross internal area of the proposed tower is expected to be approximately 1,275,642 square feet including ancillary facilities upon completion. All leases of the Leadenhall Properties have been aligned to expire in 2023. The Group will continue to monitor the market conditions in London closely.


107 Leadenhall Street, London


100 Leadenhall Street, London


106 Leadenhall Street, London

Property Development

For the year ended 31 July 2018, recognised turnover from sales of properties was HK$0.4 million (2017: HK$89.2 million).

Review of major projects for sale

339 Tai Hang Road, Hong Kong

The Group wholly owns the development project located at 339 Tai Hang Road, Hong Kong. The development project is a luxury residential property with a total GFA of approximately 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is approximately HK$670 million. Up to the date of this Annual Report, 8 out of 9 units of this project have been sold.

Ocean One, 6 Shung Shun Street, Yau Tong

The Group wholly owns this development project, namely "Ocean One" located at No. 6 Shung Shun Street, Yau Tong, Kowloon. This property is a residential-cum-commercial property with a total GFA of about 122,000 square feet (excluding car-parking spaces) or 124 residential units and 2 commercial units. All units have been sold other than 2 shops and 7 car-parking spaces.

Review of major projects under development

Hong Kong Ocean Park Marriott Hotel

The Group was named the most preferred proponent by Ocean Park for the Ocean Hotel project in October 2013 and was officially awarded the project in May 2014. The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and add 365,974 square feet of attributable rental space to the existing rental portfolio of the Group of approximately 1.8 million square feet. The total development cost is estimated to be approximately HK$4.4 billion. Its construction was completed in March 2018 and the hotel license was issued by the Hotel and Guesthouse Accommodation Authority in October 2018. The soft opening has been scheduled on 29 October 2018.

Hong Kong Ocean Park Marriott Hotel

Property Development (continued)

Review of major projects under development (continued)

Alto Residences

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has an area of 229,338 square feet with a total GFA of 573,268 square feet split into 458,874 square feet for residential use and 114,394 square feet for commercial use. Construction has been completed with the Occupation Permit issued by the Buildings Department in May 2018. The Certificate of Compliance was issued by the Lands Department in September 2018. Handover of the pre-sold units is in progress.

This project providing 605 flats, including 23 detached houses was named "Alto Residences" and was launched for pre-sale in October 2016. Up to 14 October 2018, the Group has pre-sold 541 units in Alto Residences with saleable area of approximately 304,700 square feet at an average selling price of approximately HK$15,700 per square foot.

93 Pau Chung Street

In April 2014, the Group was successful in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority in Ma Tau Kok, Kowloon, Hong Kong. The lot has an area of 12,599 square feet with a total GFA of 111,354 square feet split into 94,486 square feet for residential use and 16,868 square feet for commercial use. The total development cost is estimated to be approximately HK$1 billion. The construction was completed with the Occupation Permit issued by the Buildings Department in July 2018. As of the date of this Annual Report, the application for the Certificate of Compliance from the Lands Department is in progress.

This project was named "93 Pau Chung Street" and launched for pre-sale in September 2016. The pre-sale of 209 residential units has been completed, achieving an average selling price of approximately HK$16,400 per square foot. The Group released the commercial units of 93 Pau Chung Street for sale in July 2018. Up to 14 October 2018, 5 out of 7 commercial units with saleable area of approximately 14,000 square feet have been pre-sold and the average selling price was approximately HK$23,000 per square foot.


Alto Residences


93 Pau Chung Street

Property Development (continued)

Review of major projects under development (continued)

Novi

On 16 May 2016, the Group has completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Sham Shui Po, Kowloon. The site comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet. It is planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,851 square feet. The total development cost is expected to be approximately HK$0.4 billion and construction is expected to be completed in the third quarter of 2019.

This project was named "Novi" and launched for pre-sale in July 2017, offering 138 flats in total, including studios, one and two-bedroom units. Up to 14 October 2018, the Group has pre-sold 137 units in this project with saleable area of approximately 28,500 square feet at an average selling price of HK$18,800 per square foot.

Monti

The Group was successful in September 2015 in its bid for the development rights to the Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. The project site covers an area of 7,642 square feet. Upon completion, it is planned to provide about 144 residential units with a total residential GFA of 59,799 square feet. The total development cost is estimated to be approximately HK$0.9 billion and construction is expected to be completed in the third quarter of 2019.

This project was named "Monti" and launched for pre-sale in August 2018. Up to 14 October 2018, the Group has pre-sold 10 units in Monti with saleable area of approximately 3,160 square feet at an average selling price of approximately HK$21,200 per square foot.

Novi

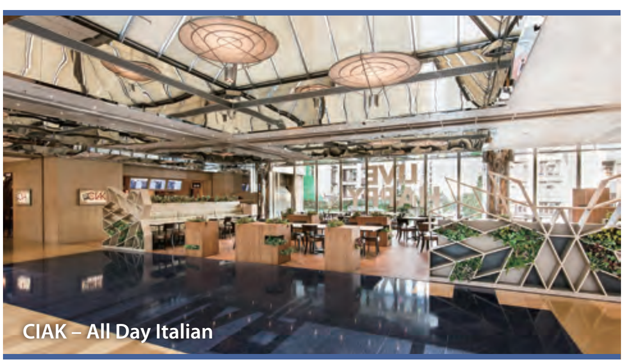
Monti

Restaurant Operations

For the year ended 31 July 2018, restaurant operations contributed HK$514.0 million to the Group's turnover (2017: HK$481.5 million), representing an increase of approximately 6.7% from last year.

Up to the date of this Annual Report, restaurant operations include the Group's interests in 17 restaurants in Hong Kong and mainland China and 2 restaurants in Macau and Las Vegas under management.

Cuisine	Restaurant	Location	Attributable interest to the Group	Award
Owned restaurants				
Western Cuisine	8½ Otto e Mezzo BOMBANA Hong Kong	Hong Kong	37%	Three Michelin stars (2012-2018)
	8½ Otto e Mezzo BOMBANA Shanghai	Shanghai	13%	Two Michelin stars (2017-2018)
	Opera BOMBANA	Beijing	20%	
	CIAK – In The Kitchen	Hong Kong	62%	One Michelin star (2015-2017)
	CIAK – All Day Italian	Hong Kong	67%	Michelin Bib Gourmand (2017-2018)
	Beefbar	Hong Kong	62%	One Michelin star (2017-2018)
	Grubers	Hong Kong	34%	
Asian Cuisine	China Tang Landmark	Hong Kong	50%	
	China Tang Harbour City	Hong Kong	60%	
	Howard's Gourmet	Hong Kong	50%	
	Beijing Howard's Gourmet	Beijing	67%	
	Chiu Tang Central	Hong Kong	67%	
	Old Bazaar Kitchen	Hong Kong	63%	
	Sun's Bazaar	Hong Kong	67%	
Japanese Cuisine	Kaiseki Den by Saotome (formally known as "Wagyu Kaiseki Den")	Hong Kong	59%	One Michelin star (2010-2018)
	Takumi by Daisuke Mori (formally known as "Wagyu Takumi")	Hong Kong	63%	One Michelin star (2017-2018)
	Sushi Masataka (formally known as "Rozan")	Hong Kong	63%	
Managed restaurants				
Western Cuisine	8$^{1/2}$ Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2018)
Asian Cuisine	China Tang Las Vegas	Las Vegas	N/A	


CIAK – All Day Italian

CIAK-In The Kitchen

Hotel Operations

Turnover from hotel operations was mainly derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam. For the year ended 31 July 2018, the hotel operation contributed HK$424.0 million to the Group's turnover (2017: HK$412.3 million).

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Vietnam. It is an elegant 24-storey tower with a mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge and a specially equipped room for the disabled. Total GFA attributable to the Group is 98,376 square feet.

The Group was awarded the hotel tender at Ocean Park in May 2014 and the Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms upon its soft opening on 29 October 2018. The Group is optimistic about the prospects of the Ocean Hotel project given the strong popularity of Ocean Park, which is underpinned by robust growth in visitor numbers to Hong Kong coinciding with its expansion.

The hotel operation team has extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries. The division's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou, Zhongshan and Hengqin. The hotel division manages Lai Fung's serviced apartments in Shanghai and Zhongshan under the "STARR" brand. STARR Resort Residence Zhongshan soft opened in August 2013 and comprises two 16-storey blocks with 90 fully furnished serviced apartment units located in the Palm Lifestyle complex in Zhongshan Western district at Cui Sha Road, opposite to the new Zhongshan traditional Chinese medical centre. STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel with 239 fully furnished and equipped hotel units with kitchenette 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.


Howard's Gourmet


China Tang Harbour City


Beefbar


Old Bazaar Kitchen

Liquidity and Financial Resources

As at 31 July 2018, cash and bank balances and undrawn facilities held by the Group amounted to HK$4,339.8 million and HK$1,554.7 million, respectively. The Group's sources of funding comprise mainly internal funds generated from the Group's business operations, loan facilities provided by banks and guaranteed notes issued to investors.

As at 31 July 2018, the Group had bank borrowings of approximately HK$8,884.7 million and guaranteed notes of approximately HK$3,118.6 million. The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings and guaranteed notes less the pledged and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company, was approximately 24.6%. The Group's gearing excluding the net debt of the London portfolio all of which had a positive carry net of financing costs was approximately 21.6%. As at 31 July 2018, the maturity profile of the bank borrowings of HK$8,884.7 million was spread over a period of less than 5 years with HK$1,186.3 million repayable within 1 year, HK$4,392.4 million repayable in the second year and HK$3,306.0 million repayable in the third to fifth years. Approximate 74% and 26% of the Group's borrowings carried interest on a floating rate basis and fixed rate basis, respectively.

On 13 September 2017, the Group issued guaranteed notes in an aggregate principal amount of US$400 million ("**2017 Notes**"). The 2017 Notes are guaranteed by the Company, have a term of five years and bear a fixed interest rate of 4.6% per annum with interest payable semi-annually in arrears. The net proceeds from the offering of the 2017 Notes are approximately US$397 million. Apart from refinancing the guaranteed notes of US$350 million issued in 2013, the proceeds would be used for general corporate purposes. In September 2017, the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from the 2017 Notes.

As at 31 July 2018, certain investment properties with carrying amounts of approximately HK$18,090.3 million, certain property, plant and equipment with carrying amounts of approximately HK$4,706.8 million, certain property under development for sale of approximately HK$667.7 million, and certain bank balances and time deposits with banks of approximately HK$381.4 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure banking facilities granted to joint ventures of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

Takumi by Daisuke Mori


Kaiseki Den by Saotome

Liquidity and Financial Resources (continued)

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars and United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has investments in United Kingdom with the assets and liabilities denominated in Pounds Sterling. These investments were primarily financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi, Malaysian Ringgit and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the additional need arise.

Contingent liabilities

Details of contingent liabilities of the Group at the end of the reporting period are set out in note 37 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2018, the Group employed a total of approximately 1,900 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Sun's Bazaar

Chiu Tang Central

Summary of Financial Information

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

Results

	Year ended 31 July				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**1,693,010**	1,704,080	1,868,334	1,541,686	2,109,647
PROFIT BEFORE TAX	**4,420,873**	2,203,563	1,237,457	2,127,891	1,602,137
Tax	**(49,984)**	(76,450)	(57,691)	(79,397)	(90,489)
PROFIT FOR THE YEAR	**4,370,889**	2,127,113	1,179,766	2,048,494	1,511,648
Attributable to:					
Owners of the Company	**4,335,202**	2,093,572	1,148,390	2,018,262	1,478,730
Non-controlling interests	**35,687**	33,541	31,376	30,232	32,918
	4,370,889	2,127,113	1,179,766	2,048,494	1,511,648

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 July				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Property, plant and equipment	**5,276,957**	4,034,466	2,983,985	2,380,267	554,635
Prepaid land lease payments	**18,846**	19,873	20,901	21,928	22,955
Investment properties	**18,356,990**	16,447,014	15,147,376	15,236,780	12,669,295
Properties under development for sale (classified as non-current assets)	**932,978**	1,571,635	1,322,403	653,845	109,158
Goodwill	**235,778**	5,161	5,161	—	—
Intangible assets	**120,306**	—	—	—	—
Interests in associates	**3,596,585**	3,555,876	3,660,835	3,930,309	3,841,870
Interests in joint ventures	**7,272,859**	7,224,183	6,754,353	5,937,793	6,018,543
Available-for-sale financial assets	**2,162,254**	1,589,670	1,382,026	1,215,485	1,232,466
Derivative financial instruments	**6,171**	—	—	—	—
Deposits paid and other receivables	**341,204**	231,868	181,062	141,968	727,468
Deferred tax assets	**34,534**	—	—	—	—
Loans to related companies	**650,000**	—	—	—	—
Pledged bank balances and time deposits (classified as non-current assets)	**82,909**	69,675	216,241	—	138,049
Current assets	**7,614,561**	3,691,570	2,879,098	2,088,503	2,648,408
TOTAL ASSETS	**46,702,932**	38,440,991	34,553,441	31,606,878	27,962,847
Current liabilities	**(3,457,150)**	(3,459,879)	(719,579)	(1,592,678)	(849,356)
Bank borrowings (classified as non-current liabilities)	**(7,698,454)**	(6,748,399)	(5,275,720)	(3,270,608)	(2,274,414)
Guaranteed notes (classified as non-current liabilities)	**(3,118,594)**	—	(2,709,227)	(2,703,324)	(2,698,122)
Deferred tax liabilities	**(176,044)**	(141,291)	(127,891)	(121,020)	(111,620)
Provision for tax indemnity	**—**	(93,000)	(729,387)	(729,387)	(729,387)
Long term deposits received and other payables	**(634,009)**	(893,883)	(99,787)	(86,287)	(75,453)
TOTAL LIABILITIES	**(15,084,251)**	(11,336,452)	(9,661,591)	(8,503,304)	(6,738,352)
NON-CONTROLLING INTERESTS	**(459,988)**	(504,749)	(534,115)	(441,031)	(449,947)
NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**31,158,693**	26,599,790	24,357,735	22,662,543	20,774,548

Particulars of Major Properties

Completed Properties Held for Rental

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Office	Industrial	Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
Hong Kong properties								
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	233,807	409,896	–	643,703	355
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D,E,G,H,K,L,M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	109,770	96,268	–	206,038	57
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	95,063	74,181	–	169,244	538
CCB Tower	3 Connaught Road Central,Hong Kong (Inland Lot No. 8736)	50%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	–	114,603	–	114,603	19
8 Observatory Road	2,4,6,8,10 and 12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong (Inland Lot No. 11231)	50%	The property is held for a term of 50 years commencing on 10 January 2014	45,312	37,273	–	82,585	30
Wyler Centre, Phase II (20/F and 27/F and car-parking spaces nos. 17, 18 and 59 on 2/F)	192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	–	–	47,932	47,932	3
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	–	42,896	–	42,896	6
Metropolitan Factory and Warehouse Building (Units A and B on 10/F and car-parking space nos. 1, 2, 13 and 14 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	–	–	11,370	11,370	4
Luen Fat Loong Factory Building (4/F)	19 Cheung Lee Street, Chai Wan, Hong Kong	100%	The property is held for a term of 75 years commencing on 4 November 1963 renewable for a further term of 75 years	–	–	4,290	4,290	–
			Subtotal of Hong Kong properties held for rental:	**483,952**	**775,117**	**63,592**	**1,322,661**	**1,012**
Overseas Properties								
107 Leadenhall Street London *(Note 1)*	107 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	48,182	98,424	–	146,606	–
100 Leadenhall Street London *(Note 1)*	100 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	–	177,700	–	177,700	15
106 Leadenhall Street London *(Note 1)*	106 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	3,540	16,384	–	19,924	–
			Subtotal of overseas properties held for rental:	**51,722**	**292,508**	**–**	**344,230**	**15**
			Total of completed properties held for rental:	**535,674**	**1,067,625**	**63,592**	**1,666,891**	**1,027**

Note 1: Gross internal area

Completed Hotel Property

Hotel Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet) Hotel	No. of car-parking spaces attributable to the Group
Caravelle Hotel	19 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	26.01%	The property is held under a land use right due to expire on 8 October 2040	98,376	—

Properties Under Development

Location	Stage of construction	Group interest	Site Area (approximate square feet) *(Note 1)*	Expected completion date	Approximate Attributable Gross Floor Area (square feet)				No. of car-parking spaces attributable to the Group
					Commercial/ Retail	Hotel	Residential	Total (excluding carpark & ancillary facilities)	
Hong Kong Ocean Park Marriott Hotel, Hong Kong	Superstructure works completed	100%	183,460	*Note 2*	—	365,974	—	365,974	16
Alto Residences, Area 68A2, 29 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong	Superstructure works completed	50%	229,338	*Note 3*	57,197	—	229,437	286,634	150
93 Pau Chung Street, 20-32 San Shan Road and 93 Pau Chung Street, Ma Tau Kok, Kowloon, Hong Kong	Superstructure works completed	100%	12,599	*Note 4*	16,868	—	94,486	111,354	22
Monti, 9-11 and 15 Sai Wan Ho Street, Shau Kei Wan, Hong Kong	Superstructure works in progress	100%	7,642	Q3 2019	—	—	59,799	59,799	8
Novi, 48-56 Ki Lung Street, Kowloon, Hong Kong	Superstructure works in progress	100%	5,054	Q3 2019	5,196	—	37,655	42,851	—
Total of properties under development:					**79,261**	**365,974**	**421,377**	**866,612**	**196**

Note 1: On project basis.
Note 2: Construction works have been completed and the hotel license was issued by the Hotel and Guesthouse Accommodation Authority in October 2018. The soft opening has been scheduled on 29 October 2018.
Note 3: Construction works have been completed with the Occupation Permit issued by the Buildings Department in May 2018 and the Certificate of Compliance was issued by the Lands Department in September 2018.
Note 4: Construction works have been completed with the Occupation Permit issued by the Buildings Department in July 2018. As at the date of this Annual Report, the application of the Certificate of Compliance from the Lands Department is in progress.

Completed Properties Held for Sale

Property Name	Location	Group interest	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
			Commercial/ Retail	Residential	Total (excluding carpark & ancillary facilities)	
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	27,306	—	27,306	7
339 Tai Hang Road	335-339 Tai Hang Road, Hong Kong	100%	—	6,458	6,458	3
Total of completed properties held for sale:			**27,306**	**6,458**	**33,764**	**10**

About the Report

The Company is delighted to present its second 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 2017 to 31 July 2018. This report has been approved and confirmed by the management team and by the Board.

ESG Governance

The scope of the following report is drafted with reference to the businesses relevant to our corporate structure. Due to the diversified nature of our businesses, separate management teams with expertise in the environmental, health and safety issues of each business sector will oversee the formulation of ESG policies and procedures and review relevant ESG risks for that business sector.

Stakeholder Engagement

In addition to utilising the regular communication channels during our daily operations, we have previously 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 affect our businesses and stakeholders, we have identified the two most material issues in each sector of our business which we have paid additional focus on. Materiality of these issues are identified through stakeholder engagement exercises, management reviews and industry analysis.

Materiality Analysis (continued)

There are no material changes in the Group's business operations during the reporting year and we continue to adopt the material issues previously identified. Issues which are considered more material are indicated in the following table:

ESG Aspects		ESG Issues	Property	Food & Beverage and Hotel Business
Environmental		Emissions		
		Use of resources	✓	✓
		Environment and natural resources	✓	✓
Social	Employment and labour standards	Employment	✓	
		Health and safety		✓
		Development and training		
		Labour standards	✓	✓
	Operating practices	Supply chain management		
		Product responsibility	✓	✓
		Intellectual property		
		Anti-corruption	✓	✓
	Community	Community investment	✓	✓

Overall Environmental Management Approach

We endeavour 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. During the reporting year, we have no recordable non-compliance cases in relevant laws and regulations, as illustrated in the below sections.

Overall Environmental Management Approach (continued)

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 minimizing emissions at source. This approach is adopted at Group level and to all business sectors.

Policies and Initiatives in Property Businesses

During property development phases, emissions such as air pollutant, waste water, construction waste 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. There is no non-compliance cases in Cap 311 Air Pollution Control Ordinance, Cap 358 Water Pollution Control Ordinance and Cap 354 Waste Disposal Ordinance during the reporting year. Various procedures are carried out at construction sites with the objective to mitigate emissions generated on site. For example, dust is a significant pollutant involved during construction. The Company requires contractors to implement dust abatement procedures in material handling and vehicle movement in order to minimise air quality impact. The use of ultra-low sulphur diesel (ULSD) is encouraged to reduce the emission of sulphur dioxide from construction work. Building materials with lower volatile organic compounds (VOCs) will be selected where feasible and all materials used will be within the limit stipulated in the Air Pollutions Control (Volatile Organic Compounds) Regulation.

New projects developed are designed and planned with reference to "BEAM Plus for New Buildings Version 1.2". Selected contractors will submit relevant Environmental Management Plan (EMP), where environmental risk and mitigation measurements are identified and addressed. Environmental issues of each development project such as air pollution, noise pollution, wastewater pollution and waste disposal will be considered in design stage and managed in construction stage to ensure the compliance with relevant environmental laws and regulations.

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, restaurants, and properties. Where feasible, we support the reuse of resources in our operations while non-recyclable waste will be managed by qualified waste management companies. Electronic waste or other hazardous waste will be managed as per local requirements.

Overall Environmental Management Approach (continued)

Waste Management (continued)

Policies and Initiatives in Property Businesses

During the construction phase of each of our projects, we ensure that relevant waste management procedures are in place and are in compliance with Cap 354 Waste Disposal Ordinance and other relevant laws and regulations. For example, we request contractors to provide us with a written waste disposal plan and waste management procedures in order to clarify on management procedures of waste generated during the process. 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 is disposed of by licensed contractors.

At our construction sites, if possible, inert waste (including but not limited to rock, soil and sand) would be sorted for further use as sub-base and excavated soil would be used for backfilling. Dry concrete would be sorted out for recycling into aggregates for concrete production, to reduce waste disposal. Wooden boards would be reused subject to the reusability of the wooden boards. Three-color recycling bin, if appropriate, would be available on site for other recyclable material and to be collected by recycle companies. The rest of the waste would be sent to landfill operated by the Hong Kong Environmental Protection Department with a registered billing account or with the required waste disposal permit.

With regard to the management of chemical waste, all construction projects would be registered with the Environmental Protection Department as a chemical waste producer, as required by the Waste Disposal (Chemical Waste) (General) Regulation. Mitigation measures are implemented to minimise the generation of chemical waste on site. Solid waste such as empty chemical cans and contaminated soil and liquid chemical wastes are handled properly in accordance with the Code of Practice on the packaging, labelling and storage of chemical wastes. Licensed chemical waste collectors and specialist contractors are employed to collect and dispose chemical waste at all work areas and storage areas.

Policies and Initiatives in Food & Beverage and Hotel Business

We seek to minimise food waste generated during food production processes through suitable stocking of perishable food products. In essence, we reduce food waste through conscious control at source. Food waste which are not recyclable will be managed by authorised contractors for disposal. Food donation are also practised to relieve the pressure on landfill.

All production, storage, collection and disposal of waste incurred in the Company are well managed to be in compliance with Cap 354 Waste Disposal Ordinance.

Overall Environmental Management Approach (continued)

Resources Management and Conservation

We encourage all businesses 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 and across all business sectors.

Policies and Initiatives in Property Business

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. Monthly monitoring on 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 to achieve higher energy efficiency. Similarly, we would continually review the energy 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 across all the business sectors of our Group, we seek to minimise our businesses' negative impact to the environment.

Policies and Initiatives in Property Business

The Company is aware of the possible impact of construction projects on natural resources and the surrounding environment. We endeavour to incorporate green building elements in new building where feasible. We make reference to the "BEAM Plus for New Buildings Version 1.2" for all of our news 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.

As an evidence of our consideration of environmental related measures mentioned in the chapter above, one of our projects at 8 Observatory Road in Tsim Sha Tsui, is a certified green building with Final Silver rating in BEAM Plus New Building Version 1.1 scheme.

Policies and Initiatives in Food & Beverage and Hotel Business

The Company will seek to use responsible food sources for selected restaurant outlets to support the conservation of biodiversity. For example, the Hong Kong Ocean Park Marriott Hotel project team has been exploring into options of using seafood which aligns with responsible food sourcing principles. We have entered into discussions with groups with relevant expertise in our early hotel operation planning stages to implement the procurement procedures for responsible food sourcing.

Overall Approach on Employment

Employment

We are an equal opportunity employer and do not discriminate on the basis of personal characteristics. The Company have outlined relevant terms and conditions of employment in our Staff Handbook with reference to relevant employment ordinances. The Company has signed the Good Employer Charter of the Labour Department as a commitment to be employee-oriented and to adopt progressive human resource management practice for a better working environment. With the aim to promote a harmonious and respectful workplace, employees' rights and benefits, including compensation, termination, working hours, leave entitlement, medical benefits, MPF, prevention on sexual harassment and our expectations to employees' conduct and behaviour are also stipulated in our Staff Handbook.

Employees' benefits within the Company includes enrolment to medical scheme for permanent employees, in the event of needs for outpatient, hospitalisation and dental care. Employees who have worked with the Company for over twelve months of service is eligible to participate in a tuition scheme to receive subsidy and sponsorship for training and development. All employees will be enrolled into the MPF Scheme in accordance to the Mandatory Provident Fund Ordinance.

