LAI FUNG HOLDINGS

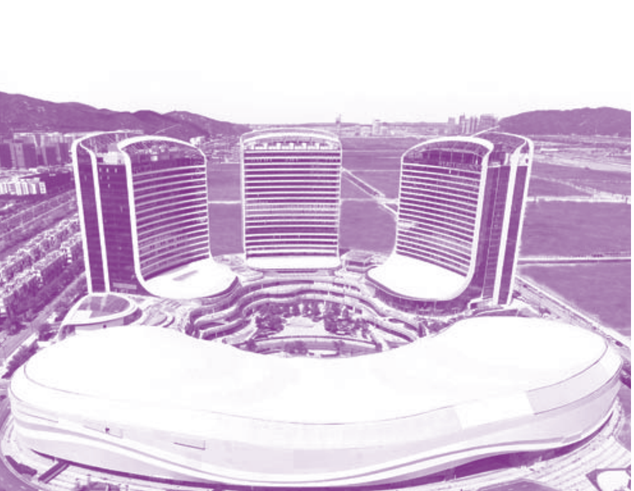
(Stock Code: 1125)

LAI FUNG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report

Year ended 31 July 2019



Cover Photo
Novotown Phase I, Hengqin, China

Contents

Corporate Information

Place of Incorporation

Cayman Islands

Board of Directors

Executive Directors

Chew Fook Aun *(Chairman)*
Lam Kin Ming *(Deputy Chairman)*
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*
Lam Hau Yin, Lester *(Chief Executive Officer)*
Cheng Shin How
Lee Tze Yan, Ernest
Tham Seng Yum, Ronald (appointed on 19 August 2019)
U Po Chu

Non-executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Authorised Representatives

Chew Fook Aun
Lam Kin Ming

Company Secretary

Yim Lai Wa

Registered Office

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

Principal Place of Business

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

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

Share Registrar and Transfer Office in Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Auditor

Ernst & Young
Certified Public Accountants

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
The Bank of East Asia, Limited
China CITIC Bank Corporation Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Oversea-Chinese Banking Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
United Overseas Bank Limited

Listing Information

Shares

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

Stock Code/Board Lot

1125/400 shares

Notes

US$350,000,000 5.65% guaranteed notes due 2023 (Stock Code: 5087) issued by Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of the Company, are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

American Depositary Receipt

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

Website

www.laifung.com

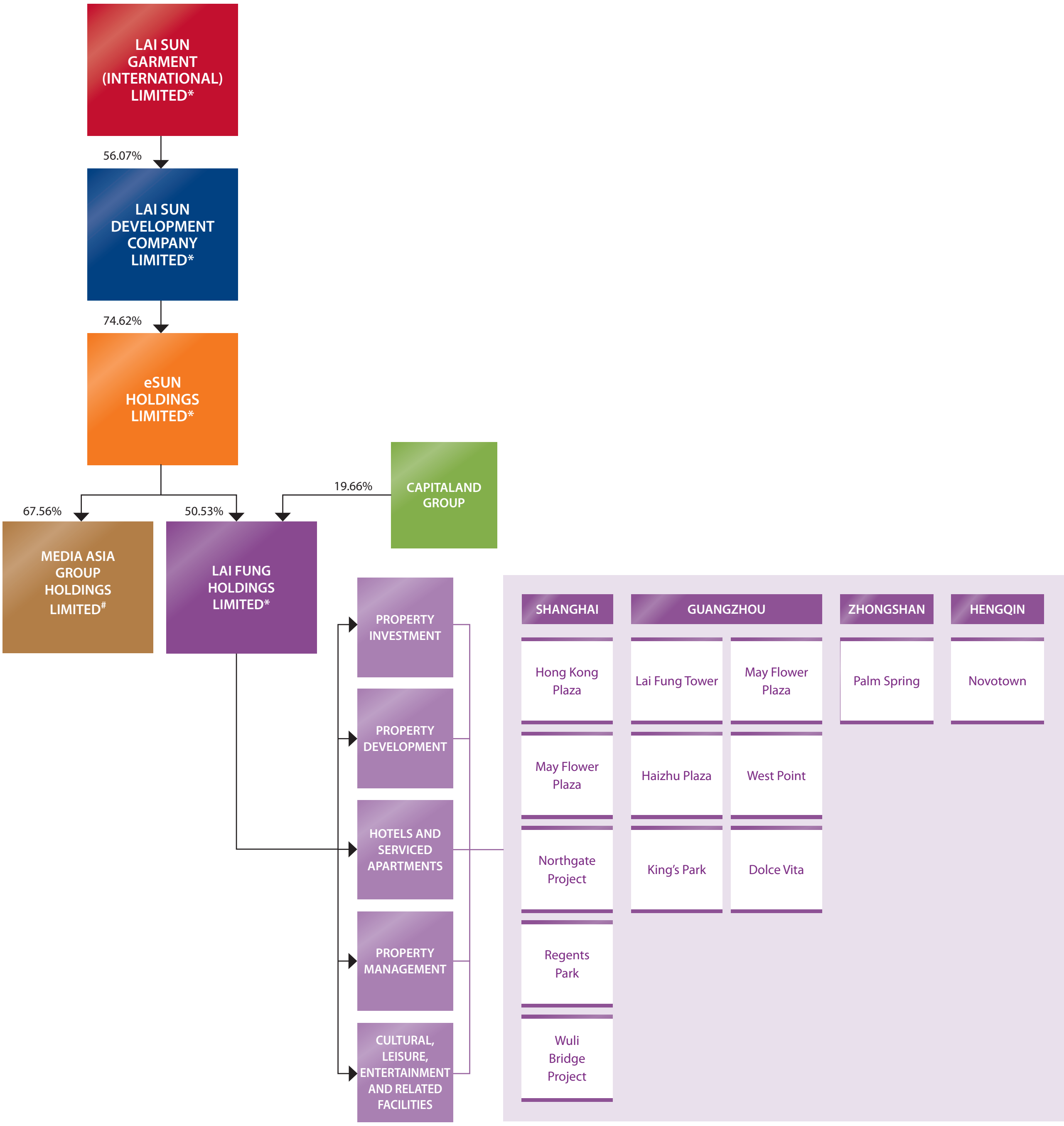
Investor Relations

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

Corporate Profile

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

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



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

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

Corporate structure as at 22 October 2019

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

Chairman's Statement

Mr. Chew Fook Aun
Chairman

I am pleased to present the audited consolidated results of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 July 2019.

Overview of Final Results

For the year ended 31 July 2019, the Group recorded a turnover of HK$1,461.2 million (2018: HK$950.8 million), representing an increase of approximately 53.7% over last year. The increase was primarily due to higher turnover from property sales during the year under review as compared to last year. The gross profit increased by 35.1% to HK$917.5 million from that of HK$679.3 million last year. The average Renminbi exchange rate for the year under review depreciated by approximately 4.7% over last year. Excluding the effect of currency translation, the increase in Renminbi denominated turnover was 61.3%.

Further to the close of eSun Offer during the year under review, financial results of the Group, being a 50.55%-owned subsidiary of eSun as at 31 July 2019, have been consolidated into the results of Lai Sun Development Company ("**LSD**"). As part of the consolidation and to ensure consistency of accounting treatments with LSD, the treatment of property management income have been re-classified from "Other income and gains" on the face of the consolidated income statement into income from building management operation under turnover for the year ended 31 July 2019. Comparative information for the financial year ended 31 July 2018 have not been restated to reflect this change. For ease of comparison, the turnover by segment on an "as reported" basis and on an "adjusted" basis have been set out below:

Overview of Final Results (continued)

	For the year ended 31 July			For the year ended 31 July		
	2019 [1]	2018 [1]		**2019**	2018	
	(As reported)	(As reported)				
	(HK$ million)	(HK$ million)	% change	**(RMB million)**	(RMB million)	% change
Rental income	**847.6**	766.2	10.6%	**739.2**	636.7	16.1%
Sales of properties	**613.3**	184.6	232.2%	**534.8**	153.4	248.6%
Theme park operation	**0.3**	—	N/A	**0.2**	—	N/A
Total:	**1,461.2**	950.8	53.7%	**1,274.2**	790.1	61.3%

	For the year ended 31 July			For the year ended 31 July		
	2019 [1]	2018 [1]		**2019**	2018	
	(As reported)	(Adjusted)				
	(HK$ million)	(HK$ million)	% change	**(RMB million)**	(RMB million)	% change
Rental income — lease of properties	**736.3**	766.2	-3.9%	**642.1**	636.7	0.8%
Rental income — building management	**111.3**	116.9 [2]	-4.8%	**97.1**	97.2 [2]	-0.1%
Sales of properties	**613.3**	184.6	232.2%	**534.8**	153.4	248.6%
Theme park operation	**0.3**	—	N/A	**0.2**	—	N/A
Total:	**1,461.2**	1,067.7	36.9%	**1,274.2**	887.3	43.6%

1. *The exchange rates adopted for the year ended 31 July 2019 and 2018 are 0.8721 and 0.8310, respectively*
2. *Being included in "Other income and gains" on the face of the consolidated income statement for the year ended 31 July 2018*

Net profit attributable to owners of the Company was approximately HK$668.6 million (2018: HK$1,180.1 million), representing a decrease of approximately 43.3% over last year. The decrease is primarily due to: (i) a lower fair value gain arising from the revaluation of the Group's investment properties for the year ended 31 July 2019 as compared to last year; (ii) a significant decrease in the profit contribution from the sales of Guangzhou Dolce Vita, the joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") as compared to last year, which is recognised as a component of "Share of profits/(losses) of joint ventures" in the consolidated income statement of the Group; and (iii) increased profit contribution from recognition of the sales of properties during the year under review.

Basic earnings per share was HK$2.043 (2018: HK$3.615).

Overview of Final Results (continued)

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK$263.7 million (2018: HK$629.1 million), representing a decrease of approximately 58.1% over last year. Basic earnings per share excluding the effect of property revaluations decreased to HK$0.806 (2018: HK$1.927).

Profit attributable to owners of the Company (HK$ million)	For the year ended 31 July **2019**	 2018
Reported	**668.6**	1,180.1
Adjustments in respect of investment properties		
Revaluation of properties	**(634.8)**	(860.0)
Deferred tax on investment properties	**158.7**	215.0
Non-controlling interests' share of revaluation movements less deferred tax	**71.2**	94.0
Net profit after tax and tax indemnity excluding revaluation gains of investment properties	**263.7**	629.1

Net assets attributable to owners of the Company as at 31 July 2019 amounted to HK$15,834.0 million (2018: HK$15,502.9 million). Net asset value per share attributable to owners of the Company increased slightly to HK$48.36 per share as at 31 July 2019 from HK$47.40 per share as at 31 July 2018.

Final Dividend

The Board has recommended a final dividend of HK$0.20 per share for the year ended 31 July 2019 (2018: HK$0.20 per share) payable to shareholders ("**Shareholders**") whose names appear on the Hong Kong Branch Register of Members of the Company ("**Register of Members**") at the close of business on Friday, 3 January 2020. Subject to the approval of Shareholders at the forthcoming annual general meeting of the Company ("**AGM**"), the proposed final dividend, will be payable in cash, with an option for the Shareholders to receive new fully paid shares of par value of HK$5.00 each in the share capital of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "**Scrip Dividend Scheme**").

A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to the Shareholders on or about Wednesday, 8 January 2020.

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

Final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on Thursday, 13 February 2020 to the Shareholders whose names appear on the Register of Members on Friday, 3 January 2020.

Business Review and Outlook

Global economy remains sluggish in the midst of, amongst other factors, the ongoing trade war between the United States and China, uncertainty around Brexit, rising geopolitical tensions, as well as a series of anti-government protests in Hong Kong which started in early June 2019. Such events, and the development of them over the course of the year under review, coupled with softening inflation, have led to the growing caution surrounding capital markets. While the implications of some of these events are relatively trivial, certain events could have more profound and lasting repercussions for the business outlook. We remain cautiously optimistic about the future prospects of the cities in which the Group has exposure in, especially the Greater Bay Area in southern China, and continue to regard Hong Kong, where our headquarters is situated, as one of the major beneficiary cities. Stability is instrumental to the restoration of business confidence, and under the current leadership of the Chinese government, we remain certain that this will be sustained and enhanced.

The Group's regional focus and rental-led strategy continued to demonstrate resilience. With a total rentable gross floor area ("**GFA**") of 3.4 million square feet, primarily in Shanghai and Guangzhou, the Group's rental portfolio delivered steady performance in rental income at close to full occupancies for the key assets.

Through developing the existing projects on hand in Shanghai, Guangzhou, Zhongshan and Hengqin, the Group estimates that its rental portfolio will increase from approximately 3.4 million square feet to approximately 9.6 million square feet over the next few years. Construction work of the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building includes an office tower, a shopping mall and an underground car-parking structure, and is expected to complete in the second quarter of 2022 and will add a total GFA of approximately 693,600 square feet, excluding car-parking spaces, to the rental portfolio of the Group. Construction work of Guangzhou Haizhu Plaza commenced in the first half of 2019 and is expected to complete in the first half of 2023, providing a total rental GFA of approximately 580,800 square feet.

The two themed indoor experience centres in Phase I ("**Novotown Phase I**") of the Novotown project in Hengqin ("**Novotown**"), namely "Lionsgate Entertainment World®" and "National Geographic Ultimate Explorer Hengqin", commenced operations on 31 July 2019 and 9 September 2019, respectively. China Cinda (HK) Asset Management Co., Limited's investment of 30% equity interest in the two operating companies of the "Lionsgate Entertainment World®" and the "National Geographic Ultimate Explorer Hengqin" on 31 December 2018 enhanced the capital structure for the operations of these two indoor experience centres. Taking into account the spaces for "Lionsgate Entertainment World®" and the "National Geographic Ultimate Explorer Hengqin", leases of approximately 68% commercial area of Novotown Phase I have been secured with over 50% retail stores targeted to open by end of 2019. The remaining portions of Novotown Phase I, including a hotel managed by Hyatt group, are nearing completion and is expected to be launched by phases by the end of 2019.

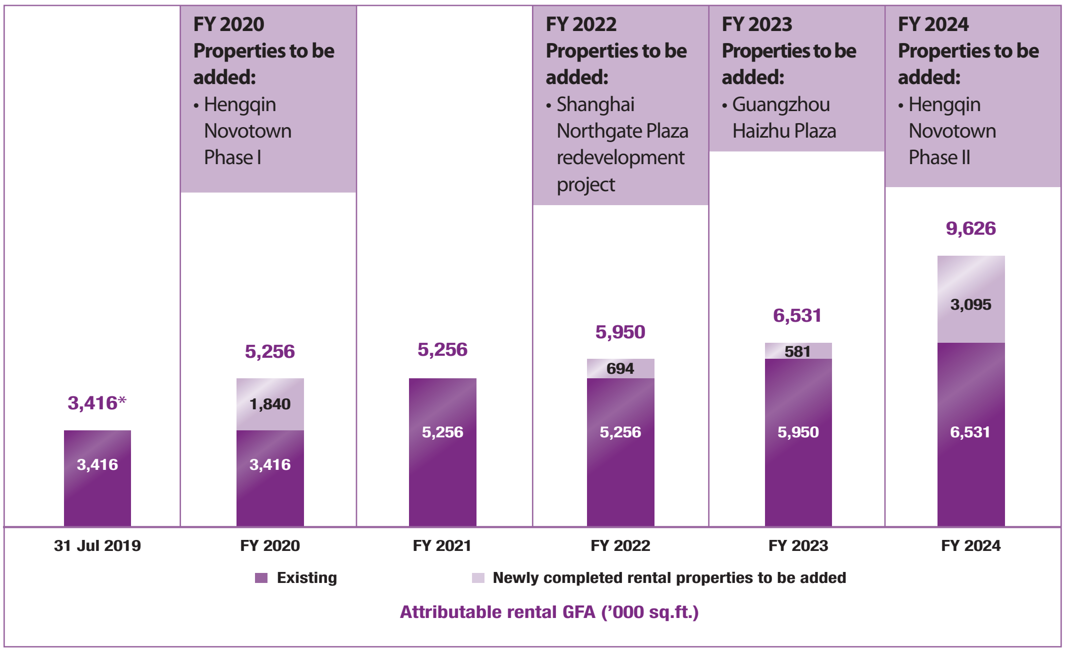
Business Review and Outlook (continued)

The Group succeeded in bidding for the land use rights of the land offered for sale by The Land and Resources Bureau of Zhuhai ("**Zhuhai Land Bureau**") through the listing-for-sale process in December 2018 and the land is situated adjacent to Novotown Phase I with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of the Phase II of the Novotown project ("**Novotown Phase II**"). Apart from Real Madrid Club de Fútbol ("**Real Madrid Club**"), Harrow International (China) Management Services Limited and ILA Holdings Limited that have been secured as key partners for Novotown Phase II, the Group entered into a license agreement on 27 December 2018 with Ducati Motor Holding S.p.A ("**Ducati**") in relation to the development and operation of a motorcycle themed experience centre ("**Ducati Experience Centre**") in Novotown Phase II. The Ducati Experience Centre is expected to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions. Real Madrid World, ILA Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II and details of the development plan will be formulated upon finalisation of the master layout plan with the Chinese Government. The Group is in the process of finalising the master layout plan for Novotown Phase II with the Chinese Government.

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Hengqin Novotown Phase I, as well as residential units in Shanghai Wuli Bridge project completed in August 2019 are expected to contribute to the income of the Group in the coming financial years. Particularly, in light of the prospects and the growing demand for residential units in Zhongshan, the Group decided, in May 2019, to launch the sale of the serviced apartment units at STARR Resort Residence Zhongshan. Accordingly, STARR Resort Residence Zhongshan, comprising two 16-storey blocks in the Palm Lifestyle complex has been closed and the total GFA of approximately 98,600 square feet have been re-classified from "Property, plant and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group. The Group will continue its prudent and flexible approach and replenish its landbank as and when opportunities arise.

Set out below is the expected growth of the rental portfolio of the Group and the pipeline of development projects of the Group as at 31 July 2019:

Rental Portfolio

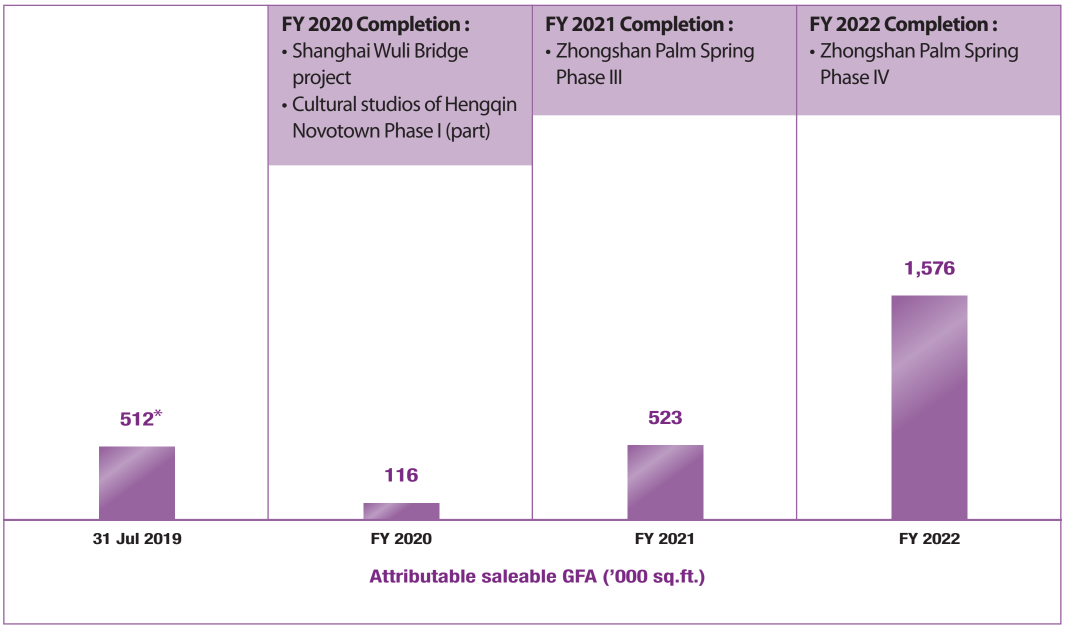


* *Including the cultural attraction space in Novotown Phase I that has been occupied by "Lionsgate Entertainment World®" of approximately 194,300 square feet attributable to the Group.*

Architect's impression of Guangzhou Haizhu Plaza

Business Review and Outlook (continued)

For-sale Projects



* *Excluding commercial portion of the Zhongshan Palm Spring for self-use and including serviced apartment units of Zhongshan Palm Spring which has been re-classified as "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019.*

Architect's impression of Zhongshan Palm Spring Phases III and IV

Business Review and Outlook (continued)

From August to September 2018, the Company went through a mandatory general offer ("**Lai Fung Offer**") triggered by LSD making a voluntary general offer to acquire shares of eSun Holdings Limited ("**eSun**") that were not owned by LSD ("**eSun Offer**"). Upon close of the eSun Offer on 22 August 2018, eSun became a subsidiary of LSD and its financial results have been consolidated into the results of LSD. The Lai Fung Offer closed on 13 September 2018.

The supplemental deed executed by the Company on 8 March 2019 aims to contribute to a more pragmatic and flexible approach for investment decisions to be made by the Lai Sun Group and has been approved by independent shareholders of each of the Company, eSun, LSD and Lai Sun Garment (International) Limited on 30 April 2019.

Subsequent to the year end, the public float of the Company has fallen below 25% of the total issued shares of the Company upon completion of the purchase of additional shares of the Company by Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk on 16 September 2019. The Company is considering steps to restore the public float at the minimum prescribed percentage in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

As at 31 July 2019, the Group has a landbank of approximately 8.4 million square feet. The Group's strong cash position of HK$3,097.3 million of cash on hand and undrawn facilities of HK$2,647.9 million with a net debt to equity ratio of 38% as at 31 July 2019 provides the Group with full confidence and the means to review opportunities more actively. 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. Tham Seng Yum, Ronald who joined the Board as an Executive Director with effect from 19 August 2019.

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

Chew Fook Aun
Chairman
Hong Kong

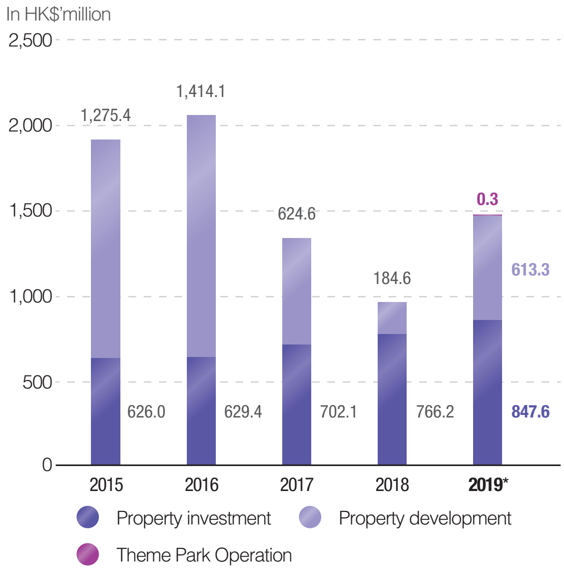
22 October 2019

Financial Highlights

		Year ended 31 July 2019	Year ended 31 July 2018	%
Turnover	(HK$M)	**1,461.2**	950.8	54%
Gross profit	(HK$M)	**917.5**	679.3	35%
Gross profit margin	(%)	**62.8%**	71.4%	
Operating profit	(HK$M)	**1,305.1**	1,321.1	-1%
Operating profit margin	(%)	**89.3%**	138.9%	
Profit attributable to owners of the Company	(HK$M)			
— as reported		**668.6**	1,180.1	-43%
— adjusted *(Note 1)*		**263.7**	629.1	-58%
Net profit margin	(%)			
— as reported		**45.8%**	124.1%	
— adjusted		**18.0%**	66.2%	
Basic earnings per share	(HK$)			
— as reported		**2.043**	3.615	-43%
— adjusted		**0.806**	1.927	-58%
Net assets attributable to owners of the Company	(HK$M)	**15,834.0**	15,502.9	2%
Net borrowings	(HK$M)	**6,022.0**	5,007.7	20%
Net asset value per share	(HK$)	**48.36**	47.40	2%
Share price as at 31 July	(HK$)	**7.84**	10.94	-28%
Price earnings ratio	(times)			
— as reported		**3.8**	3.0	
— adjusted		**9.7**	5.7	
Market capitalisation as at 31 July	(HK$M)	**2,566.7**	3,577.9	-28%
Return on shareholders' equity	(%)			
— as reported		**4.2%**	7.6%	
— adjusted		**1.7%**	4.1%	
Dividend per share	(HK$)	**0.20**	0.20	
Dividend yield	(%)	**2.6%**	1.8%	
Gearing — net debt to equity	(%)	**38.0%**	32.3%	
Interest cover *(Note 2)*	(times)			
— as reported		**1.6**	2.8	
— adjusted		**0.6**	1.5	
EBITDA *(Note 3)*/Interest expenses	(times)	**1.7**	2.3	
Current ratio	(times)	**1.8**	2.3	
Discount to net asset value	(%)	**83.8%**	76.9%	

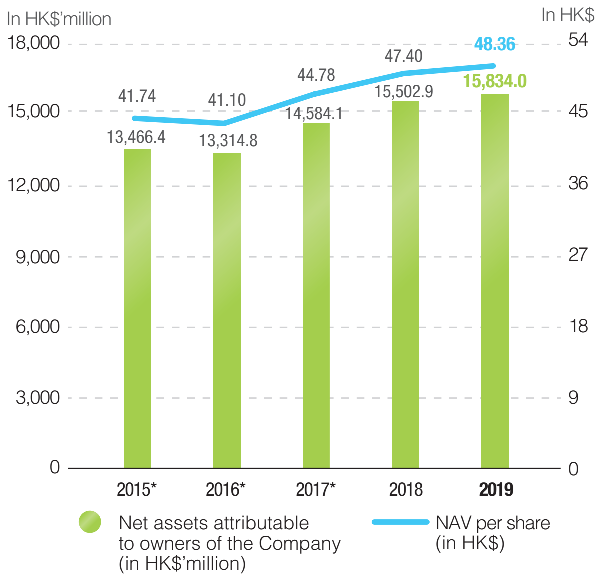
Note 1: Excluding the effect of property revaluations
Note 2: Calculated as profit attributable to owners of the Company over cash interest
Note 3: EBITDA = Profit before tax and tax indemnity – Property revaluation gain/loss + Depreciation + Amortisation + Finance costs

Turnover by Segment



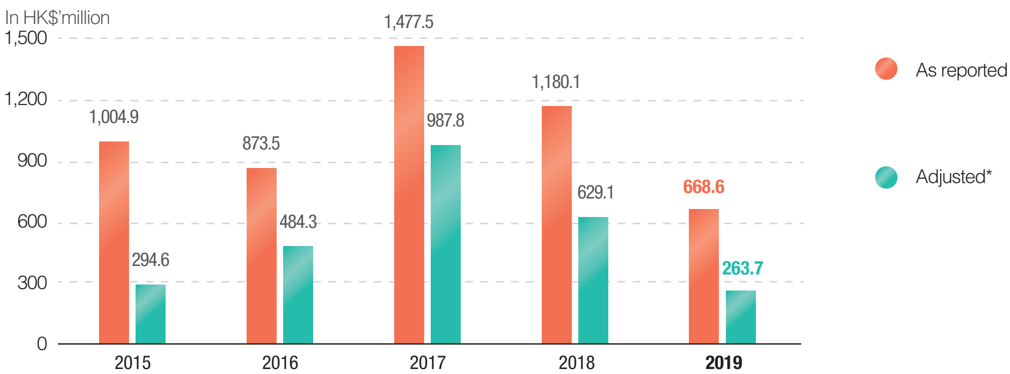
* *The treatment of property management income has been re-classified from "Other income and gains" on the face of the consolidated income statement into income from building management operation under turnover for the year ended 31 July 2019. Comparative information for the previous financial years have not been restated to reflect this change.*

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



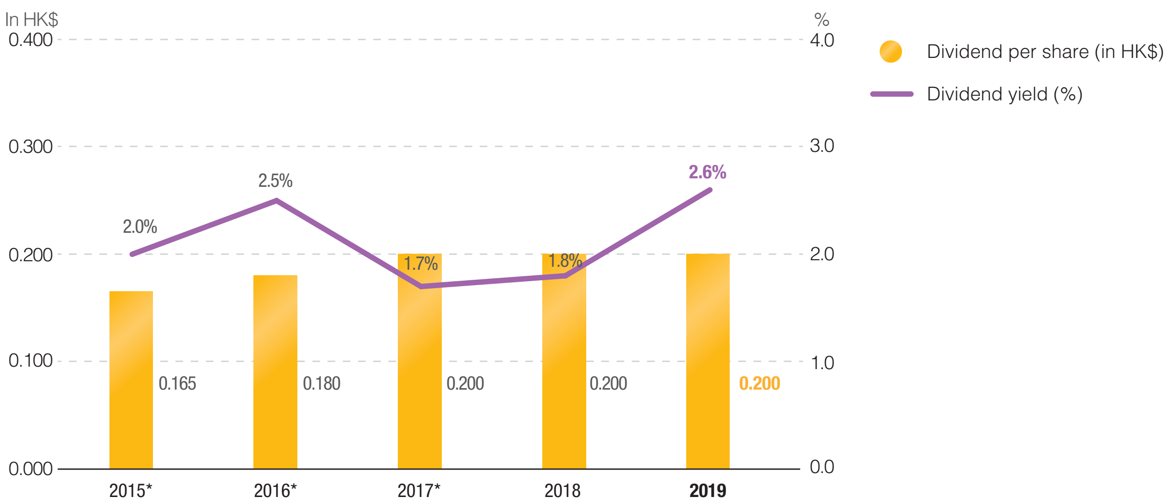
* *Adjustments have been made to the number of issued shares of the Company due to the share consolidation of the Company being effective on 15 August 2017.*

Profit attributable to owners of the Company



* *Excluding the effect of property revaluations.*

Dividend & Dividend Yield



* *Adjustments have been made to the dividend per share of the Company due to the share consolidation of the Company being effective on 15 August 2017.*

Overview

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

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 July 2019:

	Commercial/ Retail	Office	Hotel/ Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of Car-parking Spaces
Completed Properties Held for Rental[1]	1,850[2]	1,067	—	—	2,917[2]	799
Completed Hotel Properties and Serviced Apartments	—	—	499	—	499	—
Properties under Development[3]	4,010	1,549	820	2,046	8,425	4,969
Completed Properties Held for Sale	34[4]	—	—	512[5]	546	2,083
Total GFA of major properties of the Group	**5,894**	**2,616**	**1,319**	**2,558**	**12,387**	**7,851**

1. *Completed and rental generating properties*
2. *Including the cultural attraction space in Novotown Phase I that has been occupied by "Lionsgate Entertainment World®" of approximately 194,300 square feet attributable to the Group*
3. *All properties under construction*
4. *Completed properties for sale, including 33,699 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use*
5. *Completed properties for sale, including 98,600 square feet of serviced apartment units of Zhongshan Palm Spring which have been re-classified as "assets classified as held for sale" as at 31 July 2019*


Guangzhou May Flower Plaza


Guangzhou West Point


Guangzhou Lai Fung Tower

Property Investment

Revenue from Rental Operation

Shanghai Hong Kong Plaza

Zhongshan Palm Spring Rainbow Mall

For the year ended 31 July 2019, the Group's rental operations recorded a turnover of HK$847.6 million, which include revenue of HK$736.3 million from lease of properties and HK$111.3 million from building management operation. The income from building management operation of approximately HK$116.9 million for the last year was included in "Other income and gains" on the face of the consolidated income statement for the year ended 31 July 2018.

