LAI SUN DEVELOPMENT

(Stock Code: 488)

LAI SUN DEVELOPMENT COMPANY LIMITED

Annual Report
Year ended 31 July 2019

Cover Photo
Alto Residences

Contents

Corporate Information

Place of Incorporation

Hong Kong

Board of Directors

Executive Directors

Lam Kin Ngok, Peter, *GBS (Chairman)*
Chew Fook Aun *(Deputy Chairman)*
Lau Shu Yan, Julius *(Chief Executive Officer)*
Lam Hau Yin, Lester
Tham Seng Yum, Ronald
(appointed with effect from 19 August 2019)

Non-executive Directors

Lam Kin Ming
U Po Chu

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Company Secretary

Chow Kwok Wor

Registered Office / Principal Office

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

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

Authorised Representatives

Chew Fook Aun
Chow Kwok Wor

Share Registrar and Transfer Office

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

Shares Information

Place of Listing

The Main Board of The Stock Exchange
of Hong Kong Limited

Stock Code / Board Lot

488 / 300 Shares

American Depositary Receipt

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

Website

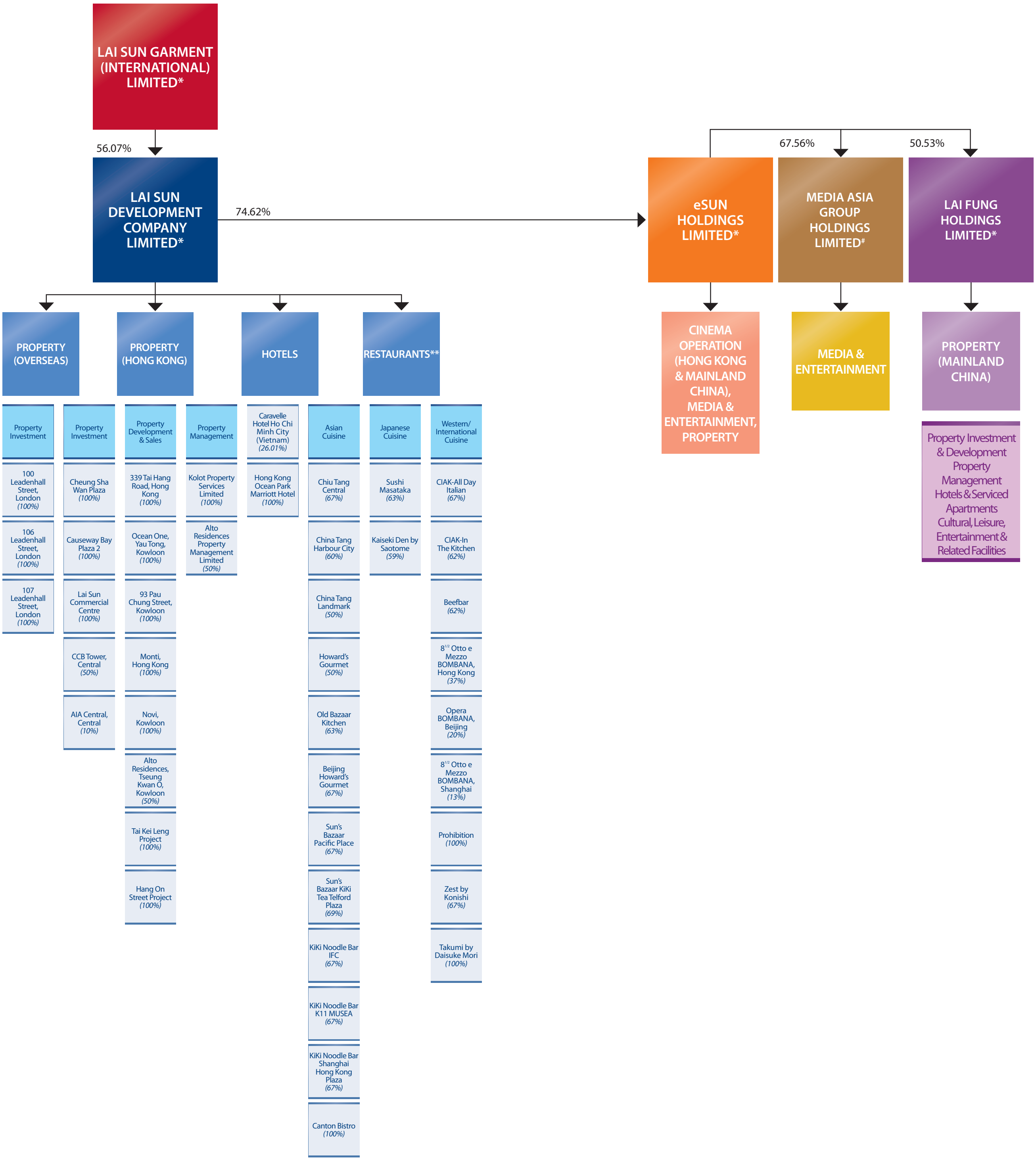
www.laisun.com

Investor Relations

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

Corporate Profile

Lai Sun Development Company Limited is a member of the Lai Sun Group. The Company is well diversified and its principal activities include property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. The Company was listed on The Stock Exchange of Hong Kong Limited in March 1988 following a reorganisation of the Group.