To ensure there are minimal risk of discrimination and harassment cases in our workplace, we have established policy in accordance with Cap 480 Sex Discrimination Ordinance to ensure that 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.

During the reporting year, we have no recordable non-compliance cases in Cap 57 Employment Ordinance, Cap 282 Employees' Compensation Ordinance and Cap 608 Minimum Wage Ordinance, Cap 487 Disability Discrimination Ordinance, Cap 480 Sex Discrimination Ordinance, Cap 527 Family Status Discrimination Ordinance, Cap 602 Race Discrimination Ordinance and other relevant laws and regulations.

Health and Safety

We endeavour to minimise all health and safety related risks in our various business sectors and will ensure that all necessary safety precautionary arrangements are met. The management teams across various business sectors 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 minimize work-related incidents and fatalities.

Overall Approach on Employment (continued)

Health and Safety (continued)

Policies and Initiatives in Property Business

We are committed to eliminating the health and safety risks which may affect our employees and we seek to provide safe working conditions for our employees. New joiners in property management sector will receive health and safety training regarding safety measures in relation to personal safety and the use of equipment. During the operation, if there are any observed unsafe working condition, remedial work will be taken immediately in avoid of recurrence. For example, a one-off incident on work height safety was identified during a site inspection in one of our shopping centres during the reporting year. As a result, immediate remedial work and additional training courses were conducted regarding workplace safety risk, occupational health and safety and fire safety after such a case was observed. We endeavour to carry out all measures necessary to ensure compliance of Cap 509 Occupational Safety and Health Ordinance. We will also ensure that safety measures are implemented in all property management and will continuously strive to increase employees' awareness on health and safety issue. We encourage our 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 be in compliance with Cap 59 Factories and Industrial Undertakings Ordinance and to submit on-site safety management plans with safety officers appointed 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 fulfil our target of minimising work-related injuries and fatalities, bi-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.

Occupational health and safety within the built environment are equally important, hence we provide relevant trainings to our property management employees and increase their awareness on potential risks and associated safety measures. Property management safety handbooks are readily available for property management teams for residential or commercial building.

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. Regardless of business sector, employees with over twelve months of services with the Company will be entitled to apply for our tuition scheme, 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.

Policies and Initiatives in Property Business

Our property management employees regularly receive training such as on-board 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. During the reporting year, a new briefing session on the land development trend in Hong Kong and corporate business orientation were conducted to the employees so that employees could gather to learn the latest industry knowledge and the latest development plan of the Group.

Overall Approach on Employment (continued)

Development and Training (continued)

Policies and Initiatives in Property Business (continued)

As a way to retain our talents, we provide career development opportunities such as offering various recognised certificate courses and external training workshop 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, building laws, English communication, customer service skill, and computing 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. In particular, two extra training courses were organised by Human Resource Department for management, officer and trainee, on developing communication strategy as well as proactive ideas to contribute to the Company.

In order to encourage young graduates and new talents to join us, we have a 14-month Management Trainee Program every year. This is a tailor-made program for graduates who are interested in the property industry, and is designed to facilitate hands-on experience in property development and management. We provide on-the-job training, management and professional training workshop, action learning projects and provide opportunities for Hong Kong management trainees to visit our PRC property portfolios. Job rotation opportunities will be available during the training period, and trainees will eventually be assigned to one department to further their career after the 14-month management traineeship.

Labour Standards

We consider it is 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 in all business sectors. We ensure full compliance with relevant regulations and refer to Cap 57B Employment of Children Regulations and Cap 57C Employment of Young Persons (Industry) Regulations. We have equally stringent requirements for our contractors, and they are required to observe and comply with the same regulations. During the reporting year, we have no recordable non-compliance cases in relevant laws and 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 MPF investment, occupational safety, health talks, and numerous interest classes.

We also organise large-scale annual events for our employees, including Group Annual Dinner Party and Group One-Day Leisure Tour for employees with their family or friends. 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

Policies and Initiatives in Property Businesses

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 Environmental Impact Assessment (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. During the reporting year, we have no recordable non-compliance in Cap 486 Personal Data (Privacy) Ordinance and relevant laws and regulations. Whenever copies of personal data are to be collected, a Personal Information Collection Statement is provided to the data provider before personal particulars are collected, to ensure that the use of data are done so with consent.

Policies and Initiatives in Property Business

We have clear written procedures on the handling of personal data received during the property sales and management process. For example, at the point where there is a need for the collection of data such as client's personal data, a Personal Data Collection Statement will be provided to the data provider to ensure that purposes of data collection are understood. 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.

Policies and Initiatives in Food & Beverage and Hotel Business

We endeavour to deliver high quality services to our guests without jeopardising the security of any guest information. Therefore, while we take note of certain guest preferences and information to ensure a smooth service delivery process, we have also established guidelines and procedures in the handling of customers' data collected in our hotel service process, including Information Protection & Cyber Security Policy, Information Protection Awareness Guide and Payment Card Industry (PCI) Compliance. These guidelines are reiterated during staff training sessions and are conducted to ensure the safe handling of the customers' personal information.

Overall Approach on Managing Operating Practices (continued)

Responsible and Ethical Practices

Policies and Initiatives in Property Business

We comply with Cap 621 Residential Properties (First-Hand Sales) Ordinance in the marketing material for our property projects and will take necessary measure to prevent the use of misleading information for our customers. Our marketing materials such as sales brochures, price lists, show flats, advertisements, and sales arrangements are reviewed by both external and internal solicitors, to minimise the possibilities of misrepresentation in our marketing materials. During the reporting year, we have no recordable non-compliance cases in relevant laws and regulations.

Policies and Initiatives in Food & Beverage and Hotel Business

Food safety is fundamental in our hotel and catering operations. We adhere to the Hygiene Manager and Hygiene Supervisor Scheme by Food and Environmental Hygiene Department (FEHD), and have deployed managerial staff as hygiene managers and supervisors. Food handlers are supervised on proper food preparation processes and daily inspection of food hygiene conditions are conducted. We also have regular internal control to monitor the quality of our food sold to our customers. Apart from internal control, we also control our food quality by solely purchasing food from authorised suppliers so that we can trace the source of our food supplies. Through both internal and external control, we can seek to offer quality food to all customers.

Service Excellence

Policies and Initiatives in Property Business

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 thorough communication with our customers. All cases are documented and recorded for continuous improvement purposes.

Policies and Initiatives in Food & Beverage and Hotel Business

The nature of customers' complaints in hotel and restaurant delivery services, usually happens during the service delivery process. Therefore, early detection of signs of potential complaints and the timeliness of our responses to such complaints are crucial. All restaurant and hotel managerial staff are equipped to identify and manage complaints during service delivery. The Company's management policies requires daily incident reports to the head office to ensure that all issues are duly followed up.

The complaint handling procedures of the upcoming Hong Kong Ocean Park Marriott Hotel will be similar to the aforementioned complaint handling procedures. In addition, online platforms will be available for our customers to voice their opinion after their experience. Comments are responded within 24 hours to ensure timely responses to customers.

Overall Approach on Managing Operating Practices (continued)

Intellectual Property Rights

We respect and protect intellectual property rights and ensure that appropriate security measures and confidentiality agreements are observed. Across all business segments and within the Group, 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 accordance with Cap 201 Prevention of Bribery Ordinance. During the reporting year, there are no cases of fraud or corruption presented in any of our business segments.

In order to steer clear from potential risks for corruption, we provide employees with clear definition of "advantages" which needs to be declared and outline clear procedures for our employees 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 the Prevention of Bribery Ordinance are encouraged to report to our management level for immediate investigation into the case.

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 focus on helping with local employment, youth education and providing assistance to the disabled.

For example, during festive seasons we purchase festive food products from social enterprises for our employees, such as the Fair Taste mooncakes of a Fair Trade brand, which is the Group's efforts in supporting to protect the environment, to create local employment opportunities and to encourage the utilisation of neighbourhood craftsmanship.

The Group also supports the Yuen Long District Secondary School Students Summer Internship Programme by providing internship placements for secondary school students of Yuen Long District. Students joining the Group were not only provided work experience which helps them build self-confidence and enhances them their generic skills. The Group also arranged career talks and classes on office manner and job search skills to prepare students for their future career planning and development.

Policies and Initiatives in Food & Beverage and Hotel Business

Where feasible, we seek to participate in food donation projects organised by local charitable organisations. Food products with lower food hygiene risks such as bakery products, will be donated to the needy through the charitable organisation.

Summary of Environmental Performance

Hong Kong Property	Unit	Total
A1.2 Greenhouse gas emissions in total and, where appropriate, intensity		
Direct GHG emissions (Scope 1) Note 1	tonnes CO_2	14,936
Indirect GHG emissions (Scope 2) Note 2	tonnes CO_2	1,722
Total GHG emissions	**tonnes CO_2**	**16,658**
Total GHG emissions intensity	**tonnes CO_2/m^2**	**0.0699**
A1.3 Total hazardous waste produced and, where appropriate, intensity		
Chemical disposal	kg	537
Fluorescent lamp waste	kg	391
Total hazardous waste	**kg**	**928**
Total hazardous waste disposed intensity	**kg/m^2**	**0.0039**
A1.4 Total non-hazardous waste produced and, where appropriate, intensity		
General construction waste	kg	16,077,840
Concrete Disposed	kg	696,500
Timber Disposed	kg	6,050
Steel Recycled	kg	519,960
General waste	kg	7,181,630
Total non-hazardous waste	**kg**	**24,481,980**
Total non-hazardous waste disposed intensity	**kg/m^2**	**102.67**
A2.1 Direct and/or indirect energy consumption by type in total and intensity		
Electricity consumption	kWh	25,623,401
Diesel oil consumption for electric generator	L	346,520
Total energy consumption	**kWh**	**29,074,402**
Total energy consumption intensity	**kWh/m^2**	**121.93**
A2.2 Water consumption in total and intensity		
Water consumption	m^3	152,542
Total water consumption intensity	**m^3/m^2**	**0.6310**

Note 1: CO_2e emission from fuel is calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Note 2: CO_2e emission from electricity is calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Summary of Environmental Performance (continued)

Food & Beverage	Unit	Total
A1.2 Greenhouse gas emissions in total and, where appropriate, intensity		
Direct GHG emissions (Scope 1) Note 3	tonnes CO_2	348
Indirect GHG emissions (Scope 2) Note 4	tonnes CO_2	2,657
Total GHG emissions	**tonnes CO_2**	**3,005**
Total GHG emissions intensity	**tonnes CO_2/m^2**	**0.4592**
A1.3 Total hazardous waste produced and, where appropriate, intensity Note 5		
Fluorescent lamp waste	kg	15
Total hazardous waste disposed intensity	**kg/m^2**	**0.0337**
A1.4 Total non-hazardous waste produced and, where appropriate, intensity Note 6		
General waste	kg	17,207
Food waste	kg	4,748
Grease oil	kg	15,251
Total non-hazardous waste disposed	**kg**	**37,206**
Total non-hazardous waste disposed intensity	**kg/m^2**	**8.66**
A2.1 Direct and/or indirect energy consumption by type in total and intensity		
Electricity consumption	kWh	3,341,681
Town gas consumption	Unit	136,154
Total energy consumption	kWh	5,157,082
Total energy consumption intensity	**kWh/m^2**	**788.00**
A2.2 Water consumption in total and intensity		
Water consumption	m^3	77,046
Total water consumption intensity	**m^3/m^2**	**11.77**

Note 3: CO_2e emission from fuel is calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Note 4: CO_2e emission from electricity is calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Note 5: The reporting scope of fluorescent lamp waste includes the Japanese restaurants (Kaiseki Den by Saotome, Takumi by Daisuke Mori and Sushi Masataka)

Note 6: The reporting scope of the non-hazardous waste includes the Japanese restaurants and Chinese restaurants (Kaiseki Den by Saotome, Takumi by Daisuke Mori, Sushi Masataka, China Tang Landmark, China Tang Harbour City, Howard's Gourmet, Chiu Tang Central and Old Bazaar Kitchen)

Content Index

Subject Areas, Aspects, and General Disclosures		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: The Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	Co-existence with the Natural Environment
B. Social		
Employment and Labor 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; Employee Welfare
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

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<tr><td>Aspect B4: Labour Standards</td><td>General Disclosure
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(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</td><td>Labor Standards</td></tr>
<tr><td colspan="3">Operating Practices</td></tr>
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Policies on managing environmental and social risks of the supply chain.</td><td>Supply Chain Management</td></tr>
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(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.</td><td>Data Protection and Privacy; Responsible and Ethical Practices; Service Excellence; Intellectual Property Rights</td></tr>
<tr><td>Aspect B7: Anti-corruption</td><td>General Disclosure
Information on:
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Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</td><td>Overall Approach on Community Development</td></tr>
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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 in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") from time to time.

(1) Corporate Governance Practices

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 2018 ("**Year**") save for the deviations from code provisions A.4.1, A.5.1 and E.1.2.

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 shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the board of Directors ("**Board**") as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company ("**AGM**") and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy would/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

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

The Company has not established a nomination committee whose functions are assumed by the full Board. The Board has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board annually and the Company has achieved and maintained diversity of the Board including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service which meet the Company's business model and specific needs. 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.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Due to other pre-arranged business commitments which must be attended to by Dr. Lam Kin Ngok, Peter, the Chairman, Dr. Lam was not present at the AGM held on 15 December 2017. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM took the chair of that AGM pursuant to Article 71 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

(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 ten members, of whom four are EDs, two are NEDs and the remaining four are INEDs, in compliance with 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 named as follows:

Executive Directors ("EDs")
Lam Kin Ngok, Peter, GBS *(Chairman)*
Chew Fook Aun *(Deputy Chairman)*
Lau Shu Yan, Julius *(Chief Executive Officer)*
Lam Hau Yin, Lester

Non-executive Directors ("NEDs")
Lam Kin Ming
U Po Chu

Independent Non-executive Directors ("INEDs")
Ip Shu Kwan, Stephen, GBS, JP
Lam Bing Kwan
Leung Shu Yin, William
Leung Wang Ching, Clarence *(appointed with effect from 1 August 2018)*

The brief biographical particulars of the Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report on pages 62 to 67.

(2) Board of Directors (continued)

(2.2) Composition of the Board (continued)

Dr. Lam Kin Ngok, Peter, Chairman of the Board and an ED, is the son of Madam U Po Chu, a NED, a younger brother of Dr. Lam Kin Ming, another NED and the father of Mr. Lam Hau Yin, Lester, an ED.

Save as disclosed above and in the "Biographical Details of Directors" section of this Annual Report, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

(2.3) Directors' attendance at Board meetings

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

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Lam Kin Ngok, Peter, GBS *(Chairman)*	5/5
Chew Fook Aun *(Deputy Chairman)*	5/5
Lau Shu Yan, Julius *(Chief Executive Officer)*	5/5
Lam Hau Yin, Lester	5/5
Non-executive Directors	
Lam Kin Ming	4/5
U Po Chu	2/5
Independent Non-executive Directors	
Ip Shu Kwan, Stephen, GBS, JP	5/5
Lam Bing Kwan	5/5
Leung Shu Yin, William	5/5
Leung Wang Ching, Clarence	N/A

(2.4) INEDs

The Company has complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules which require that every board of directors of a listed issuer must include at least three INEDs and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs an annual confirmation in writing of his independence for the Year and all INEDs meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

(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**").

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

	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/ Financial/Management or Other Professional Skills	
Directors	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Lam Kin Ngok, Peter, GBS	√	√	√	—
Chew Fook Aun	√	√	√	√
Lau Shu Yan, Julius	√	√	√	—
Lam Hau Yin, Lester	√	√	√	√
Non-executive Directors				
Lam Kin Ming	√	√	√	—
U Po Chu	√	√	√	—
Independent Non-executive Directors				
Ip Shu Kwan, Stephen, GBS, JP	√	√	√	√
Lam Bing Kwan	√	√	√	√
Leung Shu Yin, William	√	√	√	√
Leung Wang Ching, Clarence	N/A	N/A	N/A	N/A

(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 two INEDs, namely Mr. Leung Shu Yin, William (Chairman) and Mr. Lam Bing Kwan and an ED, Mr. Chew Fook Aun.

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

(a) Duties of the Remuneration Committee

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

(b) Work performed by the Remuneration Committee

The Remuneration Committee held one meeting during the Year to discuss remuneration-related matters. No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee.

(c) Attendance at the Remuneration Committee meeting

The attendance record of the committee members at this meeting is set out below:

Committee Members	Number of Meeting Attended/ Number of Meeting Held
Independent Non-executive Directors	
Leung Shu Yin, William	1/1
Lam Bing Kwan	1/1
Executive Director	
Chew Fook Aun	1/1

(4) Board Committees (continued)

(4.2) Audit Committee

The Board established an Audit Committee on 31 March 2000 which currently comprises three INEDs, namely Mr. Leung Shu Yin, William (Chairman), Mr. Lam Bing Kwan and Mr. Leung Wang Ching, Clarence.

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 INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise.

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

While recognising corporate governance is the collective responsibility of all of its members, the Board has delegated the corporate governance functions to the members of 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 revised in line with the CG Policy and had incorporated the new corporate governance-related functions required under the CG Code effective from 1 April 2012.

In compliance with the Stock Exchange's implementation of the revised Listing Rules relating to the risk management and internal controls 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 websites of the Stock Exchange and the Company.

During the Year, an independent external risk advisory firm ("**Independent Advisor**") had been retained to conduct certain internal control reviews of the Group. The relevant reports from the Independent Advisor were presented to and reviewed by the Audit Committee and the Board.

Apart from performing the corporate governance functions, the Audit Committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgments contained in them before submission to the Board for approval, and the review and monitoring of the 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 internal control and risk management systems as assisted by the Independent Advisor.

(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 2017, the unaudited interim results of the Company for the six months ended 31 January 2018 and other matters related to the financial and accounting policies and practices of the Company as well as the nature and scope of the audit for the Year. Further, it has reviewed the Group's internal audit plan and the budget for the ensuing year and put forward relevant recommendations to the Board.

On 24 October 2018, 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 of the Company. It also reviewed this Corporate Governance Report, the internal control review reports on the Company and report on enterprise risk management prepared by the Independent Advisor.

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

The attendance record of the committee members at these meetings held during the Year is set out below:

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Independent Non-executive Directors	
Leung Shu Yin, William	3/3
Lam Bing Kwan	3/3
Leung Wang Ching, Clarence *(appointed with effect from 25 October 2018)*	N/A
Non-executive Director	
Lam Kin Ming *(ceased with effect from 25 October 2018)*	3/3

(5) Chairman and Chief Executive

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

During the Year and up to the date of this Report, Dr. Lam Kin Ngok, Peter is the Chairman of the Company while Mr. Chew Fook Aun and Mr. Lau Shu Yan, Julius is the Deputy Chairman and Chief Executive Officer of the Company, respectively.

(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 (including the board diversity policy) 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.

(8) Board Diversity Policy

The Company has adopted a board diversity policy ("**Policy**") in July 2013 which sets out the 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 perspective 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 is published on the Company's website for public information.

Currently, the Board comprises ten members, of whom four are executive directors, two are non-executive directors and the remaining four are independent non-executive directors. The current Board comprises individuals who are professionals with real estate, investment, textile and apparel industry, accounting, financial, general management and tourism backgrounds.

(9) Securities Transactions by Directors and Designated Employees

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

(10) Independent Auditor's Remuneration

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor, Ernst & Young, Certified Public Accountants, ("**Ernst & Young**") Hong Kong for the Year amounted to HK$3,641,000 and HK$5,054,000, respectively. The non-audit services mainly consist of advisory, review, tax compliance service and other reporting services.

(11) Directors' Responsibility for Preparing Financial Statements

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

(12) Independent Auditor's Reporting Responsibility

The statement by the Independent Auditor about their 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 of Directors, the Audit Committee and the Risk Management Taskforce. The Board of Directors 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 of Directors 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.

Risk management report and internal control report are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors 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 of Directors 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 of Directors considers the Group's risk management and internal control systems are effective.

(13) Risk Management and Internal Control (continued)

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 a general meeting

Pursuant to the Articles of Association and the Companies Ordinance, Chapter 622 of the laws of Hong Kong ("**Companies Ordinance**"), registered Shareholders representing at least 5% of the total voting rights of all the members having a right to vote at general meetings of the Company ("**GM Requisitionists**") can deposit a written request to convene a general meeting ("**GM**") at the registered office of the Company ("**Registered Office**"), which is situated at the 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention of the Company Secretary.

The GM Requisitionists must state in their request(s) the general nature of the business to be dealt with at the GM and such request(s) must be authenticated by all the GM Requisitionists and may consist of several documents in like form.

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

(15) Shareholders' Rights (continued)

(15.1) Procedures for Shareholders to convene a general meeting (continued)

The GM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a GM if within twenty-one (21) days of the deposit of the GM Requisitionists' request, the Board does not proceed duly to convene a GM for a day not more than twenty-eight (28) days after the date on which the notice convening the GM is given, provided that any GM so convened is held within three (3) months from the date of the original GM Requisitionists' request. Any reasonable expenses incurred by the GM Requisitionists by reason of the Board's failure to duly convene a GM shall be repaid to the GM Requisitionists by the Company.

(15.2) Procedures for putting forward proposals at general meeting

Pursuant to Section 580 and 615 of the Companies Ordinance, either the Shareholders of the Company representing at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the GM, or at least 50 registered Shareholders who have a right to vote on the resolution at the GM, may request the Company in writing to give to the Shareholders entitled to receive notice of the GM of any resolution which may properly be moved and is intended to be moved at that meeting; and to circulate statements regarding resolutions proposed at GM.

The requisition (i) must be sent to the Company in hard copy form at the Registered Office stated in paragraph (15.1) above or in electronic form by email at lscomsec@laisun.com; (ii) must identify the resolution of which notice is to be given; (iii) must be authenticated by the person or persons making it; and (iv) (a) in the case requisition for the circulation of resolutions to be moved at GM, the requisition must be received by the Company not later than 6 weeks before the GM or (b) in the case of requisition for the circulation of statements regarding resolutions proposed at the GM, such requisition must be received by the Company not later than 7 days before the GM, or if later, the time at which notice is given of that meeting.

(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' Right sub-section) of the Company's website at www.laisun.com.

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

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

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

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

Shareholders may also make enquiries with the Board at the GM 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.laisun.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 and the Articles of Association of the Company are made available on the Company's website and the latter is also posted on the website of the Stock Exchange;

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

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

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

(16) Communication with Shareholders (continued)

(16.2) Directors' attendance at general meeting

During the Year, the Company had held two general meetings (including the 2017 AGM) and the attendance record of individual Directors at these meetings is set out below:

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Lam Kin Ngok, Peter, GBS *(Chairman)*	0/2
Chew Fook Aun *(Deputy Chairman)*	2/2
Lau Shu Yan, Julius *(Chief Executive Officer)*	1/2
Lam Hau Yin, Lester	1/2
Non-executive Directors	
Lam Kin Ming	0/2
U Po Chu	0/2
Independent Non-executive Directors	
Ip Shu Kwan, Stephen, GBS, JP	1/2
Lam Bing Kwan	2/2
Leung Shu Yin, William	2/2
Leung Wang Ching, Clarence	N/A

(16.3) Details of the Shareholders' general meeting

The last AGM was held at 11:00 a.m. on 15 December 2017 at Harbour View Rooms I & II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong ("**2017 AGM**"). At the 2017 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 2017 and the reports of the directors and the independent auditors thereon; (ii) the declaration of a final dividend; (iii) the election of Mr. Lau Shu Yan, Julius as ED, Dr. Lam Kin Ming as NED, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William as INED; (iv) the authorisation for the Board to fix the remuneration of the Directors; (v) the appointment of Ernst & Young as the Independent Auditors for the Year and the authorisation for the Board to fix their remuneration; (vi) the granting to the Directors a general mandate to buy back the Company's shares not exceeding 10% of the aggregate number of the issued shares of the Company; (vii) the granting to the Directors a general mandate to issue, allot and deal with additional shares of the Company of not exceeding 20% of the aggregate number of the issued shares; (viii) the extension to the general mandate granted to the Directors to issue share of the Company by adding the number of bought back. The notice of the 2017 AGM and the poll results announcement in respect of the 2017 AGM were published on the websites of both the Stock Exchange and the Company on 16 November 2017 and 15 December 2017, respectively.

The GM was held at 3:00 p.m. on 14 August 2017 at Harbour View Rooms I & II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong. At the GM, Shareholders approved by a vast majority of votes the share consolidated on a 1-for-50 basis as set out in the notice of the GM. The notice of GM and the poll results announcement in respect of the GM were published on the websites of both the Stock Exchange and the Company on 25 July 2017 and 14 August 2017, 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.

Since 1 August 2017, the Company has met with a number of research analysts and investors and attended roadshows as follows:

Month	Event	Organiser	Location
October 2017	Post results non-deal roadshow	CLSA	Hong Kong
October 2017	Post results non-deal roadshow	DBS	Singapore
November 2017	Post results non-deal roadshow	BNP	London
November 2017	Post results non-deal roadshow	BNP	New York/ Los Angeles
January 2018	Deal roadshow — Lai Fung USD guaranteed notes	DBS/HSBC/ OCBC/UBS	Singapore
January 2018	Deal roadshow — Lai Fung USD guaranteed notes	DBS/HSBC/ OCBC/UBS	Hong Kong
January 2018	The Pulse of Asia Conference	DBS	Singapore
March 2018	Post results non-deal roadshow	DBS	Hong Kong
March 2018	Post results non-deal roadshow	DBS	Singapore
April 2018	Post results non-deal roadshow	DBS	London
April 2018	Post results non-deal roadshow	Daiwa	New York
May 2018	Post results non-deal roadshow	DBS	Kuala Lumpur
September 2018	2018 SCB Annual Investor Reverse Roadshow	Standard Chartered Bank	Hong Kong

(17) INVESTOR RELATIONS (CONTINUED)

The Company also had research reports published as follows:

Firm	Analyst	Publication Date
DBS	Jeff YAU, Ian CHUI	20 October 2017
HSBC	Roanna CHAU, Keith CHAN	October 2017

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@laisun.com.