Excluding the income from building management operation, the revenue from the leasing of properties for the year under review decreased slightly by 3.9% from HK$766.2 million of last year. The average Renminbi exchange rate for the year under review depreciated by approximately 4.7% over last year. Excluding the effect of currency translation, the growth for Renminbi denominated revenue from the leasing of properties was 0.8%.

	For the year ended 31 July			For the year ended 31 July			
	2019# **(HK$ million)**	2018# (HK$ million)	% Change	**2019** **(RMB million)**	2018 (RMB million)	% Change	Year end occupancy (%)
Shanghai							
Shanghai Hong Kong Plaza	**451.5**	416.9	8.3	**393.7**	346.4	13.7	Retail: 99.0% Office: 96.3% Serviced Apartments: 89.6%
Shanghai May Flower Plaza	**67.6**	75.9	-10.9	**58.9**	63.1	-6.7	Retail: 82.1% Hotel: 77.9%
Shanghai Regents Park	**22.1**	25.0	-11.6	**19.3**	20.7	-6.8	100.0%
Guangzhou							
Guangzhou May Flower Plaza	**127.3**	113.2	12.5	**111.0**	94.1	18.0	98.9%
Guangzhou West Point	**26.8**	19.8	35.4	**23.4**	16.5	41.8	99.9%
Guangzhou Lai Fung Tower	**126.8**	105.2	20.5	**110.6**	87.4	26.5	Retail: 100.0% Office: 100.0%*
Zhongshan							
Zhongshan Palm Spring	**11.1**	10.2	8.8	**9.7**	8.5	14.1	Retail: 71.2%* Serviced Apartments: N/A**
Others	**14.4**	—	N/A	**12.6**	—	N/A	N/A
Total:	**847.6**	766.2	10.6	**739.2**	636.7	16.1	

\# *The exchange rates adopted for the years ended 31 July 2019 and 2018 are 0.8721 and 0.8310, respectively*

* *Excluding self-use area*

** *The Starr Resort Residence in Zhongshan has been closed during the year under review and the serviced apartment units were launched for sale in May 2019*

Property Investment (continued)

Revenue from Rental Operation (continued)

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

	For the year ended 31 July 2019			For the year ended 31 July 2018		
	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		208.7	468,434		181.2	468,434
Office		117.0	362,096		103.2	362,096
Serviced Apartments (room revenue and F&B)		119.7	355,267		125.2	355,267
Car-parking Spaces		6.1	N/A		7.3	N/A
		451.5	1,185,797		416.9	1,185,797
Shanghai May Flower Plaza	100%			100%		
Retail		29.5	320,314		34.3	320,314
Hotel (room revenue and F&B)		34.3	143,846		37.6	143,846
Car-parking Spaces		3.8	N/A		4.0	N/A
		67.6	464,160		75.9	464,160
Shanghai Regents Park	95%			95%		
Retail		19.2	77,959		21.0	77,959
Car-parking Spaces		2.9	N/A		4.0	N/A
		22.1	77,959		25.0	77,959
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		111.3	357,424		98.6	357,424
Office		13.1	79,431		11.6	79,431
Car-parking Spaces		2.9	N/A		3.0	N/A
		127.3	436,855		113.2	436,855
Guangzhou West Point	100%			100%		
Retail		26.8	171,968		19.8	171,968
Guangzhou Lai Fung Tower	100%			100%		
Retail		16.4	112,292		12.7	99,054
Office		104.7	625,821		86.6	606,495
Car-parking Spaces		5.7	N/A		5.9	N/A
		126.8	738,113		105.2	705,549
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail*		6.9	147,408		4.2	147,408
Serviced Apartments** (room revenue)		4.2	98,556		6.0	98,556
		11.1	245,964		10.2	245,964
Others		14.4	N/A		N/A	N/A
Total:		847.6	3,320,816		766.2	3,288,252

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan was closed during the year under review and the serviced apartment units have been launched for sale in May 2019*

Property Investment (continued)

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Being the Group's wholly-owned flagship investment property project in Shanghai, Shanghai Hong Kong Plaza is strategically located in the prime district of the city, directly above the Huangpi South Road Metro Station at Huaihaizhong Road in Huangpu District, which is highly accessible by car and well connected to public transportation networks, as well as walking distance from Shanghai Xintiandi.

Shanghai Hong Kong Plaza

Connected by an indoor footbridge, the property comprises a 32-storey office building, a 32-storey serviced apartment (managed by the Ascott Group), a shopping mall and carpark. The property's total GFA is approximately 1,185,800 square feet excluding 350 car-parking spaces, comprising approximately 362,100 square feet for office, approximately 355,300 square feet for serviced apartment, and approximately 468,400 square feet for shopping mall. Anchor tenants, as of the date of this Annual Report, include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki, etc.

Shanghai May Flower Plaza

Shanghai May Flower Plaza

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

The Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility. The lease of Lotte Mart, the anchor tenant in the retail podium was terminated in July 2018. Subsequently, the Group secured a lease with Hema Fresh (盒馬鮮生), which is one of the first supermarkets opened in China under Alibaba Group's New Retail initiatives, to take up part of that site and is in discussions with several prospective tenants to fill the vacancy.

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. The Group retains a 95% interest in the commercial portion which has a total GFA of approximately 82,000 square feet (GFA attributable to the Group is approximately 77,900 square feet).

Property Investment (continued)

Review of Major Rental Properties (continued)

Guangzhou May Flower Plaza

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

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

The Group owns 100% of this property.

Guangzhou West Point

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

Guangzhou Lai Fung Tower

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

Upon completion of the asset swap transaction with Guangzhou Light Industry Real Estate Development Company in August 2017, the total GFA of this property owned by the Group increased to approximately 738,100 square feet excluding car-parking spaces and the commercial area and the office building excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at year end was approximately 71.2%.

Property Investment (continued)

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet attributable to the Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 86.0% was achieved during the year under review and the average room tariff was approximately HK$1,189.

Ascott Huaihai Road Shanghai

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 73.1% was achieved during the year under review and the average room tariff was approximately HK$516.


STARR Hotel Shanghai

Property Development

Recognised Sales

For the year ended 31 July 2019, the Group's property development operations recorded a turnover of HK$613.3 million (2018: HK$184.6 million) from sale of properties, representing a 232.2% increase in sales revenue over last year. The significant increase was primarily driven by the sales performance of residential units of Zhongshan Palm Spring, cultural studios of Hengqin Novotown Phase I and car-parking spaces of Shanghai Regent's Park during the year under review. Sales of residential units and retail units of Guangzhou Dolce Vita has been completed and the last retail unit sold and recognised during the year under review achieved an average selling price of HK$3,384 per square foot. This is recognised as a component of "Share of profits/(losses) of joint ventures" in the consolidated income statement.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex has been closed. The serviced apartment units with total GFA of approximately 98,600 square feet were launched for sale in May 2019 and have been re-classified from "Property, plant and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group.

Breakdown of turnover for the year ended 31 July 2019 from property sales is as follows:

Recognised basis	**No. of units**	**Approximate GFA** (Square feet)	**Average selling price#** (HK$/square foot)	**Turnover*** (HK$ million##)	(RMB million)
Zhongshan Palm Spring					
Residential High-rise Units	129	158,473	1,590	240.2	209.5
Residential House Units	25	52,870	2,739	137.9	120.3
Hengqin Novotown Phase I					
Cultural Studios	6	24,207	5,274	121.6	106.0
Others				0.4	0.3
Subtotal	**160**	**235,550**	**2,227**	**500.1**	**436.1**
Shanghai Regents Park					
Car-parking Spaces	153			100.3	87.5
Guangzhou Eastern Place					
Car-parking Spaces	5			5.4	4.7
Guangzhou West Point					
Car-parking Spaces	4			2.4	2.1
Guangzhou King's Park					
Car-parking Space	1			0.7	0.6
Zhongshan Palm Spring					
Car-parking Spaces	24			4.4	3.8
Total				**613.3**	**534.8**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Retail Unit**(47.5% basis)	1	8,932	3,384	28.5	24.9
Car-parking Spaces**(47.5% basis)	8			2.5	2.2
Total				**31.0**	**27.1**

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

\## *The exchange rate adopted for the year ended 31 July 2019 is 0.8721*

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest*

Property Development (continued)

Contracted Sales

As at 31 July 2019, the Group's property development operations has contracted but not yet recognised sales of HK$238.3 million, comprising HK$104.4 million and HK$131.1 million from sales of residential and serviced apartment units in Zhongshan Palm Spring and cultural studios in Hengqin Novotown Phase I, respectively and HK$2.8 million from sales of car-parking spaces in Shanghai Regents Park, Guangzhou West Point and Guangzhou King's Park. Sales of the cultural studios of Hengqin Novotown Phase I were strong and achieved an average selling price of HK$4,561 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, serviced apartment units, cultural studios and car-parking space as at 31 July 2019 amounted to RMB207.8 million (31 July 2018: RMB251.0 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2019 is as follows:

Contracted basis	**No. of units**	**Approximate GFA** (Square feet)	**Average selling price#** (HK$/square foot)	**Turnover#** (HK$ million##)	(RMB million)
Zhongshan Palm Spring					
Residential High-rise Units	15	19,645	1,700	33.4	29.1
Residential House Units	10	21,164	2,637	55.8	48.7
Serviced Apartment Units###	10	10,414	1,460	15.2	13.3
Hengqin Novotown Phase I					
Cultural Studios	7	28,742	4,561	131.1	114.3
Subtotal	**42**	**79,965**	**2,945**	**235.5**	**205.4**
Shanghai Regents Park					
Car-parking Spaces	2			1.4	1.2
Guangzhou West Point					
Car-parking Space	1			0.6	0.5
Guangzhou King's Park					
Car-parking Space	1			0.8	0.7
Subtotal				**2.8**	**2.4**
Total				**238.3**	**207.8**

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

\## *The exchange rate adopted for the year ended 31 July 2019 is 0.8721*

\### *The sale of serviced apartment units of Zhongshan Palm Spring will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group when the sale is completed*

Property Development (continued)

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping mall and an underground car-parking structure and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. This project is expected to complete in the second quarter of 2022.

Architect's impression of Shanghai Northgate Plaza after redevelopment

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. Construction work has been completed in August 2019. This high-end luxury residential project has attributable GFA of approximately 77,900 square feet and is expected to be launched for sale in coming months.

Shanghai Wuli Bridge Project

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station. As of 31 July 2019, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$102.0 million.

Property Development (continued)

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

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. As at 31 July 2019, a total of 253 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$61.0 million.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. During the year under review, the sales of 1 car-parking space contributed HK$0.7 million to the turnover. As at 31 July 2019, the contracted but not yet recognised sales of the 1 car-parking space amounted to approximately HK$0.8 million and the 13 unsold car-parking spaces have a total carrying amount of approximately HK$9.6 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 580,800 square feet and is intended to be developed for rental purposes. The construction commenced in the first half of 2019 and the completion is expected to be in the first half of 2023.

Zhongshan Palm Spring

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

During the year review, 158,473 square feet of high-rise residential units and 52,870 square feet of house units were recognised at average selling prices of HK$1,590 and HK$2,739 per square foot, respectively, which contributed a total of HK$378.1 million to the sales turnover. As at 31 July 2019, contracted but not yet recognised sales for high-rise residential units and house units amounted to HK$33.4 million and HK$55.8 million, at average selling prices of HK$1,700 and HK$2,637 per square foot, respectively.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex was closed during the year under review. The serviced apartment units were launched for sale in May 2019 and have been re-classified from "Property, property and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019. As at 31 July 2019, contracted but not yet recognised sales for serviced apartment units amounted to HK$15.2 million, at an average selling prices of HK$1,460 per square foot. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group.

As at 31 July 2019, completed units held for sale in this development, including high-rise residential units, house units and serviced apartment units, amounted to approximately 373,800 square feet with a total carrying amount of approximately HK$304.7 million. The carrying amount of the 1,215 unsold car-parking spaces of this development as at 31 July 2019 was approximately HK$110.9 million.

Property Development (continued)

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

Zhongshan Palm Spring (continued)

The remaining GFA under development was approximately 2,099,200 square feet. Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2021

* *Excluding car-parking spaces and ancillary facilities*

Hengqin Novotown

Phase I

On 25 September 2013, the Company announced it had successfully won the bid of the land use rights of the land for Phase I of the Novotown project in Hengqin which is 80% owned by the Group and 20% owned by LSD as of the date of this Annual Report. Novotown Phase I has a total GFA of 4.0 million square feet including car-parking spaces and ancillary facilities. The total development cost is estimated to be approximately RMB5,447 million (equivalent to approximately HK$6,182 million). Construction work is expected to be completed by phases by end of 2019.

The expected GFA breakdown by usage including GFA of 24,207 square feet for cultural studios that have been sold up to 31 July 2019 is set out below:

Usage	GFA (square feet)
Cultural themed hotel	594,763
Cultural workshop	430,640
Cultural commercial area	526,264
Performance halls	155,193
Cultural attraction (Lionsgate Entertainment World®)	242,906
Cultural attraction (National Geographic Ultimate Explorer Hengqin)	50,386
Office	543,020
Cultural studios (for sale)	244,936
Car-parking spaces	429,734
Ancillary facilities and others	830,216
Total:	**4,048,058**

Property Development (continued)

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

Hengqin Novotown (continued)

Phase I (continued)

Grand opening ceremony of Lionsgate Entertainment World®

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of the Lionsgate Entertainment World® in Novotown Phase I. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase, to oversee its pre-opening and to operate the Lionsgate Entertainment World® for a minimum of 10 years. The Lionsgate Entertainment World® opened on 31 July 2019 featuring attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan.

Grand opening ceremony of National Geographic Ultimate Explorer Hengqin

The Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer Hengqin, the size of which is approximately 50,400 square feet, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions. The National Geographic Ultimate Explorer Hengqin officially commenced operations on 9 September 2019.

The cross border bus service between Hong Kong and Hengqin Novotown has been launched by Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited in July 2019.

Property Development (continued)

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

Hengqin Novotown (continued)

Phase I (continued)

Sales of the cultural studios of Hengqin Novotown Phase I were strong. During the year under review, sales of 24,207 square feet was recognised at an average selling price of HK$5,274 per square foot, which contributed HK$121.6 million to the Group's turnover. As at 31 July 2019, contracted but not yet recognised sales for cultural studios amounted to HK$131.1 million, translating into an average selling price of HK$4,561 per square foot. Completed cultural studios held for sale in this development as at 31 July 2019 amounted to approximately 173,230 square feet with a carrying amount of approximately HK$334.0 million.

Hengqin Novotown Phase I Cultural Studio

Phase II

In June 2017, the Group entered into a licence agreement with Real Madrid Club in relation to the development and operation of a location based entertainment centre, namely Real Madrid World in Novotown. The Real Madrid World is expected to consist of three floors with over 20 attractions spanning across a total area of approximately 12,000 square meters, and will be made up of several signature experiences including the Flying Theatre and the Stuntpit, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets.

In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. The curriculum at ILA Hengqin is structured to bring together the very best of British and Chinese educational philosophies and when it first opens in September 2020, the ILA Hengqin will initially offer grade 7-12 education for approximately 900 students as well as facilities for boarding students.

The Group entered into a license agreement in December 2018 with Ducati in relation to the development and operation of the Ducati Experience Centre in Novotown. The Ducati Experience Centre expects to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions.

The Group succeeded in bidding for the land use rights of the land offered for sale by Zhuhai Land Bureau through the listing-for-sale process in December 2018 and the land is situated adjacent to Novotown Phase I with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of phase II of the Novotown project. Real Madrid World, ILA Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II and details of the development plan will be formulated upon finalisation of the master layout plan with the Chinese Government. The Group is in the process of finalising the master layout plan for the Novotown Phase II with the Chinese Government.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2019, cash and bank balances held by the Group amounted to HK$3,097.3 million and undrawn facilities of the Group was HK$2,647.9 million.

As at 31 July 2019, the Group had total borrowings amounting to HK$9,119.2 million (as at 31 July 2018: HK$7,445.6 million), representing an increase of HK$1,673.6 million from 31 July 2018. The consolidated net assets attributable to the owners of the Company amounted to HK$15,834.0 million (as at 31 July 2018: HK$15,502.9 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 38% (as at 31 July 2018: 32%). The maturity profile of the Group's borrowings of HK$9,119.2 million is well spread with HK$791.2 million repayable within one year, HK$3,019.3 million repayable in the second year, HK$4,168.7 million repayable in the third to fifth years and HK$1,140.0 million repayable beyond the fifth year.

Approximately 30% and 66% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of the Group's borrowings were interest free.

Apart from the guaranteed notes, the Group's other borrowings of HK$6,398.3 million were 44% denominated in Renminbi ("**RMB**"), 48% in Hong Kong dollars ("**HKD**") and 8% in United States dollars ("**USD**").

The Group's guaranteed notes of HK$2,720.9 million were denominated in USD. The Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

The Group's cash and bank balances of HK$3,097.3 million were 77% denominated in RMB, 15% in HKD and 8% in USD.

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

Certain assets of the Group have been pledged to secure borrowings and bank facilities of the Group, including investment properties with a total carrying amount of approximately HK$10,890.3 million, properties under development with a total carrying amount of approximately HK$1,085.3 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK$428.7 million and bank balances of approximately HK$1,059.4 million.

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

Contingent Liabilities

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 35 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2019, the Group employed a total of around 2,000 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Financial Summary

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

Results

	Year ended 31 July				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Turnover	**1,461,249**	950,822	1,326,682	2,043,530	1,901,394
Profit before tax and tax indemnity	**1,170,537**	1,556,005	1,652,804	1,285,585	1,579,246
Tax	**(430,482)**	(357,229)	(556,156)	(388,163)	(571,197)
Tax indemnity	**—**	92,695	493,936	—	—
Profit for the year	**740,055**	1,291,471	1,590,584	897,422	1,008,049
Attributable to:					
Owners of the Company	**668,556**	1,180,117	1,477,452	873,527	1,004,901
Non-controlling interests	**71,499**	111,354	113,132	23,895	3,148
	740,055	1,291,471	1,590,584	897,422	1,008,049

Assets, liabilities and non-controlling interests

	As at 31 July				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Property, plant and equipment and prepaid land lease payments	**3,631,178**	2,413,632	1,708,128	1,455,494	1,331,211
Investment properties	**20,455,200**	18,207,822	16,457,221	14,661,728	14,479,603
Properties under development	**711,362**	407,899	1,341,974	1,184,375	1,617,398
Investments in joint ventures	**1,317**	1,849,437	1,387,570	804,431	739,028
Investments in associates	**5,804**	5,932	343	—	—
Derivative financial instruments	**20,581**	2,531	—	—	—
Deposit for acquisition of an investment property	**—**	—	—	228,620	—
Current assets	**6,484,185**	5,341,011	4,325,043	5,564,954	5,113,389
TOTAL ASSETS	**31,309,627**	28,228,264	25,220,279	23,899,602	23,280,629
Current liabilities	**(3,550,243)**	(2,323,625)	(3,870,380)	(2,431,081)	(4,070,850)
Long-term deposits received	**(149,213)**	(144,235)	(140,240)	(124,389)	(103,369)
Non-current interest-bearing bank loans	**(5,554,150)**	(3,572,464)	(2,814,062)	(2,747,970)	(533,780)
Fixed rate senior notes	**—**	—	—	(2,092,741)	(2,220,914)
Guaranteed notes	**(2,720,857)**	(2,725,518)	—	—	—
Advances from a former substantial shareholder	**(53,006)**	(53,719)	(54,143)	(54,675)	(58,198)
Loans from a fellow subsidiary	**—**	(248,509)	(218,279)	(221,714)	(229,244)
Loans from a joint venture	**—**	(426,156)	(649,779)	(222,430)	—
Derivative financial instruments	**—**	—	—	(210,068)	(111,654)
Deferred tax liabilities	**(3,100,475)**	(2,945,714)	(2,704,032)	(2,406,920)	(2,407,392)
TOTAL LIABILITIES	**(15,127,944)**	(12,439,940)	(10,450,915)	(10,511,988)	(9,735,401)
	16,181,683	15,788,324	14,769,364	13,387,614	13,545,228
Non-controlling interests	**(347,676)**	(285,457)	(185,253)	(72,847)	(78,875)
	15,834,007	15,502,867	14,584,111	13,314,767	13,466,353

Completed Properties held for Rental

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			No. of Car-parking Spaces Attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	468,434	362,096	830,530	350
May Flower Plaza	Sujiaxiang, Jing'an District	100%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	320,314	—	320,314	—
Regents Park	88 Huichuan Road, Changning District	95%	The property is held for a term of 70 years commencing on 4 May 1996	77,959	—	77,959	—
Subtotal of major completed properties held for rental in Shanghai:				**866,707**	**362,096**	**1,228,803**	**350**
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	357,424	79,431	436,855	136
West Point	Zhongshan Qi Road, Liwan District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	171,968	—	171,968	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	112,292	625,821	738,113	313
Subtotal of major completed properties held for rental in Guangzhou:				**641,684**	**705,252**	**1,346,936**	**449**
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	100%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	147,408	—	147,408	—
Subtotal of major completed properties held for rental in Zhongshan:				**147,408**	**—**	**147,408**	**—**

Completed Properties held for Rental (continued)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			No. of Car-parking Spaces Attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Hengqin							
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	80%	The property is held for a term of 40 years for office, commercial and serviced apartment and hotel uses and 50 years for other uses commencing on 31 December 2013	194,325*	—	194,325	—
Subtotal of major completed properties held for rental in Hengqin:				**194,325**	**—**	**194,325**	**—**
Total of major completed properties held for rental:				**1,850,124**	**1,067,348**	**2,917,472**	**799**

* *Cultural attraction portion of Novotown Phase I which is designated for the operation of Lionsgate Entertainment World®*

Completed Hotel Properties and Serviced Apartments

Property Name	Location	Group Interest	Tenure	No. of rooms	Approximate Attributable Gross Floor Area (square feet)	No. of Car-parking Spaces Attributable to the Group
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	300	355,267	—
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	100%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	143,846	—
Total of major completed hotel properties and serviced apartments:				**539**	**499,113**	**—**

Particulars of Major Properties

Properties Under Development

Property Name	Location	Group Interest	Stage of Construction	Expected Completion Date	Approximate site area (square feet) *(Note 1)*	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of Car-parking Spaces Attributable to the Group
Guangzhou											
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Construction work in progress	H1 2023	90,708	104,163	476,662	–	–	580,825	305
Subtotal of major properties under development in Guangzhou:						**104,163**	**476,662**	**–**	**–**	**580,825**	**305**
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	100%	Construction work in progress	Phase 3: Q3 2020 Phase 4: Q3 2021	2,547,298 *(Note 2)*	131,493	–	–	1,967,670	2,099,163	1,446
Subtotal of major properties under development in Zhongshan:						**131,493**	**–**	**–**	**1,967,670**	**2,099,163**	**1,446**
Shanghai											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	100%	Construction work in progress	Q2 2022	107,223	94,174	599,426	–	–	693,600	554
Wuli Bridge project	Wuliqiao Road, 104 Jie Fang, Huangpu District	100%	Construction work in progress	Q3 2019 *(Note 3)*	74,112	–	–	–	77,943	77,943	96
Subtotal of major properties under development in Shanghai:						**94,174**	**599,426**	**–**	**77,943**	**771,543**	**650**
Hengqin											
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	80%	Construction work in progress	Q4 2019	1,401,184 *(Note 2)*	585,474	472,415	820,322	–	1,878,211	1,557
Novotown Phase II	East side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road, Hengqin New Area, Zhuhai City	100%	Construction work in progress	2023	1,547,523	3,095,045	–	–	–	3,095,045	1,011
Subtotal of major properties under development in Hengqin:						**3,680,519**	**472,415**	**820,322**	**–**	**4,973,256**	**2,568**
Total of major properties under development:						**4,010,349**	**1,548,503**	**820,322**	**2,045,613**	**8,424,787**	**4,969**

Note 1: On project basis
Note 2: Including portions of the projects that have been completed for sale/lease
Note 3: Construction works completed in August 2019

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	Serviced Apartments	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	100%	33,699	373,814	—	407,513	1,215
Subtotal of major completed properties held for sale in Zhongshan:			**33,699**	**373,814**	**—**	**407,513**	**1,215**
Hengqin							
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	80%	—	138,584	—	138,584	—
Subtotal of major completed properties held for sale in Hengqin:			**—**	**138,584**	**—**	**138,584**	**—**
Shanghai							
May Flower Plaza	Sujiaxiang, Jing'an District	100%	—	—	—	—	458
Regents Park, Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	240
Subtotal of major completed properties held for sale in Shanghai:			**—**	**—**	**—**	**—**	**698**
Guangzhou							
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	—	—	—	—	15
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	47.5%	—	—	—	—	19
King's Park	Donghua Dong Road, Yuexiu District	100%	—	—	—	—	13
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	123
Subtotal of major completed properties held for sale in Guangzhou:			**—**	**—**	**—**	**—**	**170**
Total of major completed properties held for sale:			**33,699**	**512,398**	**—**	**546,097**	**2,083**

About this Report

This Environmental, Social and Governance ("**ESG**") report encapsulates the ESG management approach, strategies and performance of the Company and its subsidiaries (together, "**Group**") in accordance with the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Unless otherwise specified, this report covers the ESG management and performance of the Group from 1 August 2018 to 31 July 2019.

This report has been approved by the management team and the board of directors of the Company ("**Board**").

ESG Governance

The management team is equipped with respective expertise in environmental, health and safety issues. They are responsible for the formulation of ESG policies and procedures to manage relevant ESG risks for their respective business sectors and assist the Board to oversee the management of ESG issues in business operations.