Executive Directors

Each of the current executive directors of the Company ("**Executive Directors**") named below holds directorships in a number or certain of the subsidiaries of the Company and all of them hold directorships in all or certain of the Company's listed affiliates, namely Lai Sun Garment (International) Limited ("**LSG**"), eSun Holdings Limited ("**eSun**"), Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGHL**"). The issued shares of LSG, eSun and Lai Fung are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and MAGHL's issued shares are listed and traded on GEM of the Stock Exchange. LSG is the ultimate holding company of the Company which in turn is the holding company of eSun, while Lai Fung and MAGHL are subsidiaries of eSun.

Dr. Lam Kin Ngok, Peter, Chairman, aged 61 has been an Executive Director since June 1977 and is presently a member of the Executive Committee of the Company. He is also the deputy chairman and executive director of LSG and an executive director of Crocodile Garments Limited ("**CGL**"), a company listed on the Main Board of the Stock Exchange as well as the chairman and an executive director of MAGHL. Dr. Lam was an executive director of eSun from 15 October 1996 to 13 February 2014. Dr. Lam was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012. Dr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business. He was conferred an Honorary Doctorate by The Hong Kong Academy for Performing Arts in June 2011. Dr. Lam received the Gold Bauhinia Star award from the Government of the Hong Kong Special Administrative Region ("**HKSAR**") on 1 July 2015.

Currently, Dr. Lam is the chairman of the Hong Kong Tourism Board and an ex officio member of the Hong Kong Trade Development Council ("**HKTDC**") as well as the chairman of HKTDC Entertainment Industry Advisory Committee for a two-year term from 1 April 2018 to 31 March 2020. He is also a Standing Committee member of the 13th National Committee of the Chinese People's Political Consultative Conference. In addition, Dr. Lam is the chairman of Hong Kong Chamber of Films Limited, honorary chairman of Hong Kong Motion Picture Industry Association Limited, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, a member of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited, an honorary chairman of Federation of HK Jiangsu Community Organisations, the president of Hong Kong Association of Cultural Industries Limited and the chairman of Hong Kong Cultural Development Research Institute Limited. On 26 July 2017, Dr. Lam was re-appointed a member of Aviation Development and Three-runway System Advisory Committee for a term of two years from 1 August 2017 to 31 July 2019. Dr. Lam was appointed a non-official member of Trade and Industry Advisory Board from 1 September 2017 to 31 December 2019. He was re-appointed a non-official member of the Lantau Development Advisory Committee for a term of two years with effect from 1 February 2018.

Dr. Lam is the son of Madam U Po Chu (a Non-executive Director of the Company), the younger brother of Dr. Lam Kin Ming (a Non-executive Director of the Company) and the father of Mr. Lam Hau Yin, Lester (an Executive Director of the Company).

Dr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the articles of association of the Company ("**Articles of Association**"), he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming annual general meeting of the Company ("**AGM**") and will also be eligible for re-election at future AGMs. Dr. Lam presently receives from the Company an annual remuneration of HK$13,512,240 and discretionary bonus to be determined by the Board with reference to the performance of the Company, his duties and responsibilities with the Company as well as prevailing market practice. Dr. Lam also receives an annual remuneration of HK$10,809,840 and HK$2,702,640, respectively from eSun and Lai Fung and an annual director's fee of HK$120,000 from MAGHL.

Executive Directors (continued)

As at the date of this annual report, Dr. Lam is interested or deemed to be interested within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("**SFO**") in 340,452,804 shares and share options comprising 417,308 shares in the Company, 161,243,643 shares and share options comprising 708,575 shares in LSG, 1,157,204,515 shares in eSun, 165,502,573 shares and share options comprising 321,918 shares in Lai Fung and 1,443,156,837 shares in MAGHL. Save as disclosed herein, Dr. Lam does not hold any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of his re-election as a director of the Company at the forthcoming AGM in accordance with Article 102 of the Articles of Association, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

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

Mr. Chew Fook Aun, aged 56, was appointed the Deputy Chairman and an Executive Director on 5 June 2012 and is presently a member of the Executive Committee and Remuneration Committee. He was also appointed a deputy chairman and an executive director of LSG, an executive director of eSun and the chairman and an executive director of Lai Fung.

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 a member of the Board of Directors of the Hong Kong Sports Institute Limited on 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.

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

The Company has entered into an employment contract with Mr. Chew with no fixed term, but such contract is determinable by the Company or Mr. Chew by serving the other party not less than 3 months' written notice or payment in lieu thereof. In accordance with the provisions of the Articles of Association, Mr. Chew will be subject to retirement as director by rotation once every three years if elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Chew presently receives from the Company an annual remuneration of HK$7,739,040 and discretionary bonus to be determined by the Board with reference to the results of the Company and its subsidiaries, his performance, duties and responsibilities as well as the prevailing market conditions. Mr. Chew also receives an annual remuneration of HK$3,869,640 from each of eSun and Lai Fung.

Executive Directors (continued)

Save as disclosed above, Mr. Chew does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this annual report, except for his personal or deemed interest in 400,000 shares and share options comprising 3,773,081 shares in the Company, 202,422 shares and share options comprising 3,819,204 shares in LSG, 600,000 shares and share options comprising 1,009,591 shares options in Lai Fung, Mr. Chew does not hold any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of his re-election as a director of the Company at the forthcoming AGM in accordance with Article 102 of the Articles of Association, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

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

Mr. Lau Shu Yan, Julius, Chief Executive Officer, aged 62, joined the Company as an Executive Director in July 1991 and is a member of the Executive Committee of the Company. Mr. Lau was an executive director of Lai Fung from 22 April 2005 to 16 January 2015. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of The Real Estate Developers Association of Hong Kong. He was appointed a consultant of Lai Fung from 17 January 2015 to 14 January 2016. Mr. Lau graduated with an honour degree of Bachelor of Social Science from the University of Hong Kong in 1980.

Mr. Lam Hau Yin, Lester, aged 37, was appointed an Executive Director and a member of the Executive Committee of the Company with effect from 1 November 2012. He is also an executive director of LSG and eSun as well as an executive director and the chief executive officer of Lai Fung. Further, Mr. Lam is 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 Northeastern University, Boston, the United States of America and has completed the Kellogg — HKUST Executive MBA programme in July 2016. He joined the Company as a vice president in January 2004 and 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 (Chairman and an Executive Director of the Company), a nephew of Dr. Lam Kin Ming (a Non-executive Director of the Company) and a grandson of Madam U Po Chu (another Non-executive Director of the Company).

The Company has entered into a service contract with Mr. Lam with no fixed term, but such contract is determinable by the Company or him by giving the other party not less than 3 months' notice or payment in lieu thereof. In accordance with the provisions of the Articles of Association, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs.

Mr. Lam presently receives from the Company an annual remuneration of HK$1,697,160 and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities with the Company as well as prevailing market practice. Mr. Lam also receives an annual remuneration of HK$1,545,600 from Lai Fung.

Executive Directors (continued)

Save as disclosed above, Mr. Lam does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this annual report, except for his personal interest in the share options comprising 4,173,081 shares in the Company, 12,283,938 shares and share options comprising 7,571,626 shares in LSG, 2,794,443 shares in eSun and share options comprising 3,219,182 shares in Lai Fung, Mr. Lam does not hold any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of his re-election as a director of the Company at the forthcoming AGM in accordance with Article 102 of the Articles of Association of the Company, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

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

Non-Executive Directors

Dr. Lam Kin Ming, aged 81, has been a Director of the Company since June 1959. He is also the chairman and an executive director of LSG, the deputy chairman and an executive director of Lai Fung and the chairman, the chief executive officer and an executive director of CGL. The issued shares of LSG, Lai Fung and CGL are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company.

Dr. Lam has extensive experience in property development and investment and has been involved in the management of garment business since 1958. He received an honorary doctorate 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 is the elder brother of Dr. Lam Kin Ngok, Peter (Chairman and an Executive Director of the Company) and an uncle of Mr. Lam Hau Yin, Lester (an Executive Director of the Company).

Madam U Po Chu, aged 93, has been a Director of the Company since December 1993. She is also a non-executive director of eSun and an executive director of Lai Fung. Further, Madam U has been re-designated as an executive director of LSG with effect from 27 November 2012. The issued shares of LSG, eSun and Lai Fung are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company which in turn is the holding company of eSun, while Lai Fung is a subsidiary of eSun.

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

She is the mother of Dr. Lam Kin Ngok, Peter (Chairman and Executive Director of the Company) and the grandmother of Mr. Lam Hau Yin, Lester (an Executive Director of the Company).

Biographical Details of Directors

Independent Non-Executive Directors

Mr. Lam Bing Kwan, aged 69, was appointed an Independent Non-Executive Director in July 2002 and is a member of both the Audit Committee and the Remuneration 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. He has substantial experience in the property development and investment in China, having been actively involved in this industry since the mid-1980's. 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 a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited and an independent non-executive director of LSG and Lai Fung. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company. Mr. Lam retired as an independent non-executive director of eForce Holdings Limited on 4 June 2018.

Mr. Leung Shu Yin, William, aged 69, was appointed an Independent Non-Executive Director in September 2004 and is the chairman of both the Remuneration Committee and the Audit Committee of the Company. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is a practising director of two certified public accountants' firms in Hong Kong and is also an independent non-executive director of LSG, CGL and Mainland Headwear Holdings Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company.

Mr. Ip Shu Kwan, Stephen, aged 67, was appointed an Independent Non-Executive Director of the Company in December 2009. Mr. Ip graduated from the University of Hong Kong with a Bachelor degree in Social Sciences in 1973. He joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Government of the HKSAR as a Principal Official from July 1997 to June 2007. Senior positions held by Mr. Ip in the past included Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour on 1 July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees' rights. Mr. Ip retired from the Government of the HKSAR in July 2007. Mr. Ip received the Gold Bauhinia Star award from the Government of the HKSAR in 2001 and is an unofficial Justice of the Peace.

Mr. Ip is currently an independent non-executive director of four other publicly-listed companies, namely China Resources Cement Holdings Limited, Kingboard Laminates Holdings Limited, Luk Fook Holdings (International) Limited and Nameson Holdings 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. Leung Wang Ching, Clarence, aged 39, was appointed an Independent Non-Executive Director of the Company with effect on 1 August 2018. He is presently a member of the Audit Committee of the Company.

Mr. Leung graduated from the University of Cambridge in the United Kingdom with a Bachelor of Arts degree and a Master of Arts degree in Economics in June 1999 and March 2003, respectively. Mr. Leung has approximately 18 years of experience in the textile and apparel industry. He is a director of Sun Hing Knitting Factory Limited and an independent non-executive director of Hingtex Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Leung participates in several government committees of the HKSAR. He is member of the Legal Aid Services Council, the Commission on Poverty, the Tourism Strategy Group, the Hong Kong Tourism Board, the Youth Development Commission and board member of the Vocational Training Council. He also served as member of the Town Planning Board, Textiles Advisory Board, the HKSAR SME Committee, the Trade and Industry Advisory Board and non-full-time member of the Central Policy Unit.

Mr. Leung does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Leung presently receives an annual director's fee of HK$300,000 and is entitled to receive such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Leung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this annual report, Mr. Leung does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of his re-election as a director of the Company at the forthcoming AGM in accordance with Article 93 of the Articles of Association, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

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

Note:

*Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lam Hau Yin, Lester and Mr. Leung Wang Ching, Clarence ("**Retiring Directors**") will retire as directors at the forthcoming annual general meeting of the Company. Being eligible, they offer themselves for re-election. For the purpose of each of the Retiring Directors' re-election, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.*

The directors of the Company ("**Directors**") present their report and the audited financial statements of the Company and its subsidiaries ("**Group**") for the year ended 31 July 2018 ("**Year**").

Principal Activities

During the Year, the Group's principal activities have not changed and the Group focused on property development, property investment, investment in and operation of hotels and restaurants and investment holding.

Results and Dividends

Details of the consolidated profit of the Company for the Year and the state of affairs of the Company and of the Group as at 31 July 2018 are set out in the consolidated financial statements and their accompanying notes on pages 94 to 195.

No interim dividend was paid or declared in respect of the Year (2017: Nil).

The Directors have resolved to recommend the payment of a final dividend of HK$0.108 per share (2017: HK$0.10 per share), amounting to approximately HK$65,456,000 for the financial year ended 31 July 2018 to shareholders of the Company ("**Shareholders**") whose names appear on the Register of Members of the Company on Friday, 4 January 2019 subject to the approval of Shareholders at the forthcoming Annual General Meeting to be held on Friday, 21 December 2018 ("**AGM**").

The Directors propose that Shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the AGM; and (2) The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") granting the listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend proposal.

A circular containing details of the scrip dividend proposal will be despatched to Shareholders together with the form of election for scrip dividend on or about Thursday, 10 January 2019. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to Shareholders on or about Wednesday, 13 February 2019.

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 on pages 4 to 11 and Management Discussion and Analysis on pages 14 to 27 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 41 to the financial statements.

An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Chairman's Statement on pages 4 to 11 and Financial Highlights on pages 12 to 13 of this Annual Report.

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 on pages 32 to 46 of this Annual Report.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at 31 July 2018 were approximately HK$1,607,759,000.

Shares Issued in the Year

Details of the ordinary shares issued by the Company in the Year are set out in note 32 to the financial statements. The ordinary shares issued during the Year were in lieu of cash dividends.

Permitted Indemnity Provision

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all loss or liabilities (to the fullest extent permitted by the Companies Ordinance (Chapter 622)) which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Directors

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

Executive Directors ("EDs")
Lam Kin Ngok, Peter, GBS ("**Dr. Peter Lam**") *(Chairman)*
Chew Fook Aun ("**Mr. FA Chew**") *(Deputy Chairman)*
Lau Shu Yan, Julius ("**Mr. Julius Lau**") *(Chief Executive Officer)*
Lam Hau Yin, Lester ("**Mr. Lester Lam**")

Non-executive Directors ("NEDs")
Lam Kin Ming ("**Dr. KM Lam**")
U Po Chu ("**Madam U**")

Independent Non-executive Directors ("INEDs")
Ip Shu Kwan, Stephen, GBS, JP ("**Mr. Stephen Ip**")
Lam Bing Kwan ("**Mr. BK Lam**")
Leung Shu Yin, William ("**Mr. William Leung**")
Leung Wang Ching, Clarence ("**Mr. Clarence Leung**") *(appointed with effect from 1 August 2018)*

In accordance with Article 102 of the Articles of Association of the Company ("**Articles of Association**") and pursuant to Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), Dr. Peter Lam, Mr. FA Chew and Mr. Lester Lam ("**Retiring Directors**") will retire by rotation at the forthcoming AGM. Being eligible, they offer themselves for re-election.

In accordance with Article 93 of the Articles of Association and pursuant to Appendix 14 of the Listing Rules, Mr. Clarence Leung ("**Retiring Director**") will retire by rotation at the forthcoming AGM. Being eligible, he offers himself for re-election.

Directors (continued)

Details of the Retiring Directors proposed for re-election required to be disclosed under Rule 13.51(2) of the Listing Rules are set out in the section headed "Biographical Details of Directors" of this Annual Report and the section headed "Directors' Interests" of this Report below.

During the Year and up to the date of this Report, each of the Directors named above holds directorship in all or certain of the Company's subsidiaries. Other directors of the Company's subsidiaries include Lui Siu Tsuen, Richard, Yip Chai Tuck, Andrew Y. Yan, Low Chee Keong, Lo Kwok Kwei, David, Ng Lai Man, Carmen, Alfred Donald Yap, Lam Kin Hong, Matthew, Cheng Shin How, Lee Tze Yan, Ernest, Lucas Ignatius Loh Jen Yuh, Puah Tze Shyang, Ku Moon Lun, Law Kin Ho, Mak Wing Sum, Alvin, Shek Lai Him, Abraham, Chan Chi Kwong, Chan Chi Yuen, Ng Chi Ho, Dennis, Zhang Xi, Lau Lawrence Tak Sun, Li Wah Chung, Allan, Poon Yui Man, Leung Sau Chung, Kenneth, Chan Ying Keung, Yuen Kam Sang, Danilo Nicoletti, Tse Kam Yiu, Lawrence, Cheung Kwok Kay, Michael, Ka Man Stratton Lau, Paolo Casani, Jenny Erika Skoog, Alexander Wong, Ho Wing Yi, Poon Ching Fung, Jason, Tse See Fan, Paul, Lo Tai On, Koo Ching Fan, Nguyen Thi Xuan Dao, Tran Hung Viet, Pham Huy Binh and, Ang Hooi Yeong, Pauline.

Biographical Details of Directors

Brief biographical particulars of the existing Directors are set out on pages 62 to 67 of this Annual Report. Directors' other particulars are contained in this Report and elsewhere in this Annual Report.

Directors' Service Contracts

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

Directors' Remuneration

The Directors' fees and other emoluments are supervised by the Remuneration Committee of the Company and determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in the note 9 to the financial statements.

Directors' Interests In Transactions, Arrangements Or Contracts

Save as disclosed in note 5 to the financial statements headed "Related Party Transactions" and the section headed "Continuing Connected Transactions" of this Report below, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Year.

Controlling Shareholder's Interests In Significant Contracts

Save as disclosed in note 5 to the financial statements headed "Related Party Transactions" and the section headed "Continuing Connected Transactions" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Continuing Connected Transactions

Agreements Regarding Letting and/or Licensing of Premises

The Lai Sun Group, namely, 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**"), Lai Fung Holdings Limited ("**Lai Fung**" together with its subsidiaries "**Lai Fung 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 LSG Group, LSD Group, eSun Group, Lai Fung Group and MAGHL Group ("**Transactions**"). LSG is the ultimate holding company of LSD and is a connected person of LSD. The Transactions are, therefore, constituted continuing connected transactions ("**CCTs**") of LSD, under Chapter 14A of the Listing Rules.

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.

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

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

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

(b) on normal commercial terms or better; and

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

For the year ended 31 July 2018, there is no CCT requiring review by the Company's independent auditor. Therefore, Ernst & Young, Certified Public Accountants ("**Ernst & Young**"), the Company's independent auditor, has not been engaged to report on the Group's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. No letter is issued by Ernst & Young containing its findings and conclusion in respect of the CCTs.

Directors' Interests In Competing Businesses

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

Directors' Interests In Competing Businesses (continued)

Dr. Peter Lam, Mr. FA Chew, Dr. KM Lam, Madam U and Mr. Lester Lam ("**Interested Directors**") held shareholding interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong including CGL.

Dr. Peter Lam held shareholding or other interests and/or directorships in companies or entities engaged in the business of investment in and operation of restaurants in Hong Kong.

Dr. KM Lam held shareholding or other interests and/or directorships in companies or entities engaged in the production of pop concerts, music production and distribution and management of artistes.

The Directors do not consider the interests held by the Interested Directors to be competing in practice with the relevant business of the Group in view of:

(1) different locations and different uses of the properties owned by the above companies and those of the Group; and

(2) different target customers of the restaurant operations as well as the concerts and albums of the above companies and those of the Group.

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.

Share Option Schemes

At the annual general meeting of the Company held on 11 December 2015, the shareholders of the Company approved the adoption of a new share option scheme ("**New Scheme**"). The share option scheme adopted by the Company on 22 December 2006 ("**Old Scheme**") terminated when the New Scheme became effective on 23 December 2015 ("**Effective Date**"). No more options will be granted under the Old Scheme but the subsisting options granted prior to its termination will continue to be valid and exercisable in accordance with the terms of the Old Scheme.

The purpose of the New Scheme is to provide incentives or rewards to any eligible employee and director of the Company or any of its subsidiaries, any agent or consultant of any member of the Group or any employee of the shareholder of any member of the Group or any holder of any securities issued by any member of the Group for their contribution or would be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Unless otherwise altered or terminated, the New Scheme will be valid and effective for a period of 10 years commencing on the Effective Date.

As at 31 July 2018, share options comprising a total of 14,359,534 underlying shares were outstanding, of which share options comprising 14,239,534 underlying shares were granted under the Old Scheme and share options comprising 120,000 underlying shares were granted under the New Scheme.

Share Option Schemes (continued)

During the Year, there were 60,000 options exercised by an eligible employee on 6 October 2017. Apart from those mentioned above and listed below, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the share option schemes during the Year. Particulars of the outstanding options at the beginning and at the end of the financial period are as follows:

Name and category of participant	Date of grant of options	Outstanding at 01/08/2017	Granted during the Year	Exercise price of share options HK$ per share	*Adjusted exercise price of share options per share after the Share Consolidation HK$	Exercised during the Year	Lapsed during the Year	*Outstanding at 31/07/2018	Exercisable period of share options
	Number of underlying shares comprised in share options								
Directors									
Lam Kin Ngok, Peter	18/01/2013	20,865,408	—	0.322	16.100	—	—	417,308	18/01/2013-17/01/2023
Chew Fook Aun	05/06/2012	188,654,089	—	0.107	5.350	—	—	3,773,081	05/06/2012-04/06/2022
Lau Shu Yan, Julius	18/01/2013	104,327,044	—	0.322	16.100	—	—	2,086,540	18/01/2013-17/01/2023
Lam Hau Yin, Lester	18/01/2013	208,654,089	—	0.322	16.100	—	—	4,173,081	18/01/2013-17/01/2023
Other employees	18/01/2013	173,876,227	—	0.322	16.100	—	—	3,477,524	18/01/2013-17/01/2023
Other employees	26/07/2013	4,160,000	—	0.225	11.250	—	—	83,200	26/07/2013-25/07/2023
Other employees	21/01/2015	11,440,000	—	0.167	8.350	—	—	228,800	21/01/2015-20/01/2025
Other employees	22/01/2016	6,000,000	—	0.094	4.700	60,000	—	60,000	22/01/2016-21/01/2026
Other employees	20/01/2017	3,000,000	—	0.163	8.150	—	—	60,000	20/01/2017-19/01/2027
Total:		720,976,857	—	—	—	60,000	—	14,359,534	

** Note:*

On 15 August 2017, the exercise price of and the number of shares entitled to be subscribed for under the outstanding share options granted under the share option schemes have been adjusted following the completion of the Share Consolidation.

As at the date of this Report, (i) maximum number of 14,239,534 shares of the Company are available for issue in relation to the underlying shares comprised in the subsisting option granted under the Old Scheme and remained outstanding, representing approximately 2.35% of the shares in issue as at the date of this Report; and (ii) further options to subscribe for a maximum of 39,889,067 could be granted under the New Scheme, together with the 120,000 underlying shares comprised in the share options granted under the New Scheme and remained outstanding as the date of this Report, a total of 40,009,067 shares available for issue under the New Scheme, representing approximately 6.60% of the shares in issue as at the date of this Report.

Details of the Share Option Schemes are set out in note 33 to the financial statements.

Directors' Interests

The following Directors and the chief executive of the Company who held office on 31 July 2018 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 by the Directors:

(1) The Company

Long positions in the ordinary shares of the Company ("Shares") and the underlying Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	429,232 *(Note 1)*	Nil	340,023,572 *(Note 1)*	417,308 *(Note 5)*	340,870,112	56.24%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	400,000 *(Note 3)*	3,773,081 *(Note 5)*	4,173,081	0.69%
Lau Shu Yan, Julius	Beneficial owner	263,500 *(Note 4)*	Nil	Nil	2,086,540 *(Note 5)*	2,350,040	0.39%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	4,173,081 *(Note 5)*	4,173,081	0.69%
U Po Chu *(Note 2)*	Beneficial owner	26,919 *(Note 2)*	Nil	Nil	Nil	26,919	0.01%

Directors' Interests (continued)

(1) The Company (continued)

Notes:

(1) *Lai Sun Garment (International) Limited ("**LSG**") and two of its wholly-owned subsidiaries, namely Zimba International Limited ("**Zimba International**") and Joy Mind Limited ("**Joy Mind**"), beneficially owned 340,023,572 Shares, representing approximately 56.10% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.05% in the issued share capital of LSG. LSG is approximately 12.68% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.37% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Lam Kin Ngok, Peter.*

*On 15 August 2017, the Company implemented the Share Consolidation on the basis that every fifty (50) issued shares in the share capital of the Company were consolidated into one (1) consolidated share in the share capital of the Company ("**Share Consolidation**"). The issued share capital of the Company was decreased from 30,251,304,984 to 605,026,099 as a result of the Share Consolidation.*

The personal interests of Dr. Lam Kin Ngok, Peter changed from 21,461,617 Shares to 429,232 Shares following the completion of the Share Consolidation.

*LSG placed up to 50,934,000 Shares of the Company under the secondary block trade agreement dated 16 August 2017 which was completed on 21 August 2017 ("**Placing**").*

During the Year, 60,000 ordinary shares were issued in respect of share options exercised under the Company's shares option scheme increasing the number of issued shares from 605,026,099 to 605,086,099.

On 30 January 2018, the Company allotted and issued 990,515 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in the Company from 605,086,099 to 606,076,614.

LSG pledged approximately 208,513,987 Shares (10,425,699,353 issued shares of the Company before the Share Consolidation) held by LSG, Zimba International and Joy Mind as security pursuant to its 7.70% secured guaranteed notes due 2018 under a Share Charge dated 24 July 2014. The amount has been repaid in full.

LSG and Joy Mind acquired in aggregate 17,319,000 shares of the Company on the market in May, June and July 2018, thereby increasing their shareholding interests in the Company from 322,704,572 to 340,023,572 Shares.

(2) *Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 3,957,189 Shares (197,859,550 Shares before the Share Consolidation), representing approximately 0.65% of the issued share capital of the Company.*

The personal interests of Madam U Po Chu changed from 1,345,974 Shares to 26,919 Shares following the completion of the Share Consolidation.

(3) *The 20,000,000 Shares held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun changed to 400,000 Shares following the completion of the Share Consolidation. Mr. Chew Fook Aun was deemed to be interested in these 400,000 Shares.*

(4) *The personal interests of Mr. Lau Shu Yan, Julius changed from 13,175,000 Shares to 263,500 Shares following the completion of the Share Consolidation.*

Directors' Interests (continued)

(1) The Company (continued)

Notes: (continued)

(5) *A share option was granted by the Company to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:*

Registered Name	Date of grant	Number of underlying shares comprised in the option before the Share Consolidation	Number of underlying shares comprised in the option after the Share Consolidation	Option period	Subscription price before the Share Consolidation	Subscription price after the Share Consolidation
Lam Kin Ngok, Peter	18/01/2013	20,865,408	417,308	18/01/2013-17/01/2023	HK$0.322 per Share	HK$16.100 per Share
Chew Fook Aun	05/06/2012	188,654,089	3,773,081	05/06/2012-04/06/2022	HK$0.107 per Share	HK$5.350 per Share
Lau Shu Yan, Julius	18/01/2013	104,327,044	2,086,540	18/01/2013-17/01/2023	HK$0.322 per Share	HK$16.100 per Share
Lam Hau Yin, Lester	18/01/2013	208,654,089	4,173,081	18/01/2013-17/01/2023	HK$0.322 per Share	HK$16.100 per Share

Directors' Interests (continued)

(2) Associated Corporations

(i) Lai Sun Garment (International) Limited ("**LSG**") — the ultimate holding company of the Company

Long positions in the ordinary shares and the underlying shares in LSG

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	48,116,366 *(Note 1)*	Nil	113,127,277 *(Note 1)*	708,575 *(Note 6)*	161,952,218	42.05%
Chew Fook Aun	Owner of controlled corporations	Nil	Nil	202,422 *(Note 2)*	3,819,204 *(Note 6)*	4,021,626	1.04%
Lam Hau Yin, Lester	Beneficial owner	12,283,938 *(Note 3)*	Nil	Nil	7,571,626 *(Note 6)*	19,855,564	5.16%
Lam Kin Ming	Beneficial owner	1,007,075 *(Note 4)*	Nil	Nil	Nil	1,007,075	0.26%
U Po Chu	Beneficial owner	825,525 *(Note 5)*	Nil	Nil	Nil	825,525	0.21%

Directors' Interests (continued)

(2) Associated Corporations (continued)

(i) Lai Sun Garment (International) Limited ("**LSG**") — the ultimate holding company of the Company (continued)

Notes:

(1) *On 15 August 2017, LSG implemented the Share Consolidation on the basis that every five (5) issued shares in the share capital of LSG were consolidated into one (1) consolidated share in the share capital of LSG ("**LSG Share Consolidation**").*

*On 30 January 2018, LSG allotted and issued 1,917,209 new ordinary shares ("**Scrip Shares**") pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in LSG from 383,220,448 to 385,137,657.*

The interests of Wisdoman Limited were changed from 562,590,430 shares to 112,518,086 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Wisdoman Limited has elected to receive a total of 609,191 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing Wisdoman's interests in LSG from 112,518,086 shares to 113,127,277 shares. Dr. Peter Lam was deemed to be interested in 113,127,277 shares (representing approximately 29.37% of LSG's issued share capital) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.

The personal interests of Dr. Lam Kin Ngok, Peter were changed from 239,286,305 shares to 47,857,260 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Dr. Peter Lam has elected to receive a total of 259,106 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing his personal interests in LSG from 47,857,260 shares to 48,116,366 shares.

(2) *The 1,012,111 shares held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun changed to 202,422 shares following the completion of the LSG Share Consolidation. Mr. Chew Fook Aun was deemed to be interested in these 202,422 shares.*

(3) *The personal interests of Mr. Lam Hau Yin, Lester were changed from 61,088,946 shares to 12,217,789 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Mr. Lam Hau Yin, Lester has elected to receive a total of 66,149 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing his personal interests in LSG from 12,217,789 shares to 12,283,938 shares.*

(4) *The personal interests of Dr. Lam Kin Ming were changed from 5,008,263 shares to 1,001,652 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Dr. Lam Kin Ming has elected to receive a total of 5,423 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing his personal interests in LSG from 1,001,652 shares to 1,007,075 shares.*

(5) *The personal interests of Madam U Po Chu were changed from 4,127,625 shares to 825,525 shares following the completion of the LSG Share Consolidation.*

(2) Associated Corporations (continued)

(i) Lai Sun Garment (International) Limited ("LSG") — the ultimate holding company of the Company (continued)

Notes: (continued)

(6) *Share options were granted by LSG to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:*

Registered Name	Date of grant	Number of underlying shares comprised in the option before the Share Consolidation	Number of underlying shares comprised in the option after the Share Consolidation	Option period	Subscription price before the LSG Share Consolidation	Subscription price after the LSG Share Consolidation
Lam Kin Ngok, Peter	18/01/2013	1,876,211	375,242	18/01/2013-17/01/2023	HK$1.21 per share	HK$6.05 per share
	19/06/2017	1,666,666	333,333	19/06/2017-18/06/2027	HK$3.00 per share	HK$15.00 per share
Chew Fook Aun	19/06/2017	19,096,022	3,819,204	19/06/2017-18/06/2027	HK$3.00 per share	HK$15.00 per share
Lam Hau Yin, Lester	18/01/2013	18,762,111	3,752,422	18/01/2013-17/01/2023	HK$1.21 per share	HK$6.05 per share
	19/06/2017	19,096,022	3,819,204	19/06/2017-18/06/2027	HK$3.00 per share	HK$15.00 per share

(ii) eSun Holdings Limited ("eSun") — an associate of the Company

Long positions in the ordinary shares and the underlying shares in eSun

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	795,884,619 *(Note 1)*	1,243,212 *(Note 2)*	799,922,274	53.62% *(Note 1)*
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 *(Note 2)*	6,216,060	0.42%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 *(Note 2)*	15,226,564	1.02%

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (continued)

(ii) eSun Holdings Limited ("**eSun**") — an associate of the Company (continued)

Notes:

(1) *LSG was interested in 340,023,572 Shares in the Company, representing approximately 56.10% of the issued share capital of the Company. As at 31 July 2018, Transtrend Holdings Limited ("**Transtrend**") a wholly-owned subsidiary of the Company, was interested in 795,884,619 shares in eSun ("**eSun Shares**"), representing approximately 53.35% of the issued share capital of eSun according to shareholding shown in Corporate Substantial Shareholder Notice (Form 2) filed for an event on 30 July 2018. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 795,884,619 shares in eSun by virtue of, in aggregate, his personal and deemed interests of approximately 42.05% and 56.24% in the issued share capital of LSG and the Company, respectively.*

*As at 31 July 2018, excluding the valid acceptances of the eSun offers which subject to the conditions as set out in the Company's announcements dated 27 May 2018, 22 July 2018, 25 July 2018, 8 August 2018 and 22 August 2018 ("**Announcements**") and as set out in the composite offer and response document jointly issued by the Company, Transtrend and eSun dated 23 July 2018 ("**eSun Composite Document**") in relation to the eSun Offers (as defined in the Announcements) with respect to the conditions of the eSun Offers having become unconditional, Transtrend was interested in 551,040,186 eSun Shares, representing approximately 36.94% of the issued share capital of eSun. As such Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 551,040,186 eSun Shares.*

The eSun Offers had become unconditional in all respects on 8 August 2018.

Subsequent to 31 July 2018 and as at the date of this Report, Transtrend received valid acceptances in respect of 603,369,886 eSun Shares in relation to its offer for eSun Shares up to 22 August 2018, which increased the total number of eSun Shares in which the Company is deemed to be interested to 1,154,410,072. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 1,154,410,072 eSun Shares, representing approximately 77.38% of the issued share capital of eSun.

(2) *A share option was granted by eSun to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:*

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	1,243,212 *	18/01/2013-17/01/2023	HK$1.612 per share
Chew Fook Aun	05/06/2012	6,216,060 **	05/06/2012-04/06/2022	HK$0.92 per share
Lam Hau Yin, Lester	18/01/2013	12,432,121 ***	18/01/2013-17/01/2023	HK$1.612 per share

* *The 1,243,212 eSun share options of Dr. Lam Kin Ngok, Peter have been cancelled on 22 August 2018 pursuant to the eSun Offers.*

** *Mr. Chew Fook Aun tendered acceptances to the eSun offer on 27 July 2018 in respect of these 6,216,060 share options which have been cancelled on 8 August 2018.*

*** *The 12,432,121 eSun share options of Mr. Lam Hau Yin, Lester have been cancelled on 22 August 2018 pursuant to the eSun Offers.*

Directors' Interests (continued)

(2) Associated Corporations (continued)

(iii) Lai Fung Holdings Limited ("**Lai Fung**") — a subsidiary of eSun

Long positions in the ordinary shares and the underlying shares in Lai Fung

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	Nil	165,485,406 *(Note 1)*	321,918 *(Note 4)*	165,807,324	50.70%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	600,000 *(Note 2)*	1,009,591 *(Note 4)*	1,609,591	0.49%
Lau Shu Yan, Julius	Beneficial owner	235 *(Note 3)*	Nil	Nil	965,754 *(Note 4)*	965,989	0.30%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	3,219,182 *(Note 4)*	3,219,182	0.98%

Directors' Interests (continued)

(2) Associated Corporations (continued)

(iii) Lai Fung Holdings Limited ("**Lai Fung**") — a subsidiary of eSun (continued)

Notes:

(1) *On 15 August 2017, Lai Fung implemented the Share Consolidation on the basis that every fifty (50) issued shares in the share capital of Lai Fung were consolidated into one (1) consolidated share in the share capital of Lai Fung ("**Lai Fung Share Consolidation**").*

On 30 January 2018, Lai Fung allotted and issued 1,122,400 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in Lai Fung from 325,921,734 to 327,044,134.

The 8,274,270,422 shares held by eSun were changed to 165,485,406 shares in Lai Fung following the completion of the Lai Fung Share Consolidation. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 165,485,406 shares in Lai Fung by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 37.21% in the issued share capital of eSun.

*Subsequent to 31 July 2018 and as at the date of this Report, Transtrend received valid acceptances in respect of 17,167 shares ("**Lai Fung Shares**") in relation to its offer for Lai Fung Shares up to 13 September 2018, which increased the total number of Lai Fung Shares in which Dr. Lam Kin Ngok, Peter was deemed to be interested to 165,824,491, representing approximately 50.70% of the issued share capital of Lai Fung.*

(2) *The deemed interests of Mr. Chew Fook Aun were changed from 30,000,000 shares to 600,000 shares following the completion of the Lai Fung Share Consolidation. These shares were held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun.*

(3) *The personal interests of Mr. Lau Shu Yan, Julius were changed from 11,772 shares to 235 shares following the completion of the Lai Fung Share Consolidation.*

(4) *A share option was granted by Lai Fung to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:*

Registered Name	Date of grant	Number of underlying shares comprised in the option before the Lai Fung Share Consolidation	Number of underlying shares comprised in the option after the Lai Fung Share Consolidation	Option period	Subscription price before the Lai Fung Share Consolidation	Subscription price after the Lai Fung Share Consolidation
Lam Kin Ngok, Peter	18/01/2013	16,095,912	321,918	18/01/2013-17/01/2023	HK$0.228 per share	HK$11.400 per share
Chew Fook Aun	12/06/2012	50,479,564	1,009,591	12/06/2012-11/06/2020	HK$0.133 per share	HK$6.650 per share
Lau Shu Yan, Julius	18/01/2013	48,287,738	965,754	18/01/2013-17/01/2023	HK$0.228 per share	HK$11.400 per share
Lam Hau Yin, Lester	18/01/2013	160,959,129	3,219,182	18/01/2013-17/01/2023	HK$0.228 per share	HK$11.400 per share

Directors' Interests (continued)

(2) Associated Corporations (continued)

(iv) Media Asia Group Holdings Limited ("**MAGHL**") — a subsidiary of eSun

Long positions in the shares and underlying shares in MAGHL

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total number of issued shares and underlying shares	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	1,443,156,837 *(Note 1)*	Nil	1,443,156,837	67.56%

Note:

*(1) As at 31 July 2018, these interests in MAGHL represented the shares beneficially owned by Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun, representing approximately 67.56% of the issued share capital of MAGHL. eSun is owned as to approximately 53.35% by the Company which in turn is owned as to approximately 56.10% by LSG. As LSG is approximately 12.68% owned by Dr. Lam Kin Ngok, Peter and approximately 29.37% owned by Wisdoman Limited which is turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 1,443,156,837 shares in MAGHL.*

Save as disclosed above, as at 31 July 2018, none of the Directors and the chief executive of the Company and their respective close associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, or recorded in the Register of Directors and Chief Executive as aforesaid, notified under the Securities Code or otherwise known by the Directors.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Share Option Schemes" and "Directors' Interests" in this Report and in note 33 headed "Share Option Schemes" to the financial statements, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests

As at 31 July 2018, so far as was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (are being a Director), who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of Substantial Shareholders of the Listing Rules) were as follows:

Long positions in the Shares and the underlying Shares of the Company

Name	Capacity	Nature of interests	Number of Shares and underlying Shares	Approximate % of Shares in issue
Lai Sun Garment (International) Limited	Beneficial owner	Corporate	340,023,572 *(Note 1)*	56.10%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Personal and corporate	340,870,112 *(Note 1)*	56.24%
Yu Cheuk Yi	Beneficial owner	Personal	95,498,010 *(Note 2)*	15.76%
Yu Siu Yuk	Beneficial owner	Personal	95,498,010 *(Note 2)*	15.76%

Notes:

*(1) LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited ("**Zimba International**") and Joy Mind Limited, ("**Joy Mind**") beneficially owned 340,023,572 Shares, representing approximately 56.10% of the issued share capital of the Company following the completion of the Share Consolidation and the Placing. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.05% in the issued share capital of LSG.*

(2) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held 95,498,010 Shares (15.76%) according to shareholding shown in last Individual Substantial Notice (Form 1) filed for an event on 21 June 2018.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 July 2018, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company recorded in the Register of Shareholders.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 July 2018, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

Public Float

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

Property, Plant and Equipment, Investment Properties and Properties Under Development for Sale

Details of the movements in the property, plant and equipment, investment properties and properties under development for sale of the Company and the Group during the Year are set out in notes 14, 16 and 17, respectively, to the financial statements. Further details of the Group's investment properties and properties under development for sale are set out in the "Particulars of Major Properties" of this Annual Report.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2018 are set out in note 43 to the financial statements.

Charitable Contributions

During the Year, the Group made charitable contributions totalling approximately HK$4,415,000.

Major Customers and Suppliers

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

During the year, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the Directors or any of their close associates 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.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the "Summary of Financial Information" of this Annual Report on pages 28 and 29.

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 47 to 61.

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-Linked Agreements

For the year ended 31 July 2018, the Company has not entered into any equity-linked agreements. Particulars of options granted are set out in the section under Share Option Schemes of this Report.

Review by Audit Committee

The Audit Committee of the Company comprised two INEDs, Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan and a NED, Dr. Lam Kin Ming. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the Year.

Change of Audit Committee Member

Dr. Lam Kin Ming, a NED, has ceased to act as a member of the Audit Committee with effect from 25 October 2018 and Mr. Leung Wang Ching, Clarence, an INED, has been appointed as a member of the Audit Committee by the Board with effect from 25 October 2018.

The Audit Committee currently comprises three INEDs, namely Mr. Leung Shu Yin, William (Chairman of the Audit Committee), Mr. Lam Bing Kwan and Mr. Leung Wang Ching, Clarence.

Events After the Reporting Period

Details of the significant events of the Group after the reporting period are set out in note 48 to the financial statements.

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. Approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of Ernst & Young as 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
Executive Director and Deputy Chairman

Hong Kong
25 October 2018

Shareholders' Information

Key Dates

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

	For Financial Year 2017/2018
Annual results announcement	25 October 2018
Latest time and date for lodging transfer documents with the share registrar to ascertain entitlement to attending and voting at the 2018 annual general meeting ("**AGM**")	4:30 p.m. on 17 December 2018
2018 AGM	21 December 2018
Closure of Register of Members for final dividend entitlement	3 and 4 January 2019
Record date of final dividend entitlement	4 January 2019
Latest time and date for lodging form of election for scrip dividend	4:30 p.m. on 25 January 2019
Proposed Final Dividend of HK$0.108 per share	
Payable	13 February 2019
Scrip share certificate despatch	13 February 2019

	For Financial Year 2018/2019
Interim results announcement	on or before 31 March 2019
Annual results announcement	on or before 31 October 2019

Annual Report

To ensure that all shareholders have equal and timely access to important corporate information, the Company makes extensive use of its website to deliver up-to-date information. This 2017-2018 Annual Report is printed in both English and Chinese and is available on the Company's website at www.laisun.com.

AGM

The AGM will be held on 21 December 2018. Details of the AGM are set out in the notice of the AGM which constitutes part of this Annual Report. Notice of the AGM and the proxy form are also available on the Company's website.

Independent Auditor's Report

To the members of Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Lai Sun Development Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 94 to 195, which comprise the consolidated statement of financial position as at 31 July 2018, 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 2018, 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 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.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of construction in progress	
Construction in progress mainly represents a hotel project and is stated at cost less impairment losses, if any. The carrying amount of construction in progress recorded as property, plant and equipment as at 31 July 2018 was approximately HK$4,759 million. Significant judgements and assumptions, including those related to cash flow projections, such as the forecast average daily room rate and occupancy rate, are required to assess whether a provision for impairment is required. To support management's impairment assessment, the Group engaged an external valuer to perform a valuation on the construction in progress. Related disclosures for construction in progress are disclosed in notes 3 and 14 to the consolidated financial statements.	Our audit procedures included, among others, involving our internal valuation specialists to assist us to evaluate the assumptions and methodologies used in the valuation. We also evaluated the objectivity, independence and competency of the valuer.
Estimation of fair values of investment properties	
Investment properties are stated at fair value. The carrying amount of investment properties as at 31 July 2018 was approximately HK$18,357 million. Significant judgements and assumptions are required to determine the fair value of the investment properties. To support management's determination of the fair value, the Group engaged external valuers to perform valuations on the investment properties at the end of the reporting period. Related disclosures for investment properties are disclosed in notes 3 and 16 to the consolidated financial statements.	Our audit procedures included, among others, involving our internal valuation specialists to assist us to evaluate the assumptions and methodologies used in the valuations. We also evaluated the objectivity, independence and competency of the valuers. We then assessed the Group's disclosures of investment properties.

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 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, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

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

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 this independent auditor's report is Law Fu Yuen, Patrick.

Ernst & Young
Certified Public Accountants
Hong Kong

25 October 2018

Consolidated Income Statement

Year ended 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
TURNOVER	6	**1,693,010**	1,704,080
Cost of sales		**(722,711)**	(735,959)
Gross profit		**970,299**	968,121
Other revenue	6	**168,665**	54,416
Selling and marketing expenses		**(16,974)**	(35,746)
Administrative expenses		**(369,391)**	(280,214)
Other operating expenses	7(b)	**(313,245)**	(293,003)
Fair value gains on investment properties, net	16	**2,410,357**	1,238,092
Reversal of provision for tax indemnity		**305**	142,451
PROFIT FROM OPERATING ACTIVITIES	7(a)	**2,850,016**	1,794,117
Finance costs	8	**(229,482)**	(175,608)
Share of profits and losses of associates		**85,979**	177,940
Share of profits and losses of joint ventures		**1,714,360**	837,413
Loss on deemed disposal of interest in an associate	20(a)	**—**	(573,121)
Discount on acquisition of additional interest in an associate	20(a)	**—**	142,822
PROFIT BEFORE TAX		**4,420,873**	2,203,563
Tax	11	**(49,984)**	(76,450)
PROFIT FOR THE YEAR		**4,370,889**	2,127,113
Attributable to:			
Owners of the Company		**4,335,202**	2,093,572
Non-controlling interests		**35,687**	33,541
		4,370,889	2,127,113
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		**HK$7.159**	HK$3.465
Diluted		**HK$7.128**	HK$3.455

Consolidated Statement of Comprehensive Income

Year ended 31 July 2018

	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR	**4,370,889**	2,127,113
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Changes in fair values of available-for-sale financial assets	**328,541**	205,655
Exchange realignments	**(12,975)**	9,692
Share of other comprehensive expense of associates	**(48,010)**	(54,877)
Share of other comprehensive (expense)/income of a joint venture	**(1,282)**	908
	266,274	161,378
Release of reserves upon deemed disposal of interest in an associate	**—**	49,192
Release of reserve upon remeasurement of existing interest in a joint venture upon business combination	**374**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**266,648**	210,570
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,637,537**	2,337,683
Attributable to:		
Owners of the Company	**4,602,109**	2,304,069
Non-controlling interests	**35,428**	33,614
	4,637,537	2,337,683

Consolidated Statement of Financial Position

31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,276,957**	4,034,466
Prepaid land lease payments	15	**18,846**	19,873
Investment properties	16	**18,356,990**	16,447,014
Properties under development for sale	17	**932,978**	1,571,635
Goodwill	18	**235,778**	5,161
Intangible assets	19	**120,306**	—
Interests in associates	20(a)	**3,596,585**	3,555,876
Interests in joint ventures	20(b)	**7,272,859**	7,224,183
Available-for-sale financial assets	21	**2,162,254**	1,589,670
Derivative financial instruments	22	**6,171**	—
Deposits paid and other receivables	23	**341,204**	231,868
Deferred tax assets	31	**34,534**	—
Loans to related companies	24	**650,000**	—
Pledged bank balances and time deposits	25	**82,909**	69,675
Total non-current assets		**39,088,371**	34,749,421
CURRENT ASSETS			
Properties under development for sale	17	**1,049,331**	—
Completed properties for sale	26	**252,121**	252,121
Inventories		**31,973**	31,327
Debtors, deposits paid and other receivables	27	**547,678**	530,416
Pledged bank balances and time deposits	25	**298,509**	213,640
Cash and cash equivalents	25	**3,958,416**	2,664,066
		6,138,028	3,691,570
Asset classified as held for sale	20(b)	**1,476,533**	—
Total current assets		**7,614,561**	3,691,570
CURRENT LIABILITIES			
Creditors, deposits received and accruals	28	**2,146,488**	452,005
Tax payable		**124,383**	119,062
Guaranteed notes	29	**—**	2,731,230
Bank borrowings	30	**1,186,279**	157,582
Total current liabilities		**3,457,150**	3,459,879
NET CURRENT ASSETS		**4,157,411**	231,691
TOTAL ASSETS LESS CURRENT LIABILITIES		**43,245,782**	34,981,112

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	30	**7,698,454**	6,748,399
Guaranteed notes	29	**3,118,594**	—
Deferred tax liabilities	31	**176,044**	141,291
Provision for tax indemnity	37(b)	**—**	93,000
Long term deposits received and other payables		**634,009**	893,883
Total non-current liabilities		**11,627,101**	7,876,573
		31,618,681	27,104,539
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**4,076,816**	4,063,736
Reserves	34	**27,081,877**	22,536,054
		31,158,693	26,599,790
Non-controlling interests		**459,988**	504,749
		31,618,681	27,104,539