Stakeholder Engagement

The Company maintains regular communication channels with stakeholders in daily operations. To further understand the priorities of ESG issues in different business sectors from stakeholders' perspectives, the Company has previously engaged an independent consultant to conduct stakeholder engagement online surveys. With reference to the results of the online surveys, ESG issues were ranked and prioritised in terms of their importance to stakeholders and their importance to the Company's business development for materiality analysis.

Materiality Analysis

Through the stakeholder engagement exercise, management reviews and industry analysis, the Group identified the most material ESG issues in each business sector and prioritised its resources in managing these issues. This year, the list of issues was further reviewed by analysing the latest industry practices and verified by the management. Issues that are considered most material are indicated in the following table:

ESG Aspects		ESG Issues	The Group
Environmental		Emissions	✓
		Use of resources	✓
		The environment and natural resources	✓
Social	Employment and labour practices	Employment	✓
		Health and safety	✓
		Development and training	
		Labour standards	✓
	Operating practices	Supply chain management	
		Product responsibility	✓
		Intellectual property rights	
		Anti-corruption	✓
	Community	Community investment	✓

Overall Environmental Management Approach

To minimise the negative environmental impact from its business operations, the Group has set up environmental management policies which aim at improving its performance in emissions, energy consumption, waste management, resources use, and impact to the environment. All relevant laws and regulations on environmental protection are observed and addressed in its environmental management strategies. In the reporting year, there are no recordable non-compliance cases of environmental laws and regulations.

Environmental Management and Air Emissions

The Group is aware of the environmental impact of its business operations. The Group, therefore, manages its emissions proactively by applying various abatement procedures. Through various control measures at both Group level and all business sectors, the Group endeavours to minimise the amount of air and greenhouse gas emissions, wastewater discharges and waste generations in its business activities.

During property development, there are emissions including air pollutants, wastewater and construction wastes. Therefore, the Group takes the initiative and specifies the terms with its contractors in complying the relevant local and national environmental laws and regulations in the agreements. These include, but not limited to, Environmental Protection Law of the People's Republic of China ("**PRC**"), Atmospheric Pollution Prevention and Control Law of the PRC, Water Pollution Prevention and Control Law of the PRC, Law of the PRC on Prevention and Control of Pollution from Environmental Noise, Land Administration Law of the PRC and Regulations on the Administration of Construction Project Environmental Protection. In the reporting year, there are no non-compliance cases to the above ordinances. The Group also carries out different mitigation initiatives at construction sites, targeting emissions reduction from the sites. For example, dust is one of the significant pollutants during construction and the Group minimises the air quality impact of dust by requesting contractors to arrange dust abatement procedures during material handling and vehicle movement. Besides, ultra-low sulphur diesel (ULSD), a type of fuel with lower sulphur dioxide concentration, is adopted to reduce emissions from development work. Where possible, the project team selects building materials with lower volatile organic compounds (VOCs).

The Group refers to "LEED v4 for Building Design and Construction" when designing and planning new projects for development in Mainland China. The LEED consultant has recommended emission controls such as waste disposal and sewage discharge for us to handle in a responsible way with required emission permit. All the Group's construction projects are assessed with the Environment Impact Assessment ("**EIA**"). Selected contractors will strictly follow the requirements from EIA to minimise the impact to the environment. From design stage to construction stage, the Group monitors and manages the use of green building design and the compliance of EIA with regard to air pollution, noise pollution, wastewater pollution and waste disposal.

Besides, contractors are required to provide an Environmental Management Plan (EMP), identifying and addressing any environmental risks with mitigation measures. The Group tries its best to mitigate environmental impact from air pollution, noise pollution, wastewater pollution and waste disposal at design stage and construction stage and comply with relevant environmental laws and regulations.

To showcase its support to environmental management, Shanghai HKP Property Management Limited, a wholly-owned subsidiary of the Company, has obtained ISO 14001:2004 Environmental Management System in 2012 and recently improved the system to the latest ISO 14001:2015 Environmental Management System.

Waste Management

To manage and minimise waste generation in its daily operations, the Group formulated Waste Management Plan as a guidance on waste reduction, reuse, sorting and recycling. Various types of wastes are categorised into recyclables and non-recyclables, and where feasible, recycling bins are set up in the Group's office areas and properties to collect the recyclable waste. While the Group encourages the reuse of resources, non-recyclable waste is disposed through qualified waste management companies, in particular, electronic waste or other hazardous waste is managed according to relevant laws and regulations.

The Group pays attention to the construction phase of its projects and puts in place relevant waste management procedures. The Group complies with the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes, and other relevant laws and regulations. Waste materials commonly generated at the Group's construction sites include general refuse, inert construction waste, non-inert construction waste, recyclable metals waste and chemical waste. The Group's contractors are required to submit a waste disposal plan with waste management procedures to guide their waste management practices. The 3R principle — reduce, reuse, recycle, are applied in the waste disposal plan by on-site sorting while the other construction waste is disposed by authorised third party is arranged to handle all chemical waste and hazardous waste identified in the Directory of National Hazardous Wastes in Mainland China.

The Group actively sorts out inert waste (including but not limited to rock, soil and sand) at construction sites for further use as sub-base and uses excavated soil for backfilling. To reduce waste disposal, dry concrete would be sorted out for recycling into aggregates for concrete production. Where feasible, the wooden boards would be reused. The Group has installed recycling bins of three colours on site and the recyclables are collected by recycling companies on regular basis.

In terms of chemical waste management, the Group implements planned mitigation measures to minimise the generation of chemical waste on site. Chemical waste from all work areas and storage areas are collected and disposed by licensed chemical waste collectors and specialist contractors employed by the Group.

Resources Management and Conservation

The Group encourages all business sectors to have conscious management when consuming natural resources, such as electricity, fuel, and water sources, etc. In general, the Group supports all business sectors to implement initiatives in recycling and resources saving.

The Group has an overall environmental management system for the properties and built environment and the Group strives to monitor its energy and water consumption as well as look for any conservation opportunities in its existing property portfolio. Monthly monitoring on energy and water consumption help the Group's property management to avoid excessive use of energy and water leakage.

In Mainland China, the Group has established a resource and energy management plan to cultivate water and energy saving initiatives. Also, the Group encourages water recycling for irrigation and cleaning. The Group has installed automatic sensor tap at all toilets in the Hong Kong Plaza to reduce water consumption. Where possible, the Group will upgrade its asset with energy saving equipment to enhance the energy efficiency of its buildings. In 2018, the Group has replaced the fan and renovated air conditioning pump inverter in Hong Kong Plaza, creating 320,000 kWh and 100,000 kWh energy saving per year respectively. The Group will continue to review the energy consumption performances of other leasing and investment properties and will seek opportunities for further reduction on energy consumption.

Co-existence with the Natural Environment

The Group recognises the importance of balancing its business development and the associated environmental impacts. The Group seeks to reduce its businesses' negative impacts to the environment by setting up various policies and guidelines applying across all the business sectors of the Group.

Understanding its potential impact from construction projects to natural resources and its surrounding environment, the Group takes the initiative to embed green building elements in new buildings whenever possible. From design stage to demolition stage, all the Group's new projects will be developed with the reference to the "LEED v4 for Building Design and Construction" in Mainland China in order to reduce the impact of its buildings to the surrounding environment. The Group requires its contractors to submit the environmental management plan and will review actual performance on site against the plan to ensure that the planned mitigation measures are carried out.

Overall Approach on Employment

Employment

The Group strives to be an equal opportunity employer and adopts various human resources management practices to retain talent and create a better working environment. Employee benefits, including compensation and dismissal, recruitment, working hours, leave management, prevention on sexual harassment and the expectations to employees' conduct and behaviour are outlined in the staff handbook. Other employee benefits, such as mandatory provident fund, enrolment to medical or commercial insurance scheme for respective eligible employees, social security and housing fund, are also implemented in respective region. Employees having been working with the Group for over twelve months of services are eligible to apply for tuition scheme to receive training and development subsidy and sponsorship.

The Group observes and complies with the Labour Law of the PRC and Labour Contract Law of the PRC (collectively, "**PRC Labour Laws**"). Relevant terms and conditions of employment are outlined in the staff handbook for staff's reference.

The Group endeavours to promote equal opportunities and non-discrimination in the employment practices. The Group has established policy to realise the commitment on equal opportunities and discrimination-free workplace. For complaints relating to workplace harassment, the complaints will be addressed and handled in a confidential and professional manner to protect the rights of the victim. Through increase the awareness and comprehensive policy and grievance mechanisms, the Group aims at minimising the risk of discrimination and harassment in its workplace.

There are no non-compliance cases in the aforementioned employment laws and regulations during the reporting year.

Health and Safety

Employees' health and safety is of the utmost importance in the Group's operation. The Group strives to minimise potential occupational health and safety risks in its workplace. The management of each business sector continues to manage and control the health and safety risk exposure in the Group's business operations. Meanwhile, measures and controls are in place to ensure employees in the premises are safe from health and safety hazards. The Group will continue to identify and mitigate potential health and safety risks in its business operations and maintain zero tolerance to work-related incidents and fatalities.

Overall Approach on Employment (continued)

Health and Safety (continued)

There are no non-compliance cases in Work Safety Law of the PRC, Law of the PRC on the Prevention and Control of Occupational Diseases and Construction Law of the PRC in Mainland China during the reporting year.

The Group ensures that all safety measures are implemented properly in all property projects. The Group also focus on increasing staff awareness on health and safety issues and highly encourage its property managers to obtain relevant certifications, for example, OHSAS 18001:2007 Occupational Health and Safety Management.

At construction sites, occupational health and safety is the priority. The Group endeavours to provide safe working environment to its employees during construction of property development projects. Safety officers are appointed for each project to monitor health and safety issues and submit on-site safety management plans. Weekly meetings are held to identify safety issues and ensure that measures are adopted to tackle and prevent the safety issues in the construction sites.

Apart from the construction sites, the Group also provides trainings to property management employees to raise their awareness on safety-related risks and corresponding measures. The Group provides new joiners in its property management teams with health and safety training on personal safety and use of equipment. Property management teams for residential or commercial buildings can also refer to the property management safety handbooks which is readily available to refresh their knowledge on health and safety issues.

In Mainland China, the Group complies with relevant laws and regulations on the Prevention and Control of Occupational Diseases. Employees are trained to understand safety measures relating to personal safety and the use of equipment and continuously increase their awareness on health and safety issues.

In addition to employees' health and safety at work, their mental wellness and physical health are also important in contributing to the productivity. Thus, the Group organises various wellness activities including voluntary wellness seminars and sports events for its employees to enhance physical and mental wellness as well as achieve work-life balance.

Development and Training

The Group's development is largely count on our people assets, hence the Group arranges various internal and external development programmes and provides career development opportunities to its employees. Employees with over twelve months of services with the Group can apply for the tuition scheme, regardless of the business sectors they are working in. The tuition scheme sponsors the employees to pursue further training and development courses relating to their positions and scope of work. The Group also provides subsidised courses to help its employees to attain professional and personal aspirations.

The Group's property management team offers training to its employees based on the needs of their scope of work. Training programmes including on-board training, health and safety training, customer service training and skill-based training are delivered to enhance the capabilities of the property management employees. The Group will provide more well-suited trainings to our employees so that they can be well-equipped the skills and knowledge for their duties.

Overall Approach on Employment (continued)

Development and Training (continued)

The Group also offers various recognised certificate courses and external training workshops. Employees of different levels received recognised certificate courses relating to their respective duties, such as sales and marketing skills, customer services, complaint handling, personal glooming, English communication, property security measures, occupational health and safety and computer literacy programmes. The Group also encourages employees to share their knowledge among themselves and with external experts in the industry.

Labour Standards

The Group strives to uphold labour rights for its employees. The Group strictly prohibits to engage child labour and forced labour in all its business operations. In Mainland China, the Group is in full compliance with the PRC Labour Laws and Provisions on the Prohibition of Using Child Labour which forbids the use of child labour of ages under 16 and any unlawful way of forced labour. Forced overtime work is prohibited. In case of required overtime work, workers will be paid according to relevant legal requirements. The above requirements also apply to our contractors across all regions.

There are no non-compliance cases in the aforementioned laws and regulations in Mainland China during the reporting year.

Employee Welfare

In addition to legal requirements, the Group understands the importance of well-maintained employee relations to business development. Therefore, the Group provides value-added staff benefits and well-being programmes for its employees.

In Mainland China, the Group organised various team building and well-being programmes for its employees, including annual dinner party, birthday celebration, interest classes, sports activities, fitness programmes, voluntary well-being seminar and leisure tours during the reporting year. The Group also prepares gifts for its employees to express our care and gratitude.

These activities benefit the employees and help them to achieve work-life balance. These are also good opportunities for team building and bonding with other colleagues.

Overall Approach on Managing Operating Practices

The Group endeavours to become a more sustainable company by dedicated management of its operating practices. This includes supply chain management, data protection and privacy, responsible and ethical practices, service excellence, intellectual property rights and integrity and discipline.

Supply Chain Management

The Group understands how openness and fairness play a crucial role in its tendering process and other supply chain related issues. A clear tendering process has been formulated to outline the required number of quotations for construction projects of different scales.

Through outlining standards and requirements to contractors which are in line with local regulations, the Group takes into consideration the environmental and safety issues of its contractors. As part of its selection criteria in the tendering process, the Group will examine the environmental and safety measures of its potential contractors. The Group requires all contractors to submit an environmental management plan and safety management plan upon selection.

The Group's contractors are required to follow the environmental control plan to eliminate pollution and waste to surrounding and follow the mitigation measurements in the EIA of the project. An on-site meeting with site management such as resident engineering, clerk of works and building services inspector, and licensed third-party consultants will be held by the management team. It focuses on discussing the quality of work and the health and safety standards of the project.

Data Protection and Privacy

The privacy rights of its clients remain at the forefront of the Group's operation. A Personal Information Collection Statement is provided to the data provider on or before personal particulars are collected at all times, to ensure that the data provider has shown consent. This measure has been communicated to the business partners and clients.

The Group has a set of written procedures for handling the personal data received during the property sales and management process. For example, when it is deemed necessary to collect client's personal data, a Personal Data Collection Statement will be provided to the data provider in order to ensure that they understand the purpose of data collection. Such data and sales records, and other information which are obtained during the sales process are kept in the Group's internal system. The access rights of the internal system are only granted to the management and general staff are required to obtain approval from management level when accessing the system. Also, general staff can only view information of their own clients in the property sales and marketing process. All information collected would be kept as confidential and is only for the agreed sales. Measures are in place to ensure that the client data would not be misused for other marketing purposes.

Overall Approach on Managing Operating Practices (continued)

Responsible and Ethical Practices

The Group takes necessary measures to prevent any misleading information for its customers and makes sure its sales brochures, price lists, show flats, advertisements, and sales arrangement comply with relevant laws and regulations of Urban Real Estate Administration Law of the PRC regarding the sales process of its property. Marketing materials are reviewed by both external and internal solicitors to avoid the possibility of misrepresentation. The Group's marketing materials are counselled by its legal and management level to ensure compliance. By strictly following the government laws and regulations, the Group receives official sales permit from the Real Estate Administrative Department. The marketing materials remain fair and accurate to better represent actual project planning and nearby facilities by involving various departments such as finance, project management, sales and marketing. No exaggerate and misleading marketing information is allowed.

During the reporting year, the Group has no recordable non-compliance cases in relevant laws and regulations in Mainland China regarding the sales process of its property and its marketing materials.

Service Excellence

In the property management operation, the Group seeks to provide high quality experience to its customers. Regular questionnaires are sent to the customers to understand their opinion and satisfaction rate to the Group's service, including customer service, security service, environment and greening and construction management. For example, the Group received high customer satisfaction rate in its properties in Mainland China, in which Hong Kong Plaza from Shanghai received 94% overall satisfaction rate. In Guangzhou, Lai Fung Tower, West Point and May Flower Plaza received 98%, 97% and 98% overall satisfaction rate respectively. These feedback and comments are essential to the continuous improvement on property management services. The Group has arranged trainings on business English, personal branding and cosmetics skills to improve its service quality.

To achieve high quality customer services, the Group's property management employees follow the standard complaint handling guidelines and procedures which strengthen the ability of the frontline staff to handle customers' and tenants' complaints. The Group also encourages direct communication with its customers which can ensure complaints are followed through. All complaint cases are well documented, and the record will be a valuable asset for continuous improvement.

Intellectual Property Rights

The Group highly respects intellectual property rights in its businesses and appropriate security measures and confidentiality agreements are in place to ensure intellectual property rights are protected. The Group's legal team is responsible for reviewing the agreements on collaborations with third parties across all business segments and within the Group so as to minimise the chance of infringement.

Overall Approach on Managing Operating Practices (continued)

Integrity and Discipline

The Group values integrity, fairness and discipline and its employees are required to uphold ethics and integrity and strictly adhere to rules and procedures in accordance with Criminal Law of the PRC and Law of the PRC on Anti-Corruption and Bribery in Mainland China. It is the Group's high priority to prevent any cases of fraud or corruption in any of its business segments. During the reporting year, there are no non-compliance cases in the aforementioned laws and regulations in Mainland China.

In order to steer clear from potential risks for corruption, the Group has clear definition of "advantages" and there is an outline of relevant procedures for its employees to handle any presents or gifts involved in the business in a proper manner. "Advantages" should be declared when handling any presents or gifts involved in the business. Anyone in violation of the policy and procedures would be penalised, while those who violate relevant government ordinances would be subject to legal consequences.

A whistleblowing procedure is in place as a monitoring system to maintain integrity and discipline among all levels of the Group. People who discover any inappropriate act are encouraged to report to the Company's management for immediate investigation into the case.

Overall Approach on Community Development

The Group believes that making good use of its resources to give back to the society is a way to fulfil its social responsibility. The Group's focuses of community service development are to offer local employment opportunity, youth education and provide assistance to aided family and the disabled. Through collaborations with local charities, the Group helps those communities in need.

The Group considers community need when developing projects in Mainland China. The Group organised annual community Poon Choi Feast to enhance community coherence. Meanwhile, the Group also promotes waste classification and water conservation in the community to raise public awareness on environmental protection. In addition to these community initiatives, the Group also supports community development through participating in charity walk.

Summary of Environmental Performance

China Property [Note 1]	Unit	Total
A1.2 Greenhouse gas emissions in total and intensity		
Direct GHG emissions (Scope 1) [Note 2]	tonnes CO_2	65.5
Indirect GHG emissions (Scope 2) [Note 2]	tonnes CO_2	45,252.2
Total GHG emissions	**tonnes CO_2**	**45,317.6**
Total GHG emissions intensity	**tonnes CO_2/m^2**	**0.054**
A1.3 Total hazardous waste produced and intensity [Note 3]		
Fluorescent lamp waste	kg	507.8
Total hazardous waste disposed intensity	**kg/m^2**	**0.0021**
A1.4 Total non-hazardous waste produced and intensity [Note 4]		
General construction waste	kg	6,383,000
Soil excavation	kg	191,252,000
Steel recycled	kg	1,317,180
Renovation waste	kg	8,307,180
Total non-hazardous waste produced	**kg**	**207,259,360**
Total non-hazardous waste produced intensity	**kg/m^2**	**330.58**
A2.1 Direct and/or indirect energy consumption by type in total and intensity		
Electricity consumption	kWh	74,674,744
Diesel oil consumption for electric generator	L	24,200
Total energy consumption	**kWh**	**74,921,491**
Total energy consumption intensity	**kWh/m^2**	**89.78**
A2.2 Water consumption in total and intensity		
Water consumption	m^3	2,722,904
Total water consumption intensity	**m^3/m^2**	**3.26**

Note 1: The reporting scope includes the Shanghai Hong Kong Plaza, Shanghai May Flower Plaza, Regents Park, Guangzhou May Flower Plaza, West Point, Lai Fung Tower, Palm Spring, Northgate Plaza redevelopment project, Wuli Bridge project, Novotown and Haizhu Plaza.

Note 2: Greenhouse Gases Emissions (Scope 1 and 2) are calculated in accordance to National Development and Reform Commission's "Average Carbon Dioxide Emission Factors for China's Regional Power Grids in 2011 and 2012" and "Guidelines for Accounting and Reporting Greenhouse Gas Emissions China Public Building Operation Units (Enterprises) (Trial)".

Note 3: Northgate Plaza redevelopment project, Wuli Bridge project, Novotown and Haizhu Plaza are excluded. Data collection methodology has been revised in the reporting year to better reflect the actual usage.

Note 4: Novotown is excluded.

Content Index

Subject Areas, Aspects, and General Disclosure		Sections
A. Environmental		
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management and Air Emissions; Waste Management
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Resources Management and Conservation
Aspect A3: 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
Aspect B4: Labour Standards	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 preventing child and forced labour.	Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Data Protection and Privacy; Responsible and Ethical Practices; Service Excellence; Intellectual Property Rights
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity and Discipline
Community		
Aspect B8: Community Investment	General Disclosure 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.	Overall Approach on Community Development

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

(1) Corporate Governance Practices

The Company has complied with all the code provisions set out in the CG Code for the year ended 31 July 2019 ("**Year**") save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**EDs**"). In January 2019, the Company adopted the Nomination Policy which sets out the criteria, process and procedures by which the Company will select candidate for possible inclusion in the Board. As the Nomination Policy has already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

(2) BOARD OF DIRECTORS

(2.1) Responsibilities and Delegation

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

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

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

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

(2.2) Composition of the Board

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

Executive Directors
Chew Fook Aun *(Chairman)*
Lam Kin Ming *(Deputy Chairman)*
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*
Lam Hau Yin, Lester *(Chief Executive Officer)*
Cheng Shin How
Lee Tze Yan, Ernest
U Po Chu
Tham Seng Yum, Ronald (appointed on 19 August 2019)

Non-executive Directors
Lucas Ignatius Loh Jen Yuh
Puah Tze Shyang
(also alternate director to Lucas Ignatius Loh Jen Yuh)

(2) Board of Directors (continued)

(2.2) Composition of the Board (continued)

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

The brief biographical particulars of the Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report on pages 61 to 70.

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

(2.3) Attendance Record at Board Meetings

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

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors *(Note 1)*	
Chew Fook Aun	5/5
Lam Kin Ming	4/5
Lam Kin Hong, Matthew	5/5
Lam Hau Yin, Lester	5/5
Cheng Shin How	5/5
Lee Tze Yan, Ernest	5/5
U Po Chu	4/5
Non-executive Directors	
Lucas Ignatius Loh Jen Yuh	4/5 *(Note 2)*
Puah Tze Shyang	
(also alternate director to Lucas Ignatius Loh Jen Yuh)	4/5
Independent Non-executive Directors	
Ku Moon Lun	5/5
Lam Bing Kwan	5/5
Law Kin Ho	4/5
Mak Wing Sum, Alvin	5/5
Shek Lai Him, Abraham	5/5

Notes:
(1) Mr. Tham Seng Yum, Ronald has been appointed an ED with effect from 19 August 2019.
(2) Including a meeting attended by Mr Loh's alternate.

(2) Board of Directors (continued)

(2.4) INEDs

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

Mr. Lam Bing Kwan, an INED of the Company, will retire by rotation as a Director at the forthcoming AGM and, being eligible, offer himself for re-election. He has served on the Board for over 9 years. Being long-serving directors, Mr. Lam has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Lam would impair his independent judgment. The Board is satisfied that Mr. Lam will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Lam as an INED at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

Mr. Shek Lai Him, Abraham, an INED of the Company, will retire by rotation as a Director at the forthcoming AGM and, being eligible, offer himself for re-election. The Board has noted that Mr. Shek is an independent non-executive director of a total of 16 Hong Kong listed companies (including the Company) and an independent non-executive director of a total of 2 companies, both of which are manager of a listed investment trust on the Stock Exchange. During the Year, Mr. Shek has participated in all Board meetings to give impartial advice and exercise independent judgement of the Company. Mr. Shek has strong experience in corporate governance and is familiar with management of Hong Kong listed companies, providing valuable input to the Board. Mr. Shek has close and good communication with the management team of the Company and other independent non-executive Directors to facilitate the decision-making process of the Board. The Board is satisfied that Mr. Shek will continue to be able to devote sufficient time to the Board and considers that the re-election of Mr. Shek as an INED at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

(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.

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

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 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*				
Chew Fook Aun	√	√	√	√
Lam Kin Ming	√	√	√	—
Lam Kin Hong, Matthew	√	√	√	√
Lam Hau Yin, Lester	√	√	√	√
Cheng Shin How	√	√	√	—
Lee Tze Yan, Ernest	√	√	√	√
U Po Chu	√	√	√	—
Non-executive Directors				
Lucas Ignatius Loh Jen Yuh	√	√	√	√
Puah Tze Shyang *(also alternate director to Lucas Ignatius Loh Jen Yuh)*	√	√	√	√
Independent Non-executive Directors				
Ku Moon Lun	√	√	√	√
Lam Bing Kwan	√	√	√	√
Law Kin Ho	√	√	√	√
Mak Wing Sum, Alvin	√	√	√	√
Shek Lai Him, Abraham	√	√	√	√

* *Mr. Tham Seng Yum, Ronald has been appointed an ED with effect from 19 August 2019.*

(4) Board Committees

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

(4.1) Remuneration Committee

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

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 current terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the respective websites of the Stock Exchange and the Company.

(a) *Duties of the Remuneration Committee*

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

(b) *Work performed by the Remuneration Committee*

The Remuneration Committee held two meetings during the Year to consider the payment of discretionary bonuses to, and review of remuneration packages of, EDs, made recommendations on revision of directors' fees for INEDs and reviewed the remuneration package including the granting of a share option of the appointment of an ED, Mr. Tham Seng Yum, Ronald, and discuss other remuneration-related matters.

(4) Board Committees (continued)

(4.1) Remuneration Committee (continued)

(c) Attendance record at the Remuneration Committee meetings

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

Committee Members	Number of meeting(s) Attended/ Number of meetings Held
Executive Director	
Chew Fook Aun	2/2
Non-executive Directors	
Lucas Ignatius Loh Jen Yuh	1/2
(alternate: Puah Tze Shyang)	
Independent Non-executive Directors	
Ku Moon Lun	2/2
Lam Bing Kwan	2/2
Law Kin Ho	2/2

(4.2) Audit Committee

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

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

(a) Duties of the Audit Committee (including 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 for performing the corporate governance functions and to oversight the Company's risk management and internal control systems.

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.

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

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

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

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

(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 2018, the unaudited interim results of the Company for the six months ended 31 January 2019 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 budget for the ensuing year and internal control review reports and put forward relevant recommendations to the Board for approval.

On 21 October 2019, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditor. It also reviewed this Corporate Governance Report, risk management report and certain internal control review reports on the Company prepared by the independent professional advisor. The Audit Committee also assessed the effectiveness of the Group's systems of risk management and internal control.

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

(c) Attendance record at the Audit Committee meetings

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

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Non-executive Director	
Lucas Ignatius Loh Jen Yuh *(alternate: Puah Tze Shyang)*	3/3 (Note)
Independent Non-executive Directors	
Lam Bing Kwan	3/3
Law Kin Ho	3/3

Note: Including a meeting attended by Mr Loh's alternate.

(5) Chairman and Chief Executive

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

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

(6) Non-Executive Directors

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

(7) Nomination Policy for the Directors

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The Company has adopted a Nomination Policy in January 2019 which sets out the criteria, process and procedures by which the Company will select candidate for possible inclusion in the Board. The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the candidate's skills and experience, diversity perspectives set out in the Board Diversity Policy, the candidate's time and commitment and integrity, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED. Nomination of new Directors will normally be proposed by the Chairman subject to the Board's approval. During the Year, the Board as a whole regularly reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business as the Company. The independence of the INEDs was assessed according to the relevant rules and requirements under the Listing Rules. During the Year, a Board meeting was held in resolving the appointment of Mr. Tham Seng Yum, Ronald, an ED, with effect from 19 August 2019.

(8) Board Diversity Policy

The Company has adopted a Board Diversity Policy in July 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

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

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

On recommendation from the EDs, the Board will set measurable objectives to implement the Board Diversity 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 Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

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

Currently, the Board comprises fifteen members, of whom eight are EDs, two are NEDs and the remaining five are INEDs. The current Board comprises individuals who are professionals with real estate, investment, banking, accounting, financial, general management and legal 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 contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the Year.

(10) Independent Auditor's Remuneration

For the Year, the fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor, Ernst & Young, Certified Public Accountants, Hong Kong amounted to HK$3,691,000 and HK$1,929,000, respectively. The non-audit services mainly consist of tax advisory, review and other reporting services.

(11) Directors' Responsibility for Preparing Financial Statements

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

(12) Independent Auditor's Reporting Responsibility

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

(13) Risk Management and Internal Control

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

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

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

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. The independent professional advisor assists to identify weaknesses relating to the design and implementation of the Group's internal controls and reports to the Audit Committee for identified weakness and proposed recommendation to ensure prompt remediation actions are taken.