Chew Fook Aun
Director

Lau Shu Yan, Julius
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2018

	Attributable to owners of the Company												
	Share capital HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Capital reduction reserve HK$'000	General reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 August 2016	4,050,252	1,241,566	65,633	9,114	4,692	646,700	233,252	28,996	(399,139)	18,476,669	24,357,735	534,115	24,891,850
Profit for the year	—	—	—	—	—	—	—	—	—	2,093,572	2,093,572	33,541	2,127,113
Other comprehensive income/(expense) for the year:													
Change in fair values of available-for-sale financial assets	—	205,655	—	—	—	—	—	—	—	—	205,655	—	205,655
Exchange realignments	—	—	—	—	—	—	—	—	9,692	—	9,692	—	9,692
Share of other comprehensive (expense)/income of associates	—	(2,473)	—	(6,892)	—	—	—	—	(45,585)	—	(54,950)	73	(54,877)
Share of other comprehensive income of a joint venture	—	—	—	—	—	—	—	—	908	—	908	—	908
Release of reserves upon deemed disposal of interest in an associate	—	(2,235)	—	(370)	—	—	—	—	51,797	—	49,192	—	49,192
Total comprehensive income/(expense) for the year	—	200,947	—	(7,262)	—	—	—	—	16,812	2,093,572	2,304,069	33,614	2,337,683
Final 2016 dividend declared (note 12)	—	—	—	—	—	—	—	—	—	(57,340)	(57,340)	—	(57,340)
Share of reserve movements of associates	—	—	—	—	—	—	(17,254)	17,244	—	(17,208)	(17,218)	—	(17,218)
Recognition of share-based payments	—	—	188	—	—	—	—	—	—	—	188	—	188
Capital contribution from non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	484	484
Shares issued in lieu of cash dividend (note 32(a))	9,651	—	—	—	—	—	—	—	—	—	9,651	—	9,651
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(62,720)	(62,720)
Share options exercised	3,833	—	(1,128)	—	—	—	—	—	—	—	2,705	—	2,705
Repayment to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(744)	(744)
At 31 July 2017	4,063,736	1,442,513*	64,693*	1,852*	4,692*	646,700*	215,998*	46,240*	(382,327)*	20,495,693*	26,599,790	504,749	27,104,539
Profit for the year	—	—	—	—	—	—	—	—	—	4,335,202	4,335,202	35,687	4,370,889
Other comprehensive income/(expense) for the year:													
Change in fair values of available-for-sale financial assets	—	328,541	—	—	—	—	—	—	—	—	328,541	—	328,541
Exchange realignments	—	—	—	—	—	—	—	—	(12,975)	—	(12,975)	—	(12,975)
Share of other comprehensive expense of associates	—	(5,422)	—	(1,378)	—	—	—	—	(40,951)	—	(47,751)	(259)	(48,010)
Share of other comprehensive expense of a joint venture	—	—	—	—	—	—	—	—	(1,282)	—	(1,282)	—	(1,282)
Release of reserve upon remeasurement of existing interest in a joint venture upon business combination	—	—	—	—	—	—	—	—	374	—	374	—	374
Total comprehensive income/(expense) for the year	—	323,119	—	(1,378)	—	—	—	—	(54,834)	4,335,202	4,602,109	35,428	4,637,537
Final 2017 dividend declared (note 12)	—	—	—	—	—	—	—	—	—	(60,509)	(60,509)	—	(60,509)
Share of reserve movements of associates	—	—	(88)	(474)	—	—	(12,702)	8,341	—	9,261	4,338	—	4,338
Shares issued in lieu of cash dividend (note 32(d))	12,683	—	—	—	—	—	—	—	—	—	12,683	—	12,683
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(71,854)	(71,854)
Share options exercised	397	—	(115)	—	—	—	—	—	—	—	282	—	282
Repayment to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(8,576)	(8,576)
Acquisition of subsidiaries (note 46)	—	—	—	—	—	—	—	—	—	—	—	241	241
At 31 July 2018	4,076,816	1,765,632*	64,490*	—*	4,692*	646,700*	203,296*	54,581*	(437,161)*	24,779,647*	31,158,693	459,988	31,618,681

* These reserve accounts comprise the consolidated reserves of HK$27,081,877,000 (2017: HK$22,536,054,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,420,873**	2,203,563
Adjustments for:			
Finance costs	8	**229,482**	175,608
Share of profits and losses of associates		**(85,979)**	(177,940)
Share of profits and losses of joint ventures		**(1,714,360)**	(837,413)
Loss on deemed disposal of interest in an associate		**—**	573,121
Discount on acquisition of additional interest in an associate		**—**	(142,822)
Fair value gains on investment properties, net		**(2,410,357)**	(1,238,092)
Reversal of provision for tax indemnity	37(b)	**(305)**	(142,451)
Depreciation	7(a)	**84,182**	76,991
Amortisation of prepaid land lease payments	7(a)	**1,027**	1,028
Impairment of property, plant and equipment	7(a)	**9,583**	—
Loss on disposal/write-off of items of property, plant and equipment	7(a)	**8,337**	1,222
Gain on remeasurement of existing interest in a joint venture upon business combination	6	**(24,564)**	—
Gain on disposal of an unlisted available-for-sale financial asset	6	**(8,199)**	—
Fair value gains on cross currency swaps	6	**(6,171)**	—
Interest income	6	**(59,713)**	(20,666)
Dividend income from unlisted available-for-sale financial assets	6	**(27,400)**	(23,240)
Employee share option benefits	7(a)	**—**	188
Foreign exchange differences, net		**6,612**	22,030
		423,048	471,127
Increase in properties under development for sale		**(369,744)**	(193,253)
Increase in other loan receivables		**(30,775)**	(19,412)
Decrease in completed properties for sale		**—**	69,388
Increase in inventories		**(646)**	(5,428)
Increase in debtors, deposits paid and other receivables		**(49,406)**	(395,095)
Increase in creditors, deposits received and accruals		**1,083,281**	787,198
Cash generated from operations		**1,055,758**	714,525
Interest received		**59,713**	20,666
Interest paid on bank borrowings		**(173,356)**	(118,666)
Interest paid on guaranteed notes		**(144,171)**	(155,368)
Hong Kong profits tax paid		**(40,983)**	(44,602)
Overseas taxes paid		**(27,931)**	(31,354)
Net cash flows from operating activities		**729,030**	385,201

Consolidated Statement of Cash Flows

Year ended 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(1,193,903)**	(1,017,679)
Additions to investment properties		**(43,671)**	(47,535)
Deposits paid for purchase of items of property, plant and equipment	23	**(38,998)**	(2,538)
Deposits paid for additions to investment properties	23	**(11,502)**	(2,104)
Acquisition of unlisted available-for-sale financial assets		**(254,348)**	(6,907)
Proceeds from disposal of an unlisted available-for-sale financial asset		**18,504**	4,918
Proceeds from disposal of items of property, plant and equipment		**1,568**	2,800
Proceeds from disposal of investment properties		**561,648**	—
Acquisition of subsidiaries	46	**132,650**	—
Acquisition of additional interest in an associate		**—**	(25,426)
Acquisition of an associate		**—**	(159,555)
Advances to associates		**(136)**	(187)
Repayment from associates		**4,665**	4,844
Dividend received from an associate		**—**	700
Acquisition of a joint venture		**—**	(114,099)
Advances to joint ventures		**(89,451)**	(154,500)
Repayment from a joint venture		**—**	637,090
Dividend received from a joint venture		**150,000**	—
Loans to related companies	24	**(650,000)**	—
Dividends received from unlisted available-for-sale financial assets		**27,400**	23,240
Increase in pledged bank balances and time deposits		**(98,103)**	(67,074)
Settlement of tax indemnity		**(92,695)**	(493,936)
Net cash flows used in investing activities		**(1,576,372)**	(1,417,948)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings raised		**3,729,800**	3,319,138
Repayment of bank borrowings		**(1,809,155)**	(1,851,844)
Guaranteed notes issued		**3,124,800**	—
Guaranteed note issue expenses		**(24,861)**	—
Repayment of guaranteed notes		**(2,734,550)**	—
Bank financing charges		**(15,824)**	(19,144)
Dividend paid		**(47,826)**	(47,689)
Dividends paid to non-controlling shareholders		**(71,854)**	(62,720)
Capital contribution from non-controlling shareholders of a subsidiary		**—**	484
Repayment to non-controlling shareholders of a subsidiary		**(8,576)**	(744)
Share options exercised		**282**	2,705
Net cash flows from financing activities		**2,142,236**	1,340,186
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,294,894**	307,439
Cash and cash equivalents at beginning of year		**2,664,066**	2,354,682
Effect of foreign exchange rate changes, net		**(544)**	1,945
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,958,416**	2,664,066
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		**3,807,347**	971,795
Non-pledged time deposits		**151,069**	1,692,271
		3,958,416	2,664,066

1. Corporate and Group Information

Lai Sun Development Company Limited (the "**Company**") is a limited liability company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong. In the opinion of the directors, the Company's ultimate holding company is Lai Sun Garment (International) Limited ("**LSG**"), a limited liability company incorporated in Hong Kong with its shares listed on the Main Board of the Stock Exchange.

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

- property development for sale;
- property investment;
- investment in and operation of hotels;
- investment in and operation of restaurants; and
- investment holding.

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

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group 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 profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following amendments to HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 47 to the financial statements.

Other than as explained above regarding the impact of Amendments to HKAS 7, the adoption of the above amendments to HKFRSs has had no significant financial effect on these financial statements.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28 and HKFRS 1	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for annual periods beginning on or after 1 January 2019*
[3] *Effective for annual periods beginning on or after a date to be determined*
[4] *Effective for annual periods beginning on or after 1 January 2021*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group commences to adopt HKFRS 9 from 1 August 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 August 2018. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

Under HKFRS 9, financial assets are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification for the Group's financial assets will remain largely the same as it was under HKAS 39. Therefore, the Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group is in the process of making an assessment of the impact on impairment upon initial recognition and does not expect that the adoption of HKFRS 9 will have a significant impact on the impairment of its financial assets.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

HKFRS 15

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 August 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 August 2018. The Group has assessed the impact of the adoption of HKFRS 15 and does not expect that the standard will have a significant impact, when applied, on the consolidated financial statements of the Group.

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosure required in the Group's financial statements. The Group expects that the adoption of HKFRS 15 may result in more extensive disclosures.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

HKFRS 16

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees - leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease terms and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 August 2019. Upon adoption of HKFRS 16, the Group expects that certain amounts included in note 38(b) to the financial statements may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts related to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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.

2.4 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

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

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

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets 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 an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

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

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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 profit or loss.

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 profit or loss as a gain on bargain purchase.

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

(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, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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:

Hotel properties	Over the remaining lease terms
Leasehold buildings	Over the remaining lease terms
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	17% - 25%
Computers	20% - 33%
Motor vessels	25%

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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 sale proceeds and the carrying amount of the relevant asset.

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include properties that are being constructed or developed for future use as investment properties. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year 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 year of the retirement or disposal.

2.4 Summary of Significant Accounting Policies (continued)

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development for sale

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

Once the construction or development of these properties is completed, these properties are reclassified to the appropriate categories of assets.

Non-current assets held for sale

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

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

Intangible assets (other than goodwill)

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

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

Trademarks are stated at cost less impairment losses. Customer relationship is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 10 years.

2.4 Summary of Significant Accounting Policies (continued)

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 apportionment of the total land and building costs attributable to unsold properties. Net realisable value is determined by the directors based on prevailing market prices on an individual property basis less costs to be incurred in selling the property.

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

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

After initial recognition, available-for-sale financial assets 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, 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. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the income statement as other revenue in accordance with the policies set out for "Revenue recognition" below.

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

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments

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.

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.

Derecognition of financial assets

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

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 the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

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.

2.4 Summary of Significant Accounting Policies (continued)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for food, beverages, cutlery, linen and supplies used in hotel and restaurant operations is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

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 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.

Income tax (continued)

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e., based on the expected manner as to how the properties will be recovered).

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 are ready for delivery to the purchasers pursuant to the sales agreements, and collectability of the 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 building 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 income from hotel and restaurant operations and the provision of other related services is recognised when such services have been provided to customers;

(d) revenue from the sale of food and other operating items is recognised when the food and other operating items are sold to customers and the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the food and other operating items sold;

(e) interest income is recognised 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

(f) dividend income is recognised when the shareholders' right to receive payment has been established.

2.4 Summary of Significant Accounting Policies (continued)

Dividends

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

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

Borrowing costs

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange 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 income statement is also recognised in other comprehensive income or income statement, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Binomial Option Pricing Model, further details of which are given in note 33 to the financial statements.

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

Service and non-market performance conditions 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.

Employee benefits (continued)

Share-based payments (continued)

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

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

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

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the year end is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the material expected future cost of such paid leave earned during the current financial year by the employees and carried forward.

Retirement benefits

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 Vietnam and the People's Republic of China (the "**PRC**") are required to participate in central pension schemes operated by the respective governments in Vietnam and the PRC. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

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:

Impairment of assets

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

Impairment of construction in progress

Construction in progress is stated at cost less impairment losses, if any. In determining whether there is any indication of impairment, the Group has to exercise judgement, particularly in assessing the appropriate key assumptions to be applied in preparing cash flow projections. To support the impairment assessment, the Group engaged an external valuer to perform valuation on the construction in progress. Changing the assumptions selected by the valuer to determine whether there is any indication of impairment, including those related to cash flow projections, such as the forecast average daily room rate and occupancy rate, could materially affect the net present value used in the impairment test. The carrying amount of construction in progress recorded as property, plant and equipment as at 31 July 2018 was approximately HK$4,759 million (2017: HK$3,469 million).

Provision for tax indemnity

Provision for tax indemnity is recognised when a present obligation (legal or constructive) has arisen as a result of tax liability arising from disposal of certain property interests in the PRC pursuant to certain indemnity deeds entered into by the Group and it is probable that such tax liability will be required to be settled. Management's judgement is required to determine (i) the estimated sales proceeds and outgoings; and (ii) the latest development plan and status of individual property development projects. Further details are included in note 37(b) to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty

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

Estimation of fair values of investment properties and available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) independent valuations; (ii) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (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 at fair value of investment properties as at 31 July 2018 was approximately HK$18,357 million (2017: HK$16,447 million) and that of an available-for-sale financial asset, of which the principal asset is an investment property, as at 31 July 2018 was approximately HK$1,664 million (2017: HK$1,394 million).

Estimation of total budgeted costs and costs to completion for properties under development for sale

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

Impairment of loans and receivables

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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, 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 are 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.

Business combinations and goodwill

When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. Management estimation is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. The fair values of the identifiable assets acquired and the liabilities assumed are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgement and estimation is required in establishing fair values. Management must estimate the expected future cash flows and discount rate in order to calculate the fair values.

Impairment of goodwill and trademarks with indefinite useful life

The Group determines whether goodwill and trademarks with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units or the fair value of a trademark to which the goodwill and trademarks with indefinite useful life are allocated. Estimating the value in use and fair value requires the Group to make an estimate of the expected future cash flows from the cash-generating units or a trademark and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of goodwill and trademarks with indefinite useful life are set out in notes 18 and 19 to the financial statements.

4. Segment Information

For management purposes, the Group has the following reportable segments:

(a) the property development and sales segment engages in property development and sale of properties;

(b) the property investment segment engages in the leasing of investment properties;

(c) the hotel operation segment engages in the operation of and provision of consultancy services to hotels;

(d) the restaurant operation segment engages in the operation of and provision of consultancy services to restaurants; and

(e) the "others" segment mainly comprises the provision of property management services, leasing agency services, building services and luxury yachting business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that fair value gains on investment properties, interest income, finance costs, share of profits and losses of associates, share of profits and losses of joint ventures, reversal of provision for tax indemnity, loss on deemed disposal of interest in an associate, discount on acquisition of additional interest in an associate and other unallocated income and expenses are excluded from such measurement.

Segment assets mainly exclude interests in associates, interests in joint ventures, available-for-sale financial assets, derivative financial instruments, deferred tax assets, certain pledged bank balances and time deposits, certain cash and cash equivalents and asset classified as held for sale.

Segment liabilities mainly exclude bank borrowings, guaranteed notes, tax payable, deferred tax liabilities and provision for tax indemnity.

Intersegment sales are transacted with reference to the prevailing market prices.

4. Segment Information (continued)

Segment revenue and results

The following table presents revenue and results for the Group's reportable segments:

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Others		Eliminations		Consolidated	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Segment revenue:														
Sales to external customers	**430**	89,245	**704,513**	686,748	**423,958**	412,343	**514,019**	481,529	**50,090**	34,215	**—**	—	**1,693,010**	1,704,080
Intersegment sales	**—**	—	**19,200**	16,473	**—**	90	**—**	97	**27,221**	24,899	**(46,421)**	(41,559)	**—**	—
Other revenue	**6,443**	4,813	**30,708**	2,310	**145**	280	**732**	426	**21,096**	11,120	**—**	—	**59,124**	18,949
Total	**6,873**	94,058	**754,421**	705,531	**424,103**	412,713	**514,751**	482,052	**98,407**	70,234	**(46,421)**	(41,559)	**1,752,134**	1,723,029
Segment results	**(6,782)**	(13,156)	**585,524**	556,098	**34,733**	70,697	**(36,208)**	(30,338)	**18,179**	(839)	**—**	—	**595,446**	582,462
Interest income from bank deposits — unallocated													**39,008**	10,211
Unallocated revenue													**70,533**	25,256
Fair value gains on investment properties, net	**—**	—	**2,410,357**	1,238,092	**—**	—	**—**	—	**—**	—	**—**	—	**2,410,357**	1,238,092
Unallocated expenses													**(265,633)**	(204,355)
Reversal of provision of tax indemnity													**305**	142,451
Profit from operating activities													**2,850,016**	1,794,117
Finance costs													**(229,482)**	(175,608)
Share of profits and losses of associates	**466**	33	**—**	—	**(309)**	—	**(1,471)**	(3,330)	**(80)**	—	**—**	—	**(1,394)**	(3,297)
Share of profits and losses of associates — unallocated													**87,373**	181,237
Share of profits and losses of joint ventures	**3,071**	(28,638)	**1,716,061**	859,570	**—**	—	**(1,483)**	—	**(3,289)**	6,481	**—**	—	**1,714,360**	837,413
Loss on deemed disposal of interest in an associate													**—**	(573,121)
Discount on acquisition of additional interest in an associate													**—**	142,822
Profit before tax													**4,420,873**	2,203,563
Tax													**(49,984)**	(76,450)
Profit for the year													**4,370,889**	2,127,113

4. SEGMENT INFORMATION (CONTINUED)

The following table presents the total assets and liabilities and other segment information for the Group's reportable segments:

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Others		Consolidated	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Segment assets and liabilities												
Segment assets	**2,640,197**	2,233,477	**18,599,262**	16,657,105	**5,444,389**	4,076,803	**531,037**	586,663	**1,683,631**	242,782	**28,898,516**	23,796,830
Interests in associates	**1,701**	5,890	**—**	—	**163,301**	159,478	**(10,394)**	(9,078)	**233**	—	**154,841**	156,290
Interests in associates — unallocated											**3,441,744**	3,399,586
Interests in joint ventures	**1,194,367**	1,116,246	**6,075,975**	5,986,447	**—**	—	**2,517**	—	**—**	121,490	**7,272,859**	7,224,183
Unallocated assets											**5,458,439**	3,864,102
Asset classified as held for sale											**1,476,533**	—
Total assets											**46,702,932**	38,440,991
Segment liabilities	**1,684,053**	777,431	**390,603**	194,047	**237,631**	279,216	**41,259**	43,158	**330,037**	9,932	**2,683,583**	1,303,784
Bank borrowings											**8,884,733**	6,905,981
Guaranteed notes											**3,118,594**	2,731,230
Other unallocated liabilities											**397,341**	395,457
Total liabilities											**15,084,251**	11,336,452
Other segment information												
Amortisation of prepaid land lease payments	**—**	—	**—**	—	**1,027**	1,028	**—**	—	**—**	—	**1,027**	1,028
Depreciation	**—**	—	**116**	147	**22,048**	18,075	**49,886**	47,136	**1,241**	217	**73,291**	65,575
Depreciation — unallocated											**10,891**	11,416
											84,182	76,991
Impairment of property, plant and equipment	**—**	—	**—**	—	**—**	—	**9,583**	—	**—**	—	**9,583**	—
Loss on disposal/write-off of items of property, plant and equipment	**—**	226	**29**	—	**653**	996	**7,655**	—	**—**	—	**8,337**	1,222
Capital expenditure	**—**	—	**45,858**	54,263	**1,306,810**	1,075,824	**26,185**	48,257	**2,106**	3,019	**1,380,959**	1,181,363
Capital expenditure — unallocated											**369**	4,244
											1,381,328	1,185,607

4. Segment Information (continued)

Geographical information

The following table presents revenue and assets by geographical location of the assets:

	Hong Kong		United Kingdom		Vietnam		Others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue										
Sales to external customers	**1,095,759**	1,156,603	**148,849**	136,304	**418,729**	407,257	**29,673**	3,916	**1,693,010**	1,704,080
Other revenue	**29,545**	18,317	**29,416**	493	**20**	81	**143**	58	**59,124**	18,949
Total	**1,125,304**	1,174,920	**178,265**	136,797	**418,749**	407,338	**29,816**	3,974	**1,752,134**	1,723,029
Segment assets										
Non-current assets	**22,367,042**	19,295,802	**2,868,811**	2,703,275	**286,291**	264,244	**380,152**	621	**25,902,296**	22,263,942
Current assets	**2,335,915**	1,133,371	**63,642**	72,756	**266,462**	323,208	**330,201**	3,553	**2,996,220**	1,532,888
Total	**24,702,957**	20,429,173	**2,932,453**	2,776,031	**552,753**	587,452	**710,353**	4,174	**28,898,516**	23,796,830

Information about major customers

For both the years ended 31 July 2018 and 31 July 2017, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

5. Related Party Transactions

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

(a) Transactions with related parties

	Notes	**2018 HK$'000**	2017 HK$'000
Rental income and building management fee received or receivable from eSun Holdings Limited ("**eSun**") and its subsidiaries (collectively the "**eSun Group**"), an associate	(i)	**13,231**	13,080
Interest income received or receivable from advances to			
— the eSun Group	(i), 24	**1,946**	—
— a joint venture	(i)	**4,733**	—
Sharing of corporate salaries on a cost basis allocated to:			
— LSG		**8,663**	7,735
— the eSun Group		**50,691**	45,203
Sharing of administrative expenses on a cost basis allocated to:			
— LSG		**1,478**	1,382
— the eSun Group		**6,212**	5,383
Rental expenses and building management fees paid or payable to:			
— a fellow subsidiary	(i)	**—**	6,447
— an associate of LSG	(i)	**2,298**	2,157
— the eSun Group	(i)	**67**	64
Sharing of corporate salaries on a cost basis allocated from:			
— LSG		**5,730**	5,723
— the eSun Group		**6,376**	6,133
Sharing of administrative expenses on a cost basis allocated from:			
— LSG		**3**	17
— the eSun Group		**1,964**	1,200

Note:

(i) These transactions were entered into based on terms stated in the respective agreements or contracts and were charged on bases mutually agreed by the respective parties.

5. Related Party Transactions (continued)

(b) Compensation of key management personnel of the Group

	2018 HK$'000	2017 HK$'000
Short term employee benefits	**32,344**	30,873
Post-employment benefits	**277**	270
Total compensation paid to key management personnel	**32,621**	31,143

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

6. Turnover and Other Revenue

Turnover comprises the proceeds from the sale of properties, rental income and building management fee, and income from hotel, restaurant and other operations.

An analysis of turnover and other revenue are as follows:

	2018 HK$'000	2017 HK$'000
Turnover		
Sale of properties	**430**	89,245
Rental income and building management fee	**704,513**	686,748
Hotel, restaurant and other operations	**988,067**	928,087
	1,693,010	1,704,080
Other revenue		
Interest income from bank deposits	**39,008**	10,211
Other interest income	**20,705**	10,455
Dividend income from unlisted available-for-sale financial assets	**27,400**	23,240
Gain on remeasurement of existing interest in a joint venture upon business combination	**24,564**	—
Gain on disposal of an unlisted available-for-sale financial asset	**8,199**	—
Fair value gains on cross currency swaps	**6,171**	—
Compensation income	**20,666**	—
Others	**21,952**	10,510
	168,665	54,416

7. Profit From Operating Activities

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of inventories sold		**171,994**	169,622
Cost of completed properties sold		**—**	69,395
Depreciation#	14	**84,182**	76,991
Amortisation of prepaid land lease payments*	15	**1,027**	1,028
Staff costs (including directors' remuneration — note 9):			
Wages and salaries		**417,714**	364,588
Pension scheme contributions		**12,506**	11,132
Employee share option benefits		**—**	188
		430,220	375,908
Auditor's remuneration		**3,761**	3,750
Impairment of property, plant and equipment*	14	**9,583**	—
Loss on disposal/write-off of items of property, plant and equipment*		**8,337**	1,222
Minimum lease payments under operating leases		**61,073**	61,120
Contingent rents		**11,775**	9,064
Total operating lease payments^		**72,848**	70,184
Minimum lease income under operating leases		**(704,096)**	(686,391)
Contingent rents		**(417)**	(357)
Total operating lease income		**(704,513)**	(686,748)
Less: Outgoings		**109,705**	98,404
Net rental income		**(594,808)**	(588,344)
Foreign exchange losses, net*		**5,927**	23,849

Depreciation charge of approximately HK$79,152,000 (2017: HK$71,793,000) for property, plant and equipment is included in "other operating expenses" on the face of the consolidated income statement.

^ Operating lease payments of approximately HK$63,356,000 (2017: HK$61,979,000) are included in "other operating expenses" on the face of the consolidated income statement.

* These items are also included in "other operating expenses" on the face of the consolidated income statement.

7. Profit From Operating Activities (continued)

(b) Other than those mentioned in note 7(a) above, "other operating expenses" also included service fee for operation of a club in the Group's hotel operation in Vietnam of approximately HK$60,250,000 (2017: HK$64,337,000).

8. Finance Costs

	2018 **HK$'000**	2017 HK$'000
Interest on bank borrowings	**175,378**	116,995
Interest on guaranteed notes	**196,075**	159,507
Bank financing charges	**38,314**	55,402
	409,767	331,904
Less: Amount capitalised in a hotel development project (note 14)	**(139,355)**	(100,317)
Amount capitalised in properties under development for sale (note 17)	**(40,930)**	(55,979)
	229,482	175,608

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 4.00% (2017: 4.40%) has been applied to the expenditure on the individual assets for the year ended 31 July 2018.

9. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (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:

	2018 **HK$'000**	2017 HK$'000
Fees	**1,400**	1,400
Other emoluments:		
Salaries, allowances and benefits in kind	**30,944**	29,473
Pension scheme contributions	**277**	270
	31,221	29,743
	32,621	31,143

9. Directors' Remuneration (continued)

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2018				
Executive directors:				
Lam Kin Ngok, Peter	—	15,461	18	15,479
Chew Fook Aun	—	8,855	18	8,873
Lau Shu Yan, Julius^	—	4,814	223	5,037
Lam Hau Yin, Lester	—	1,814	18	1,832
	—	30,944	277	31,221
Non-executive directors:				
Lam Kin Ming	250	—	—	250
U Po Chu	250	—	—	250
	500	—	—	500
Independent non-executive directors:				
Ip Shu Kwan, Stephen	300	—	—	300
Lam Bing Kwan	300	—	—	300
Leung Shu Yin, William	300	—	—	300
	900	—	—	900
	1,400	30,944	277	32,621

9. Directors' Remuneration (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2017				
Executive directors:				
Lam Kin Ngok, Peter	—	14,346	18	14,364
Chew Fook Aun	—	8,515	18	8,533
Lau Shu Yan, Julius^	—	4,851	216	5,067
Lam Hau Yin, Lester	—	1,761	18	1,779
	—	29,473	270	29,743
Non-executive directors:				
Lam Kin Ming	250	—	—	250
U Po Chu	250	—	—	250
	500	—	—	500
Independent non-executive directors:				
Ip Shu Kwan, Stephen	300	—	—	300
Lam Bing Kwan	300	—	—	300
Leung Shu Yin, William	300	—	—	300
	900	—	—	900
	1,400	29,473	270	31,143

^ Lau Shu Yan, Julius is also the chief executive officer of the Company.

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

10. Employees' Remuneration

The five highest paid employees during the year included three (2017: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2017: two) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and benefits in kind	**7,474**	6,995
Pension scheme contributions	**36**	36
	7,510	7,031

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

	Number of employees	
	2018	2017
HK$2,500,001 to HK$3,000,000	**1**	1
HK$4,500,001 to HK$5,000,000	**1**	1

11. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

11. TAX (CONTINUED)

	2018 HK$'000	2017 HK$'000
Current tax		
Hong Kong	**41,517**	38,608
Overseas	**27,195**	21,630
	68,712	60,238
Deferred tax (note 31)	**(25,046)**	13,714
Prior years' underprovision		
Hong Kong	**5,749**	632
Overseas	**569**	1,866
	6,318	2,498
Tax charge for the year	**49,984**	76,450

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

	2018 HK$'000	2017 HK$'000
Profit before tax	**4,420,873**	2,203,563
Less: Share of profits and losses of associates	**(85,979)**	(177,940)
Share of profits and losses of joint ventures	**(1,714,360)**	(837,413)
Profit before tax attributable to the Group	**2,620,534**	1,188,210
Tax at the statutory tax rate of 16.5% (2017: 16.5%)	**432,388**	196,055
Higher tax rate for other countries	**27,452**	9,800
Adjustments in respect of current tax of previous periods	**6,318**	2,498
Income not subject to tax	**(439,614)**	(186,849)
Expenses not deductible for tax purposes	**58,681**	36,975
Tax losses utilised from previous periods	**(18,479)**	(3,714)
Tax losses not recognised	**14,850**	21,685
Recognition of tax losses previously not recognised	**(31,612)**	—
Tax charge for the year	**49,984**	76,450

12. DIVIDEND

	2018 HK$'000	2017 HK$'000
Final dividend paid in respect of the year ended 31 July 2017 (2017: final dividend paid in respect of the year ended 31 July 2016) — HK10.00 cents (2017: HK9.50 cents) per ordinary share	**60,509**	57,340
Proposed final dividend — HK10.80 cents (2017: HK10.00 cents) per ordinary share	**65,456**	60,509

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**4,335,202**	2,093,572
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of an associate based on dilution of its earnings per share	**(752)**	(76)
Earnings for the purpose of diluted earnings per share	**4,334,450**	2,093,496

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**605,572**	604,123
Effect of dilutive potential ordinary shares arising from share options	**2,525**	1,772
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**608,097**	605,895

The number of shares for the purpose of earnings per share were calculated to reflect the Share Consolidation as defined in note 32(c).

14. Property, Plant and Equipment

	Notes	Hotel properties HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Motor vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:										
At 1 August 2016		357,035	237,627	177,411	159,034	29,822	15,941	55,479	2,412,577	3,444,926
Finance cost capitalised	8	—	—	—	—	—	—	—	100,317	100,317
Additions		—	—	37,888	30,331	3,784	2,949	24	956,201	1,031,177
Disposals/write-off		—	—	(15,487)	(14,667)	(32)	(845)	—	—	(31,031)
At 31 July 2017 and 1 August 2017		357,035	237,627	199,812	174,698	33,574	18,045	55,503	3,469,095	4,545,389
Finance cost capitalised	8	—	—	—	—	—	—	—	139,355	139,355
Additions		—	—	24,233	17,879	1,475	1,926	68	1,150,860	1,196,441
Acquisition of subsidiaries	46	–	–	78	6,428	9	3,850	–	–	10,365
Disposals/write-off		–	–	(14,540)	(24,724)	(203)	(344)	–	–	(39,811)
At 31 July 2018		357,035	237,627	209,583	174,281	34,855	23,477	55,571	4,759,310	5,851,739
Accumulated depreciation and impairment:										
At 1 August 2016		155,473	34,780	93,368	95,784	24,054	11,471	46,011	—	460,941
Depreciation provided during the year	7(a)	8,210	4,858	31,246	22,778	3,239	2,131	4,529	—	76,991
Disposals/write-off		—	—	(13,705)	(12,463)	(6)	(835)	—	—	(27,009)
At 31 July 2017 and 1 August 2017		163,683	39,638	110,909	106,099	27,287	12,767	50,540	—	510,923
Depreciation provided during the year	7(a)	8,207	4,858	34,716	26,239	3,515	2,441	4,206	—	84,182
Impairment during the year	7(a)	—	—	5,619	3,892	—	72	—	—	9,583
Disposals/write-off		—	—	(8,651)	(20,900)	(173)	(182)	—	—	(29,906)
At 31 July 2018		171,890	44,496	142,593	115,330	30,629	15,098	54,746	—	574,782
Net carrying amount:										
At 31 July 2018		185,145	193,131	66,990	58,951	4,226	8,379	825	4,759,310	5,276,957
At 31 July 2017		193,352	197,989	88,903	68,599	6,287	5,278	4,963	3,469,095	4,034,466

At 31 July 2018, the Group's certain leasehold improvements, furniture, fixtures and equipment, motor vehicles, computers and construction in progress of a hotel project, named "Hong Kong Ocean Park Marriott Hotel", with carrying amounts of approximately HK$97,000 (2017: HK$50,000), HK$229,000 (2017: HK$64,000), HK$167,000 (2017: HK$251,000), HK$741,000 (2017: HK$284,000) and HK$4,705,549,000 (2017: HK$3,445,160,000), respectively, were pledged to banks to secure banking facilities granted to the Group (note 30).

At 31 July 2018, the Group had conducted impairment test on property, plant and equipment of certain loss-making subsidiaries. The carrying amount of the cash-generating unit, which included these property, plant and equipment, was in excess of their recoverable amount as a result of the continuing operating losses incurred. Accordingly, a provision for impairment of approximately HK$9,583,000 (2017: Nil) was charged to the consolidated income statement for the year.

15. Prepaid Land Lease Payments

	2018 HK$'000	2017 HK$'000
Cost:		
At beginning and end of year	**35,960**	35,960
Accumulated amortisation:		
At beginning of year	**16,087**	15,059
Amortisation provided for the year (note 7(a))	**1,027**	1,028
At end of year	**17,114**	16,087
Net carrying amount:		
At beginning of year	**19,873**	20,901
At end of year	**18,846**	19,873

16. Investment Properties

	2018 HK$'000	2017 HK$'000
Carrying amount at beginning of year	**16,447,014**	15,147,376
Exchange realignment	**(7,355)**	7,433
Additions, at cost	**45,775**	54,113
Disposal	**(538,801)**	—
Fair value gains, net	**2,410,357**	1,238,092
Carrying amount at end of year	**18,356,990**	16,447,014

Most of the investment properties of the Group are leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements.

Certain investment properties of the Group with carrying amounts of approximately HK$18,090,250,000 (2017: HK$16,204,924,000) were pledged to banks to secure banking facilities granted to the Group (note 30).

Valuation process

The directors of the Company have determined that all investment properties are completed properties held for rental, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 July 2018 based on valuations performed by Savills Valuation and Professional Services Limited and Savills (UK) Limited, independent professionally qualified valuers, at HK$15,521,740,000 (2017: HK$13,772,090,000) and HK$2,835,250,000 (2017: HK$2,674,924,000), respectively. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting.

16. Investment Properties (continued)

Valuation techniques

Fair value measurement using significant unobservable inputs (Level 3)

Fair value of investment properties is generally determined using the income capitalisation method and, wherever appropriate, by the direct comparison method. The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from an analysis of sales transactions and valuers' interpretations of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are determined with reference to recent lettings, within the subject properties and other comparable properties. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently been transacted.

For investment properties in London, the fair values as at 31 July 2018 are determined on the basis that they will be redeveloped and completed in accordance with the Group's latest development plans. The valuation is mainly determined by the residual method, and wherever appropriate, by the income capitalisation method. The residual method involves calculating the gross development value ("**GDV**") and deducting the estimated development costs and developer's profit. The income capitalisation method capitalises the remaining income profiles of the existing buildings until the latest expiry.

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

2018

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed properties held for rental	Income capitalisation method	Average monthly market rent per square foot	HK$13 to HK$400	The higher the market rent, the higher the fair value
		Capitalisation rate	2.7% to 4.3%	The higher the capitalisation rate, the lower the fair value
Completed properties held for rental in London (with future redevelopment plan)	Residual method	GDV per square foot	HK$15,527	The higher the GDV, the higher the fair value
		Estimated development costs	HK$11 billion	The higher the estimated development costs, the lower the fair value
		Developer's profit margin	15%	The higher the developer's profit margin, the lower the fair value

16. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

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

2017

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed properties held for rental	Income capitalisation method	Average monthly market rent per square foot	HK$13 to HK$346	The higher the market rent, the higher the fair value
		Capitalisation rate	3.0% to 5.2%	The higher the capitalisation rate, the lower the fair value

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

17. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2018 HK$'000	2017 HK$'000
At beginning of year, at cost	**1,571,635**	1,322,403
Additions	**369,744**	193,253
Interest and bank financing charges capitalised (note 8)	**40,930**	55,979
At end of year, at cost	**1,982,309**	1,571,635
Analysed into:		
Current	**1,049,331**	—
Non-current	**932,978**	1,571,635
	1,982,309	1,571,635

As at 31 July 2018, certain of the Group's properties under development for sale with a total carrying amount of approximately HK$667,695,000 (2017: HK$809,955,000) were pledged to banks to secure banking facilities granted to the Group (note 30).

18. GOODWILL

	2018 **HK$'000**	2017 HK$'000
Cost and net carrying amount:		
At beginning of year	**5,161**	5,161
Acquisition of subsidiaries (note 46)	**230,617**	—
At end of year	**235,778**	5,161

Impairment testing of goodwill

CNI CGU

Goodwill of HK$230,617,000 arising from Acquisition during the year ended 31 July 2018 as stated in note 46 was allocated to cash-generating unit (the "**CNI CGU**"), which are included in components of others segment for impairment testing.

The acquired subsidiaries of CNI CGU generates cash inflows that are largely independent of the cash inflows from other assets.

Details of impairment test of CNI CGU are set out in note 19 to the financial statements.

F&B CGU

Goodwill of HK$5,161,000 (2017: HK$5,161,000) arising from the acquisition of additional interests in three subsidiaries during the year ended 31 July 2016 was allocated to cash-generating unit (the "**F&B CGU**"), which are included in components of the restaurant operation segment for impairment testing.

The acquired subsidiaries of F&B CGU generate cash inflows that are largely independent of the cash inflows from other assets.

The recoverable amount of the F&B CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a three-year period (2017: three-year period) with growth rate approved by senior management, which is based on management's expectation for market development. The discount rate applied to the cash flow projections is 13% (2017: 13%).

Assumptions were used in the value-in-use calculation of the F&B CGU for the years ended 31 July 2018 and 31 July 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

19. Intangible Assets

	Trademarks HK$'000	Customer relationship HK$'000	Total HK$'000
Cost and net carrying amount:			
At 1 August 2016, 31 July 2017 and 1 August 2017	—	—	—
Acquisition of subsidiaries (note 46)	114,761	4,013	118,774
Exchange realignment	1,480	52	1,532
At 31 July 2018	116,241	4,065	120,306

Customer relationship is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 10 years. Trademarks are regarded as having an indefinite useful life because the trademarked products and services are expected to generate net cash inflows indefinitely.

Impairment testing of goodwill and trademarks with an indefinite useful life allocated to CNI CGU

The recoverable amount of the CNI CGU has been determined based on a value-in-use calculation using five-year cash flow projections based on financial budgets approved by senior management, which is based on management's expectation for market development. The growth rate used to extrapolate the cash flows of CNI CGU beyond the five-year period is 3%. The discount rate applied to the cash flow projections is 16%.

Assumptions were used in the value-in-use calculation of the CNI CGU for the year ended 31 July 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

20. INTERESTS IN ASSOCIATES/INTERESTS IN JOINT VENTURES

(a) Interests in associates

	2018 HK$'000	2017 HK$'000
Share of net assets	**3,429,842**	3,385,577
Amounts due from associates	**252,697**	252,839
Provision for impairment	**(85,954)**	(82,540)
	3,596,585	3,555,876
Market value of listed shares at the end of the reporting period	**699,821**	540,019

The amounts due from associates are unsecured, interest-free and are not expected to be repayable in the foreseeable future. In the opinion of the directors, these balances are considered as part of the Group's net investments in the associates.

During the year ended 31 July 2017, the Company invested in a parcel of land in Phuket, Thailand through the acquisition of a 38.64%-owned associate at a cost of approximately HK$159,555,000, which will be engaged in a resort hotel development and villas project.

During the year ended 31 July 2018, the provision for impairment increased by approximately HK$3,414,000 mainly arising from the operating loss of an associate and exchange differences (2017: the provision for impairment decreased by approximately HK$92,706,000 mainly arising from striking off an associate).

The provision for impairment in respect of the amounts due from associates at the end of the reporting period was determined on the basis of the amounts recoverable from the associates with reference to the fair value of the underlying assets held by the associates.

Details of the principal associates are set out in note 44 to the financial statements.

20. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

The eSun Group

The financial year end date of the eSun Group, which is considered as a principal associate of the Group, is coterminous with that of the Group.

The eSun Group is accounted for using the equity method in these financial statements.

On 9 February 2017, the Group's associate, eSun, completed a share placement which resulted in a dilution in the Group's interest in eSun from 41.92% to 34.94%. The Group recorded a loss on deemed disposal of interest in eSun of approximately HK$573,121,000 in the consolidated income statement and released reserves of approximately HK$49,192,000 in the consolidated statement of comprehensive income from this transaction. Thereafter, the Group acquired a 2% additional interest in eSun from the public shareholders at a cost of approximately HK$25,426,000 and the Group's interest in eSun increased from 34.94% to 36.94%. A discount on acquisition of approximately HK$142,822,000 arose from this acquisition.

The following summarised financial information is extracted from the published consolidated financial statements of the eSun Group. The consolidated financial statements of the eSun Group are prepared in accordance with HKFRSs and comply with the Group's accounting policies.

	31 July 2018 HK$'000	31 July 2017 HK$'000
Current assets	**6,937,701**	5,973,510
Non-current assets	**25,112,118**	23,269,238
Total assets	**32,049,819**	29,242,748
Current liabilities	**(3,311,059)**	(4,968,225)
Non-current liabilities	**(11,093,812)**	(7,051,653)
Total liabilities	**(14,404,871)**	(12,019,878)
Equity attributable to owners of eSun	**9,259,465**	9,118,200
Non-controlling interests	**8,385,483**	8,104,670
Total equity	**17,644,948**	17,222,870

20. INTERESTS IN ASSOCIATES/INTERESTS IN JOINT VENTURES (CONTINUED)

(a) Interests in associates (continued)

The eSun Group (continued)

	Year ended 31 July 2018 HK$'000	Year ended 31 July 2017 HK$'000
Turnover	**2,183,863**	2,677,388
Other revenue (including share of profits and losses of associates)	**233,373**	302,935
Fair value gains on cross currency swaps	**—**	111,657
Fair value gains on investment properties	**857,297**	832,118
Share of profits and losses of joint ventures	**402,888**	313,866
Expenses	**(3,096,699)**	(3,704,686)
Tax indemnity	**92,695**	493,936
Profit for the year	**673,417**	1,027,214
Other comprehensive expense for the year	**(240,934)**	(193,230)
Total comprehensive income for the year	**432,483**	833,984
Profit for the year attributable to owners of eSun	**263,840**	514,233
Total comprehensive income for the year attributable to owners of eSun	**129,523**	409,141

Reconciliation of the above summarised financial information of the eSun Group to the carrying amount of the interests in associates recognised in the consolidated financial statements is as follows:

	31 July 2018 HK$'000	31 July 2017 HK$'000
Net assets attributable to owners of eSun	**9,259,465**	9,118,200
The Group's 36.94% (2017: 36.94%) interest in the eSun Group	**3,420,446**	3,368,263
The Group's share of net assets of the remaining associates not individually material	**9,396**	17,314
The Group's share of net assets of associates	**3,429,842**	3,385,577

20. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

The eSun Group (continued)

	Year ended 31 July 2018 HK$'000	Year ended 31 July 2017 HK$'000
The Group's share of loss and total comprehensive expense of the remaining associates not individually material	**(11,483)**	(13,290)

(b) Interests in joint ventures

	2018 HK$'000	2017 HK$'000
Share of net assets	**7,126,729**	5,609,570
Goodwill on acquisition	**—**	71,000
Amounts due from joint ventures	**1,622,663**	1,543,613
	8,749,392	7,224,183
Less: Asset classified as held for sale	**(1,476,533)**	—
	7,272,859	7,224,183

The amounts due from joint ventures are unsecured, interest-free and not expected to be repayable in the foreseeable future, except for an amount of HK$393,522,000 (2017: Nil) which is interest-bearing at variable interest rate. In the opinion of the directors, these balances are considered as part of the Group's net investments in the joint ventures.

Certain shares in joint ventures held by the Group were pledged to banks to secure banking facilities granted to the joint ventures.

All the joint ventures are accounted for using the equity method in these financial statements. During the year, a dividend of HK$300,000,000 (2017: Nil), of which the Group received its 50% share amounting to HK$150,000,000 (2017: Nil), was declared by a joint venture.

Details of the principal joint ventures are set out in note 45 to the financial statements.

The summarised financial information below represents amounts shown in the financial statements of the respective joint ventures prepared in accordance with HKFRSs and complies with the Group's accounting policies.

20. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Best Value International Limited and its subsidiaries (the "Best Value Group")

The Best Value Group, a 50%-owned joint venture, principally held a property for rental in Hong Kong. The property, "8 Observatory Road", is located at 8 Observatory Road, Tsim Sha Tsui, Hong Kong.

	31 July 2018 HK$'000	31 July 2017 HK$'000
Current assets	184,759	157,582
Non-current assets	4,100,000	3,500,000
Total assets	4,284,759	3,657,582
Current liabilities	(34,392)	(63,676)
Non-current liabilities	(1,297,301)	(1,294,505)
Total liabilities	(1,331,693)	(1,358,181)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	173,965	141,256
Non-current financial liabilities (excluding trade and other payables)	(1,290,469)	(1,287,228)

	Year ended 31 July 2018 HK$'000	Year ended 31 July 2017 HK$'000
Turnover	104,822	109,918
Profit and total comprehensive income for the year	653,665	50,917
The above profit and total comprehensive income for the year include the following:		
Interest expense	(34,748)	(14,507)

(b) Interests in joint ventures (continued)

Best Value International Limited and its subsidiaries (the "Best Value Group") (continued)

Reconciliation of the above summarised financial information of the Best Value Group to the carrying amount of the interest in the Best Value Group recognised in the consolidated financial statements is as follows:

	31 July 2018 HK$'000	31 July 2017 HK$'000
Net assets of the Best Value Group	2,953,066	2,299,401
The Group's 50% ownership interest in the Best Value Group	1,476,533	1,149,701
Carrying amount of the Group's interest in the Best Value Group before transfer to asset classified as held for sale	1,476,533	1,149,701

On 27 July 2018, the Group entered into a sale of purchase agreement to sell its entire equity interest in the Best Value Group held by the Group to an independent third party. Therefore, the interest in the Best Value Group is classified as asset held for sale at 31 July 2018.

Diamond Path Limited and its subsidiaries (the "Diamond Path Group")

The Diamond Path Group, a 50%-owned joint venture, was principally engaged in development of a residential/commercial project in Hong Kong. The project, "Alto Residences", is located at 29 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong.

	31 July 2018 HK$'000	31 July 2017 HK$'000
Current assets	6,341,535	1,419,228
Non-current assets	278,681	4,904,369
Total assets	6,620,216	6,323,597
Current liabilities	(4,139,737)	(114,818)
Non-current liabilities	(2,542,027)	(6,276,469)
Total liabilities	(6,681,764)	(6,391,287)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	205,355	42,700
Non-current financial liabilities (excluding trade and other payables and provisions)	(2,450,230)	(6,193,016)
Interest expense (capitalised as non-current assets)	18,022	50,949

20. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Diamond Path Limited and its subsidiaries (the "Diamond Path Group") (continued)

	Year ended 31 July 2018 HK$'000	Year ended 31 July 2017 HK$'000
Turnover	**7,138**	2,888
Profit/(loss) and total comprehensive income/(expense) for the year	**6,142**	(57,277)
The above profit/(loss) and total comprehensive income/(expense) for the year include the following:		
Interest income	**5,377**	3,490

Reconciliation of the above summarised financial information of the Diamond Path Group to the carrying amount of the interest in the Diamond Path Group recognised in the consolidated financial statements is as follows:

	31 July 2018 HK$'000	31 July 2017 HK$'000
Net liabilities of the Diamond Path Group	**(61,548)**	(67,690)
The Group's 50% ownership interest in the Diamond Path Group	**(30,774)**	(33,845)
Amount due from the Diamond Path Group	**1,225,141**	1,150,091
Carrying amount of the Group's interest in the Diamond Path Group	**1,194,367**	1,116,246

20. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Diamond String Limited ("Diamond String")

Diamond String, a 50%-owned joint venture, principally held a property for rental in Hong Kong. The property, "CCB Tower", is located at 3 Connaught Road Central, Hong Kong.

	31 July 2018 HK$'000	31 July 2017 HK$'000
Current assets	**200,967**	214,368
Non-current assets	**12,979,805**	10,314,221
Total assets	**13,180,772**	10,528,589
Current liabilities	**(32,350)**	(762,682)
Non-current liabilities	**(1,783,514)**	(879,457)
Total liabilities	**(1,815,864)**	(1,642,139)

	31 July 2018 HK$'000	31 July 2017 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**230,822**	193,312
Non-current financial liabilities (excluding trade and other payables and provisions)	**(1,679,161)**	(787,043)

20. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Diamond String Limited ("Diamond String") (continued)

	Year ended 31 July 2018 HK$'000	Year ended 31 July 2017 HK$'000
Turnover	**270,437**	244,799
Profit and total comprehensive income for the year	**2,478,458**	1,668,223
The above profit and total comprehensive income for the year include the following:		
Interest income	**1,387**	396
Interest expense	**(29,716)**	(23,518)

Reconciliation of the above summarised financial information of Diamond String to the carrying amount of the interest in Diamond String recognised in the consolidated financial statements is as follows:

	31 July 2018 HK$'000	31 July 2017 HK$'000
Net assets of Diamond String	**11,364,908**	8,886,450
The Group's 50% ownership interest in Diamond String	**5,682,453**	4,443,225
Amount due from Diamond String	**393,522**	393,522
Carrying amount of the Group's interest in Diamond String	**6,075,975**	4,836,747

20. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2018 **HK$'000**	2017 HK$'000
Aggregate carrying amount of the Group's investment in the joint ventures	**2,517**	121,489

	Year ended 31 July 2018 **HK$'000**	Year ended 31 July 2017 HK$'000
Share of the joint ventures' (losses)/profit and total comprehensive (expenses)/income	**(4,772)**	6,481

21. Available-For-Sale Financial Assets

	2018 **HK$'000**	2017 HK$'000
Unlisted equity investments, at fair value	**2,136,170**	1,565,494
Unlisted equity investments, at cost	**51,292**	49,384
Provision for impairment	**(25,208)**	(25,208)
	2,162,254	1,589,670

As at 31 July 2018, unlisted investments of the Group with a carrying amount of approximately HK$26,084,000 (2017: HK$24,176,000) were stated at cost less impairment because the directors are of the opinion that the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating the fair value.

As at 31 July 2018, included in available-for-sale financial assets at fair value was an equity interest in Bayshore Development Group Limited ("**Bayshore**") of approximately HK$1,664,323,000 (2017: HK$1,394,371,000). The principal activity of Bayshore is property investment.