(13) Risk Management and Internal Control (continued)

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

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

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

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

(14) Company Secretary

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

(15) Shareholders' Rights

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

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

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

(15) Shareholders' Rights (continued)

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

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

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

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

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

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

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

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

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

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

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

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

(16) Communication with Shareholders

(16.1) Shareholders' Communication Policy

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

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

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

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

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

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

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

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

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

(16) Communication with Shareholders (continued)

(16.2) Attendance Record at General Meetings

During the Year, the Company held an AGM and two EGMs and the attendance record of individual Directors at these meetings is set out below:

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

* *Mr. Tham Seng Yum, Ronald has been appointed an ED with effect from 19 August 2019.*

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being an EGM, was held at 9:30 a.m. on 30 April 2019 at Grand Ballroom 1, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong ("**2019 EGM**"). At the 2019 EGM, Shareholders approved, confirmed and ratified by a vast majority of votes the 2019 Supplemental Deed (as defined in the circular of the Company dated 19 March 2019). The notice of the 2019 EGM and the poll results announcement in respect of the 2019 EGM were published on the websites of both the Stock Exchange and the Company on 19 March 2019 and 30 April 2019, respectively.

(17) Dividend Policy

The Board has adopted a Dividend Policy with effect from 22 January 2019 to set out the approach on declaring and recommending the dividend payment to the Shareholders. The Company will depend on, among others, the financial performance, retained earnings and distributable reserve, working capital requirements, capital expenditure requirements and future expansion plans, liquidity position, general economic condition and other factors as the Board may consider relevant to decide the dividend distribution. The declaration of dividends shall be determined at the decision of the Board and shall be subject to any restriction under the Companies Law of the Cayman Islands and the Articles of Association.

(18) 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 2018, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organiser	Location
September 2018	2018 SCB Annual Investor Reverse Roadshow	Standard Chartered Bank	Hong Kong
October 2018	Post results non-deal roadshow	DBS	Singapore
November 2018	Post results non-deal roadshow	Maybank Kim Eng	Hong Kong
November 2018	Post results non-deal roadshow	DBS	London
November 2018	Post results non-deal roadshow	DBS	New York/ San Francisco
April 2019	Post results non-deal roadshow	DBS	Hong Kong
April 2019	Post results non-deal roadshow	DBS	Singapore
April 2019	Post results non-deal roadshow	Daiwa	London
April 2019	Post results non-deal roadshow	DBS	New York/Syracuse
May 2019	Post results non-deal roadshow	DBS	Kuala Lumpur
September 2019	HSBC 3rd Annual Asia Credit Conference	HSBC	Hong Kong

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

Biographical Details of Directors

Executive Directors

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

Mr. Chew Fook Aun, Chairman, aged 57, has been the Chairman of the Board since 1 November 2012. He was appointed an Executive Director of the Company on 5 June 2012 and is currently a member of both the Executive Committee and the Remuneration Committee of the Company. Mr. Chew is also a deputy chairman and an executive director of LSG, the deputy chairman and an executive director of LSD as well as an executive director of eSun.

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

Mr. Chew has over 30 years of experience in accounting, auditing and finance in the United Kingdom ("**UK**") and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the UK with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Institute of Chartered Accountants in England and Wales. He was also a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of the Operations Review Committee of the Independent Commission Against Corruption ("**ICAC**") and a member of the Barristers Disciplinary Tribunal Panel. In addition, he was appointed as a member of the Board of Directors to the Hong Kong Sports Institute Limited for a term of two years with effect from 1 April 2019. He was a member of the Advisory Committee of the Securities and Futures Commission, the Corruption Prevention Advisory Committee of the ICAC, the Standing Committee on Company Law Reform of the Companies Registry and a council member of the Financial Reporting Council.

Dr. Lam Kin Ming, Deputy Chairman, aged 82, was appointed an Executive Director of the Company in September 1997. Dr. Lam is the chairman and an executive director of LSG, a non-executive director of LSD and the chairman, the chief executive officer and an executive director of Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange.

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

Executive Directors (continued)

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

Mr. Lam Kin Hong, Matthew, Executive Deputy Chairman, aged 51, was appointed an Executive Director of the Company in December 2001. Mr. Lam is an executive director of LSG and Crocodile Garments Limited (a company listed on the Main Board of the Stock Exchange).

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

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

Mr. Lam serves as an Honorary Consul of the Republic of Estonia in Hong Kong, a council member of the Association of Honorary Consul in Hong Kong and Macau SAR, a board member of the Employees Compensation Assistance Fund Board, a member of the Consumer Council, a member of the Advisory Committee on Admission of Quality Migrants and Professionals, a member of the Central Advisory Committee and the Chairman of the Publicity Committee of the Senior Police Call, a member of the Fight Crime Committee and the observer of the Independent Police Complaints Council. Mr. Lam also serves as an Honorary Judge of Racing at the Hong Kong Jockey Club and he is also a council member of the Better Hong Kong Foundation.

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

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

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

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

Executive Directors (continued)

Mr. Lam Hau Yin, Lester, Chief Executive Officer, aged 38, was appointed an Executive Director of the Company in April 2005 and is currently a member of the Executive Committee of the Company. He is also an executive director of LSG, LSD and eSun as well as an alternate director to Madam U Po Chu in her capacity as an executive director of LSG.

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

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

Mr. Cheng Shin How, aged 53, was appointed an Executive Director of the Company in June 2007 and is currently a member of the Executive Committee of the Company.

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

The Company and Mr. Cheng have entered into an employment contract with no fixed term but such contract is determinable by either the Company or Mr. Cheng serving the other party not less than 3 months' written notice or payment in lieu thereof. In accordance with the provisions of the Articles of Association, he will 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. Cheng presently receives a remuneration of HK$6,795,240 per annum and such other remuneration and discretionary bonus as may be determined by the board of directors of the Company from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Cheng has not held any directorship in any other listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, except for a share option to subscribe for 643,836 shares in the Company pursuant to a share option scheme of the Company, Mr. Cheng does not have any other interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Executive Directors (continued)

Mr. Lee Tze Yan, Ernest, aged 55, was appointed an Executive Director of the Company in January 2015 and is currently a member of the Executive Committee of the Company.

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

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

Madam U Po Chu, aged 94, was appointed an Executive Director of the Company in February 2003. She is also an executive director of LSG and a non-executive director of LSD and eSun.

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

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

Mr. Tham Seng Yum, Ronald, aged 50, was appointed an Executive Director of the Company in August 2019. He is also an executive director of LSD.

Mr. Tham has over 28 years of experience in banking, accounting and finance and management gained mainly in Greater China, Asia Pacific and the UK. Mr. Tham was awarded a Master of Engineering degree in Chemical Engineering from Imperial College, University of London, UK in 1991. Mr. Tham is a fellow member of both the Institute of Chartered Accountants in England and Wales and HKICPA. He is also a member of the Hong Kong Securities and Investment Institute. Mr. Tham is currently a member of the Finance Committee of the Council of The Hong Kong University of Science and Technology and the Deputy Chairman of the Registration and Practicing Committee of the HKICPA.

Prior to joining the Company, Mr. Tham was General Manager, Corporate Banking of Sumitomo Mitsui Banking Corporation, Hong Kong Branch since June 2018. He worked for the Swire Group from July 2012 to May 2018 where he held the positions of Finance Director of Swire Pacific Offshore based in Singapore and Director of Corporate Finance of Swire Pacific Limited based in Hong Kong. He was Managing Director, Head of Family Office and Coverage, Hong Kong at HSBC Global Banking from January 2011 to June 2012. He worked for Macquarie Capital Asia based in Hong Kong from August 2004 to December 2010 where his last position was Senior Managing Director, Head of Real Estate, Asia. He worked for HSBC Investment Banking, Asia based in Hong Kong from November 1994 to July 2004 where his last position was Director, Corporate Finance. He worked for Price Waterhouse, in London, UK and Hong Kong as an auditor from August 1991 to October 1994.

Executive Directors (continued)

The Company and Mr. Tham have entered into an employment contract with no fixed term but such contract is determinable by either the Company or Mr. Tham 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. Tham will be subject to retirement from office 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 of the Company. Mr. Tham presently receives an annual remuneration of HK$3,900,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Tham has not held any directorship in any other listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, except for a share option to subscribe for 500,000 shares in the Company and 800,000 shares in LSD pursuant to the respective share option scheme of the Company and LSD, Mr. Tham does not have any other interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh, aged 53, was appointed a Non-executive Director of the Company in July 2010. He is presently a member of both the Audit Committee and the Remuneration Committee of the Company.

Mr. Loh is the President (China & Investment Management) of CapitaLand Limited ("**CapitaLand**", together with its subsidiaries, "**CapitaLand Group**"), one of Asia's largest listed real estate companies, headquartered and listed in Singapore). He is also concurrently a Director and the Chief Executive Officer of CapitaLand China Holdings Pte Ltd ("**CapitaLand China**"). CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd. which is a substantial shareholder of the Company. CapitaLand China is a wholly-owned subsidiary of CapitaLand. Mr. Loh has more than 15 years of experience in PRC's real estate market. He joined the CapitaLand Group in September 2001 and has been based in PRC since August 2004. Prior to his current appointment as the Chief Executive Officer of CapitaLand China, Mr. Loh was a Deputy Chief Executive Officer, the Chief Investment Officer as well as Regional General Manager (South China) of CapitaLand China. He also held several appointments within the CapitaLand Group, including Managing Director for China of The Ascott Limited in the PRC.

Prior to joining the CapitaLand Group, Mr. Loh was an Associate Director for Private Equity Investment at Temasek Holdings (Private) Limited, which is a substantial shareholder of CapitaLand, leading its private equity investment business in the Asia Pacific region. Mr. Loh began his career in 1991 as a real estate appraiser in Singapore. He holds a Bachelor of Science (Estate Management) Degree from the National University of Singapore and a Master's Degree in Business Administration from the Oklahoma City University in the United States of America. He attended the Advanced Management Program at Harvard Business School in 2013. Mr. Loh is also a director of Beautiwin Limited, a joint venture company in which each of the Company and CapitaLand China has an indirect 50% interest. He was a director of Guangzhou Beautiwin Real Estate Development Co., a joint venture company in which each of the Company and CapitaLand China has an indirect 47.5% interest. Mr. Loh resigned as a non-executive director and the vice-chairman of Central China Real Estate Limited, a company listed on the Main Board of the Stock Exchange, with effect from 1 August 2019.

Non-executive Directors (continued)

The Company does not have any service contract with Mr. Loh. 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. Loh does not receive any emoluments from the Company.

Save as disclosed above, Mr. Loh has not held any directorship in any other listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Loh does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Mr. Puah Tze Shyang, aged 47, was appointed a Non-executive Director of the Company in April 2017. He is also the alternate director to Mr. Lucas Ignatius Loh Jen Yuh, a Non-executive Director of the Company.

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

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

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

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

Non-executive Directors (continued)

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

Mr. Puah resigned as a non-executive director of Central China Real Estate Limited, a company listed on the Main Board of the Stock Exchange, with effect from 1 August 2019.

Independent Non-executive Directors

Mr. Ku Moon Lun, aged 68, was appointed an Independent Non-executive Director of the Company in June 2006 and is currently a member of the Remuneration Committee of the Company.

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

Mr. Ku was an executive director of Davis Langdon & Seah International ("**DLSI**"), a property consultant firm, until the end of 2005 where he was responsible for formulating the policies and steering the direction of the DLSI group of companies. He was also the chairman of the board of directors of Davis Langdon & Seah Hong Kong Limited from 1995 to 2004. Mr. Ku was previously the chairman of Premas Hong Kong Limited, a facilities management company, from 2000 to 2002 and icFox International, an information technology company, from 2000 to 2003. He was also an independent non-executive director of Ascott Residence Trust Management Limited in Singapore from 2006 to 2016.

The annual director's fee of Mr. Ku has been increased from HK$300,000 to HK$350,000 with effect from 1 August 2019.

Mr. Lam Bing Kwan, aged 69, was appointed an Independent Non-executive Director of the Company in July 2001 and is currently the chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration Degree in 1974. Having been actively involved in property development and investment in the PRC since the mid-1980's, he has substantial experience in this industry. Mr. Lam has served on the boards of directors of a number of listed companies in Hong Kong for over 15 years and is currently an independent non-executive director of Lai Sun Garment (International) Limited and Lai Sun Development Company Limited as well as a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited. He retired as an independent non-executive director of eForce Holdings Limited on 4 June 2018. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

The Company does not have any service contract with Mr. Lam. 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. Lam presently receives an annual director's fee of HK$350,000.

Independent Non-executive Directors (continued)

Mr. Lam has served on the Board for over 9 years. Being a long-serving director, Mr. Lam has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Lam would impair his independent judgment. The Board is satisfied that Mr. Lam will continue to have the required character and experience to fulfill the role of an independent non-executive director of the Company and considers that the re-election of Mr. Lam as an independent non-executive director of the Company at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

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

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

Mr. Law Kin Ho, aged 52, was appointed an Independent Non-executive Director of the Company in March 2009 and is currently the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. Law is a fellow member of the HKICPA and the Association of Chartered Certified Accountants, United Kingdom. He has extensive experience in the auditing and accounting fields in Hong Kong and is currently a practicing certified public accountant in Hong Kong. Prior to starting his own practice, Mr. Law worked with Yuanta Securities (Hong Kong) Company Limited, the Stock Exchange and Ernst & Young.

Mr. Law was an independent non-executive director of Creative China Holdings Limited and Sunlight (1977) Holdings Limited (up to 27 February 2019). The issued shares of the aforesaid companies are listed and traded on GEM of the Stock Exchange.

The annual director's fee of Mr. Law has been increased from HK$300,000 to HK$350,000 with effect from 1 August 2019.

Mr. Mak Wing Sum, Alvin, aged 67, was appointed an Independent Non-executive Director of the Company in November 2012. Mr. Mak is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as a member of the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of I.T Limited, Luk Fook Holdings (International) Limited, Hong Kong Television Network Limited, Goldpac Group Limited and Crystal International Group Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. Mr. Mak is a member of Hong Kong Housing Society ("**HKHS**") and a member of certain of its committees. He was elected a member to the Supervisory Board of the HKHS on 6 September 2018.

Independent Non-executive Directors (continued)

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

The annual director's fee of Mr. Mak has been increased from HK$300,000 to HK$350,000 with effect from 1 August 2019.

Mr. Shek Lai Him, Abraham, aged 74, was appointed an Independent Non-executive Director of the Company in December 2012. He was appointed as Justice of the Peace in 1995 and awarded the Gold Bauhinia Star in July 2013. He has been a member of the Legislative Council for the Hong Kong Special Administrative Region of the PRC, representing the real estate and construction functional constituency since 2000.

Mr. Shek acts as an independent non-executive director of a number of companies listed on the Main Board of the Stock Exchange, including Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, NWS Holdings Limited, Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Cosmopolitan International Holdings Limited, Goldin Financial Holdings Limited, Eagle Asset Management (CP) Limited acting as the manager of Champion Real Estate Investment Trust and Regal Portfolio Management Limited acting as the manager of Regal Real Estate Investment Trust, Everbright Grand China Assets Limited, CSI Properties Limited and Far East Consortium International Limited (from 3 June 2019). Moreover, he is the chairman and an independent non-executive director of Chuang's China Investments Limited as well as the vice chairman and an independent non-executive director of ITC Properties Group Limited. Mr. Shek retired as an independent non-executive director of MTR Corporation Limited on 22 May 2019. He was an independent non-executive director of TUS International Limited, ITC Corporation Limited and Midas International Holdings Limited.

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

The Company and Mr. Shek have entered into a service contract with no fixed term. In accordance with the provisions of the Articles of Association, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Shek presently receives an annual director's fee of HK$350,000.

Independent Non-executive Directors (continued)

Save as disclosed above, Mr. Shek has not held any directorship in any other listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Shek does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Note:

Mr. Lam Kin Hong, Matthew, Mr. Cheng Shin How, Mr. Tham Seng Yum, Ronald, Mr. Lucas Ignatius Loh Jen Yuh, Mr. Lam Bing Kwan and Mr. Shek Lai Him, Abraham will retire as Directors in accordance with the Articles of Association at the forthcoming AGM and being eligible, offer themselves for election/re-election thereat. Save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2019 ("**Year**").

Principal Activities

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

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

Business Review

A review of the business of the Group during the Year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement as well as the Management Discussion and Analysis on pages 4 to 11 and pages 14 to 28 of this Annual Report, respectively. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Financial Highlights on pages 12 and 13 of this Annual Report. The financial risk management objectives and policies of the Group are set out in note 42 to the consolidated financial statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report and Corporate Governance Report on pages 34 to 44 and pages 45 to 60 of this Annual Report, respectively.

Results and Dividends

Details of the profit of the Group for the Year and the Group's financial position as at 31 July 2019 are set out in the consolidated financial statements and their accompanying notes on pages 98 to 198.

No interim dividend was paid or declared in respect of the Year (2018: Nil).

The board of Directors ("**Board**") has recommended the payment of a final dividend of HK$0.20 per ordinary share in respect of the Year (2018: HK$0.20 per ordinary share) for the shareholders' approval at the forthcoming annual general meeting of the Company ("**AGM**").

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

Permitted Indemnity and Directors and Officers Liability Insurance

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

Directors

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

Executive Directors ("EDs")
Chew Fook Aun *(Chairman)*
Lam Kin Ming *(Deputy Chairman)*
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*
Lam Hau Yin, Lester *(Chief Executive Officer)*
Cheng Shin How
Lee Tze Yan, Ernest
Tham Seng Yum, Ronald (appointed on 19 August 2019)
U Po Chu

Non-executive Directors ("NEDs")
Lucas Ignatius Loh Jen Yuh
Puah Tze Shyang
(also alternate director to Lucas Ignatius Loh Jen Yuh)

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

In accordance with Article 99 of the Articles of Association, Mr. Tham Seng Yum, Ronald (appointed by the Board as an ED with effect from 19 August 2019) will retire at the forthcoming AGM and, being eligible, offers himself for election.

In accordance with Article 116 of the Articles of Association, Mr. Lam Kin Hong, Matthew, Mr. Cheng Shin How, Mr. Lucas Ignatius Loh Jen Yuh, Mr. Lam Bing Kwan and Mr. Shek Lai Him, Abraham (together with Mr. Tham Seng Yum, Ronald "**Retiring Directors**") will retire from office by rotation at the forthcoming AGM. Being eligible, they offer themselves for election/re-election.

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

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

Biographical Details of Directors

Brief biographical particulars of the Directors are set out on pages 61 to 70 of this Annual Report. Directors' other particulars are contained elsewhere in this Report and this Annual Report.

Directors' Service Contracts

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

Directors' Interests in Significant Transactions, Arrangements and Contracts

Save as disclosed in note 39a to the financial statements and the sections headed "Connected Transaction" and "Continuing Connected Transactions" of this Report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

Directors' Interests in Competing Businesses

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

Mr. Chew Fook Aun, Dr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lee Tze Yan, Ernest, Mr. Tham Seng Yum, Ronald (from 19 August 2019), Mr. Lucas Ignatius Loh Jen Yuh and Mr. Puah Tze Shyang (together, "**Interested Directors**") held shareholding or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in the Mainland of China.

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

Arrangement for Directors to Acquire Shares or Debentures

Other than the share option schemes adopted by the Company as disclosed in the sections headed "Share Option Schemes" and "Directors' Interests" of this Report and in note 32 to the financial statements as well as the respective share option schemes adopted by Lai Sun Development Company Limited and Lai Sun Garment (International) Limited, at no time during the Year was the Company or any of its holding companies and its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 note 8 to the financial statements.

Share Option Schemes

On 18 December 2012, the Shareholders approved the adoption of a new share option scheme ("**2012 Share Option Scheme**") and the termination of the share option scheme adopted by the Company on 21 August 2003 (as amended on 8 August 2018) ("**2003 Share Option Scheme**") to the effect that no more share options will be granted under the 2003 Share Option Scheme but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

As at 31 July 2019, share options comprising a total of 10,814,117 underlying shares were outstanding, of which a share option comprising 1,009,591 underlying shares was granted under the 2003 Share Option Scheme and share options comprising 9,804,526 underlying shares were granted under the 2012 Share Option Scheme.

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

Name or category of participants	Date of grant *(Note 1)*	Number of underlying shares comprised in share options: As at 1 August 2018	Granted during the Year	Exercised during the Year	Lapsed during the Year	As at 31 July 2019	Exercise period	Exercise price per share (HK$) *(Note 2)*
Directors								
Chew Fook Aun	12/06/2012	1,009,591	—	—	—	1,009,591	12/06/2012–11/06/2020	6.65
Lam Hau Yin, Lester	18/01/2013	3,219,182	—	—	—	3,219,182	18/01/2013–17/01/2023	11.40
Cheng Shin How	18/01/2013	643,836	—	—	—	643,836	18/01/2013–17/01/2023	11.40
Lee Tze Yan, Ernest	18/01/2013	640,000	—	—	—	640,000	18/01/2013–17/01/2023	11.40
Subtotal		**5,512,609**	**—**	**—**	**—**	**5,512,609**		
Other Eligible Participants (in aggregate)								
Batch 1	18/01/2013	3,871,508 *(Note 3)*	—	—	—	3,871,508	18/01/2013–17/01/2023	11.40
Batch 2	26/07/2013	220,000	—	—	—	220,000	26/07/2013–25/07/2023	9.50
Batch 3	16/01/2015	180,000	—	—	—	180,000	16/01/2015–15/01/2025	8.00
Batch 4	19/01/2018	450,000	—	—	—	450,000	19/01/2018–18/01/2028	13.52
Batch 5 *(Note 4)*	22/01/2019	—	580,000	—	—	580,000	22/01/2019–21/01/2029	10.18
Subtotal		**4,721,508**	**580,000**	**—**	**—**	**5,301,508**		
Total		**10,234,117**	**580,000**	**—**	**—**	**10,814,117**		

Share Option Schemes (continued)

Notes:

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

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

3. *Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong) was granted a share option to subscribe for a total of 321,918 shares of the Company on 18 January 2013.*

4. *The closing price of the Company's shares immediately before the date of grant of the share options was HK$10.12.*

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

Subsequent to the Year,

(i) a total of 109,591 ordinary shares of the Company were issued on 6 August 2019 in respect of a share option exercised under the 2003 Share Option Scheme by Mr. Chew Fook Aun, an ED, at an exercise price of HK$6.65 per share. The closing price of the shares of the Company immediately before the exercise date of the share option was HK$7.04 per share; and

(ii) a share option was granted to Mr. Tham Seng Yum, Ronald, an ED, on 19 August 2019 under the 2012 Share Option Scheme which enabling him to subscribe for a total of 500,000 ordinary shares of the Company at an exercise price of HK$6.784 per share during the exercisable period from 19 August 2019 to 18 August 2029.

As at the date of this Report ("**Report Date**"), (i) a maximum number of 900,000 shares of the Company are available for issue in relation to the underlying shares comprised in the subsisting option granted under the 2003 Share Option Scheme and remained outstanding, representing approximately 0.27% of the shares in issue as at the Report Date; and (ii) further options to subscribe for a maximum of 21,667,299 shares could be granted under the 2012 Share Option Scheme, together with the 10,304,526 underlying shares comprised in the share options granted under the 2012 Share Option Scheme and remained outstanding as at the Report Date, a total number of 31,971,825 shares are available for issue under the 2012 Share Option Scheme, representing approximately 9.77% of the shares of the Company in issue as at the Report Date.

Further details of the 2003 Share Option Scheme and the 2012 Share Option Scheme are set out in note 32 to the financial statements.

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 July 2019 and their respective close associates (as defined in the Listing Rules) were interested or were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as known to the Directors:

(1) The Company

Long positions in the ordinary shares of HK$5.00 each of the Company ("**Shares**") and underlying Shares

Name of Director	Capacity	Number of Shares Personal interests	Number of Shares Corporate interests	Number of underlying Shares Personal interests *(Note 1)*	Total	Approximate percentage of total issued Shares *(Note 2)*
Chew Fook Aun	Beneficial owner/ Owner of controlled corporation	Nil	600,000 *(Note 3)*	1,009,591	1,609,591	0.49%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	3,219,182	3,219,182	0.98%
Cheng Shin How	Beneficial owner	Nil	Nil	643,836	643,836	0.20%
Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	640,000	640,000	0.20%

Notes:

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

2. *The percentage has been compiled based on the total number of issued Shares as at 31 July 2019 (i.e. 327,386,965 Shares). As at the date of this Report, the total number of issued Shares is 327,496,556.*

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

(2) Associated corporations of the Company

*(i) eSun Holdings Limited ("**eSun**")*

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

Name of Director	Capacity	Number of eSun Shares Personal interests	Approximate percentage of total issued eSun Shares *(Note)*
Lam Hau Yin, Lester	Beneficial owner	2,794,443	0.19%

Note: The percentage has been compiled based on the total number of issued eSun Shares as at 31 July 2019 (i.e. 1,491,854,598 eSun Shares).

*(ii) Lai Sun Development Company Limited ("**LSD**")*

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

Name of Director	Capacity	Number of LSD Shares		Number of underlying LSD Shares	Total	Approximate percentage of total issued LSD Shares *(Note 2)*
		Personal interests	Corporate interests	Personal interests *(Note 1)*		
Chew Fook Aun	Beneficial owner/ Owner of controlled corporation	Nil	400,000 *(Note 3)*	3,773,081	4,173,081	0.69%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	4,173,081	4,173,081	0.69%
U Po Chu	Beneficial owner	26,919	Nil	Nil	26,919	0.01%
Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	832,000	832,000	0.14%

Directors' Interests (continued)

(2) Associated corporations of the Company (continued)

(ii) *Lai Sun Development Company Limited ("**LSD**") (continued)*

Notes:

1. *These interests in underlying LSD Shares represented interests in share options granted to the Directors under a share option scheme of LSD, particulars of which are as follows:*

Name of Director	*Date of grant*	*Number of underlying LSD Shares comprised in share options*	*Option period*	*Exercise price per LSD Share (HK$)*
Chew Fook Aun	*05/06/2012*	*3,773,081*	*05/06/2012 – 04/06/2022*	*5.35*
Lam Hau Yin, Lester	*18/01/2013*	*4,173,081*	*18/01/2013 – 17/01/2023*	*16.10*
Lee Tze Yan, Ernest	*18/01/2013*	*832,000*	*18/01/2013 – 17/01/2023*	*16.10*

2. *The percentage has been compiled based on the total number of issued LSD Shares as at 31 July 2019 (i.e. 606,464,125 LSD Shares).*

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

(iii) *Lai Sun Garment (International) Limited ("**LSG**")*

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

Name of Director	Capacity	Number of LSG Shares		Number of underlying LSG Shares	Total	Approximate percentage of total issued LSG Shares
		Personal interests	Corporate interests	Personal interests *(Note 1)*		*(Note 2)*
Lam Kin Ming	Beneficial owner	1,013,879	Nil	Nil	1,013,879	0.26%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporation	Nil	202,422 *(Note 3)*	3,819,204	4,021,626	1.04%
U Po Chu	Beneficial owner	825,525	Nil	Nil	825,525	0.21%
Lam Hau Yin, Lester	Beneficial owner	12,366,937	Nil	7,571,626	19,938,563	5.15%

(2) Associated corporations of the Company (continued)

*(iii) Lai Sun Garment (International) Limited ("**LSG**") (continued)*

Notes:

1. *These interests in underlying LSG Shares represented interests in share options granted to the Directors under the share option schemes of LSG, particulars of which are as follows:*

Name of Director	*Date of grant*	*Number of underlying LSG Shares comprised in share options*	*Option period*	*Exercise price per LSG Share (HK$)*
Chew Fook Aun	*19/06/2017*	*3,819,204*	*19/06/2017 – 18/06/2027*	*15.00*
Lam Hau Yin, Lester	*18/01/2013*	*3,752,422*	*18/01/2013 – 17/01/2023*	*6.05*
Lam Hau Yin, Lester	*19/06/2017*	*3,819,204*	*19/06/2017 – 18/06/2027*	*15.00*

2. *The percentage has been compiled based on the total number of issued LSG Shares as at 31 July 2019 (i.e. 386,879,622 LSG Shares).*

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

(iv) LSD Bonds (2017) Limited

Long position in the 4.6% guaranteed notes due 2022

Name of Director	Capacity	Nature of interests	Principal amount
Mak Wing Sum, Alvin	Beneficial owner	Personal	US$200,000 *(Note)*

Note: These notes were jointly held by Mr. Mak Wing Sum, Alvin and his spouse.