22. Derivative Financial Instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets — cross currency swap agreements ("**CCS**")	**6,171**	—

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

	2018 **HK$'000**	2017 HK$'000
Carrying amount as at beginning of year	**—**	—
Fair value gains credited to the consolidated income statement	**6,171**	—
Carrying amount as at end of year	**6,171**	—

During the year ended 31 July 2018, the Group has entered into the CCS with financial institutions with an aggregate nominal amount of US$400,000,000 in connection with the guaranteed notes as detailed in note 29 to the financial statements.

Pursuant to the terms of the CCS, the Group receives an amount semi-annually in arrears calculated based on a fixed rate of 4.6% per annum on the aggregate notional amount of US$400,000,000 during the term of five years, and pays an amount semi-annually in arrears calculated based on a fixed rate of 4.28% per annum on the aggregate notional amount of HK$3,121,400,000 (being the HK$ equivalent amount of US$400,000,000 translated at a contracted exchange rate of US$1 to HK$7.8035) during the term of five years. Upon maturity the Group will receive the aggregate notional amount of US$400,000,000 and will pay the aggregate notional amount of HK$3,121,400,000.

The CCS are not designed for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the CCS amounting to HK$6,171,000 were credited to the consolidated income statement during the year (2017: Nil).

23. Deposits Paid and Other Receivables

	2018 HK$'000	2017 HK$'000
Rental and other deposits	**39,088**	35,592
Deferred rental benefits	**30,033**	18,979
Loan receivables:		
Variable-rate mortgage loan receivables	**71,355**	48,818
Fixed-rate other loan receivables	**146,424**	114,501
	217,779	163,319
Other receivables	**3,804**	9,336
Deposits paid:		
For purchase of items of property, plant and equipment	**38,998**	2,538
For additions to investment properties	**11,502**	2,104
	50,500	4,642
	341,204	231,868

24. Loans to Related Companies

On 10 May 2018, Hibright Limited ("**Hibright**"), a wholly-owned subsidiary of the Company, and Media Asia Group Holdings Limited ("**MAGHL**"), a subsidiary of eSun, entered into a loan agreement, whereby Hibright agreed to make available to MAGHL an unsecured term loan facility in the principal amount of up to HK$200 million for the exclusive purposes of financing the redemption of the 3-year zero coupon convertible notes issued by MAGHL to TFN Media Co. Ltd. in an aggregate principal amount of HK$130 million in full and financing the general working capital requirements of MAGHL. At the end of the reporting period, the outstanding loan balance of HK$200 million bears interest at Hong Kong Interbank Offered Rates ("**HIBOR**") plus 3.3% per annum and matures in May 2020.

On 27 July 2018, Hibright and eSun entered into a loan agreement, whereby Hibright agreed to make available to eSun an unsecured term loan facility in the principal amount of up to HK$700 million for the exclusive purposes of refinancing existing bank loan facilities and financing the general corporate requirements of eSun. At the end of the reporting period, the outstanding loan balance of HK$450 million bears interest at HIBOR plus 3.3% per annum and matures in July 2020.

25. Pledged Bank Balances and Time Deposits and Cash and Cash Equivalents

	2018 **HK$'000**	2017 HK$'000
Cash and bank balances	**4,039,601**	1,146,359
Time deposits	**300,233**	1,801,022
	4,339,834	2,947,381
Less: Non-current portion of pledged balances for bank borrowings:		
Bank balances	**(26,345)**	(21,679)
Time deposits	**(56,564)**	(47,996)
	(82,909)	(69,675)
Less: Current portion of pledged balances for bank borrowings:		
Bank balances	**(205,909)**	(152,885)
Time deposits	**(92,600)**	(60,755)
	(298,509)	(213,640)
Cash and cash equivalents	**3,958,416**	2,664,066

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

The conversion of Vietnamese Dong ("**VND**")/Renminbi ("**RMB**") denominated cash and bank balances and time deposits into foreign currencies and the remittance of such foreign currencies denominated balances out of Vietnam/the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the respective government authorities concerned. As at 31 July 2018, such VND and RMB denominated cash and bank balances and time deposits of the Group amounted to approximately HK$175,063,000 (2017: HK$155,177,000) and approximately HK$2,460,000 (2017: HK$2,385,000), respectively.

Cash at banks earns interest at floating rates based on bank deposit rates. Short term time deposits are spread over varying periods up to one month based on the estimated cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

26. Completed Properties For Sale

The completed properties for sale were carried at cost at the end of the reporting period.

27. Debtors, Deposits Paid and Other Receivables

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. The settlements of hotel and restaurant charges are mainly by cash and credit cards except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

27. Debtors, Deposits Paid and Other Receivables (continued)

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

	2018 HK$'000	2017 HK$'000
Trade debtors:		
Not yet due or less than 30 days past due	**41,528**	11,468
31 - 60 days past due	**1,991**	2,269
61 - 90 days past due	**773**	655
Over 90 days past due	**8,455**	4,611
	52,747	19,003
Other receivables	**355,866**	436,939
Deposits paid and prepayments	**139,065**	74,474
	547,678	530,416

Debtors that were past due but not impaired mainly relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and rental deposits are received by the Group in advance from its customers, and accordingly, the balances are still considered fully recoverable. Other than rental deposits received, the Group does not hold any collateral or other credit enhancements over these balances.

28. Creditors, Deposits Received and Accruals

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

	2018 HK$'000	2017 HK$'000
Trade creditors:		
Not yet due or less than 30 days past due	**23,759**	18,966
31 - 60 days past due	**4,368**	865
61 - 90 days past due	**366**	120
Over 90 days past due	**2,914**	74
	31,407	20,025
Other payables and accruals	**565,363**	267,498
Deposits received and other provisions	**1,549,718**	164,482
	2,146,488	452,005

The trade creditors are non-interest-bearing and normally with one month credit period.

29. GUARANTEED NOTES

	Notes	2018 HK$'000	2017 HK$'000
US$350,000,000 5.7% guaranteed notes	a	—	2,731,230
US$400,000,000 4.6% guaranteed notes	b	3,118,594	—
		3,118,594	2,731,230
Analysed into:			
Guaranteed notes repayable:			
Within one year		—	2,731,230
In the third to fifth years, inclusive		3,118,594	—
		3,118,594	2,731,230

Notes:

a. On 18 January 2013, Lai Sun International Finance (2012) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US$350,000,000 (the "**2013 Notes**"). The Notes were guaranteed by the Company, had a term of five years and bear a fixed interest rate of 5.7% per annum with interest payable semi-annually in arrears.

The net proceeds from the offering of the 2013 Notes were approximately US$347,000,000 and were used for general corporate purposes.

	2018 HK$'000	2017 HK$'000
Guaranteed notes	—	2,733,150
Issue expenses	—	(1,920)
	—	2,731,230
Fair value of the 2013 Notes	—	2,759,600

The fair value was determined by reference to the closing price of the 2013 Notes published by a leading global financial market data provider as at 31 July 2017. The 2013 Notes matured and were fully redeemed during the year ended 31 July 2018.

29. Guaranteed Notes (continued)

Notes: (continued)

b. On 13 September 2017, LSD Bonds (2017) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US$400,000,000 (the "**2017 Notes**"). The 2017 Notes are guaranteed by the Company, have a term of five years and bear a fixed interest rate of 4.6% per annum with interest payable semi-annually in arrears.

The net proceeds from the offering of the 2017 Notes were approximately US$396,000,000 and would be used for refinancing the 2013 Notes and general corporate purposes.

	2018 HK$'000	2017 HK$'000
Guaranteed notes	**3,139,600**	—
Issue expenses	**(21,006)**	—
	3,118,594	—
Fair value of the 2017 Notes	**2,991,788**	—

The fair value was determined by reference to the closing price of the 2017 Notes published by a leading global financial market data provider as at 31 July 2018.

30. Bank Borrowings

	Effective annual interest rate (%)	**2018 HK$'000**	2017 HK$'000
Current			
Bank borrowings — secured	2.9 - 3.4 (2017: 2.0 - 2.7)	**1,186,279**	157,582
Non-current			
Bank borrowings — secured	2.9 - 3.4 (2017: 2.0 - 2.7)	**7,698,454**	6,748,399
		8,884,733	6,905,981
Analysed into:			
Bank borrowings repayable:			
Within one year		**1,186,279**	157,582
In the second year		**4,392,474**	1,233,451
In the third to fifth years, inclusive		**3,305,980**	5,514,948
		8,884,733	6,905,981

30. Bank Borrowings (continued)

Other than disclosed elsewhere in the financial statements, the Group's bank borrowings as at the end of the reporting period were secured, inter alia, by:

(i) fixed charges over certain items of property, plant and equipment, certain investment properties and certain properties under development for sale of the Group with carrying amounts of approximately HK$4,706,783,000 (2017: HK$3,445,809,000) (note 14), HK$18,090,250,000 (2017: HK$16,204,924,000) (note 16) and HK$667,695,000 (2017: HK$809,955,000) (note 17), respectively;

(ii) floating charges over all assets of certain subsidiaries of the Group with the aggregate carrying amounts of approximately HK$13,867,278,000 (2017: HK$12,248,769,000), of which the carrying amounts of the items of property, plant and equipment, investment properties and properties under development for sale of approximately HK$4,706,783,000 (2017: HK$3,445,809,000), HK$8,165,250,000 (2017: HK$7,464,924,000) and HK$667,695,000 (2017: HK$809,955,000), respectively are also included in note (i) above;

(iii) charges over certain bank balances and time deposits of the Group with an aggregate carrying amounts of approximately HK$381,418,000 (2017: HK$283,315,000) (note 25); and

(iv) charges over the shares of certain subsidiaries held by the Group (note 43).

31. Deferred Tax

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**34,534**	—
Deferred tax liabilities	**(176,044)**	(141,291)
	(141,510)	(141,291)

31. Deferred Tax (continued)

The movements in deferred tax (liabilities)/assets during the year are as follows:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 August 2016	(128,409)	268	250	(127,891)
Deferred tax (charged)/credited to the consolidated income statement during the year (note 11)	(22,876)	9,068	94	(13,714)
Exchange realignment	314	—	—	314
At 31 July 2017 and 1 August 2017	(150,971)	9,336	344	(141,291)
Deferred tax (charged)/credited to the consolidated income statement during the year (note 11)	(537)	25,585	(2)	25,046
Acquisition of subsidiaries (note 46)	–	–	(24,939)	(24,939)
Exchange realignment	(1)	—	(325)	(326)
At 31 July 2018	(151,509)	34,921	(24,922)	(141,510)

Apart from the tax losses for which deferred tax assets had been recognised above, the Group had estimated unutilised tax losses of approximately HK$1.3 billion (2017: HK$1.5 billion) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as future taxable profits may not be available to utilise such losses in the foreseeable future.

At 31 July 2018, there was no significant unrecognised deferred tax liability (2017: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax should such amounts be remitted.

32. Share Capital

	2018		2017	
	Number of shares	**Total amount HK$'000**	Number of shares	Total amount HK$'000
Issued and fully paid ordinary shares	**606,076,614**	**4,076,816**	30,251,304,984	4,063,736

32. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Total amount HK$'000
At 1 August 2016		30,159,108,707	4,050,252
Shares issued in lieu of cash dividend	a	66,196,277	9,651
Share options exercised	b	26,000,000	3,833
At 31 July 2017 and 1 August 2017		30,251,304,984	4,063,736
Share Consolidation	c	(29,646,278,885)	—
Shares issued in lieu of cash dividend	d	990,515	12,683
Share options exercised	e	60,000	397
At 31 July 2018		606,076,614	4,076,816

Notes:

a. On 16 December 2016, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.0019 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, 66,196,277 new shares were issued by the Company at a deemed price of HK$0.1458 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$9,651,000 of the 2016 Final Dividend. The remaining balance of the 2016 Final Dividend of HK$47,689,000 was satisfied by cash.

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

b. During the year ended 31 July 2017, 20,000,000 ordinary shares were issued in respect of share options exercised under the Company's share option scheme at an exercise price of HK$0.107 per share and a total cash consideration of HK$2,140,000 was received. The share option reserve of HK$898,000 was released to the share capital.

   During the year ended 31 July 2017, 6,000,000 ordinary shares were issued in respect of share options exercised under the Company's share option scheme at an exercise price of HK$0.094 per share and a total cash consideration of approximately HK$564,000 was received. The share option reserve of approximately HK$230,000 was released to the share capital.

c. With effect from 15 August 2017, every fifty issued shares are consolidated into one share in the share capital of the Company as approved by the shareholders of the Company in the general meeting (the "**Share Consolidation**"). Further details of the Share Consolidation are set out in the Company's announcements dated 27 April 2017 and 18 July 2017, and the Company's circular dated 26 July 2017.

d. On 15 December 2017, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.10 per share payable in cash with a scrip dividend alternative (the "**2017 Scrip Dividend Scheme**") for the year ended 31 July 2017 (the "**2017 Final Dividend**"). During the year ended 31 July 2018, 990,515 new shares were issued by the Company at a deemed price of HK$12.804 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2017 Scrip Dividend Scheme to settle HK$12,683,000 of the 2017 Final Dividend. The remaining of the 2017 Final Dividend of HK$47,826,000 was satisfied by cash.

   Further details of the 2017 Scrip Dividend Scheme are set out in the Company's circular dated 3 January 2018.

e. During the year ended 31 July 2018 and subsequent to the Share Consolidation, 60,000 ordinary shares were issued in respect of share options exercised under the Company's share option scheme at an exercise price of HK$4.7 per share and total cash consideration of HK$282,000 was received. The share option reserve of HK$115,000 was released to the share capital.

33. SHARE OPTION SCHEMES

2006 Share Option Scheme

On 22 December 2006, the Company adopted a share option scheme (the "**2006 Share Option Scheme**") for the purpose of providing incentives or rewards to eligible participants for their contribution or would be contribution to the Group, to enable the Group to recruit and retain high-calibre employees and to attract human resources that are valuable to the Group. Eligible participants of the 2006 Share Option Scheme include the directors (including executive, non-executive and independent non-executive directors), employees of the Group, agents or consultants of the Group, and employees of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group. The 2006 Share Option Scheme became effective on 29 December 2006. Unless otherwise terminated or amended, the 2006 Share Option Scheme would remain in force for 10 years from 29 December 2006. The 2006 Share Option Scheme was terminated upon the adoption of the 2015 Share Option Scheme (as defined below) on 11 December 2015.

The maximum number of the Company's shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2006 Share Option Scheme and any other schemes of the Company must not exceed 30% of the Company's total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the 2006 Share Option Scheme and any other schemes of the Company shall not exceed 10% of the total number of shares of the Company in issue as at the date of adopting the 2006 Share Option Scheme unless the Company seeks the approval of its shareholders in a general meeting to refresh the 10% limit under the 2006 Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's total number of shares in issue. Any further grant of share options representing in aggregate over 1% of the total number of the Company's shares in issue must be separately approved by the shareholders in general meetings of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, shall be subject to approval by the independent non-executive directors of the Company. Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, representing in aggregate over 0.1% of the shares of the Company in issue or having an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, in the 12-month period up to and including the date of such grant must be approved by shareholders in general meetings of the Company.

The offer of a grant of share options shall be accepted within 28 days from the date of offer and acceptance shall be made with a remittance in favour of the Company of HK$1 by way of consideration for the grant. The exercise period of the share options granted is determinable by the directors of the Company save that such period shall not be more than 10 years from the date of grant of the share options.

33. Share Option Schemes (continued)

2006 Share Option Scheme (continued)

The exercise price of share options is determinable by the directors of the Company, but shall not be lower than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a trading day; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant.

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

2015 Share Option Scheme

On 11 December 2015, the Company adopted a new share option scheme (the "**2015 Share Option Scheme**") and terminated the 2006 Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2015 Share Option Scheme is to recognise the contribution or future contribution of the eligible participants 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. Eligible participants include but are not limited to the directors and any employee of the Group. The 2015 Share Option Scheme became effective on 23 December 2015. Unless otherwise cancelled or amended, the 2015 Share Option Scheme will remain in force for 10 years from 23 December 2015.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the 2015 Share Option Scheme (i) shall not exceed 10% of the shares of the Company in issue at the date of adopting the 2015 Share Option Scheme; (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 LSG (so long as the Company is a subsidiary of LSG 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 LSG (so long as the Company is a subsidiary of LSG 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 LSG (so long as the Company is a subsidiary of LSG 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.

33. Share Option Schemes (continued)

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 closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant.

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

Details of the movements of the Company's share options outstanding under the 2006 Share Option Scheme and the 2015 Share Option Scheme during the years are as follows:

	2018		2017	
	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	**720,976,857**	**0.260**	754,376,857	0.256
Adjustment for Share Consolidation (Note)	**(706,557,323)**	**—**	—	—
	14,419,534	**13.008**	754,376,857	0.256
Granted during the year	**—**	**—**	3,000,000	0.163
Exercised during the year	**(60,000)**	**4.700**	(26,000,000)	0.104
Lapsed during the year	**—**	**—**	(10,400,000)	0.322
Outstanding at end of year	**14,359,534**	**13.043**	720,976,857	0.260

Note: The exercise prices of and the number of shares entitled to be subscribed for under the outstanding share options have been adjusted following the completion of the Share Consolidation.

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

The exercise price of the Company's share options granted on 20 January 2017 was HK$0.163 per share before the Share Consolidation. The closing price of the Company's shares immediately before 20 January 2017 was HK$0.163 per share before the Share Consolidation.

The fair value of the share options granted during the year ended 31 July 2017 was approximately HK$188,000, of which the Group recognised the entire amount as an expense during the year ended 31 July 2017.

33. SHARE OPTION SCHEMES (CONTINUED)

The fair value of equity-settled share options granted during the year ended 31 July 2017 was estimated as at the date of acceptance of the share option using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2017
Dividend yield (%)	1.1950
Expected volatility (%)	53.3310
Historical volatility (%)	53.3310
Risk-free interest rate (%)	1.7089
Expected life of options (years)	10
Closing share price (HK$ per share)	0.1730

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

No other feature of the options granted was incorporated into the measurement of fair value.

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$14.54 (2017: HK$8.79 restated for the effect of the Share Consolidation) and HK$14.58 (2017: HK$8.91 restated for the effect of the Share Consolidation) per share, respectively.

Other than the movements of the share options as detailed above, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the 2006 Share Option Scheme and the 2015 Share Option Scheme.

As at 31 July 2018 and the date of approval of these financial statements, a total of 14,359,534 underlying shares comprised in share options were outstanding, of which 14,239,534 underlying shares relate to share options granted under the 2006 Share Option Scheme and 120,000 underlying shares relate to share options granted under the 2015 Share Option Scheme, represented approximately 2.35% and 0.02% of the Company's shares in issue, respectively, as at those dates.

34. Reserves

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2018 and 2017 are presented in the consolidated statement of changes in equity.

Statutory reserve

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

35. Partly-Owned Subsidiaries With Material Non-Controlling Interests

Summarised consolidated financial information of Porchester Assets Limited ("**Porchester**") and its subsidiaries that has material non-controlling interests before intergroup eliminations is set out below:

	31 July 2018 HK$'000	31 July 2017 HK$'000
Current assets	**266,462**	323,208
Non-current assets	**283,413**	261,159
Total assets	**549,875**	584,367
Current liabilities	**(60,767)**	(54,923)
Non-current liabilities	**(43,507)**	(42,974)
Total liabilities	**(104,274)**	(97,897)
Equity attributable to owners of Porchester	**225,235**	260,682
Non-controlling interests	**220,366**	225,788
Total equity	**445,601**	486,470

35. Partly-Owned Subsidiaries With Material Non-Controlling Interests (continued)

	Year ended 31 July 2018 HK$'000	Year ended 31 July 2017 HK$'000
Turnover	**418,729**	407,257
Cost of sales and operating expenses	**(342,922)**	(333,835)
Other revenue	**5,951**	2,467
Tax	**(15,767)**	(15,979)
Profit and total comprehensive income for the year	**65,991**	59,910
Profit and total comprehensive income attributable to the non-controlling interests of Porchester	**32,798**	29,822
Dividends paid to the non-controlling interests of Porchester	**38,220**	38,220

36. Capital Commitments

The Group had the following commitments not provided for in the financial statements at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Contracted, but not provided for		
Purchase of items of property, plant and equipment	**34,571**	6,691
Development and operation of a hotel project	**79,942**	1,187,063
Additions to investment properties	**16,868**	3,479
	131,381	1,197,233

37. Contingent Liabilities

Save as disclosed elsewhere in the financial statements, the Group also had the following contingent liabilities at the end of the reporting period:

(a) Contingent liabilities not provided for in the financial statements:

	2018 **HK$'000**	2017 HK$'000
Guarantees given to banks in connection with facilities granted to and utilised by joint ventures	**650,000**	1,092,000

(b) Pursuant to an indemnity deed (the "**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between the Company and Lai Fung Holdings Limited ("**Lai Fung**"), the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("**LAT**") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its joint ventures as at 31 October 1997 (the "**Property Interests**"). These tax indemnities given by the Company 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 Lai Fung Tax 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 PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on the Stock Exchange (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 Lai Fung as set out in Lai Fung's prospectus dated 18 November 1997.

After taking into account the Property Interests currently held by Lai Fung as at 31 July 2018 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be approximately HK$0.7 billion (2017: HK$0.8 billion).

During the year, the Company settled tax indemnity of approximately HK$92,695,000 (2017: HK$493,936,000) in relation to PRC income tax and LAT incurred and paid/borne by Lai Fung. The Company also reversed an overprovision in prior years of approximately HK$305,000 (2017: HK$142,451,000) which was credited to the consolidated income statement. As at the end of the reporting period, the Company had no provision for tax indemnity (2017: HK$93,000,000).

38. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms mainly ranging from one to five years. Certain leases in the United Kingdom are negotiated for terms up to twenty-five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Certain leases include contingent rentals calculated with reference to the turnover of the tenants.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**493,993**	499,221
In the second to fifth years, inclusive	**514,644**	581,542
After five years	**1,761**	95,282
	1,010,398	1,176,045

(b) As lessee

The Group leases certain properties under operating lease arrangements. One of these leases has an original lease term of eight years with an option to terminate the leases upon expiry of three years, six years or eight years. The remaining operating lease arrangements are with leases negotiated for terms ranging from one to six years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**95,347**	82,864
In the second to fifth years, inclusive	**233,167**	224,881
After five years	**49,512**	70,555
	378,026	378,300

39. Financial Instruments By Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2018				2017		
	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	–	–	2,162,254	2,162,254	–	1,589,670	1,589,670
Derivative financial instruments	6,171	–	–	6,171	–	–	–
Long term loan and other receivables	–	221,583	–	221,583	172,655	–	172,655
Loans to related companies	–	650,000	–	650,000	–	–	–
Trade debtors and other receivables	–	408,613	–	408,613	455,942	–	455,942
Pledged bank balances and time deposits	–	381,418	–	381,418	283,315	–	283,315
Cash and cash equivalents	–	3,958,416	–	3,958,416	2,664,066	–	2,664,066
	6,171	5,620,030	2,162,254	7,788,455	3,575,978	1,589,670	5,165,648

Financial liabilities

	2018 Financial liabilities at amortised cost HK$'000	2017 Financial liabilities at amortised cost HK$'000
Trade creditors, other payables and accruals	596,770	287,523
Bank borrowings	8,884,733	6,905,981
Guaranteed notes	3,118,594	2,731,230
	12,600,097	9,924,734

40. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments for which fair value is disclosed

Except for the guaranteed notes with a fair value in aggregate of approximately HK$2,991,788,000 (2017: HK$2,759,600,000) as detailed in note 29, the directors consider the carrying amounts of all other financial assets and financial liabilities measured at amortised cost approximated to their fair values as at the end of the reporting period.

Financial instruments measured at fair value

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 July 2018				
Financial assets				
Available-for-sale financial assets,				
at fair value (note 21)	**—**	**352,511**	**1,783,659**	**2,136,170**
Derivative financial instruments (note 22)	**—**	**—**	**6,171**	**6,171**
	—	**352,511**	**1,789,830**	**2,142,341**
As at 31 July 2017				
Financial assets				
Available-for-sale financial assets,				
at fair value (note 21)	—	171,123	1,394,371	1,565,494

During the year ended 31 July 2018, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

The movements in fair value measurements in Level 3 during the year are as follows:

(i) Available-for-sale financial assets

	2018 HK$'000	2017 HK$'000
Available-for-sale financial assets, at fair value		
At beginning of year	**1,394,371**	1,204,693
Total gains recognised in other comprehensive income	**264,998**	189,678
Additions	**124,290**	—
At end of year	**1,783,659**	1,394,371

(ii) Derivative financial instruments

The movement in the financial assets arising from CCS is disclosed in note 22 to the financial statements.

40. Fair Value Hierarchy Of Financial Instruments (continued)

Valuation techniques

Fair value measurement using significant unobservable inputs (Level 2)

The fair values of available-for-sale financial assets are based on the fair values of the underlying investment portfolio provided by the fund managers.

Fair value measurement using significant unobservable inputs (Level 3)

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) Fair value of the equity interest in Bayshore has been estimated using the fair value of investment properties held by an investee company, which is determined by the direct comparison and the income capitalisation methods detailed below.

The properties are valued by the direct comparison method on the assumption that each property can be sold in its existing state subject to existing tenancies or otherwise with the benefit of vacant possession and by referring to comparable sales transactions as available in the relevant markets. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

The properties are also valued by the income capitalisation approach taking into account the rents passing of the properties and the reversionary potential of the tenancies, and reconciling the two approaches, if applicable.