Save as disclosed above, as at 31 July 2019, none of the Directors and chief executive of the Company and their respective close associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, recorded in the Register of Directors and Chief Executive, notified under the Securities Code, or otherwise known to the Directors.

Substantial Shareholders' and Other Persons' Interests

As at 31 July 2019, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded, other than a Director or the chief executive of the Company, in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

(A) Long positions in the Shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares *(Note 1)*
Substantial Shareholders				
eSun Holdings Limited ("**eSun**")	Owner of controlled corporations	Corporate	165,485,406 *(Note 2)*	50.55%
Lai Sun Development Company Limited ("**LSD**")	Owner of controlled corporations	Corporate	165,502,573 *(Note 3)*	50.55%
Lai Sun Garment (International) Limited ("**LSG**")	Owner of controlled corporations	Corporate	165,502,573 *(Note 3)*	50.55%
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	165,502,573 *(Note 4)*	50.55%
Merit Worth Limited ("**MWL**")	Beneficial owner and owner of controlled corporation	Corporate	165,485,406 *(Note 5)*	50.55%
Silver Glory Securities Limited ("**SGS**")	Beneficial owner	Corporate	77,780,773 *(Note 5)*	23.76%
CapitaLand China Holdings Pte Ltd ("**CapitaLand China**")	Owner of controlled corporation	Corporate	64,400,000 *(Note 6)*	19.67%
CapitaLand China Investments Limited ("**CapitaLand Investments**")	Owner of controlled corporations	Corporate	64,400,000 *(Note 6)*	19.67%
CapitaLand LF (Cayman) Holdings Co., Ltd. ("**CapitaLand Cayman**")	Beneficial owner	Corporate	64,400,000	19.67%
CapitaLand Limited	Owner of controlled corporations	Corporate	64,400,000 *(Note 6)*	19.67%
Temasek Holdings (Private) Limited ("**Temasek**")	Owner of controlled corporations	Corporate	64,400,000 *(Note 6)*	19.67%

Substantial Shareholders' and Other Persons' Interests (continued)

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

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares *(Note 1)*
Other Persons				
Moerus Capital Management LLC	Investment manager	Corporate	26,189,425	7.99% *(Note 7)*
Yu Cheuk Yi	Beneficial owner	Personal	29,544,237	9.03% *(Note 8)*
Yu Siu Yuk	Beneficial owner	Personal	29,544,237	9.03% *(Note 8)*

Notes:

1. *The percentage has been compiled based on the total number of issued Shares as at 31 July 2019 (i.e. 327,386,965 Shares). As at the date of this Report, the total number of issued Shares is 327,496,556.*

2. *These interests in the Company represented all the Shares beneficially owned by MWL (87,704,633 Shares or approximately 26.79% of the total issued Shares) and SGS (77,780,773 Shares or approximately 23.76% of the total issued Shares), both being wholly-owned subsidiaries of eSun. As at the date of this Report, MWL and SGS owned approximately 26.78% and 23.75% of the total issued Shares respectively.*

3. *LSG owned approximately 56.07% shareholding interests in LSD while LSD owned approximately 74.62% shareholding interests in eSun. As such, LSG and LSD were both deemed to be interested in the same 165,485,406 Shares in which eSun had interests.*

   *Transtrend Holdings Limited ("**Transtrend**", a wholly-owned subsidiary of LSD) received valid acceptances in respect of 17,167 Shares in relation to its mandatory general offer for the Shares from 15 August 2018 to 13 September 2018. LSG and LSD were both deemed to be interested in the same 17,167 Shares owned by Transtrend.*

4. *Dr. Lam Kin Ngok, Peter was deemed to be interested in 165,485,406 Shares held by eSun and 17,167 Shares held by Transtrend in the issued share capital of the Company by virtue of his personal and deemed interests in approximately 41.96% (excluding share option) of the issued share capital of LSG, which in turn owned approximately 56.07% shareholding interests in LSD while LSD owned approximately 74.62% shareholding interests in eSun which in turn owned approximately 50.55% shareholding interests in the Company. As at the date of this Report, eSun owned approximately 50.53% shareholding interests in the Company.*

5. *SGS is wholly owned by MWL which in turn is wholly owned by eSun. Therefore, MWL was deemed to be interested in the 77,780,773 Shares held by SGS and eSun was deemed to be interested in the 165,485,406 Shares held and deemed to be held by MWL.*

6. *These interests in the Company represented the Shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which in turn is wholly owned by CapitaLand Investments while CapitaLand Investments is wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 64,400,000 Shares held by CapitaLand Cayman by virtue of its approximate 40.79% interest in the issued share capital of CapitaLand Limited.*

Substantial Shareholders' and Other Persons' Interests (continued)

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

Notes: (continued)

7. *Based on the disclosure of interests notices published on the website of the Stock Exchange as at 31 July 2019, Moerus Capital Management LLC held 26,189,425 Shares in the capacity of investment manager.*

8. *Based on the disclosure of interests notices published on the website of the Stock Exchange as at 31 July 2019, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (collectively "**YUs**") were both taken to be interested in the same 29,544,237 Shares which were held jointly by them. As at the date of this Report, YUs hold an aggregate of 32,864,637 Shares, representing approximately 10.04% of the total issued Shares. YUs have become substantial Shareholders on 16 September 2019.*

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

Name	Capacity	Number of underlying Shares	Approximate percentage of total issued Shares *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner	321,918 *(Note 2)*	0.10%

Notes:

1. *The percentage has been compiled based on the total number of issued Shares as at 31 July 2019 (i.e. 327,386,965 Shares).*

2. *The interests in underlying Shares represented interests in a share option granted to Dr. Lam Kin Ngok, Peter under the 2012 Share Option Scheme. Particulars of which are set out in the section headed "Share Option Schemes" of this Report.*

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 July 2019, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Controlling Shareholder's Interests in Significant Contracts

Save as disclosed in note 27 to the financial statements and the sections headed "Connected Transaction" and "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 under the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Connected Transaction

The Company had the following connected transaction during the Year:

2019 Supplemental Deed

On 8 March 2019, the Company executed a supplemental deed ("**2019 Supplemental Deed**") in favour of LSG, LSD and the Lim Family (including the late Mr. Lim Por Yen, Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**"), Dr. Lam Kin Ming and their respective associates) to supplement the deed of conditional waiver dated 30 October 2012 (as supplemented on 19 November 2012) ("**Deed of Conditional Waiver**") executed by the Company in favour of LSG and LSD in relation to certain amendments to the undertakings provided in the spin-off agreement, the deed of undertaking and the non-compete agreement to expand the scope and application of the listed securities exemption.

The terms and conditions of the existing undertakings and the Deed of Conditional Waiver remain unchanged and in full force and effect save to the extent the 2019 Supplemental Deed applies.

As each of LSG, LSD and the Lim Family is the controlling shareholder of the Company, each of them is a connected person of the Company. The execution of the 2019 Supplemental Deed constituted a connected transaction of the Company and was therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the Company is an indirect non-wholly-owned subsidiary of each of LSG, LSD and eSun, the execution of the 2019 Supplemental Deed also constituted a connected transaction of each of LSG, LSD and eSun and was therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2019 Supplemental Deed was approved by the independent shareholders of each of the Company, eSun, LSD and LSG at their respective general meetings held on 30 April 2019.

Further details of the 2019 Supplemental Deed are set out in the Company's circular dated 19 March 2019.

Continuing Connected Transactions

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

1. Ascott Management Agreement

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

Continuing Connected Transactions (continued)

1. Ascott Management Agreement (continued)

Pursuant to the Ascott Management Agreement,

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

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

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

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

For the Year, such fees paid or payable to Ascott amounted to RMB7,883,000 (equivalent to approximately HK$9,039,000).

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

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

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

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

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

The Company also announced on 31 July 2019 that the Cap Amount for the year ending 31 July 2020 had been revised from HK$4,800,000 to HK$10,200,000 in respect of its Transactions with the LSG Group (including LSD Group but excluding eSun Group) and the LSD Group (excluding eSun Group).

Each of LSG, LSD and eSun is the controlling shareholder of the Company, each of them is a connected person of the Company. Accordingly, the Transactions between the Group and the LSG Group/the LSD Group or the eSun Group constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For the Year, rental and management fee income received or receivable from, and rental and management fee paid or payable to LSD Group (excluding eSun Group) amounted to HK$369,000 and HK$2,736,000, respectively.

For the Year, rental and management fee income received or receivable from the eSun Group (including MAGHL Group but excluding the Group) amounted to HK$8,098,000.

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

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

(b) on normal commercial terms or better; and

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

Continuing Connected Transactions (continued)

Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), the Company's independent auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group to the Board in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

Continuing Connected Transactions after the Reporting Period

Subsequent to the Year and up to the date of this Report, the Company had the following continuing connected transactions (as defined under the Listing Rules), brief particulars of which are as follows:

1. Property Management Services Agreements and Cost-sharing Agreements

The Company announced on 16 July 2019 that on the same date, Zhuhai Hengqin Novotown Business Management Co., Ltd. ("**Novotown Business Management**", an indirect wholly-owned subsidiary of the Company), entered into certain property management services agreements and/or cost-sharing agreements with (i) Zhuhai Hengqin Laisun Creative Culture City Co., Ltd. ("**Laisun Creative Culture**"); (ii) Zhuhai Hengqin Novotown Creative Culture Co., Ltd. ("**Novotown Creative Culture**"); and (iii) Zhuhai Hengqin Novotown Entertainment Co., Ltd. ("**Novotown Entertainment**").

(a) Property Management Services Agreements

(1) Novotown Creative Culture Property Management Services Agreement

Pursuant to the Novotown Creative Culture Property Management Services Agreement, Novotown Business Management would provide property management services to Novotown Creative Culture for a term of three years from 1 September 2019 to 31 August 2022 subject to the annual caps not exceeding HK$4.8 million for the financial year ending 31 July 2020 and HK$5.2 million for each of the financial years ending 31 July 2021 and 2022.

(2) Novotown Entertainment Property Management Services Agreement

Pursuant to the Novotown Entertainment Property Management Services Agreement, Novotown Business Management would provide property management services to Novotown Entertainment for a term of three years from 1 August 2019 to 31 July 2022 subject to the annual caps not exceeding HK$23.8 million for each of the financial years ending 31 July 2020, 2021 and 2022.

Continuing Connected Transactions after the Reporting Period (continued)

1. Property Management Services Agreements and Cost-sharing Agreements (continued)

(b) Cost-sharing Agreements

(1) Laisun Creative Culture Cost-sharing Agreement

Pursuant to the Laisun Creative Culture Cost-sharing Agreement, Novotown Business Management and Laisun Creative Culture would share the costs and expenses in connection with the use of the head lease premises as staff quarter on a cost sharing basis from 1 September 2019 to 30 April 2021 subject to the annual caps not exceeding HK$3.1 million and HK$3.3 million for the respective financial years ending 31 July 2020 and 2021.

(2) Novotown Creative Culture Cost-sharing Agreement

Pursuant to the Novotown Creative Culture Cost-sharing Agreement, Novotown Business Management and Novotown Creative Culture would share the costs and expenses in connection with the use of the head lease premises as staff quarter on a cost basis from 1 September 2019 to 30 April 2021 subject to the annual caps not exceeding HK$0.5 million for each of the financial years ending 31 July 2020 and 2021.

(3) Novotown Entertainment Cost-sharing Agreement

Pursuant to the Novotown Entertainment Cost-sharing Agreement, Novotown Business Management and Novotown Entertainment would share the costs and expenses in connection with the use of the head lease premises as staff quarter on a cost basis from 1 September 2019 to 30 April 2021 subject to the annual caps not exceeding HK$2.5 million and HK$2.8 million for the respective financial years ending 31 July 2020 and 2021.

eSun is the controlling shareholder of the Company. Each of Laisun Creative Culture, Novotown Creative Culture and Novotown Entertainment is a connected subsidiary of the Company pursuant to Rule 14A.16(2) of the Listing Rules by virtue of being an indirect subsidiary of Rosy Commerce Holdings Limited, which is in turn a connected subsidiary of the Company controlled as to 20% by eSun (as at the date of the announcement) indirectly. Accordingly, each of the Property Management Services Agreements and the Cost-sharing Agreements constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The transactions under each of the Property Management Services Agreements and the Cost-sharing Agreements shall be aggregated as a series of transactions according to Rule 14A.81 of the Listing Rules.

Further details of the Property Management Services Agreements and the Cost-sharing Agreements are set out in the Company's announcement dated 16 July 2019.

Continuing Connected Transactions after the Reporting Period (continued)

2. Laisun Creative Culture Property Management Services Agreement

The Company announced on 23 July 2019 that on the same date, Novotown Business Management and Laisun Creative Culture entered into a property management services agreement ("**Laisun Creative Culture Property Management Services Agreement**") pursuant to which Novotown Business Management would provide property management services to Laisun Creative Culture for a term of three years commencing from 1 October 2019 and expiring on 30 September 2022 subject to the annual caps not exceeding HK$59.1 million for the financial year ending 31 July 2020 and HK$70.9 million for each of the financial years ending 31 July 2021 and 2022.

Laisun Creative Culture is a connected subsidiary of the Company. Accordingly, the Laisun Creative Culture Property Management Services Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions under the Laisun Creative Culture Property Management Services Agreement, the Novotown Creative Culture Property Management Services Agreement and the Novotown Entertainment Property Management Services Agreement are of similar nature and have been entered into with parties who are connected with one another within a 12-month period, Laisun Creative Culture Property Management Services Agreement is required to be aggregated with the Novotown Creative Culture Property Management Services Agreement and the Novotown Entertainment Property Management Services Agreement as a series of transactions.

As one or more applicable percentage ratios in respect of the annual caps under the Laisun Creative Culture Property Management Services Agreement and when aggregated with the Novotown Creative Culture Property Management Services Agreement and the Novotown Entertainment Property Management Services Agreement, are more than 5%, the Laisun Creative Culture Property Management Services Agreement was subject to independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Laisun Creative Culture Property Management Services Agreement was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 6 September 2019.

Further details of the Laisun Creative Culture Property Management Services Agreement are set out in the Company's announcement dated 23 July 2019 and circular dated 21 August 2019.

Guaranteed Notes

On 18 January 2018, the Group issued the 5.65% guaranteed notes due 2023 with an aggregate principal amount of US$350,000,000. Details of the guaranteed notes are set out in note 29 to the financial statements.

Share Capital

Details of the movements in the Company's share capital during the Year are set out in note 31 to the financial statements.

Distributable Reserves

As at 31 July 2019, the Company's reserves available for distribution amounted to HK$759,120,000 which comprised retained earnings and exchange fluctuation reserve.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$4,087,322,000 may be applied for paying distributions or dividends to members provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2019 are set out in note 44 to the financial statements.

Donations for Charitable and Other Purposes

During the Year, the Group made donations for charitable or other purposes totaling HK$3,874,000.

Pre-Emptive Rights

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

Summary of Financial Information

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

Major Customers and Suppliers

During the Year, turnover or sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover. During the Year, the Group's purchases from its five largest suppliers accounted for approximately 63% of the Group's total purchases, while the largest supplier accounted for approximately 25% of the Group's total purchases for the Year.

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

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

On 27 October 2017, two non-wholly owned subsidiaries of the Company, as borrowers, entered into facility agreements pursuant to which two 10-year term loan facilities of amounts up to RMB670,000,000 and RMB68,000,000 were granted to the two borrowers, respectively. The facility agreements were amended on 14 June 2019, pursuant to which eSun shall remain as a holding company of the two borrowers. Upon a breach of this covenant, the lender may, inter alia, declare that the outstanding liabilities under the facilities become immediately due and cancel the remaining undrawn facilities.

On 30 October 2018, a non-wholly owned subsidiary of the Company, as borrower, entered into a facility agreement pursuant to which a 5-year term loan facility of an amount up to HK$700,000,000 was granted to the borrower. The facility agreement was amended on 22 October 2019, pursuant to which LSD shall maintain its 20% direct or indirect holding interest (excluding the portion indirectly held through the Company) in the borrower. Upon a breach of this covenant, the lender may, inter alia, declare that the outstanding liability under the facility becomes immediately due.

Purchase, Sale or Redemption of Listed Securities

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

Sufficiency of Public Float

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

As disclosed in the announcement of the Company dated 18 September 2019, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (collectively "**YUs**") have jointly purchased 168,000 Shares on 16 September 2019 ("**Purchase**"), thereby increasing their shareholding interests in the Company to approximately 10.04%. Immediately after completion of the Purchase, YUs have become substantial Shareholders as well as core connected persons of the Company and the Shares held by YUs would be excluded from the public float of the Company pursuant to the Listing Rules. Accordingly, the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules was not satisfied after the Purchase. The shortfall in the public float of the Shares is a result of the increase in the shareholding of YUs who were not core connected persons of the Company prior to the Purchase, but have become substantial Shareholders after the Purchase. The Company is considering steps to restore the public float of the Company at the minimum prescribed percentage in accordance with the Listing Rules. Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate.

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 45 to 60 of this Annual Report.

Independence of Independent Non-Executive Directors

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

Equity-Link Agreement

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

Review by Audit Committee

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

Independent Auditor

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

On behalf of the Board

Chew Fook Aun
Chairman
Hong Kong
22 October 2019

Taxation of Holders of Shares

(a) Hong Kong

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

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

(b) Cayman Islands

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

(c) Consultation with professional advisers

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

Key Dates

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

	For Financial Year 2018/2019
Annual results announcement	22 October 2019
Latest time and date for lodging transfer documents with the Hong Kong branch share registrar ("**Registrar**") to ascertain entitlement to attending and voting at the 2019 Annual General Meeting ("**AGM**")	4:30 p.m. on 16 December 2019
2019 AGM	20 December 2019
Dividend ex-entitlement for shares	27 December 2019
Closure of Hong Kong branch register of members	2 and 3 January 2020
Record date for entitlement to the proposed final dividend	3 January 2020
Latest time and date for lodging form of election for scrip dividend with the Registrar	4:30 p.m. on 21 January 2020
Payment of final dividend	13 February 2020

	For Financial Year 2019/2020
Interim results announcement	on or before 31 March 2020
Annual results announcement	on or before 31 October 2020

EY 安永

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

Opinion

We have audited the consolidated financial statements of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 98 to 198, which comprise the consolidated statement of financial position as at 31 July 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of investment properties	
The Group's investment properties measured at fair value amounted to HK$19.5 billion as at 31 July 2019. Significant estimation and judgement are required by management to determine the fair value of the investment properties. To support management's determination of the fair value, the Group engaged an external valuer to perform valuations on the investment properties at the end of the reporting period. The related disclosures for the estimation of fair value of investment properties are included in note 15 to the consolidated financial statements.	We evaluated the objectivity, independence and competency of the external valuer. We also involved our internal valuation specialists to assist us to evaluate the valuation techniques and assumptions used. We also tested the underlying key estimations and assumptions for selected samples through enquiry with management and by reference to the historical information and open market information.
Land appreciation tax in Mainland China	
The Group is subject to land appreciation tax ("**LAT**") in respect of the Group's property development projects in Mainland China. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. Significant management judgement and estimations are required in determining the LAT provision for these projects. Changes in assumptions about the decisions that might be taken by the relevant tax authorities can materially impact the level of LAT provisions recorded in the financial statements. The final outcome could be different from the amounts that were initially recorded. The related disclosures in relation to LAT are included in note 10 to the consolidated financial statements.	We involved our internal tax specialists to assist us in the assessment of the LAT calculation prepared by management, including analysing and evaluating the estimates and assumptions used by management as well as the adequacy and completeness of the LAT provision.

Other Information Included in the Annual Report

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

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

22 October 2019

Consolidated Income Statement

Year ended 31 July 2019

	Notes	**2019 HK$'000**	2018 HK$'000
TURNOVER	5	**1,461,249**	950,822
Cost of sales		**(543,777)**	(271,505)
Gross profit		**917,472**	679,317
Other income and gains	5	**59,182**	191,237
Selling and marketing expenses		**(60,469)**	(41,315)
Administrative expenses		**(240,378)**	(312,126)
Other operating expenses, net		**(5,562)**	(56,084)
Fair value gains on investment properties	15	**634,810**	860,037
PROFIT FROM OPERATING ACTIVITIES	7	**1,305,055**	1,321,066
Finance costs	6	**(114,287)**	(205,090)
Share of profits/(losses) of joint ventures		**(20,191)**	440,221
Share of losses of associates		**(40)**	(192)
PROFIT BEFORE TAX AND TAX INDEMNITY		**1,170,537**	1,556,005
Tax	10	**(430,482)**	(357,229)
Tax indemnity	10	**—**	92,695
PROFIT FOR THE YEAR		**740,055**	1,291,471
ATTRIBUTABLE TO:			
Owners of the Company		**668,556**	1,180,117
Non-controlling interests		**71,499**	111,354
		740,055	1,291,471
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	12		
Basic		**HK$2.043**	HK$3.615
Diluted		**HK$2.041**	HK$3.600

Consolidated Statement of Comprehensive Income

Year ended 31 July 2019

	Note	**2019 HK$'000**	2018 HK$'000
PROFIT FOR THE YEAR		**740,055**	1,291,471
OTHER COMPREHENSIVE INCOME/(EXPENSES) THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange differences:			
Exchange differences arising on translation to the presentation currency		**(269,515)**	(208,768)
Reclassification adjustment upon winding-up of a subsidiary		**(10,134)**	—
		(279,649)	(208,768)
Share of other comprehensive expenses of joint ventures		**(7,165)**	(9,457)
Share of other comprehensive expenses of an associate		**(20)**	(15)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	24	**—**	161,845
Reclassification adjustments for exchange loss included in the consolidated income statement		**—**	(134,959)
		—	26,886
Release of reserve upon maturity of cross currency swaps	24	**—**	(35,055)
		(286,834)	(226,409)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**453,221**	1,065,062
ATTRIBUTABLE TO:			
Owners of the Company		**391,002**	964,858
Non-controlling interests		**62,219**	100,204
		453,221	1,065,062

Consolidated Statement of Financial Position

31 July 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,627,227**	2,409,449
Prepaid land lease payments	16	**3,951**	4,183
Investment properties	15	**20,455,200**	18,207,822
Properties under development	14	**711,362**	407,899
Investments in joint ventures	17	**1,317**	1,849,437
Investments in associates	18	**5,804**	5,932
Derivative financial instruments	24	**20,581**	2,531
Total non-current assets		**24,825,442**	22,887,253
CURRENT ASSETS			
Properties under development	14	**1,811,683**	1,718,163
Completed properties for sale		**902,331**	776,776
Inventories		**5,012**	—
Debtors, deposits and prepayments	19	**554,897**	370,458
Prepaid tax		**42,031**	37,687
Pledged and restricted time deposits and bank balances	20	**1,173,775**	1,073,642
Cash and cash equivalents	20	**1,923,484**	1,364,285
		6,413,213	5,341,011
Assets classified as held for sale	21	**70,972**	—
Total current assets		**6,484,185**	5,341,011
CURRENT LIABILITIES			
Creditors and accruals	22	**2,062,621**	1,421,643
Contract liabilities, deposits received and deferred income	23	**540,744**	369,789
Interest-bearing bank loans	25	**433,536**	200,669
Loans from a fellow subsidiary	28	**316,259**	—
Loans from a joint venture	17	**—**	218,542
Tax payable		**155,643**	112,982
Other borrowings	26	**41,440**	—
Total current liabilities		**3,550,243**	2,323,625
NET CURRENT ASSETS		**2,933,942**	3,017,386
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,759,384**	25,904,639

	Notes	2019 HK$'000	2018 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,759,384**	25,904,639
NON-CURRENT LIABILITIES			
Long-term deposits received	23	**149,213**	144,235
Interest-bearing bank loans	25	**5,554,150**	3,572,464
Advances from a former substantial shareholder	27	**53,006**	53,719
Loans from a fellow subsidiary	28	**—**	248,509
Loans from a joint venture	17	**—**	426,156
Guaranteed notes	29	**2,720,857**	2,725,518
Deferred tax liabilities	30	**3,100,475**	2,945,714
Total non-current liabilities		**11,577,701**	10,116,315
		16,181,683	15,788,324
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**1,636,935**	1,635,221
Reserves	33	**14,197,072**	13,867,646
		15,834,007	15,502,867
Non-controlling interests		**347,676**	285,457
		16,181,683	15,788,324

Chew Fook Aun
Director

Lam Hau Yin, Lester
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2019

		Attributable to owners of the Company										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Hedge reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 31 July 2017 and 1 August 2017		1,628,509	4,075,257	27,883	8,169	696,276	137,165	328,905	7,681,947	14,584,111	185,253	14,769,364
Profit for the year		—	—	—	—	—	—	—	1,180,117	1,180,117	111,354	1,291,471
Other comprehensive income/(expenses) for the year, net of tax:												
Exchange differences arising on translation to the presentation currency		—	—	—	—	(197,618)	—	—	—	(197,618)	(11,150)	(208,768)
Share of other comprehensive expenses of joint ventures		—	—	—	—	(9,457)	—	—	—	(9,457)	—	(9,457)
Share of other comprehensive expenses of an associate		—	—	—	—	(15)	—	—	—	(15)	—	(15)
Net gain on cash flow hedges	24	—	—	—	26,886	—	—	—	—	26,886	—	26,886
Release of reserve upon maturity of cross currency swaps	24	—	—	—	(35,055)	—	—	—	—	(35,055)	—	(35,055)
Total comprehensive income/(expenses) for the year, net of tax		—	—	—	(8,169)	(207,090)	—	—	1,180,117	964,858	100,204	1,065,062
Issue of shares upon exercise of share options	31	1,100	2,033	(625)	—	—	—	—	—	2,508	—	2,508
Equity-settled share option arrangement	32	—	—	2,441	—	—	—	—	—	2,441	—	2,441
Release of reserve upon lapse of share options		—	—	(170)	—	—	—	—	170	—	—	—
Transfer to statutory reserve		—	—	—	—	—	—	12,919	(12,919)	—	—	—
Share of statutory reserve of joint ventures		—	—	—	—	—	—	31,521	(31,521)	—	—	—
Shares issued in lieu of cash dividend	31	5,612	8,521	—	—	—	—	—	(14,133)	—	—	—
Final 2017 dividend paid	11	—	—	—	—	—	—	—	(51,051)	(51,051)	—	(51,051)
As at 31 July 2018 and 1 August 2018		1,635,221	4,085,811*	29,529*	—*	489,186*	137,165*	373,345*	8,752,610*	15,502,867	285,457	15,788,324
Profit for the year		—	—	—	—	—	—	—	668,556	668,556	71,499	740,055
Other comprehensive expenses for the year, net of tax:												
Exchange differences arising on translation to the presentation currency		—	—	—	—	(270,369)	—	—	—	(270,369)	(9,280)	(279,649)
Share of other comprehensive expenses of joint ventures		—	—	—	—	(7,165)	—	—	—	(7,165)	—	(7,165)
Share of other comprehensive expenses of an associate		—	—	—	—	(20)	—	—	—	(20)	—	(20)
Total comprehensive income/(expenses) for the year, net of tax		—	—	—	—	(277,554)	—	—	668,556	391,002	62,219	453,221
Equity-settled share option arrangement	32	—	—	2,322	—	—	—	—	—	2,322	—	2,322
Transfer to statutory reserve		—	—	—	—	—	—	6,114	(6,114)	—	—	—
Reserve realised upon winding-up of a joint venture		—	—	—	—	—	—	(136,588)	136,588	—	—	—
Shares issued in lieu of cash dividend	31	1,714	1,511	—	—	—	—	—	(3,225)	—	—	—
Final 2018 dividend paid	11	—	—	—	—	—	—	—	(62,184)	(62,184)	—	(62,184)
As at 31 July 2019		**1,636,935**	**4,087,322***	**31,851***	**—***	**211,632***	**137,165***	**242,871***	**9,486,231***	**15,834,007**	**347,676**	**16,181,683**

* *These reserve accounts comprise the consolidated reserves of HK$14,197,072,000 (2018: HK$13,867,646,000) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

Year ended 31 July 2019

	Notes	**2019 HK$'000**	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax and tax indemnity		**1,170,537**	1,556,005
Adjustments for:			
Fair value gains on investment properties	15	**(634,810)**	(860,037)
Finance costs	6	**114,287**	205,090
Share of losses/(profits) of joint ventures		**20,191**	(440,221)
Share of losses of associates		**40**	192
Interest income	5	**(25,690)**	(38,887)
Depreciation	7	**55,042**	78,433
Amortisation of prepaid land lease payments	7	**179**	188
Foreign exchange differences, net	7	**(22,050)**	31,509
Write-down of properties under development to net realisable value	7	**—**	38,222
Loss on disposal of items of property, plant and equipment	7	**765**	2,315
Fair value gains on cross currency swaps	7	**(18,050)**	(38,049)
Equity-settled share option expenses	7	**2,322**	2,441
Write-down of completed properties for sale to net realisable value	7	**—**	122
Gain on swap of properties	7	**—**	(41,379)
		662,763	495,944
Decrease in completed properties for sale		**243,393**	109,230
Increase in properties under development		**(703,012)**	(537,140)
Increase in debtors, deposits and prepayments		**(172,497)**	(113,787)
Increase in inventories		**(5,012)**	—
Increase in creditors and accruals, and contract liabilities, short-term deposits received and deferred income		**290,844**	146,582
Increase in long-term deposits received		**4,978**	3,995
Cash generated from operations		**321,457**	104,824
Tax indemnity received	10	**—**	92,695
Mainland China taxes paid, net		**(194,122)**	(66,415)
Net cash flows from operating activities		**127,335**	131,104
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**25,690**	38,887
Purchases of items of property, plant and equipment		**(1,155,337)**	(520,282)
Additions to investment properties		**(1,621,322)**	(448,080)
Repayment from/(advances to) a joint venture		**216,905**	(32,544)
A dividend received from a joint venture	17	**1,603,755**	—
Investments in associates		**—**	(314)
Advance to an associate		**—**	(5,482)
Increase in pledged and restricted time deposits and bank balances		**(113,568)**	(506,763)
Increase in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired		**(39,309)**	—
Net cash flows used in investing activities		**(1,083,186)**	(1,474,578)

Consolidated Statement of Cash Flows

Year ended 31 July 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	2,508
Proceeds from issue of guaranteed notes, net of issue expenses	29	**—**	2,712,758
New bank loans, net of direct costs		**4,396,807**	1,071,373
Repayment of bank loans		**(2,177,895)**	(184,202)
Loans from a fellow subsidiary		**117,860**	66,720
Repayment of loans from a fellow subsidiary		**(48,187)**	(37,000)
Loans from a joint venture		**462,834**	—
Repayment of loans from a joint venture		**(1,095,915)**	(207,929)
Increase in other borrowings		**41,560**	—
Increase in put option liabilities		**280,532**	—
Interest and bank financing charges paid		**(425,089)**	(422,111)
Dividend paid	11	**(62,184)**	(51,051)
Repayment of fixed rate senior notes		**—**	(2,243,270)
Net cash outflows from maturity of cross currency swaps	24	**—**	(45,915)
Net cash flows from financing activities		**1,490,323**	661,881
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**534,472**	(681,593)
Cash and cash equivalents at beginning of year		**1,364,285**	2,057,346
Effect of foreign exchange rate changes, net		**(14,582)**	(11,468)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,884,175**	1,364,285
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	20	**1,238,373**	1,001,253
Non-pledged and non-restricted time deposits	20	**685,111**	363,032
Cash and cash equivalents as stated in the consolidated statement of financial position	20	**1,923,484**	1,364,285
Non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	20	**(39,309)**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,884,175**	1,364,285

1. Corporate and Group Information

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

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

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

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

In the opinion of the directors, the ultimate holding company of the Company as at 31 July 2019 was Lai Sun Garment (International) Limited ("**LSG**"), which was incorporated in Hong Kong and is listed in Hong Kong.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under construction and derivative financial instruments, which have been measured at fair value. Non-current asset classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4 to the financial statements. 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 2019. A subsidiary is an entity (including a structural entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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

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

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK (IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Except for HKFRS 9 and HKFRS 15, the application of these new and revised HKFRSs has had no impact on the financial performance or financial position of the Group.

2.2 Changes in Accounting Policies and Disclosures (continued)

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Group commences to adopt HKFRS 9 on 1 August 2018. The Group has not restated the comparative information and has not recognised any transition adjustments against the opening balance of equity at 1 August 2018.

The impacts from adopting HKFRS 9 related to the classification and measurement and the impairment requirements are summarised as follows:

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 remains largely the same as they were under HKAS 39. Therefore, the adoption of HKFRS 9 did not have a significant impact on the classification and measurement of the Group's financial assets.

The accounting for the Group's financial liabilities remains largely the same as they were under HKAS 39.

Impairment of financial assets

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The adoption of the ECL requirements of HKFRS 9 did not have a significant financial effect on the consolidated financial statements.

2.2 Changes in Accounting Policies and Disclosures (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments supersede HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and apply, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 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 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 disclosures are included in note 5 to the financial statements.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 August 2018.

The cumulative effect of the initial application of HKFRS 15 would be recognised as an adjustment, if any, to the opening balance of retained earnings as at 1 August 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Incremental costs of obtaining a contract and the costs directly related to fulfilling a contract

The standard specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Following the adoption of HKFRS 15, such direct costs, if recoverable, are capitalised as "contract costs". The capitalised contract costs are amortised and charged to the income statement on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. As at 1 August 2018 and 31 July 2019, the impact of contract costs was not significant to the Group.

Advance from customers and related significant financing component

Consideration received from customers in advance which was previously included in "deposits received and deferred income" is now recognised as contract liability included in "contract liabilities, deposits received and deferred income" to reflect the terminology of HKFRS 15. As at 1 August 2018 and 31 July 2019, amounts of HK$296,195,000 and HK$267,143,000 were reclassified to contract liabilities, respectively, as a result of the adoption of HKFRS 15.

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sale of completed properties should be adjusted for the effects of a financing component, if significant. The impact was not significant as at 1 August 2018 and 31 July 2019.

2.3 Issued but not Yet Effective HKFRSs

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

Amendment to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK (IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 August 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The adoption of HKFRS 16 would result in the increase of both right-of-use assets and lease liabilities at 1 August 2019.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets other than goodwill

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

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

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

Related parties

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

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

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

or

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Investment properties

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

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

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

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

Properties under development

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

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

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

Completed properties for sale

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

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

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

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 classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated or amortised.

Leases

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

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

Investments and other financial assets (policies under HKFRS 9 applicable from 1 August 2018)

Initial recognition and measurement

At initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 August 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 August 2018) (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 August 2018) (continued)

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 August 2018)

Initial recognition and measurement

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

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

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 net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interests earned on these financial assets, which are recognised in accordance with policies set out for "Revenue recognition (applicable before 1 August 2018)" below.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 August 2018) (continued)

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

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

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

Loans and receivables

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

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018)

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

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

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

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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 August 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 August 2018) (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under HKAS 39 applicable before 1 August 2018)

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

Financial assets carried at amortised cost

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

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 August 2018) (continued)

Financial assets carried at amortised cost (continued)

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

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

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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

Financial liabilities (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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 and payables, net of directly attributable transaction costs.

The Group's financial liabilities include creditors and accruals, loans from a joint venture, deposits received, interest-bearing bank loans, advances from a former substantial shareholder, loans from a fellow subsidiary, other borrowings and guaranteed notes.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018) (continued)

Subsequent measurement

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

Loans and borrowings

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

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

Put Option liabilities

Put options are financial instruments granted by the Group whereby counterparties may have the rights to request the Group to purchase their equity interests in the Group's subsidiaries for cash when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash under the put option, the Group has to recognise a financial liability at the present value of the estimated future cash outflows under the put potion. The financial liability is initially recognised at fair value.

Subsequently, if the Group revises its estimates of the payments, the Group adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. At the end of each reporting period, the Group recalculates the carrying amount by computing the present value of the revised estimated future cash outflows at the financial instrument's original effective interest rate and adjustment to its carrying amount is to be recognised as income or expenses in the income statement.

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 August 2018)

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 contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 August 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 August 2018)

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.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018)

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

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

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018)

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

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018)

Initial recognition and subsequent measurement

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

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018) (continued)

Initial recognition and subsequent measurement (continued)

Before 1 August 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Starting from 1 August 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

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

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the income statement as other operating expenses. The hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018) (continued)

Initial recognition and subsequent measurement (continued)

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for merchandise, food, beverages and supplies used in theme park is determined on the weighted average cost 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 which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group’s cash management.

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

2.4 Summary of Significant Accounting Policies (continued)

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

Income tax (continued)

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.

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

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

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

Revenue recognition (applicable from 1 August 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (applicable from 1 August 2018) (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of completed properties*
Revenue from the sale of completed properties is recognised upon the signing of the property handover letter, which is taken to be the point in time when the control of the property is transferred to the purchaser.

(b) *Revenue from serviced apartment operation and building management operation*
Revenue from serviced apartment operation and building management operation is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) *Revenue from theme park operation*
Revenue from admission tickets sold is recognised over time when the theme park service is provided to the customer or at a point in time when tickets are expired; and sale of goods are recognised when the goods are delivered to the customer.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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 or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (applicable before 1 August 2018)

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

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

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

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

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

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

Contract liabilities (applicable from 1 August 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs (applicable from 1 August 2018)

Costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the income statement on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payments

The Company operates a share option scheme for the purposes as detailed in note 32 to the financial statements. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payments (continued)

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

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

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

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

2.4 Summary of Significant Accounting Policies (continued)

Dividend

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

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

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

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

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

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

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

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

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

(iii) Income tax

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

As explained in note 30 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

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

(iv) Put option liabilities

As explained in note 26 to the financial statements, put option liabilities arising from the buy-back upon the occurrence of certain triggering events during the six-year investment period are recognised as financial liabilities. When determining the classification and measurement of the put option liabilities, judgements are exercised, including determining whether the Group has the present ownership interest in the shares subject to the put options, the timing that the triggering events would occur and the possibility that the buy-back would be exercised.

Estimation uncertainty

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

(i) Estimation of fair value of investment properties

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

The carrying amount of investment properties measured at fair value at 31 July 2019 was HK$19,452,599,000 (2018: HK$17,188,400,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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

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

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

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

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

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

(v) Fair value of derivative financial instruments

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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

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

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

4. Operating Segment Information

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

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

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

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

Segment assets exclude prepaid tax, pledged and restricted time deposits and bank balances, cash and cash equivalents, derivative financial instruments and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, loans from a joint venture, tax payable, advances from a former substantial shareholder, loans from a fellow subsidiary, guaranteed notes, deferred tax liabilities, put option liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

No further geographical segment information is presented as over 90% of the Group's revenue was derived from Mainland China and over 90% of the Group's non-current assets were located in Mainland China.

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**613,322**	184,633	**847,927**	766,189	**1,461,249**	950,822
Other revenue	**916**	2,599	**24,397**	140,545	**25,313**	143,144
Total	**614,238**	187,232	**872,324**	906,734	**1,486,562**	1,093,966
Segment results	**341,064**	5,026	**980,853**	1,352,493	**1,321,917**	1,357,519
Interest income from bank deposits					**25,690**	38,887
Unallocated gains					**8,179**	9,206
Unallocated expenses, net					**(50,731)**	(84,546)
Profit from operating activities					**1,305,055**	1,321,066
Finance costs					**(114,287)**	(205,090)
Share of profits/(losses) of joint ventures	**(20,191)**	440,221	**—**	—	**(20,191)**	440,221
Share of losses of associates	**—**	—	**(40)**	(192)	**(40)**	(192)
Profit before tax and tax indemnity					**1,170,537**	1,556,005
Tax					**(430,482)**	(357,229)
Tax indemnity					**—**	92,695
Profit for the year					**740,055**	1,291,471
Segment assets/liabilities:						
Segment assets	**3,467,453**	2,937,785	**24,214,235**	20,702,350	**27,681,688**	23,640,135
Investments in joint ventures	**1,317**	1,849,437	**—**	—	**1,317**	1,849,437
Investments in associates	**—**	—	**5,804**	5,932	**5,804**	5,932
Unallocated assets					**3,549,846**	2,732,760
Assets classified as held for sale	**70,972**	—	**—**	—	**70,972**	—
Total assets					**31,309,627**	28,228,264
Segment liabilities	**615,643**	685,496	**1,757,771**	1,133,938	**2,373,414**	1,819,434
Unallocated liabilities					**12,754,530**	10,620,506
Total liabilities					**15,127,944**	12,439,940

During the year, no single customer accounted for over 10% of the Group's total turnover (2018: Nil).

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:						
Depreciation	**1,438**	1,887	**50,089**	71,743	**51,527**	73,630
Corporate and other unallocated depreciation					**3,515**	4,803
					55,042	78,433
Capital expenditure	**965**	1,098	**3,003,126**	1,388,698	**3,004,091**	1,389,796
Corporate and other unallocated capital expenditure					**797**	408
					3,004,888	1,390,204
Fair value gains on investment properties	**—**	—	**634,810**	860,037	**634,810**	860,037
Write-down of completed properties for sale to net realisable value	**—**	122	**—**	—	**—**	122
Write-down of properties under development to net realisable value	**—**	38,222	**—**	—	**—**	38,222
Gain on swap of properties	**—**	—	**—**	41,379	**—**	41,379
Loss on disposal of items of property, plant and equipment	**47**	19	**693**	2,296	**740**	2,315
Corporate and other unallocated loss on disposal of items of property, plant and equipment	**—**	—	**—**	—	**25**	—

5. TURNOVER, OTHER INCOME AND GAINS

The Group's turnover represents revenue from the sale of properties, investment properties, serviced apartments, building management operation and theme park operation.

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

	2019 **HK$'000**	2018 HK$'000
Turnover	**1,461,249**	950,822
Other income and gains	**59,182**	191,237
Total turnover, other income and gains	**1,520,431**	1,142,059

	2019 **HK$'000**	2018 HK$'000
Turnover, other income and gains from contracts with customers		
Sale of properties	**613,322**	184,633
Serviced apartment operation	**158,135**	168,776
Building management operation	**111,281**	116,929
Theme park operation	**285**	—
	883,023	470,338
Turnover, other income and gains from other resources		
Rental income from investment properties	**578,226**	597,413
Interest income from bank deposits	**25,690**	38,887
Others	**33,492**	35,421
	637,408	671,721
Total turnover, other income and gains	**1,520,431**	1,142,059
Timing of recognition of turnover, other income and gains from contracts with customers:		
At a point in time	**613,322**	184,633
Over time	**269,701**	285,705
Total	**883,023**	470,338

5. TURNOVER, OTHER INCOME AND GAINS (CONTINUED)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2019 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of properties	**168,301**

Information about the Group's performance obligations is summarised below:

Sale of properties

Revenue from the sale of properties is recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property. Payment in advance is normally required.

Serviced apartment operation and building management operation

The performance obligation is satisfied over time as services are rendered. Contracts for serviced apartment services and building management services are for certain periods and are billed based on the time incurred.

Theme park operation

Revenue from admission tickets sold for use at current or for use at a future date is recognised over time when the theme park service is provided to the customer or at a point in time when the tickets are expired; and sale of goods are recognised when the goods are delivered to the customer. Payment in advance is normally required.

Transaction price allocated to the remaining performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) regarding contracts for sale of properties as at 31 July 2019 was HK$76,748,000 and expected to be recognised as revenue within one year.

The Group elected to apply the practical expedient under HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining obligations for contracts with an original expected duration for one year or less as well as contracts for serviced apartment and building management operations for which the Group bills fixed amount for each month of service provided and recognise revenue in the amount to which the Group has right to invoice.

The ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer's fulfillment of contracts. Accordingly, the above may not reflect the actual performance of the Group in the future. The analysis is solely for compliance with HKFRS 15 disclosure requirement in respect of transaction price allocated to the remaining performance obligations.

6. Finance Costs

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

	Notes	2019 HK$'000	2018 HK$'000
Interest on:			
Bank loans		**258,799**	167,789
Fixed rate senior notes		**—**	103,767
Guaranteed notes		**147,043**	78,557
Loans from a joint venture		**7,125**	28,189
Amortisation of transaction fee for:			
Bank loans		**26,086**	19,152
Fixed rate senior notes		**—**	6,349
Guaranteed notes	29	**4,440**	2,260
Bank financing charges and direct costs		**7,601**	13,376
		451,094	419,439
Less: Capitalised in properties under development	14	**(104,175)**	(86,602)
Capitalised in investment properties under construction	15	**(144,448)**	(81,436)
Capitalised in construction in progress	13	**(88,184)**	(46,311)
		(336,807)	(214,349)
Total finance costs		**114,287**	205,090

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5.7% (2018: 5.7%) has been applied to the expenditure on the individual assets for the year ended 31 July 2019.

7. Profit From Operating Activities

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

	Notes	2019 HK$'000	2018 HK$'000
Cost of completed properties sold		**239,815**	102,356
Outgoings in respect of rental income, serviced apartment operation and building management *		**303,962**	305,196
Depreciation #	13	**55,042**	78,433
Amortisation of prepaid land lease payments		**14,642**	16,023
Capitalised in properties under development	14	**(14,463)**	(15,835)
	16	**179**	188
Minimum lease payments under operating leases in respect of land and buildings		**16,761**	14,495
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(10,599)**	(10,466)
		6,162	4,029
Employee benefit expense (including directors' remuneration — note 8):			
Salaries, wages and benefits		**348,109**	312,165
Pension scheme contributions **		**1,268**	1,263
Equity-settled share option expenses	32	**2,322**	2,441
		351,699	315,869
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(124,723)**	(117,663)
		226,976	198,206
Auditor's remuneration to the auditor of the Company		**3,691**	3,285
Foreign exchange differences, net ***		**(22,050)**	31,509
Loss on disposal of items of property, plant and equipment #		**765**	2,315
Contingent rents ##		**(4,159)**	(14,248)
Gain on swap of properties ***		**—**	(41,379)
Write-down of completed properties for sale to net realisable value ***		**—**	122
Write-down of properties under development to net realisable value ***	14	**—**	38,222
Fair value gains on cross currency swaps ***	24	**(18,050)**	(38,049)

The depreciation charge of HK$41,609,000 (2018:HK$61,457,000) for serviced apartments and related leasehold improvements and the loss on disposal of items of property, plant and equipment of HK$765,000 (2018: HK$2,315,000) are included in "Other operating expenses, net" on the face of the consolidated income statement.

The contingent rents are included in "Turnover" on the face of the consolidated income statement.

* These items are included in "Cost of sales", except for building management expenses for the year ended 31 July 2018 which was included in "Administrative expenses" on the face of the consolidated income statement.

** As at 31 July 2019, the Group had no forfeited contributions available to reduce its contributions to the MPF Scheme in future years (2018: Nil).

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

8. Directors' Remuneration

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

	2019 HK$'000	2018 HK$'000
Fees	**1,500**	1,500
Other emoluments:		
Salaries, allowances and benefits in kind	**22,011**	21,529
Pension scheme contributions	**129**	129
	22,140	21,658
	23,640	23,158
Capitalised in properties under development/investment properties under construction/construction in progress	**(15,543)**	(14,709)
	8,097	8,449

For the years ended 31 July 2019 and 2018, no directors were granted share options.

8. Directors' Remuneration (continued)

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

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019				
Executive directors:				
Lam Kin Ming	—	1,140	—	1,140
Lam Kin Hong, Matthew	—	1,140	57	1,197
Lam Hau Yin, Lester	—	1,734	18	1,752
U Po Chu	—	4,280	—	4,280
Chew Fook Aun	—	4,593	18	4,611
Cheng Shin How	—	7,529	18	7,547
Lee Tze Yan, Ernest	—	1,595	18	1,613
	—	22,011	129	22,140
Non-executive directors:				
Lucas Ignatius Loh Jen Yuh	—	—	—	—
Puah Tze Shyang	—	—	—	—
	—	—	—	—
Independent non-executive directors:				
Lam Bing Kwan	300	—	—	300
Ku Moon Lun	300	—	—	300
Law Kin Ho	300	—	—	300
Mak Wing Sum, Alvin	300	—	—	300
Shek Lai Him, Abraham	300	—	—	300
	1,500	—	—	1,500
Total	1,500	22,011	129	23,640

8. Directors' Remuneration (continued)

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2018				
Executive directors:				
Lam Kin Ming	—	1,140	—	1,140
Lam Kin Hong, Matthew	—	1,140	57	1,197
Lam Hau Yin, Lester	—	1,652	18	1,670
U Po Chu	—	4,325	—	4,325
Chew Fook Aun	—	4,428	18	4,446
Cheng Shin How	—	7,300	18	7,318
Lee Tze Yan, Ernest	—	1,544	18	1,562
	—	21,529	129	21,658
Non-executive directors:				
Lucas Ignatius Loh Jen Yuh	—	—	—	—
Puah Tze Shyang	—	—	—	—
	—	—	—	—
Independent non-executive directors:				
Lam Bing Kwan	300	—	—	300
Ku Moon Lun	300	—	—	300
Law Kin Ho	300	—	—	300
Mak Wing Sum, Alvin	300	—	—	300
Shek Lai Him, Abraham	300	—	—	300
	1,500	—	—	1,500
Total	1,500	21,529	129	23,158

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

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

9. Five Highest Paid Employees

The five highest paid employees during the year included three directors (2018: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: two) non-director highest paid employees are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**10,320**	7,869
Capitalised in properties under development/investment properties under construction/construction in progress	**(4,147)**	(6,781)
	6,173	1,088

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

	Number of employees	
	2019	2018
HK$3,500,001 — HK$4,000,000	**—**	2
HK$4,000,001 — HK$4,500,000	**1**	—
HK$4,500,001 — HK$5,000,000	**—**	—
HK$5,000,001 — HK$5,500,000	**—**	—
HK$5,500,001 — HK$6,000,000	**—**	—
HK$6,000,001 — HK$6,500,000	**1**	—
	2	2

10. Tax and Tax Indemnity

(a) Tax

The statutory rate of Hong Kong profits tax is 16.5% (2018: 16.5%). No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2018: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	Note	**2019 HK$'000**	2018 HK$'000
Current — Mainland China			
CIT		**75,513**	56,625
LAT			
Charge for the year		**118,898**	27,157
Underprovision in prior years		**20,301**	—
		139,199	27,157
Deferred	30	**215,770**	273,447
Total tax charge for the year		**430,482**	357,229

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

	2019 HK$'000	2018 HK$'000
Profit before tax and tax indemnity	**1,170,537**	1,556,005
Tax at the statutory tax rate of 25% (2018: 25%)	**292,634**	389,001
Adjustments for tax rates of other jurisdictions	**(1,793)**	22,692
Provision for LAT	**139,199**	27,157
Tax effect of provision for LAT	**(34,800)**	(6,789)
(Profits)/losses attributable to joint ventures	**5,048**	(110,055)
Income not subject to tax	**(1,357)**	(17,154)
Expenses and losses not deductible for tax	**25,408**	35,710
Tax losses not recognised	**17,099**	3,698
Withholding tax on the distributable earnings of the subsidiaries established in Mainland China	**(10,959)**	12,993
Other temporary difference	**3**	(24)
Tax charge at the Group's effective tax rate	**430,482**	357,229

10. Tax and Tax Indemnity (continued)

(b) Tax indemnity

	2019 HK$'000	2018 HK$'000
Tax indemnity	—	92,695

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

The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing Mainland China CIT and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Group as set out in the Company's prospectus dated 18 November 1997. During the year, no tax indemnity was received. During the year ended 31 July 2018, HK$92,695,000 was received from LSD in relation to the CIT and LAT incurred and paid by the Group or its joint ventures which is attributable to the disposal of certain properties located in Guangzhou, Mainland China.

11. Dividend

	2019 HK$'000	2018 HK$'000
Final dividend paid in respect of the year ended 31 July 2018 (2018: final dividend paid in respect of the year ended 31 July 2017)	**65,409**	65,184
Proposed final — HK$0.20 (2018: HK$0.20) per ordinary share	**65,477**	65,409

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

On 21 December 2018, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.20 per share payable in cash with a scrip dividend alternative (the "**2018 Scrip Dividend Scheme**") for the year ended 31 July 2018 (the "**2018 Final Dividend**"). During the year ended 31 July 2019, 342,831 new shares of HK$5.0 each were issued by the Company at a deemed price of HK$9.406 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2018 Scrip Dividend Scheme to settle HK$3,225,000 of the 2018 Final Dividend. The remainder of the 2018 Final Dividend of HK$62,184,000 was satisfied by cash.

Further details of the 2018 Scrip Dividend Scheme are set out in the Company's circular dated 10 January 2019.

On 15 December 2017, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.20 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, 1,122,400 new shares of HK$5.0 each were issued by the Company at a deemed price of HK$12.592 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$14,133,000 of the 2017 Final Dividend. The remainder of the 2017 Final Dividend of HK$51,051,000 was satisfied by cash.

12. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amount was based on the profit for the year attributable to owners of the Company of HK$668,556,000 (2018: HK$1,180,117,000), and the weighted average number of ordinary shares of 327,202,870 (2018: 326,434,171) in issue during the year.

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

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

	2019 **HK$'000**	2018 HK$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**668,556**	1,180,117

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**327,202,870**	326,434,171
Effect of dilution — weighted average number of ordinary shares:		
Share options	**353,836**	1,352,897
	327,556,706	327,787,068

13. Property, Plant and Equipment

	Notes	Leasehold buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Theme park HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:										
As at 1 August 2017		106,316	1,182,752	275,504	44,755	20,524	15,839	—	726,104	2,371,794
Finance costs capitalised	6	—	—	—	—	—	—	—	46,311	46,311
Additions		—	—	988	7,399	3,550	2,345	—	733,859	748,141
Disposals/write-off		—	(1,862)	—	(2,935)	(2,169)	(678)	—	—	(7,644)
Exchange realignment		(473)	(5,536)	(2,151)	(128)	5	(64)	—	(5,696)	(14,043)
As at 31 July 2018 and 1 August 2018		105,843	1,175,354	274,341	49,091	21,910	17,442	—	1,500,578	3,144,559
Finance costs capitalised	6	—	—	—	—	—	—	—	88,184	88,184
Additions		—	—	1,701	13,552	1,058	5,477	—	1,261,026	1,282,814
Disposals/write-off		—	(9)	—	(2,832)	(839)	(498)	—	—	(4,178)
Transfers		—	(78,435)	—	—	—	—	1,537,664	(1,537,664)	(78,435)
Exchange realignment		(796)	(9,217)	(3,551)	(462)	(161)	(153)	—	(18,644)	(32,984)
As at 31 July 2019		**105,047**	**1,087,693**	**272,491**	**59,349**	**21,968**	**22,268**	**1,537,664**	**1,293,480**	**4,399,960**
Accumulated depreciation:										
As at 1 August 2017		37,409	344,514	219,969	37,865	17,185	11,121	—	—	668,063
Depreciation provided during the year	7	2,660	26,281	39,100	7,492	1,263	1,637	—	—	78,433
Disposals		—	—	—	(2,676)	(1,952)	(701)	—	—	(5,329)
Exchange realignment		(287)	(1,811)	(3,402)	(422)	(37)	(98)	—	—	(6,057)
As at 31 July 2018 and 1 August 2018		39,782	368,984	255,667	42,259	16,459	11,959	—	—	735,110
Depreciation provided during the year	7	2,578	25,171	19,709	4,261	1,371	1,952	—	—	55,042
Disposals		—	—	—	(2,249)	(755)	(409)	—	—	(3,413)
Transfers		—	(7,540)	—	—	—	—	—	—	(7,540)
Exchange realignment		(394)	(1,932)	(3,527)	(406)	(92)	(115)	—	—	(6,466)
As at 31 July 2019		**41,966**	**384,683**	**271,849**	**43,865**	**16,983**	**13,387**	**—**	**—**	**772,733**
Net carrying amount:										
As at 31 July 2019		**63,081**	**703,010**	**642**	**15,484**	**4,985**	**8,881**	**1,537,664**	**1,293,480**	**3,627,227**
As at 31 July 2018		66,061	806,370	18,674	6,832	5,451	5,483	—	1,500,578	2,409,449

As at 31 July 2019, certain serviced apartments (including related leasehold improvements) with an aggregate carrying amount of HK$428,716,000 (2018: HK$464,731,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(a) to the financial statements. As at 31 July 2018, construction in progress with an aggregate carrying amount of HK$904,150,000 was pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(b) to the financial statements.

14. Properties Under Development

	Notes	2019 HK$'000	2018 HK$'000
Carrying amount as at 1 August		**2,126,062**	1,555,792
Finance costs capitalised	6	**104,175**	86,602
Additions (including capitalisation of prepaid land lease payments of HK$14,463,000 (2018: HK$15,835,000))		**717,475**	552,975
Amortisation of prepaid land lease payments	7	**(14,463)**	(15,835)
Transfer to completed properties for sale		**(380,678)**	—
Write-down of properties under development to net realisable value	7	**—**	(38,222)
Exchange realignment		**(29,526)**	(15,250)
Carrying amount as at 31 July		**2,523,045**	2,126,062
Amount classified as current assets		**(1,811,683)**	(1,718,163)
Non-current portion		**711,362**	407,899

As at 31 July 2019, certain properties under development with an aggregate carrying amount of HK$1,085,322,000 (2018: HK$1,366,725,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(c) to the financial statements.