(ii) Fair value of the equity interest in another investee company has been estimated using the fair value of the investee company determined by market approach. Under the market approach, the value of the equity interest has been determined based on the recently published financial data of the investee company. Market expectation on the industry is also reflected in the valuation of the comparable companies.

(iii) Derivative financial instruments, being the CCS, 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.

40. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques (continued)

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

2018

	Valuation technique	**Significant unobservable inputs**	**Value of unobservable inputs**	**Notes**
Available-for-sale financial assets	Income capitalisation method	Average monthly market rent per square foot	HK$158	1
		Capitalisation rate	2.85%	2
	Market approach	Enterprise value ("**EV**")/ Operating income or losses plus depreciation and amortisation ("**EBITDA**") for the guideline public companies	26.70 times	3
		Discount for lack of marketability ("**DLOM**")	5%	4
Derivative financial instruments - CCS	Discounted cash flow with swaption approach	Expected exposure at default - counterparty	HK$3.85 million to HK$38.00 million	5
		Expected exposure at default - the Group	HK$2.56 million to HK$56.88 million	6
		Credit spread - counterparty	17.36 basis point to 127.87 basis point	7
		Credit spread - the Group	28.92 basis point to 152.26 basis point	8
		Loss given default ratio - counterparty non-performance risk	80%	9
		Loss given default ratio - own credit risk	60%	10

2017

	Valuation technique	Significant unobservable inputs	Value of unobservable inputs	Notes
Available-for-sale financial assets	Income capitalisation method	Average monthly market rent per square foot	HK$141	1
		Capitalisation rate	3.00%	2

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 EV/EBITDA ratio for the guideline public companies, the higher the fair value
4. The higher the DLOM, the lower the fair value
5. The higher the expected exposure at default - counterparty, the lower the fair value of CCS
6. The higher the expected exposure at default - the Group, the higher the fair value of CCS
7. The higher the credit spread - counterparty, the lower the fair value of CCS
8. The higher the credit spread - the Group, the higher the fair value of CCS
9. The higher the loss given default ratio - counterparty, the lower the fair value of CCS
10. The higher the loss given default ratio - the Group, the higher the fair value of CCS

41. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group comprise available-for-sale financial assets, pledged bank balances and time deposits, and cash and cash equivalents. Management would, based on the Group's projected cash flow requirements, determine the types and levels of these financial instruments with a view to maintaining an appropriate level of funding for the Group's operations and to enhancing the returns generated from these financial instruments. The Group's principal financial liabilities comprise bank borrowings and guaranteed notes. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient funding for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment projects. In addition, the Group has various other financial assets and liabilities such as long term loan receivables, debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are interest rate risks, foreign currency risk, credit risk and liquidity risk. The management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group has adopted relatively conservative strategies on its risk management and the Group has not used any derivatives and other instruments for hedging purposes during the year. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and determine policies for managing each of these risks and they are summarised as follows:

(i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument fluctuates because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's pledged bank balances and time deposits, cash and cash equivalents and bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group constantly reviews the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant and before any impact on tax, of the Group's profit or loss (through the impact on variable-rate mortgage loan receivables, loans to related companies, pledged bank balances and time deposits, cash and cash equivalents and bank borrowings) and the Group's equity.

	Increase in interest rate (in percentage)	**Decrease in profit and equity** HK$'000
2018	**0.5**	**19,106**
2017	0.5	19,547

41. Financial Risk Management Objectives and Policies (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of changes in foreign exchange rates.

The Group's major assets and liabilities and transactions are denominated in HK$ or US$. As HK$ is pegged against US$, the Group believes that the corresponding exposure to exchange rate risk arising from US$ is nominal and does not expect any significant movements in the exchange rate in the foreseeable future.

The Group had made investments in the United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investments were financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in RMB, Malaysian Ringgit and VND which were also insignificant as compared with the Group's total assets and liabilities. The Group manages its foreign currency risk by closely reviewing the movement of foreign currency rates and considers hedging significant foreign currency exposure should the additional need arise.

(iii) Credit risk

The Group maintains various credit policies for different business operations as described in note 27. In addition, trade debtor balances are closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

In respect of loan and interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and the current ability to pay, and take into account information specific to the borrowers. Certain of these loans and interest receivable are secured by share charges in respect of the equity interest of certain subsidiaries and unlisted equity investments of the respective borrowers.

The credit risk of the financial assets, which comprise trade debtors and other receivables, pledged bank balances and time deposits, cash and cash equivalents, derivative financial instruments, loans to related companies, long term loan and other receivables and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

41. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its capital expenditure and financial liabilities. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018			
	Less than 3 months or on demand HK$'000	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade creditors, other payables and accruals	**596,770**	**—**	**—**	**596,770**
Bank borrowings	**1,135,903**	**308,474**	**7,950,755**	**9,395,132**
Guaranteed notes	**72,211**	**72,211**	**3,645,075**	**3,789,497**
Bank guarantee to joint ventures (note 37(a))	**650,000**	**—**	**—**	**650,000**
	2,454,884	**380,685**	**11,595,830**	**14,431,399**

	2017			
	Less than 3 months or on demand HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade creditors, other payables and accruals	287,523	—	—	287,523
Bank borrowings	75,099	231,608	6,998,930	7,305,637
Guaranteed notes	—	2,805,419	—	2,805,419
Bank guarantee to joint ventures (note 37(a))	1,092,000	—	—	1,092,000
	1,454,622	3,037,027	6,998,930	11,490,579

41. Financial Risk Management Objectives and Policies (continued)

(v) Capital management

The Group manages its capital structure to ensure that entities in 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 bank borrowings, guaranteed notes and equity attributable to owners of the Company, comprising 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 the recommendation of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintenance of appropriate types and level of debt.

The Group monitors capital using, inter-alia, a gearing ratio which is net debt divided by equity attributable to owners of the Company. Net debt includes bank borrowings and guaranteed notes, less pledged bank balances and time deposits, and cash and cash equivalents. The gearing ratio as at the end of the reporting period is as follows:

	2018 **HK$'000**	2017 HK$'000
Bank borrowings	**8,884,733**	6,905,981
Guaranteed notes	**3,118,594**	2,731,230
Less: Pledged bank balances and time deposits	**(381,418)**	(283,315)
Cash and cash equivalents	**(3,958,416)**	(2,664,066)
Net debt	**7,663,493**	6,689,830
Equity attributable to owners of the Company	**31,158,693**	26,599,790
Gearing ratio	**25%**	25%

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:

	2018 **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**3,025**	7,760
Investment properties	**9,961,200**	8,771,400
Interests in subsidiaries	**8,394,647**	6,205,963
Interests in associates	**1,687**	6,183
Interests in joint ventures	**393,522**	393,522
Available-for-sale financial assets	**47,691**	58,775
Pledged bank balances and time deposits	**56,564**	47,996
Deposits paid and other receivables	**11,501**	2,227
Total non-current assets	**18,869,837**	15,493,826
CURRENT ASSETS		
Debtors, deposits paid and other receivables	**66,603**	52,598
Pledged bank balances and time deposits	**185,976**	132,584
Cash and cash equivalents	**661,875**	1,806,286
Total current assets	**914,454**	1,991,468
CURRENT LIABILITIES		
Creditors, deposits received and accruals	**79,778**	92,382
Tax payable	**96,984**	88,791
Bank borrowings	**1,148,580**	126,080
Total current liabilities	**1,325,342**	307,253
NET CURRENT (LIABILITIES)/ASSETS	**(410,888)**	1,684,215
TOTAL ASSETS LESS CURRENT LIABILITIES	**18,458,949**	17,178,041

42. Statement of Financial Position of the Company (continued)

	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES		
Bank borrowings	**3,237,043**	3,035,643
Deferred tax	**70,991**	67,143
Provision for tax indemnity	**—**	93,000
Long term rental deposits received	**56,564**	48,032
Total non-current liabilities	**3,364,598**	3,243,818
	15,094,351	13,934,223
EQUITY		
Share capital	**4,076,816**	4,063,736
Reserves (Note)	**11,017,535**	9,870,487
	15,094,351	13,934,223

Chew Fook Aun
Director

Lau Shu Yan, Julius
Director

42. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2016	5,280	59,815	4,692	646,700	8,259,200	8,975,687
Profit for the year	—	—	—	—	949,506	949,506
Other comprehensive income for the year:						
Changes in fair values of available-for-sale financial assets	3,574	—	—	—	—	3,574
Total comprehensive income for the year	3,574	—	—	—	949,506	953,080
Final 2016 dividend declared (note 12)	—	—	—	—	(57,340)	(57,340)
Recognition of share-based payments	—	188	—	—	—	188
Share options exercised	—	(1,128)	—	—	—	(1,128)
At 31 July 2017 and 1 August 2017	8,854	58,875	4,692	646,700	9,151,366	9,870,487
Profit for the year	—	—	—	—	1,226,954	1,226,954
Other comprehensive expense for the year:						
Changes in fair values of available-for-sale financial assets	(19,282)	—	—	—	—	(19,282)
Total comprehensive (expense)/income for the year	(19,282)	—	—	—	1,226,954	1,207,672
Final 2017 dividend declared (note 12)	—	—	—	—	(60,509)	(60,509)
Share options exercised	—	(115)	—	—	—	(115)
At 31 July 2018	**(10,428)**	**58,760**	**4,692**	**646,700**	**10,317,811**	**11,017,535**

43. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2018 were as follows:

Name	Place of incorporation or registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bushell Limited	Hong Kong	HK$2	Ordinary	—	100.00	Property development and sales
Camper & Nicholsons International S.A. ("**CNI**")****	Luxembourg	EUR941,625	Ordinary	—	99.92	Brokerage, charter, marketing, management and crew placement of luxury yachts
Cape Nga Holding Company Limited	Thailand	THB1,225,000	Ordinary	—	100.00	Investment holding
Capital Court Limited	Hong Kong	HK$1	Ordinary	—	100.00	Hotel development and operation
Chains Caravelle Hotel Joint Venture Company Limited ("**CCHJV**")	Vietnam	US$23,175,577	*	—	26.01 **	Hotel operation
Frontier Dragon Limited	British Virgin Islands/ United Kingdom	US$1	Ordinary	—	100.00	Property investment
Furama Hotel Enterprises Limited	Hong Kong	HK$102,880,454	Ordinary	—	100.00	Investment holding
Furama Hotels and Resorts International Limited	British Virgin Islands/ Hong Kong	US$1,000,000	Ordinary	—	100.00	Provision of management services
Fusion Century Limited	Hong Kong	HK$100	Ordinary	—	50.28 ***	Restaurant operation
Gilroy Company Limited	Hong Kong	HK$10,000	Ordinary	100.00	—	Property investment

43. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation or registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Glynhill Hotels and Resorts (Vietnam) Pte Ltd	Singapore/ Vietnam	S$2	Ordinary	—	100.00	Provision of management and consultancy services to hotel owners
Glynhill Investments (Vietnam) Pte Ltd ("**GIV**")	Singapore	S$2	Ordinary	—	51.00 **	Investment holding
Greatful Limited	Hong Kong	HK$100	Ordinary	—	67.04 ***	Central kitchen
Hibright****	Hong Kong	HK$1	Ordinary	—	100.00	Provision of finance
Intercontinental Development and Services Limited	Hong Kong	HK$300,000	Ordinary	—	100.00	Property investment
King Faithful Limited	Hong Kong	HK$100	Ordinary	—	61.68 ***	Restaurant Operation
Kingland Century Limited	Hong Kong	HK$1	Ordinary	—	100.00	Property development
Kingright International Limited	Hong Kong	HK$1	Ordinary	—	100.00	Golf apparel retailing
Kolot Property Services Limited	Hong Kong	HK$780,002	Ordinary	100.00	—	Property management
Lai Sun Dining Limited	Hong Kong	HK$1	Ordinary	—	67.04 ***	Provision of management and consultancy services to restaurants
Lai Sun F&B Holding Company Limited ("**LSF&B**")	British Virgin Islands/ Hong Kong	US$1	Ordinary	—	67.04	Investment holding

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Lai Sun International Finance (2012) Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Treasury operation
Lai Sun Real Estate Agency Limited	Hong Kong	HK$2	Ordinary	100.00	—	Property management and real estate agency
LSD Bonds (2017) Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Treasury operation
Mazy Charm Limited	Hong Kong	HK$4,200	Ordinary	—	61.68 ***	Restaurant operation
Mazy Lamp Limited	Hong Kong	HK$3,300	Ordinary	—	49.61 ***	Restaurant operation
Milirich Investment Limited	Hong Kong	HK$2	Ordinary	100.00	—	Property development
Modern Charm Limited	Hong Kong	HK$10,000	Ordinary	—	67.04 ***	Restaurant operation
Oriental Style Limited	Hong Kong	HK$1	Ordinary	—	100.00	Property development and sales
Peakflow Profits Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Investment holding
Porchester	British Virgin Islands/ Hong Kong	US$100	Ordinary	—	51.00 **	Investment holding
Really Star Limited	Hong Kong	HK$3,100	Ordinary	—	62.71 ***	Restaurant operation
Rife World Limited	Hong Kong	HK$1	Ordinary	—	100.00	Provision of finance
Rolling Star Limited	Hong Kong	HK$1	Ordinary	—	100.00	Provision of finance

43. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation or registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Royal Team Limited	Hong Kong	HK$10,000	Ordinary	—	59.00 ***	Restaurant operation
Silver Fusion Limited	Hong Kong	HK$500,000	Ordinary	—	67.04 ***	Restaurant operation
Skyway Century Limited	Hong Kong	HK$1,000,000	Ordinary	—	67.04 ***	Restaurant operation
Superise Limited	Hong Kong	HK$400	Ordinary	—	37.48 ***	Restaurant operation
Top Winsome Limited	Hong Kong	HK$300,000	Ordinary	—	59.67 ***	Restaurant operation
Transformation International Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Investment holding
Transtrend Holdings Limited	Hong Kong	HK$20	Ordinary	—	100.00	Investment holding
Winstead Limited	Hong Kong	HK$1	Ordinary	—	100.00	Property development
北京好酒好蔡餐飲管理有限公司	PRC	RMB23,000,000	Ordinary	—	67.04 ***	Restaurant operation

* This subsidiary has registered capital rather than issued share capital.

** The Group owns a 51% (2017: 51%) equity interest in Porchester, which in turn, through GIV, a wholly-owned subsidiary of Porchester, owns a 51% (2017: 51%) interest in CCHJV. By virtue of the 51% (2017: 51%) equity interest in CCHJV held by the Group through the 51%-owned Porchester, an effective equity interest of 26.01% (2017: 26.01%) in CCHJV was held by the Group.

*** These subsidiaries are held by LSF&B, a 67.04%-owned subsidiary of the Company

**** These subsidiaries were newly incorporated/acquired during the year.

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.

Shares of certain subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group (note 30).

44. Particulars of Principal Associates

Particulars of the Group's principal associates as at 31 July 2018 were as follows:

Name	Place of incorporation or registration and business	Class of shares held	Percentage of ownership interest attributable to the Group	Notes
eSun	Bermuda/ Hong Kong	Ordinary	36.94	a
Lai Fung	Cayman Islands/ PRC	Ordinary	18.69	b
MAGHL	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	Ordinary	24.96	c

Notes:

a. eSun is listed on the Main Board of the Stock Exchange.

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

b. Lai Fung is listed on the Main Board of the Stock Exchange. As at 31 July 2018, eSun owns a 50.60% (2017: 50.81%) interest in Lai Fung.

Lai Fung and its subsidiaries are principally engaged in property development for sale and property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities.

c. MAGHL is listed on the GEM of the Stock Exchange. As at 31 July 2018, eSun owns a 67.56% (2017: 67.56%) interest in MAGHL.

MAGHL and its subsidiaries are principally engaged in film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programs; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

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

45. Particulars of Principal Joint Ventures

Particulars of the Group's principal joint ventures as at 31 July 2018 were as follows:

Name	Place of incorporation or registration and business	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Best Value Group	Hong Kong	Ordinary	50.00	Property development
Diamond Path Group	British Virgin Islands/ Hong Kong	Ordinary	50.00	Property development
Diamond String Limited	Hong Kong	Ordinary	50.00	Property investment

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

46. Acquisition of Subsidiaries

On 28 June 2018, the Group acquired additional equity interest in joint ventures, CNI and its subsidiaries (the "**CNI Group**") (the "**Acquisition**"), as follows:

Entity	Equity interest attributable to the Group prior to the Acquisition	Interest acquired	Equity interest attributable to the Group upon the Acquisition	Principal activities
CNI	49.96%	49.96%	99.92%	Brokerage, charter, marketing, management and crew placement of luxury yachts

46. Acquisition of Subsidiaries (continued)

Goodwill of approximately HK$230,617,000 was recognised upon the completion of the Acquisition. LSD considers that the CNI Group would add immediate scale to its luxury yachting operation globally. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair values of identifiable assets and liabilities of the CNI Group as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment (note 14)	10,365
Intangible assets (note 19)	118,774
Debtors, deposits paid and other receivables	14,974
Cash and cash equivalents	283,245
Creditors, deposits received and accruals	(302,529)
Bank borrowings (note 47)	(29,076)
Deferred tax (note 31)	(24,939)
	70,814
Non-controlling interests	(241)
Total identifiable net assets at fair value	70,573
Goodwill on Acquisition (note 18)	230,617
	301,190
Satisfied by:	
Consideration paid	150,595
Fair value of equity interests of CNI prior to the Acquisition	150,595
	301,190

The Group incurred transaction costs of approximately HK$1,362,000 for the Acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

Since the Acquisition, the CNI Group contributed approximately HK$20,267,000 to the Group's revenue and profit of approximately HK$3,078,000 to the Group's consolidated profit for the year ended 31 July 2018.

46. Acquisition of Subsidiaries (continued)

Had the Acquisition taken place at the beginning of the year ended 31 July 2018, the revenue and the profit for the year ended 31 July 2018 of the Group would have been approximately HK$1,851,673,000 and approximately HK$4,363,918,000, respectively.

Both the fair value and the gross contractual amounts of debtors, deposits paid and other receivables as at the date of acquisition were HK$14,974,000.

An analysis of the cash flows in respect of the Acquisition is as follows:

	HK$'000
Cash consideration	(150,595)
Cash and bank balances acquired	283,245
Net inflow of cash and cash equivalents included in cash flows from investing activities	132,650
Transaction costs of the Acquisition included in cash flows from operating activities	(1,362)
	131,288

47. Notes To The Consolidated Statement Of Cash Flows

Changes in liabilities arising from financing activities

	Bank borrowings HK$'000	**Guaranteed notes** HK$'000	**Dividend payable** HK$000
At 1 August 2017	6,905,981	2,731,230	—
Changes from financing cash flows	1,904,821	365,389	(47,826)
Amortisation of bank financing charges	38,314	—	—
Amortisation of guaranteed notes issued expenses	—	5,922	—
Final 2017 dividend declared (note 12)	—	—	60,509
Final 2017 dividend settled with scrip dividend (note 32(d))	—	—	(12,683)
Foreign exchange movement	6,541	16,053	—
Increase arising from acquisition of subsidiaries (note 46)	29,076	—	—
At 31 July 2018	8,884,733	3,118,594	—

48. Event After The Reporting Period

Further to the joint announcement of the Company, LSG, eSun, Lai Fung and the Offeror as defined below dated 27 May 2018 and the Company's circular dated 23 July 2018 in respect of, among others, (1) the then conditional voluntary general cash offer by Transtrend Holdings Limited ("**the Offeror**"), a wholly-owned subsidiary of the Company, to acquire all of the issued shares of eSun Holdings Limited ("**eSun**") (other than those already owned or agreed to be acquired by the Company, the Offeror or their respective subsidiaries) (the "**eSun Share Offer**") and to cancel all the outstanding share options of eSun (the "**eSun Option Offer**", and together with the eSun Share Offer, the "**eSun Offers**") and (2) the then possible unconditional mandatory general cash offer by the Offeror to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by the Company, the Offeror, eSun or their respective subsidiaries) and to cancel all the outstanding share options of Lai Fung, the Group acquired additional 40.44% equity interest in eSun in August 2018 for approximately HK$0.8 billion. Since then, the Group held 77.38% equity interest in eSun. For details of the acquisition, please refer to the joint announcement of the Company, eSun, Lai Fung and the Offeror dated 8 August 2018, the joint announcement of the Company, Lai Fung and the Offeror dated 15 August 2018, the joint announcement of the Company, eSun and the Offeror dated 22 August 2018 and the joint announcement of the Company, Lai Fung and the Offeror dated 13 September 2018.

The Group obtained control in eSun in August 2018 and would account for eSun as a subsidiary since then. As the above acquisition of eSun and Lai Fung was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition at this stage.

49. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 October 2018.

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("**AGM**") of the members ("**Members**") of Lai Sun Development Company 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, 21 December 2018 at 11:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2018 ("**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 the retiring directors of the Company ("**Directors**") and to authorise the board of Directors ("**Board**") to fix the Directors' remuneration;

4. To re-appoint Ernst & Young, Certified Public Accountants ("**Ernst & Young**"), as the independent auditor of the Company for the ensuing year and to authorise the Board to fix their remuneration; and

5. As special businesses, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

   Ordinary Resolution (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 in Hong Kong 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 number of the shares of the Company to be bought back by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the total number of the shares of the Company in issue as at the date of passing 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."

Ordinary Resolution (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 number of the shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

    (i) a Rights Issue (as hereinafter defined); or

    (ii) an issue of shares in the Company upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including 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 total number of the shares of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the 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" 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 of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

Ordinary Resolution (C)

"**THAT**:

subject to the passing of the Ordinary Resolution (A) and Ordinary Resolution (B) set out in agenda item 5 contained 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 such number of shares 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 number of shares shall not exceed 10% of the total number of the shares of the Company in issue as at the date of passing of this Resolution."

By Order of the Board
Lai Sun Development Company Limited
Chow Kwok Wor
Company Secretary

Hong Kong, 22 November 2018

Registered Office:
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) is entitled to appoint one (or if he/she/it holds two or more shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association of the Company ("**Articles of Association**"). A proxy need not be a Member.*

2. *A form of proxy for use at the AGM is sent to the Member with the Annual Report of the Company for the Year and is also available at the websites of the Stock Exchange and the Company.*

3. *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 share registrar, 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 form of proxy shall 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 at its adjourned meeting should they so wish. In such case, the said form(s) of proxy shall be deemed to be revoked.*

   The contact phone number of the Registrar is (852) 2980 1333.

4. *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 not later than 4:30 p.m. on Monday, 17 December 2018 for registration.*

5. *Where there are joint registered holders of any ordinary share of the Company ("**Share**"), any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it were 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, that one of such holders so present whose name stands first in the Register of Members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.*

6. *The proposed final dividend of HK$0.108 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, 4 January 2019. For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Thursday, 3 January 2019 and Friday, 4 January 2019, 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 Registrars for registration no later than 4:30 p.m. on Wednesday, 2 January 2019.*

7. *Concerning agenda item 3 of this Notice,*

   (i) *in accordance with Article 102 of the Articles of Association, Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**"), Mr. Chew Fook Aun ("**Mr. FA Chew**") and Mr. Lam Hau Yin, Lester ("**Mr. Lester Lam**") will retire from office as Directors by rotation at the AGM. Being eligible, they offer themselves for re-election;*

   (ii) *in accordance with Article 93 of the Articles of Association, Mr. Leung Wang Ching, Clarence ("**Mr. Clarence Leung**") will retire from office as Director by rotation at the AGM. Being eligible, he offers himself for re-election; and*

   (iii) *in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), the particulars of Dr. Peter Lam. Mr. FA Chew, Mr. Lester Lam and Mr. Clarence Leung are set out in the "Biographical Details of Directors" section of the Annual Report of the Company for the Year.*

8. *Concerning agenda item 4 of this Notice, the Board (which concurs with the Audit Committee) has recommended that subject to the approval of Members at the AGM, Ernst & Young be re-appointed independent auditor of the Company for the year ending 31 July 2019 ("**Year 2019**"). Members should note that in practice, independent auditor's remuneration for Year 2019 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of the 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 2019, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2019 is required, and is hereby sought, at the AGM.*

9. *The proposed Ordinary Resolution (A) under agenda item 5 of this Notice relates to the granting of a general mandate to the Directors to buy back shares of up to a maximum of 10% of the total number of the shares of the Company in issue as at the date of passing the said Resolution. Members' attention is also drawn to the explanatory statement on the proposed buy back mandate contained in the Appendix to the circular dated 22 November 2018.*

   The proposed Ordinary Resolution (B) under agenda item 5 of this Notice relates to the granting of a general mandate to the Directors to issue new Shares of up to a maximum of 20% of the total number of the shares of the Company in issue as at the date of passing the said Resolution. The Company has no immediate plan to issue any new Shares under the general mandate.

   The proposed Ordinary Resolution (C) under agenda item 5 of this Notice extends the general mandate to include the Shares bought back under the buy back mandate.

10. *Details regarding the Ordinary Resolutions (A), (B) and (C) under agenda item 5 of this Notice is set out in the circular of the Company dated 22 November 2018 in relation to, among others, the proposals involving general mandates to buy back shares and to issue shares.*

11. *In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice will be taken by poll.*

12. *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 6:45 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 Hong Kong Exchanges and Clearing Limited.*

    If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 6:45 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.

    Members should decide whether they would attend the AGM under a bad weather condition after considering their own situations and if they do so, they are advised to exercise care and caution.