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

	Note	2019 HK$'000	2018 HK$'000
Carrying amount as at 1 August		**873,257**	895,396
Amortised during the year	7	**(14,463)**	(15,835)
Transfer to completed properties for sale		**(36,546)**	—
Exchange realignment		**(11,446)**	(6,304)
Carrying amount as at 31 July		**810,802**	873,257

15. Investment Properties

	2019 HK$'000	2018 HK$'000
Completed investment properties	**12,855,500**	12,857,500
Investment properties under construction, at fair value	**6,597,099**	4,330,900
Investment properties under construction, at cost *	**1,002,601**	1,019,422
Total	**20,455,200**	18,207,822

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

	Note	2019 HK$'000	2018 HK$'000
Carrying amount as at 1 August		**18,207,822**	16,457,221
Finance costs capitalised	6	**144,448**	81,436
Other additions		**1,722,074**	642,063
Additions under swap of properties		**—**	329,294
Transfer from completed properties for sale		**—**	16,127
Net gain from fair value adjustments		**634,810**	860,037
Exchange realignment		**(253,954)**	(178,356)
Carrying amount as at 31 July		**20,455,200**	18,207,822

The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

As at 31 July 2019, certain investment properties with an aggregate carrying amount of HK$10,890,290,000 (2018: HK$11,575,170,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(d) to the financial statements.

Valuation processes of the Group

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

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

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

15. Investment Properties (continued)

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

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

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

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

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

2019

Description	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Commercial properties	Income approach	Average unit market rent per month (HK$/sq.m)	31-354	note 1
		Capitalisation rate	4.25%-7.50%	note 2
Residential property	Market approach	Average market unit rate (HK$/sq.m)	157,000	note 6
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m)	14,200-79,000	note 3
		Developer's profit margin	2%-4.5%	note 4
		Budgeted costs to completion (HK$)	283,700,000-985,200,000	note 5

15. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

Information about fair value measurement using significant unobservable inputs (Level 3) (continued)
2018

Description	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Commercial properties	Income approach	Average unit market rent per month (HK$/sq.m)	32-360	note 1
		Capitalisation rate	4.25%-7.50%	note 2
Residential property	Market approach	Average market unit rate (HK$/sq.m)	159,000	note 6
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m)	14,400-88,000	note 3
		Developer's profit margin	5%-9%	note 4
		Budgeted costs to completion (HK$)	1,156,700,000-2,062,500,000	note 5

Notes:

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

16. PREPAID LAND LEASE PAYMENTS

	Note	2019 HK$'000	2018 HK$'000
Carrying amount as at 1 August		**4,183**	4,397
Amortised during the year	7	**(179)**	(188)
Exchange realignment		**(53)**	(26)
Carrying amount as at 31 July		**3,951**	4,183

17. Investments in Joint Ventures

	2019 HK$'000	2018 HK$'000
Share of net assets, other than goodwill	**1,317**	1,632,428
Amounts due from joint ventures	**—**	217,009
	1,317	1,849,437

The amounts due from joint ventures were unsecured, interest-free and had no fixed terms of repayment. In the opinion of the directors, the amounts due from joint ventures are considered as part of the Group's net investments in the joint ventures.

	2019	2018	
	HK$'000	Effective interest rate (%)	HK$'000
Unsecured loans from a joint venture:			
Current	**—**	3.05	218,542
Non-current	**—**	3.05-4.20	426,156
	—		644,698
Maturity profile:			
Within one year	**—**		218,542
In the second year	**—**		426,156
	—		644,698

The aggregate financial information of the Group's joint ventures is as follows:

	2019 HK$'000	2018 HK$'000
Share of joint ventures' profits/(losses)	**(20,191)**	440,221
Share of other comprehensive expenses of joint ventures	**(7,165)**	(9,457)
Share of total comprehensive income/(expenses) of joint ventures	**(27,356)**	430,764

During the years ended 31 July 2019 and 31 July 2018, the Company, through its wholly-owned subsidiaries, owned 50% equity interest in Beautiwin Limited ("**HK Beautiwin**"), which in turn owns 95% equity interest in Guangzhou Beautiwin Real Estate Development Company Limited ("**Guangzhou Beautiwin**"). Guangzhou Beautiwin was engaged in property development and was wound up during the year.

During the year, HK Beautiwin has declared and paid a dividend of HK$1,603,755,000 (note 39) to the Group.

18. INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Share of net assets	**330**	390
Amount due from an associate	**5,474**	5,542
	5,804	5,932

The amount due from an associate was unsecured, interest-free and had no fixed terms of repayment. In the opinion of the directors, the amount due from an associate is considered as part of the Group's net investment in the associate.

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

As at 31 July 2019 and 2018, there were no material associates which principally affected the result for the year or formed a substantial portion of the net assets of the Group.

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

	2019 HK$'000	2018 HK$'000
Share of the associates' losses and other comprehensive expenses	**60**	207

19. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

19. Debtors, Deposits and Prepayments (continued)

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

	2019 **HK$'000**	2018 HK$'000
Trade receivables, net		
Within one month	**102,169**	87,563
One to three months	**3,467**	2,784
Over three months	**5,346**	3,334
	110,982	93,681
Other receivables, deposits and prepayments	**443,915**	276,777
Total	**554,897**	370,458

The Group has applied the simplified approach to provide for expected credit losses for trade receivables which permits the use of lifetime expected credit loss provision for all trade receivables; and general approach for financial assets included in other receivables, deposits and prepayments. To measure the expected credit losses, the Group considered the historical and forward-looking information. As at 31 July 2019, the Group estimated that the expected credit loss for trade receivables and financial assets included in other receivables, deposits and prepayments were insignificant.

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

	Note	2019 HK$'000	2018 HK$'000
Cash and bank balances		**2,029,114**	1,639,489
Less: Pledged and restricted bank balances			
Pledged for bank facilities *		**(86,480)**	—
Pledged for bank loans	25(e)	**(605,307)**	(230,893)
Restricted **		**(98,954)**	(407,343)
Non-pledged and non-restricted cash and bank balances		**1,238,373**	1,001,253
Time deposits		**1,068,145**	798,438
Less: Pledged and restricted time deposits			
Pledged for bank loans	25(e)	**(367,650)**	(419,816)
Restricted **		**(15,384)**	(15,590)
Non-pledged and non-restricted time deposits ***		**685,111**	363,032
Cash and cash equivalents		**1,923,484**	1,364,285

* The balance was pledged to a bank in respect of guarantee letters issued by the bank in favor of a government authority.

** In accordance with the relevant laws and regulations imposed by the government authorities concerned or the terms and conditions set out in the relevant bank loan agreements, proceeds from the pre-sale of certain properties are required to be deposited into designated bank accounts and restricted to be used in the relevant project construction. Such restriction will be uplifted upon repayment of the relevant bank loans or the attainment of the relevant ownership certificates issued by the authorities. As at 31 July 2019, the balance was HK$72,107,000 (2018: HK$219,943,000).

In accordance with the relevant laws and regulations imposed by the government authorities concerned, estimated resettlement costs of certain sites for development are required to be deposited into designated bank accounts. Such deposits are restricted to be used for the resettlement and such restriction will be uplifted upon completion of the resettlement. As at 31 July 2019, the balance amounted to HK$24,311,000 (2018: HK$24,563,000).

In accordance with the relevant clauses of certain bank loan facilities, proceeds from the drawdown of bank loans are required to be deposited into designated bank accounts and restricted to be used for settlement of construction costs of the relevant projects. As at 31 July 2019, the balance amounted to HK$2,441,000 (2018: HK$162,244,000).

In accordance with the relevant laws and regulations imposed by the government authorities concerned, certain deposits are required to be placed into designated bank accounts restricted as to use. As at 31 July 2019, the balance amounted to HK$15,479,000 (2018: HK$16,183,000).

*** The non-pledged and non-restricted time deposits with original maturity of less than three months amounted to HK$645,802,000 (2018: HK$363,032,000) and were classified as cash and cash equivalents for the purpose of the consolidated statement of cash flows.

The conversion of Renminbi ("**RMB**") denominated time deposits and cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchange control promulgated by the government authorities concerned. As at 31 July 2019, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK$2,357,250,000 (2018: HK$2,053,502,000).

21. Assets Classified as Held For Sale

During the year ended 31 July 2019, two blocks of serviced apartments located in Zhongshan (namely, STARR Resort Residence Zhongshan) were offered for sale. The serviced apartments were previously classified as property, plant and equipment. Management has committed to a plan to sell with an active programme to locate buyers already initiated and the disposal is expected to be completed in the ensuing year. As a result, the serviced apartments with a carrying amount of HK$70,972,000 were transferred to assets classified as held for sale.

22. Creditors and Accruals

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

	Note	**2019 HK$'000**	2018 HK$'000
Trade payables			
Within one month		**921,207**	178,907
One to three months		**11**	46,067
Over three months		**1,798**	264
		923,016	225,238
Accruals and other payables		**859,885**	1,196,405
Put option liabilities	26	**279,720**	—
Total		**2,062,621**	1,421,643

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

23. Contract Liabilities, Deposits Received and Deferred Income

An analysis of the contract liabilities, deposits received and deferred income as at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Contract liabilities (Note)	**267,143**	—
Deposits received and deferred income	**422,814**	514,024
	689,957	514,024
Amounts classified as current liabilities	**(540,744)**	(369,789)
Non-current liabilities	**149,213**	144,235

Note:

Contract liabilities as at 31 July 2019 and 1 August 2018 with amount of HK$267,143,000 and HK$296,195,000, respectively, were both arising from sales of properties. The decrease in contract liabilities for the year ended 31 July 2019 was mainly due to the net effect of recognition of revenue and receipt of advance from customers.

24. Derivative Financial Instruments

	2019 HK$'000	2018 HK$'000
Cross currency swap agreements for guaranteed notes (the "**CCS — Guaranteed Notes**")	**20,581**	2,531

The carrying amount of the CCS — Guaranteed Notes is the same as its fair value.

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

2019

	Note	**HK$'000**
Carrying amount as at 1 August		**2,531**
Fair value gains credited to the consolidated income statement	7	**18,050**
Carrying amount as at 31 July		**20,581**

2018

	CCS — Guaranteed Notes HK$'000	CCS — Fixed Rate Senior Notes (as defined below) HK$'000	Total HK$'000
Carrying amount as at 1 August	—	(208,223)	(208,223)
Fair value gains credited to the hedge reserve	—	161,845	161,845
Fair value gains credited to the consolidated income statement	2,531	463	2,994
Settlement upon maturity of cross currency swaps ("**CCS**")	—	45,915	45,915
Carrying amount as at 31 July	2,531	—	2,531

24. Derivative Financial Instruments (continued)

CCS — Guaranteed Notes

During the year ended 31 July 2018, the Group entered into the CCS — Guaranteed Notes with the financial institutions with an aggregate nominal amount of US$350,000,000 in connection with the guaranteed notes as detailed in note 29 to the financial statements.

Pursuant to the terms of the CCS — Guaranteed Notes, the Company receives an amount semi-annually calculated based on a fixed rate of 5.65% per annum on the aggregate notional amount of US$350,000,000 during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date — Guaranteed Notes (as defined in note 29), and pays an amount semi-annually calculated based on a fixed rate of 5.37% per annum on the aggregate notional amount of HK$2,738,225,000 (being the HK$ equivalent amount of US$350,000,000 translated at a contracted exchange rate of US$1 to HK$7.8235) during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date — Guaranteed Notes. Before 18 January 2023, the Group will receive the aggregate notional amount of US$350,000,000 and will pay the aggregate notional amount of HK$2,738,225,000.

The CCS — Guaranteed Notes are not designed for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the CCS — Guaranteed Notes amounting to HK$18,050,000 were credited to the consolidated income statement during the year (2018: HK$2,531,000).

CCS — Fixed Rate Senior Notes

On 25 April 2013, the Company issued RMB1,800,000,000 (equivalent to approximately HK$2,243,270,000) of 6.875% fixed rate senior notes, which were matured on 25 April 2018 for bullet repayment. The fixed rate senior notes bore interest from 25 April 2013 and were payable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2013 (each, an "**Interest Payment Date — Fixed Rate Senior Notes**"). On 25 April 2013, the Group entered into cross currency swap agreements for the fixed rate senior notes (the "**CCS — Fixed Rate Senior Notes**") with financial institutions with an aggregate nominal amount of RMB1,800,000,000 for the purpose of hedging the foreign currency risk arising from the fixed rate senior notes.

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

The CCS — Fixed Rate Senior Notes were designated as hedging instruments in respect of the fixed rate senior notes and the CCS — Fixed Rate Senior Notes balances varied with the changes in foreign exchange forward rates.

24. Derivative Financial Instruments (continued)

CCS — Fixed Rate Senior Notes (continued)

The effectiveness of the cash flow hedges of the fixed rate senior notes was assessed semi-annually by the Group. As at 31 January 2018, the cash flow hedges of the fixed rate senior notes were assessed to be highly effective. A net gain on the cash flow hedges of HK$26,886,000 for the period between 1 August 2017 and 31 January 2018 was included in the hedge reserve as follows:

	2018 HK$'000
Fair value gains included in the hedge reserve	161,845
Transferred from the hedge reserve to the consolidated income statement for the exchange loss of the fixed rate senior notes	(134,959)
Net gain on cash flow hedges	26,886

On 25 April 2018, the fixed rate senior notes and the CCS — Fixed Rate Senior Notes both matured. Total fair value gains of HK$38,049,000 (note 7) comprising the fair value gains of CCS of HK$2,994,000 and the release of hedge reserve related to CCS — Fixed Rate Senior Notes of HK$35,055,000 were credited to the consolidated income statement and included in "Other operating expenses, net" during the year ended 31 July 2018.

25. Interest-Bearing Bank Loans

	2019 Effective interest rate (%)	2019 HK$'000	2018 Effective interest rate (%)	2018 HK$'000
Bank loans:				
Current:				
Unsecured	**6.81**	**2,014**	—	—
Secured	**4.75-6.14**	**431,522**	5.23-6.47	200,669
		433,536		200,669
Non-current:				
Unsecured	**5.28-6.81**	**1,197,335**	6.81	237,290
Secured	**4.75-6.14**	**4,356,815**	4.75-6.47	3,335,174
		5,554,150		3,572,464
		5,987,686		3,773,133
Maturity profile:				
Within one year		**433,536**		200,669
In the second year		**2,966,309**		455,800
In the third to fifth years, inclusive		**1,447,812**		2,922,540
Beyond five years		**1,140,029**		194,124
		5,987,686		3,773,133

On 18 March 2016, the Company (i) as the borrower and, inter alios, the banks named therein as lenders entered into an offshore facility agreement in relation to facilities of HK$2,650,000,000 (the "**Offshore Facilities**"); and (ii) as the guarantor and, inter alios, certain subsidiaries of the Company as borrowers and banks named therein as lenders entered into an onshore facility agreement in relation to facilities of approximately HK$936,000,000 equivalent (the "**Onshore Facilities**"). As at 31 July 2019, HK$2,160,000,000 (2018: HK$1,080,000,000) and HK$852,865,000 (2018: HK$878,001,000) were outstanding under the Offshore Facilities and the Onshore Facilities, respectively.

25. Interest-Bearing Bank Loans (continued)

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

(a) mortgages over certain serviced apartments (including related leasehold improvements) of the Group with an aggregate carrying amount of HK$428,716,000 (2018: HK$464,731,000) (note 13);

(b) no mortgage over construction in progress of the Group (2018: HK$904,150,000) (note 13);

(c) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$1,085,322,000 (2018: HK$1,366,725,000) (note 14);

(d) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$10,890,290,000 (2018: HK$11,575,170,000) (note 15);

(e) charges over time deposits and bank balances of the Group with an aggregate carrying amount of HK$972,957,000 (2018: HK$650,709,000) (note 20); and

(f) charges over the entire equity interest in certain subsidiaries of the Company.

Pursuant to an intercreditor agreement dated 28 March 2013 (as amended, restated and supplemented from time to time) (the "**Intercreditor Agreement**"), (i) the lenders under the Offshore Facilities, (ii) the holder of the fixed rate senior notes and (iii) the holders of future permitted pari passu secured indebtedness, if any, are entitled to the benefit of a lien on a package of securities shared on a pari passu basis.

Upon and after the maturity of the fixed rate senior notes on 25 April 2018, the holders of the fixed rate senior notes ceased to be a party to the Intercreditor Agreement in accordance with the terms thereof.

26. Put Option Liabilities and Other Borrowings

On 31 December 2018, Rosy Commerce Holdings Limited ("**Rosy Commerce**", a company indirectly owned by the Company and eSun Holdings Limited ("**eSun**") as to 80% and 20%, respectively) and China Cinda (HK) Asset Management Co., Limited ("**Cinda**"), an independent third party, entered into two investment agreements (the "**Agreements**"). Pursuant to the Agreements, Cinda agrees to invest, by way of share subscription and/or share sale, in two wholly-owned subsidiaries of Rosy Commerce, namely Harmonic Run Limited ("**HRL**") and Glorious Stand Limited ("**GSL**") at a total consideration (the "**Consideration**") of approximately US$35,752,000 (the "**Transaction**"). The Transaction was completed on 25 January 2019 (the "**Completion Date**") and Cinda became a holder of 30% equity interests in HRL and GSL.

On the Completion Date, Rosy Commerce and Cinda further entered into two shareholders' agreements, pursuant to the buy-back clause contained therein, upon the occurrence of certain triggering events during the six-year investment period, Rosy Commerce has a contractual obligation to buy-back the 30% equity interests in each of HRL and GSL from Cinda at an aggregate amount equal to the Consideration. Accordingly, financial liabilities of approximately US$35,752,000 (equivalent to approximately HK$279,720,000) are recorded as put option liabilities under "creditors and accruals" of the consolidated statement of financial position as at 31 July 2019.

26. Put Option Liabilities and Other Borrowings (continued)

On the Completion Date, Rosy Commerce and Cinda entered into two shareholders loan agreements, pursuant to which, Cinda provided non-interest-bearing initial shareholder loans of an aggregate amount of USD equivalent of RMB36,000,000 (equivalent to approximately HK$41,440,000) to HRL and GSL. Such shareholders' loans are repayable upon the earlier of, inter alia, the sixth anniversary of the date of the two shareholders loan agreements; or the occurrence of the buy-back triggering events mentioned above. The shareholders' loans were recognised as other borrowings and recorded in current liabilities of the consolidated statement of financial position as at 31 July 2019.

Further details of the Transaction are set out in a joint announcement of the Company, LSD, LSG and eSun dated 2 January 2019.

27. Advances from a Former Substantial Shareholder

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

28. Loans from a Fellow Subsidiary

The fellow subsidiary, is a non-controlling shareholder of a subsidiary of the Company. The loans were unsecured and interest-free. As at 31 July 2019, the loans are repayable on demand. As at 31 July 2018, the fellow subsidiary agreed that no demand for settlement of the loans would be made to that subsidiary within one year from the end of the reporting period.

29. Guaranteed Notes

US$350,000,000 5.65% Guaranteed Notes due 2023

On 18 January 2018, Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of the Company issued US$350,000,000 of 5.65% fixed rate guaranteed notes, which will mature on 18 January 2023 for bullet repayment. The guaranteed notes bear interest from 18 January 2018 and are payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2018 (each, an "**Interest Payment Date — Guaranteed Notes**"). The guaranteed notes are listed on the Stock Exchange.

The guaranteed notes are guaranteed by the Company and also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from LSD.

The guaranteed notes were issued for the refinancing of the fixed rate senior notes which was matured on 25 April 2018 and for general corporate purposes. The net proceeds from the guaranteed notes after deducting issue expenses amounted to approximately HK$2,712,758,000.

No guaranteed notes were repurchased during the year (2018: Nil).

29. Guaranteed Notes (continued)

US$350,000,000 5.65% Guaranteed Notes due 2023 (continued)

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

	Note	**2019 HK$'000**	2018 HK$'000
Carrying amount as at 1 August		**2,725,518**	—
Newly issued guaranteed notes		**—**	2,737,000
Issue expenses		**—**	(24,242)
Amortisation of transaction fee for the guaranteed notes	6	**4,440**	2,260
Exchange realignment		**(9,101)**	10,500
Carrying amount as at 31 July		**2,720,857**	2,725,518

The effective interest rate of the guaranteed notes is 5.86% per annum.

In connection with the guaranteed notes, the Company entered into the CCS — Guaranteed Notes (as defined in note 24) with financial institutions, which have effectively converted the guaranteed notes into fixed rate HK$ denominated debts. Taking into account the CCS — Guaranteed Notes, the effective interest rate of the guaranteed notes is 5.58% per annum. Details of the CCS — Guaranteed Notes are set out in note 24 to the financial statements.

30. Deferred Tax

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

	Depreciation allowance in excess of related depreciation and development costs HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
As at 1 August 2017	543,105	104,529	1,948,517	111,851	(5,895)	1,925	2,704,032
Deferred tax charged/(credited) to the income statement during the year (note 10(a))	59,381	—	215,009	12,993	(11,944)	(1,992)	273,447
Exchange realignment	(6,903)	(815)	(24,688)	—	574	67	(31,765)
As at 31 July 2018 and 1 August 2018	595,583	103,714	2,138,838	124,844	(17,265)	—	2,945,714
Deferred tax charged/(credited) to the income statement during the year (note 10(a))	52,503	—	158,702	(10,959)	15,730	(206)	215,770
Deferred tax utilised during the year	—	—	—	(20,927)	—	—	(20,927)
Exchange realignment	(8,502)	(1,375)	(30,272)	—	68	(1)	(40,082)
As at 31 July 2019	**639,584**	**102,339**	**2,267,268**	**92,958**	**(1,467)**	**(207)**	**3,100,475**

As at 31 July 2019, the Group had tax losses arising in Mainland China of HK$202,151,000 (2018: HK$167,452,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it may not be probable that taxable profits will be available against which the tax losses could be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10% (2018: 10%). The Group is therefore liable to withholding taxes on dividends to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

31. Share Capital

Shares

	2019 HK$'000	2018 HK$'000
Authorised: 400,000,000 ordinary shares of HK$5.0 each (2018: 400,000,000 ordinary shares of HK$5.0 each)	**2,000,000**	2,000,000
Issued and fully paid: 327,386,965 ordinary shares of HK$5.0 each (2018: 327,044,134 ordinary shares of HK$5.0 each)	**1,636,935**	1,635,221

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

	Number of authorised shares	**Number of issued shares**	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
As at 1 August 2017	20,000,000,000	16,285,086,736	1,628,509	4,075,257	5,703,766
Share Consolidation**	(19,600,000,000)	(15,959,385,002)	—	—	—
Issue of shares upon exercise of share options*	—	220,000	1,100	2,033	3,133
Shares issued in lieu of cash dividend (note 11)	—	1,122,400	5,612	8,521	14,133
As at 31 July 2018 and 1 August 2018	400,000,000	327,044,134	1,635,221	4,085,811	5,721,032
Shares issued in lieu of cash dividend (note 11)	—	342,831	1,714	1,511	3,225
As at 31 July 2019	**400,000,000**	**327,386,965**	**1,636,935**	**4,087,322**	**5,724,257**

* During the year ended 31 July 2018, 220,000 ordinary shares of HK$5.0 each were issued in respect of a share option exercised under the Company's share option scheme at an exercise price of HK$11.40 per share and total cash consideration of HK$2,508,000 was received. The share option reserve of HK$625,000 was released to the share premium account.

** The shareholders of the Company approved at the extraordinary general meeting held on 14 August 2017 that every fifty issued and unissued ordinary shares of HK$0.10 each in the share capital of the Company are consolidated into one ordinary share of HK$5.0 each in the share capital of the Company which became effective on 15 August 2017 (the "**Share Consolidation**"). As a result of the Share Consolidation, the number of authorised ordinary shares was adjusted from 20,000,000,000 of HK$0.10 each to 400,000,000 of HK$5.0 each while the number of issued and fully paid ordinary shares was adjusted from 16,285,086,736 of HK$0.10 each to 325,701,734 of HK$5.0 each.

Further details of the Share Consolidation are set out in an announcement and the circular of the Company dated 18 July 2017 and 26 July 2017, respectively.

31. Share Capital (continued)

Share options

Details of the Company's share option schemes are included in note 32 to the financial statements.

32. Share Option Schemes

2003 Share Option Scheme

On 21 August 2003, the Company adopted a share option scheme (as amended on 8 August 2018) (the "**2003 Share Option Scheme**") for the purpose of providing incentives and rewards to Eligible Participants (as defined in the scheme) who contribute to the success of the Group's operations. Eligible Participants of the 2003 Share Option Scheme include the directors and any employees of the Group. Unless otherwise cancelled or amended, the 2003 Share Option Scheme will remain in force for 10 years from that date. The 2003 Share Option Scheme was terminated upon the adoption of the 2012 Share Option Scheme (as defined below) on 18 December 2012.

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

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

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

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

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

32. Share Option Schemes (continued)

2012 Share Option Scheme

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

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

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

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

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

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

32. Share Option Schemes (continued)

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

	2019		2018	
	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 as at 1 August	**10,234,117**	**10.924**	10,064,117	10.821
Granted during the year	**580,000**	**10.180**	450,000	13.520
Exercised during the year	**—**	**—**	(220,000)	11.400
Lapsed during the year	**—**	**—**	(60,000)	11.400
Outstanding and exercisable as at 31 July	**10,814,117**	**10.884**	10,234,117	10.924

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

The outstanding number of underlying shares comprised in share options as at 1 August 2017 and the related weighted average exercise price per share are adjusted to reflect the effect of the Share Consolidation (as defined in note 31).

Other than the grant of share options comprising 580,000 underlying shares, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the 2003 Share Option Scheme and 2012 Share Option Scheme during the year.

The closing price of the Company's shares immediately before the date of grant of share options granted during the year was HK$10.12.

The fair value of the share options granted during the year was approximately HK$2,322,000, HK$4.0033 each (2018: HK$2,441,000, HK$5.4236 each) which was recognised as a share option expense of approximately HK$2,322,000 (2018: HK$2,441,000) (note 7) and HK$743,000 (2018: HK$806,000) (before and after capitalisation to properties under development/investment properties under construction/construction in progress, respectively) for the year ended 31 July 2019.

32. Share Option Schemes (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial Option Pricing Model ("**Binomial Model**"), taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	**22 January 2019**	19 January 2018
Closing share price on the date of grant (HK$ per share)	**10.18**	13.52
Exercise price (HK$ per share)	**10.18**	13.52
Option life (years)	**10**	10
Risk-free interest rate (%)	**2.0202**	2.0181
Dividend yield (%)	**2.0202**	1.5129
Expected volatility (%)	**46.8070**	47.6430
Historical volatility (%)	**46.8070**	47.6430
Forfeiture rate (%)	**2.5329**	2.7848

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The value of the share options is subject to a number of assumptions and with regard to the limitation of the Binomial Model. Therefore, the value may be subjective and would change should any of the assumptions change.

As at 31 July 2019, a total of 10,814,117 underlying shares comprised in share options were outstanding, of which 1,009,591 underlying shares relate to a share option granted under the 2003 Share Option Scheme and 9,804,526 underlying shares relate to share options granted under the 2012 Share Option Scheme, represented approximately 0.3% and 3.0% of the Company's shares in issue, respectively, as at that date.

33. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 102 of the financial statements.

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

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities during the year are as follows:

2019

	Bank loans HK$'000	Interests, bank financing charges and direct costs payable# HK$'000	Loans from a fellow subsidiary HK$'000	Loans from a joint venture HK$'000	Other borrowings HK$'000	Guaranteed notes HK$'000	Put option liabilities# HK$'000
As at 1 August 2018	**3,773,133**	**35,106**	**248,509**	**644,698**	**—**	**2,725,518**	**—**
Changes from financing cash flows	**2,218,912**	**(425,089)**	**69,673**	**(633,081)**	**41,560**	**—**	**280,532**
Finance costs	**26,086**	**420,568**	**—**	**—**	**—**	**4,440**	**—**
Foreign exchange movements	**(30,445)**	**(330)**	**(1,923)**	**(11,617)**	**(120)**	**(9,101)**	**(812)**
As at 31 July 2019	**5,987,686**	**30,255**	**316,259**	**—**	**41,440**	**2,720,857**	**279,720**

2018

	Bank loans HK$'000	Interests, bank financing charges and direct costs payable# HK$'000	Loans from a fellow subsidiary HK$'000	Loans from a joint venture HK$'000	Fixed rate senior notes HK$'000	Guaranteed notes HK$'000
As at 1 August 2017	2,896,093	65,729	218,279	842,510	2,080,366	—
Changes from financing cash flows	887,171	(422,111)	29,720	(207,929)	(2,243,270)	2,712,758
Finance costs	19,152	391,678	—	—	6,349	2,260
Foreign exchange movements	(29,283)	(190)	510	10,117	156,555	10,500
As at 31 July 2018	3,773,133	35,106	248,509	644,698	—	2,725,518

These amounts are included in creditors and accruals.

35. Contingent Liabilities

The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2019, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$566,825,000 (2018: HK$520,342,000).

36. Operating Lease Arrangements

(a) As lessor

Certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2018: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2019, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**499,624**	499,677
In the second to fifth years, inclusive	**1,038,455**	969,516
After five years	**216,796**	172,091
	1,754,875	1,641,284

In addition, the operating lease arrangements for certain investment properties of the Group are contingent based on the turnover of the tenants pursuant to the terms and conditions as set out in the respective agreements. As the future turnover of the tenants could not be accurately determined, the relevant contingent rent has not been included above.

36. Operating Lease Arrangements (continued)

(b) As lessee

The Group leased certain office properties under operating lease arrangements with lease terms up to three years (2018: three years).

As at 31 July 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**5,787**	2,441
In the second to fifth years, inclusive	**4,046**	1,057
	9,833	3,498

37. Commitments

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments as at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Contracted, but not provided for:		
Construction, development and resettlement costs	**1,288,365**	2,060,785

38. Pledge of Assets

Details of the Group's bank loans which were secured by certain assets of the Group, are included in note 25 to the financial statements.

39. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	**2019 HK$'000**	2018 HK$'000
LSG and its subsidiaries excluding eSun and its subsidiaries:			
Rental and management fee expenses paid or payable	(i)	**2,736**	2,694
Rental and management fee income received or receivable	(ii)	**369**	67
Tax indemnity received	(iii)	**—**	92,695
Sharing of corporate salaries on a cost basis allocated from		**24,007**	23,303
Sharing of administrative expenses on a cost basis allocated from		**5,681**	3,124
Sharing of corporate salaries on a cost basis allocated to		**3,596**	3,055
Sharing of administrative expenses on a cost basis allocated to		**1,094**	442

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

	Notes	**2019 HK$'000**	2018 HK$'000
eSun and its subsidiaries excluding the Group:			
Rental and management fee income received or receivable	(iv)	**8,098**	8,759
Advance of loans received	(v)	**117,860**	66,720
Repayment of loans	(v)	**48,187**	37,000
Sharing of corporate salaries on a cost basis allocated from		**2,322**	2,225
Sharing of administrative expenses on a cost basis allocated from		**35**	138
Sharing of corporate salaries on a cost basis allocated to		**1,005**	962
Sharing of administrative expenses on a cost basis allocated to		**279**	98
A subsidiary of CapitaLand Limited:			
Management and other service fees paid or payable	(vi)	**9,039**	9,432
Joint ventures of the Group:			
Advance of loans received	(vii)	**462,834**	—
Advance of loans repaid	(vii)	**1,095,915**	207,929
Repayment from/(advances to)	(vii)	**216,905**	(32,544)
Interest expenses paid or payable	(vii)	**7,125**	28,189
Dividend received	(viii)	**1,603,755**	—
An associate of the Group:			
Advance to	(ix)	**—**	5,482

39. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The related companies are LSD and a subsidiary of LSD, which are the subsidiaries of LSG (the ultimate holding company of the Company since 8 August 2018). During the year ended 31 July 2018, eSun (the then ultimate holding company of the Company) was an associate of LSD, therefore the Company was also an associate of LSD. The terms of the rental and management fee were determined based on the agreements entered into between the Group and the related companies.

(ii) The related company is a subsidiary of LSD. The terms of the rental and management fee were determined based on the agreements entered into between the Group and the related company.

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

(iv) The related companies are subsidiaries of eSun (an intermediate holding company of the Company) where the Company does not hold, directly or indirectly, any equity interest in the related companies. The terms of the rental and management fee were determined based on the agreements entered into between the Group and the related companies.

(v) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. The terms of the loans are set out in note 28 to the financial statements.

(vi) The related company is a subsidiary of CapitaLand Limited and the Company is an associate of CapitaLand Limited. The related company provides management and other services on the serviced apartment operation of the Group. The terms of the management and other service fees were determined based on the agreement entered into between the Group and the related company.

(vii) The related companies are joint ventures of the Group, Guangzhou Beautiwin and HK Beautiwin. The terms of the interest-bearing and interest-free loans are determined based on the agreements entered into between the Group and the related companies and set out in note 17 to the financial statements.

The terms of other advances are set out in note 17 to the financial statements.

(viii) The related company is a joint venture of the Group, HK Beautiwin. During the year ended 31 July 2019, a dividend of HK$1,603,755,000 (note 17) was received from the related company.

(ix) The related party is an associate of the Group. The terms of advances are set out in note 18 to the financial statements.

Certain of the above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed in the Report of the Directors.

(b) Outstanding balances with related parties

Details of the loans from joint ventures, advances from a former substantial shareholder of the Company and loans from a fellow subsidiary are included in notes 17, 27 and 28 to the financial statements, respectively.

39. Related Party Transactions (continued)

(c) Guarantees provided by a related party

eSun, which is the Company's intermediate holding company during the year, provided guarantees for 20% (being eSun's equity interest in the relevant borrowers excluding the portion indirectly held through the Company) of certain bank loan facilities of up to HK$3,547,197,000 (2018: HK$3,392,052,000) in aggregate granted to certain subsidiaries of the Company.

(d) Compensation of key management personnel of the Group

	2019 **HK$'000**	2018 HK$'000
Short-term employee benefits	**26,607**	26,121
Pension scheme contributions	**129**	129
Total	**26,736**	26,250

Key management personnel of the Group mainly includes directors of the Company. Further details of directors' emoluments are included in note 8 to the financial statements.

40. Financial Instruments by Category

Financial assets

Except for the derivative financial instruments which are classified as "financial assets at fair value through profit or loss", as at 31 July 2019, the Group's financial assets were categorised as financial assets at amortised cost (2018: loans and receivables).

Financial liabilities

As at 31 July 2019 and 2018, the Group's financial liabilities were categorised as financial liabilities at amortised cost.

41. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	31 July 2019 HK$'000	31 July 2018 HK$'000	**31 July 2019 HK$'000**	31 July 2018 HK$'000
Financial assets				
Derivative financial instruments	**20,581**	2,531	**20,581**	2,531
Financial liabilities				
Guaranteed notes	**2,720,857**	2,725,518	**2,667,667**	2,580,772

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) The fair value of guaranteed notes is based on quoted market prices; and

(ii) Derivative financial instruments, being the cross currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves as well as other unobservable inputs. The carrying amounts of the derivative financial instruments are the same as their fair values.

Other than the above financial assets and liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 July 2019 and 31 July 2018.

41. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

2019

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$1.58 million to HK$19.87 million	1
		Expected exposure at default — the Company	HK$3.45 million to HK$20.96 million	2
		Credit spread — counterparty	9.07 basis point to 106.44 basis point	3
		Credit spread — the Company	302.23 basis point to 517.02 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

2018

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$4.91 million to HK$20.00 million	1
		Expected exposure at default — the Company	HK$8.57 million to HK$33.95 million	2
		Credit spread — counterparty	17.36 basis point to 129.32 basis point	3
		Credit spread — the Company	423.62 basis point to 703.18 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

Notes:

1. The higher the expected exposure at default — counterparty, the lower the fair value of CCS
2. The higher the expected exposure at default — the Company, the higher the fair value of CCS
3. The higher the credit spread — counterparty, the lower the fair value of CCS
4. The higher the credit spread — the Company, the higher the fair value of CCS
5. The higher the loss given default ratio — counterparty, the lower the fair value of CCS
6. The higher the loss given default ratio — the Company, the higher the fair value of CCS

41. Fair Values and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 July 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Derivative financial instruments	**—**	**—**	**20,581**	**20,581**

As at 31 July 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	—	2,531	2,531

Save as disclosed above, the Group did not have any financial assets or liabilities measured at fair value as at 31 July 2019 and 31 July 2018.

During the years ended 31 July 2019 and 31 July 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. The movement in the financial assets arising from the CCS is disclosed in note 24 to the financial statements.

Liabilities for which fair values are disclosed

The Group's financial liabilities for which fair values are disclosed include guaranteed notes, fair value of which are based on quoted market prices and are categorised in Level 1.

42. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group other than derivative financial instruments, comprise pledged and restricted time deposits and bank balances and cash and cash equivalents. Management will, based on the Group's projected cash flow requirements, determine the types and the levels of these financial assets with a view to maintaining an appropriate level of fundings for the Group's operations and enhancing the returns generated from these financial assets.

The Group's principal financial liabilities are bank loans and guaranteed notes. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment purposes. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. Management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts relatively conservative strategies on its risk management. During the year ended 31 July 2013, the Group entered into cross currency swaps agreements to manage the foreign currency risk arising from the Group's fixed rate senior notes, which matured on 25 April 2018 as detailed in note 24 to the financial statements. During the year ended 31 July 2018, the Group has entered into cross currency swaps agreements with financial institutions, which will mature in 2023, and the guaranteed notes have been effectively converted into HK$ denominated debts. The Group does not hold or issue derivative financial instruments for trading purposes.

The policies are summarised as follows:

(a) Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, US$ and HK$. The Group, with HK$ as its presentation currency, is exposed to foreign currency risk arising from the exposure of HK$ against US$ and RMB, respectively. Considering that the guaranteed notes have been effectively converted into HK$ denominated debts and HK$ is pegged against US$, the Group believes that the corresponding exposure to US$ exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in Mainland China and the revenues are predominantly in RMB.

During the year ended 31 July 2018, the Group had CCS in respect of the fixed rate senior notes to minimise the foreign currency exposure as detailed in note 24 to the financial statements. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

42. Financial Risk Management Objectives and Policies (continued)

(a) Foreign currency risk (continued)

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the post-tax profit and equity (due to changes in the translated value of monetary assets and liabilities) of the Group.

	Change in exchange rate	Impact on post-tax profit HK$'000	Impact on equity * HK$'000
2019			
If US$/HK$ weakens against RMB	**5%**	**7,230**	**3,266**
If US$/HK$ strengthens against RMB	**5%**	**(6,661)**	**(3,077)**
2018			
If US$/HK$ weakens against RMB	5%	7,839	3,070
If US$/HK$ strengthens against RMB	5%	(7,127)	(2,823)

* excluding amounts attributable to non-controlling interests

(b) Interest rate risk

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by the changes of market interest rates.

The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At present, the Group does not intend to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

42. Financial Risk Management Objectives and Policies (continued)

(b) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings, net of amounts capitalised to properties under development, investment properties under construction and construction in progress) and the equity of the Group.

	Change in interest rate	Impact on post-tax profit HK$'000	Impact on equity * HK$'000
2019			
	+0.25%	**(6,836)**	**(6,836)**
	-0.25%	**6,836**	**6,836**
2018			
	+0.25%	(4,744)	(4,744)
	-0.25%	4,744	4,744

* excluding amounts attributable to non-controlling interests

(c) Liquidity risk

The Group monitors its risk of a shortage of funds by regularly reviewing its cash flow forecast. The cash flow forecast considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

42. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2019				
Creditors and accruals	**1,974,235**	**—**	**—**	**1,974,235**
Deposits received	**211,190**	**149,213**	**—**	**360,403**
Interest-bearing bank loans	**774,927**	**5,297,406**	**1,285,665**	**7,357,998**
Other borrowings	**41,440**	**—**	**—**	**41,440**
Advances from a former substantial shareholder	**—**	**53,006**	**—**	**53,006**
Loans from a fellow subsidiary	**316,259**	**—**	**—**	**316,259**
Guaranteed notes	**154,720**	**3,119,793**	**—**	**3,274,513**
Inflows of derivative financial instruments	**(154,720)**	**(3,119,793)**	**—**	**(3,274,513)**
Outflows of derivative financial instruments	**147,043**	**3,100,694**	**—**	**3,247,737**
	3,465,094	**8,600,319**	**1,285,665**	**13,351,078**
2018				
Creditors and accruals	1,321,567	—	—	1,321,567
Deposits received	50,472	144,235	—	194,707
Interest-bearing bank loans	193,311	4,036,345	220,207	4,449,863
Loans from a joint venture	238,444	429,708	—	668,152
Advances from a former substantial shareholder	—	53,719	—	53,719
Loans from a fellow subsidiary	—	248,509	—	248,509
Guaranteed notes	155,234	3,285,394	—	3,440,628
Inflows of derivative financial instruments	(155,234)	(3,285,394)	—	(3,440,628)
Outflows of derivative financial instruments	147,043	3,247,737	—	3,394,780
	1,950,837	8,160,253	220,207	10,331,297

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 35 to the financial statements. The earliest period in which the guarantees could be called is less than 12 months.

42. Financial Risk Management Objectives and Policies (continued)

(d) Credit risk

The Group maintains various credit policies for different business operations as described in note 19 to the financial statements. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 July 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 July 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs Stage 1 HK$'000	Lifetime ECLs Simplified approach HK$'000	HK$'000
Trade receivables*	—	110,982	110,982
Other receivables and deposits**	51,326	—	51,326
Pledged and restricted time deposits and bank balances	1,173,775	—	1,173,775
Cash and cash equivalents	1,923,484	—	1,923,484
	3,148,585	**110,982**	**3,259,567**

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 19 to the financial statements.

** The credit quality of the other receivables and deposits is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Maximum exposure as at 31 July 2018

The Group maintains various credit policies for different business operations as described in note 19 to the financial statements. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise pledged and restricted time deposits and bank balances and cash and cash equivalents, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group mainly consists of guaranteed notes, bank and other borrowings, and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on recommendations of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintaining of appropriate types and levels of debts.

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by net assets attributable to owners of the Company. Net debt includes interest-bearing bank loans, advances from a former substantial shareholder, guaranteed notes, loans from a fellow subsidiary, loans from a joint venture and other borrowings, less pledged and restricted time deposits and bank balances and cash and cash equivalents. The gearing ratio as at the end of the reporting period is as follows:

	2019 **HK$'000**	2018 HK$'000
Interest-bearing bank loans	**5,987,686**	3,773,133
Advances from a former substantial shareholder	**53,006**	53,719
Guaranteed notes	**2,720,857**	2,725,518
Loans from a fellow subsidiary	**316,259**	248,509
Loans from a joint venture	**—**	644,698
Other borrowings	**41,440**	—
Less:		
Pledged and restricted time deposits and bank balances	**(1,173,775)**	(1,073,642)
Cash and cash equivalents	**(1,923,484)**	(1,364,285)
Net debt	**6,021,989**	5,007,650
Net assets attributable to owners of the Company	**15,834,007**	15,502,867
Gearing ratio	**38%**	32%

43. 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:

	2019 **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**12,988,245**	10,256,451
CURRENT ASSETS		
Deposits and prepayments	**2,409**	6,672
Pledged bank balance	**216,139**	30,362
Cash and cash equivalents	**188,659**	64,286
Total current assets	**407,207**	101,320
CURRENT LIABILITIES		
Creditors and accruals	**10,682**	8,163
Interest-bearing bank loan, secured	**297,047**	148,110
Total current liabilities	**307,729**	156,273
NET CURRENT ASSETS/(LIABILITIES)	**99,478**	(54,953)
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,087,723**	10,201,498
NON-CURRENT LIABILITIES		
Due to subsidiaries	**4,730,404**	2,720,662
Interest-bearing bank loan, secured	**1,842,091**	898,511
Total non-current liabilities	**6,572,495**	3,619,173
	6,515,228	6,582,325
EQUITY		
Issued capital	**1,636,935**	1,635,221
Reserves (Note)	**4,878,293**	4,947,104
	6,515,228	6,582,325

43. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Hedge reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 August 2017		4,075,257	27,883	(9,558)	8,169	860,720	4,962,471
Profit for the year		—	—	—	—	45,616	45,616
Issue of shares upon exercise of share options	31	2,033	(625)	—	—	—	1,408
Equity-settled share option arrangement	32	—	2,441	—	—	—	2,441
Release of reserve upon lapse of share options		—	(170)	—	—	170	—
Shares issued in lieu of cash dividend	31	8,521	—	—	—	(14,133)	(5,612)
Net gain on cash flow hedges	24	—	—	—	26,886	—	26,886
Release of reserve upon maturity of cross currency swaps	24	—	—	—	(35,055)	—	(35,055)
Final 2017 dividend paid	11	—	—	—	—	(51,051)	(51,051)
As at 31 July 2018 and 1 August 2018		4,085,811	29,529	(9,558)	—	841,322	4,947,104
Loss for the year		—	—	—	—	(7,235)	(7,235)
Equity-settled share option arrangement	32	—	2,322	—	—	—	2,322
Shares issued in lieu of cash dividend	31	1,511	—	—	—	(3,225)	(1,714)
Final 2018 dividend paid	11	—	—	—	—	(62,184)	(62,184)
As at 31 July 2019		**4,087,322**	**31,851**	**(9,558)**	**—**	**768,678**	**4,878,293**

44. Particulars of the Company's Principal Subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Canvex Limited	Hong Kong	HK$2	—	100	Property investment
Eastern Power Limited	Hong Kong	HK$1	—	100	Investment holding
Eternal Medal Limited	Hong Kong	HK$1	—	100	Investment holding
Fore Bright Limited	Hong Kong	HK$1	—	100	Investment holding
Frank Light Development Limited	Hong Kong	HK$19,999,999	—	100	Investment holding
Gentle Code Limited	Hong Kong	HK$1	—	100	Investment holding
Gentle Holdings Limited	Hong Kong	HK$1	—	100	Investment holding
Goldthorpe Limited *	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Good Strategy Limited	British Virgin Islands/ Mainland China	US$1	—	100	Property investment
Grand Wealth Limited	Hong Kong	HK$2	—	100	Investment holding
Grosslink Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Guangzhou Gentle Code Real Estate Company Limited @ *	PRC/ Mainland China	US$22,830,000##	—	100	Property investment
Guangzhou Gentle Real Estate Company Limited @ *	PRC/ Mainland China	US$17,080,000##	—	100	Property development
Guangzhou Grand Wealth Properties Limited µ *	PRC/ Mainland China	HK$280,000,000##	—	100	Property development and investment
Guangzhou Guang Bird Property Development Limited ("**Guangzhou Guang Bird**") µ *	PRC/ Mainland China	US$79,600,000##	—	100	Property development and investment

44. Particulars of the Company's Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Honghui Real Estate Development Company Limited µ *	PRC/ Mainland China	RMB79,733,004##	—	100	Property development and investment
Guangzhou Jieli Real Estate Company Limited @ *	PRC/ Mainland China	HK$168,000,000##	—	100	Property investment
Hankey Development Limited	Hong Kong	HK$10,000	—	100	Investment holding
Kingscord Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Lai Fung Company Limited	Hong Kong	HK$20	100	—	Investment holding
Manful Concept Limited	Hong Kong	HK$2	—	100	Investment holding
Nicebird Company Limited	Hong Kong	HK$2	—	100	Investment holding
Pearl Merge Limited	Hong Kong	HK$1	—	80	Investment holding
Rosy Commerce Holdings Limited (Note)	British Virgin Islands/ Hong Kong	US$100	—	80	Investment holding
Shanghai Hankey Real Estate Development Company Limited @	PRC/ Mainland China	US$47,600,000##	—	100	Property investment
Shanghai HKP Property Management Limited @ *	PRC/ Mainland China	US$150,000##	—	100	Property management
Shanghai Hu Xin Real Estate Development Company Limited @	PRC/ Mainland China	US$40,000,000##	—	100	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited @ *	PRC/ Mainland China	US$36,000,000##	—	100	Property investment
Shanghai Wa Yee Real Estate Development Company Limited # *	PRC/ Mainland China	US$10,000,000##	70	25	Property development and investment

44. Particulars of the Company's Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Zhabei Plaza Real Estate Development Company Limited @	PRC/ Mainland China	US$79,800,000##	—	100	Property investment
Sunlite Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Wide Angle Development Limited	Hong Kong	HK$2	—	100	Investment holding
Winfield Concept Limited	Hong Kong	HK$1	—	80	Investment holding
Win Merge Limited	Hong Kong	HK$1	—	80	Investment holding
Zhongshan Bao Li Properties Development Company Limited ("**Zhongshan Bao Li**") @ *	PRC/ Mainland China	HK$960,000,000##	—	100	Property development and investment
廣州高樂物業管理有限公司 ø *	PRC/ Mainland China	RMB1,100,000##	—	100	Property management
上海麗港物業管理有限公司 ø *	PRC/ Mainland China	RMB500,000##	—	100	Property management
上海麗星房地產發展有限公司 @ *	PRC/ Mainland China	RMB630,000,000##	—	100	Property development
中山高樂物業管理有限公司 ø *	PRC/ Mainland China	RMB500,000##	—	100	Property management
珠海横琴麗新文創天地有限公司(「**麗新文創**」) @ *	PRC/ Mainland China	RMB1,900,000,000##	—	80	Property development and investment
珠海横琴創新方娛樂有限公司 @ *	PRC/ Mainland China	RMB500,000,000##	—	80	Development and operation of and investment in cultural, leisure, entertainment and related facilities

44. Particulars of the Company's Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
珠海橫琴創新方文化創意有限公司@*	PRC/ Mainland China	RMB52,000,000##	—	80	Development and operation of and investment in cultural, leisure, entertainment and related facilities
珠海橫琴創新方發展有限公司(「**創新方發展**」)@*	PRC/ Mainland China	RMB2,500,000,000##	—	100	Property development and investment

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

µ Registered as co-operative joint ventures under the laws of the PRC

\# Registered as equity joint ventures under the laws of the PRC

\## The registered capital of these subsidiaries were fully paid up, except for Guangzhou Guang Bird, 麗新文創, 創新方發展 and Zhongshan Bao Li which capital of approximately US$13,247,000 (equivalent to approximately HK$103,645,000), RMB636,000,000 (equivalent to approximately HK$721,825,000), RMB1,581,610,000 (equivalent to approximately HK$1,795,040,000), and HK$27,600,000, respectively was unpaid as at 31 July 2019. Subsequent to 31 July 2019, the registered capital of 麗新文創 and Zhongshan Bao Li of RMB22,400,000 (equivalent to approximately HK$25,423,000) and HK$27,600,000, respectively, has been paid up.

@ Registered as wholly-foreign-owned enterprises under the laws of the PRC

ø Registered as domestic enterprises under the laws of the PRC

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

Note:

The Company, through its wholly-owned subsidiaries, held 80% equity interest in Rosy Commerce Holdings Limited and its subsidiaries (collectively referred to as the "**Rosy Commerce Group**").

The non-controlling interest, which held equity interest of 20% in the Rosy Commerce Group, was considered material to the Group. The profit of Rosy Commerce Group allocated to the non-controlling interest amounted to HK$69,137,000 (2018: HK$110,192,000) for the year ended 31 July 2019 and the accumulated non-controlling interest of Rosy Commerce Group amounted to HK$271,925,000 (2018: HK$211,617,000) as at 31 July 2019.

44. Particulars of the Company's Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Note (continued):

The following tables illustrate the summarised financial information of the Rosy Commerce Group. The amounts disclosed are before any inter-company eliminations:

	2019 HK$'000	2018 HK$'000
Current assets	**1,601,783**	1,287,403
Non-current assets	**6,299,686**	4,021,979
Total assets	**7,901,469**	5,309,382
Current liabilities	**(3,626,803)**	(1,062,825)
Non-current liabilities	**(2,915,070)**	(3,188,497)
Total liabilities	**(6,541,873)**	(4,251,322)
Net assets	**1,359,596**	1,058,060
Turnover	**121,865**	—
Fair value gains on investment properties	**506,543**	751,047
Profit for the year	**345,683**	550,960
Other comprehensive expenses, net of tax	**(44,145)**	(54,275)
Total comprehensive income for the year	**301,538**	496,685
Dividends paid to non-controlling interests	**—**	—
Net cash flows used in operating activities	**(489,036)**	(329,674)
Net cash flows used in investing activities	**(823,054)**	(744,305)
Net cash flows from financing activities	**1,509,055**	815,741
Net cash inflow/(outflow)	**196,965**	(258,238)

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 22 October 2019.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting ("**AGM**") of the members ("**Members**") of Lai Fung Holdings Limited ("**Company**") will be held at Grand Ballroom 1, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Friday, 20 December 2019 at 9:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements for the year ended 31 July 2019 ("**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 elect a retiring director of the Company ("**Director**") and re-elect another five Directors and to authorise the board of Directors ("**Board**") to fix the Directors' remuneration;

4. To re-appoint Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**") as the independent auditor of the Company and to authorise the Board to fix their remuneration; and

5. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

   (A) "**THAT**:

   (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares of the Company on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Code on Share Buy-backs for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

   (b) the aggregate nominal amount of the shares to be bought back pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

   (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

   (i) the conclusion of the next annual general meeting of the Company;

   (ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or

   (iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Amended and Restated Articles of Association of the Company to be held."

(B) "**THAT**:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares in the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

(i) a Rights Issue (as hereinafter defined); or

(ii) an issue of shares in the Company upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company); or

(iii) an issue of shares in the Company as scrip dividends pursuant to the Amended and Restated Articles of Association of the Company from time to time; or

(iv) an issue of shares in the Company under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares in the Company or rights to acquire shares in the Company,

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or

(iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Amended and Restated 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 and/or the Hong Kong Branch Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the applicable requirements of any recognised regulatory body or any stock exchange)."

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. 5(A) and 5(B) in the notice convening this meeting, the general mandate granted to the directors of the Company ("**Directors**") and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the share capital of the Company which has been bought back by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution."

By Order of the Board
Lai Fung Holdings Limited
Yim Lai Wa
Company Secretary

Hong Kong, 21 November 2019

Registered Office:	*Principal Place of Business in Hong Kong:*
P.O. Box 309	11th Floor
Ugland House	Lai Sun Commercial Centre
Grand Cayman	680 Cheung Sha Wan Road
KY1-1104	Kowloon
Cayman Islands	Hong Kong

Notes:

*(1) A Member entitled to attend and vote at the AGM convened by the above notice ("**Notice**") or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more shares of HK$5.00 each in the share capital of the Company ("**Shares**"), more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Amended and Restated Articles of Association of the Company ("**Articles of Association**"). A proxy need not be a Member.*

*(2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited ("**Registrar**"), at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or any of its adjourned meeting should they so wish. In that event, the said form(s) of proxy shall be deemed to be revoked.*

The contact phone number of the Registrar is (852) 2980 1333.

(3) To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar no later than 4:30 p.m. on Monday, 16 December 2019 for registration.

*(4) Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the AGM or its adjourned meeting (as the case may be) personally or by proxy, then one of such holders so present whose name stands first in the Register of Members or Hong Kong Branch Register of Members of the Company ("**Register of Members**") in respect of such Shares shall alone be entitled to vote in respect thereof.*

(5) The proposed final dividend of HK$0.20 per Share as recommended by the Board is subject to the approval of the Members at the AGM. The record date for the proposed final dividend is at the close of business on Friday, 3 January 2020. For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Thursday, 2 January 2020 and Friday, 3 January 2020, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Registrar for registration no later than 4:30 p.m. on Tuesday, 31 December 2019.

(6) Concerning agenda item 3 of this Notice,

(i) in accordance with Article 99 of the Articles of Association, Mr. Tham Seng Yum, Ronald (appointed by the Board as an executive Director on 19 August 2019) will retire at the AGM and, being eligible, offer himself for election;

(ii) in accordance with Article 116 of the Articles of Association, Mr. Lam Kin Hong, Matthew, Mr. Cheng Shin How, Mr. Lucas Ignatius Loh Jen Yuh, Mr. Lam Bing Kwan and Mr. Shek Lai Him, Abraham will retire from office as Directors by rotation at the AGM and, being eligible, offer themselves for re-election; and

*(iii) in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), the particulars of the aforesaid Directors are set out in the "Biographical Details of Directors" section of the Annual Report of the Company for the Year.*

*(7) Concerning agenda item 4 of this Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of Members at the AGM, Ernst & Young be re-appointed independent auditor of the Company for the year ending 31 July 2020 ("**Year 2020**"). Members should note that in practice, independent auditor's remuneration for the Year 2020 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditor are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditor's remuneration as operating expenses for the Year 2020, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2020 is required, and is hereby sought, at the AGM.*

(8) A circular containing details regarding Ordinary Resolutions Nos. 5(A) to 5(C) will be sent to Members together with the Annual Report of the Company for the Year.

(9) In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice will be decided by way of a poll.

(10) If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time after 7:00 a.m. on the date of the AGM, the AGM will be postponed and the Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice posted on the respective websites of the Company and the Stock Exchange.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 7:00 a.m. on the date of the AGM and where conditions permit, the AGM will be held as scheduled.

The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether or not they would attend the AGM under any bad weather condition and if they do so, they are advised to exercise care and caution.