*	*Listed on the Main Board of The Stock Exchange of Hong Kong Limited*
#	*Listed on GEM of The Stock Exchange of Hong Kong Limited*
**	*Operated under various subsidiaries and associates*

Corporate structure as at 25 October 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.

Dr. Lam Kin Ngok, Peter
Chairman

I am pleased to present the audited consolidated results of Lai Sun Development Company 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 turnover of HK$6,493.9 million (2018: HK$1,693.0 million) and a gross profit of HK$2,305.4 million (2018: HK$970.3 million). The significant increase is primarily due to (i) consolidation of eSun's financial results into the accounts of the Group upon the close of the eSun Offer in August 2018; and (ii) recognition of property sales during the year under review from completed residential projects in Hong Kong. Set out below is the turnover by segment:

	For the year ended 31 July			
	2019 (HK$ million)	2018 (HK$ million)	Difference (HK$ million)	% change
Property investment	**1,357.1**	704.5	652.6	92.6%
Property development and sales	**2,279.8**	0.4	2,279.4	569,850.0%
Restaurant operation	**514.8**	514.0	0.8	0.2%
Hotel operation	**686.1**	424.0	262.1	61.8%
Media and entertainment	**591.8**	—	591.8	N/A
Film production and distribution	**326.0**	—	326.0	N/A
Cinema operation	**521.1**	—	521.1	N/A
Others	**217.2**	50.1	167.1	333.5%
Total	**6,493.9**	1,693.0	4,800.9	283.6%

Overview of Final Results (continued)

For the year ended 31 July 2019, net profit attributable to owners of the Company was approximately HK$4,842.9 million (2018: HK$4,335.2 million). The increase is primarily a mix of (i) a significant decrease in the fair value gain arising from the revaluations of the Group's investment properties for the year ended 31 July 2019 as compared to last year; (ii) substantial net gain from bargain purchase in acquisition of subsidiaries and the loss on remeasurement of existing interest on an associate upon business combination recognised during the year under review, which arose from the Company's acquisition of additional equity interest in eSun upon close of eSun Offer and eSun becoming a subsidiary of the Company during the year under review; and (iii) increased profit contribution from recognition of the sales of properties during the year under review. Basic earnings per share was HK$7.988 (2018: HK$7.159).

Excluding the effect of property revaluations and non-recurring transactions during the year under review, net profit attributable to owners of the Company was approximately HK$452.7 million (2018: HK$188.5 million). Net profit per share excluding the effect of property revaluations and non-recurring transactions during the year under review was HK$0.747 (2018: HK$0.311).

Profit attributable to owners of the Company	For the year ended 31 July **2019** **HK$ million**	 2018 HK$ million
Reported	**4,842.9**	4,335.2
Less: Adjustments in respect of revaluation gains of investment properties held by		
— the Company and subsidiaries	**(552.8)**	(2,410.4)
— associates and joint ventures	**(129.5)**	(1,736.0)
— deferred tax on investment properties	**28.6**	—
— non-controlling interests' share of revaluation movements less deferred tax	**0.2**	—
Net profit after tax excluding revaluation gains of investment properties	**4,189.4**	188.8
Less: Adjustments in respect of non-recurring transactions		
— loss on remeasurement of existing interest in an associate upon business combination	**2,930.3**	—
— gain on bargain purchase upon acquisition of subsidiaries	**(6,667.0)**	—
— reversal of provision for tax indemnity	**—**	(0.3)
Net profit after tax excluding revaluation gains of investment properties and excluding non-recurring transactions	**452.7**	188.5

Equity attributable to owners of the Company as at 31 July 2019 amounted to HK$35,827.7 million, up from HK$31,158.7 million as at 31 July 2018. Net asset value per share attributable to owners of the Company increased by 14.9% to HK$59.076 per share as at 31 July 2019 from HK$51.410 per share as at 31 July 2018.

Final Dividend

The Directors have resolved to recommend the payment of a final dividend of HK10.80 cents per share (2018: HK10.80 cents per share), amounting to approximately HK$65,498,000 for the financial year ended 31 July 2019 to shareholders of the Company ("**Shareholders**") whose names appear on the Register of Members of the Company on Friday, 3 January 2020 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 20 December 2019 ("**AGM**").

No interim dividend was declared during the year (2018: Nil).

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

A circular containing details of the scrip dividend proposal will be despatched to shareholders together with the form of election for scrip dividend on or about Wednesday, 8 January 2020. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to Shareholders on or about Thursday, 13 February 2020.

Closure of Register of Members to Entitle for Final Dividend

The proposed final dividend is subject to the approval of the Shareholders 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 to the proposed final dividend, the register of members of the Company will be closed on Thursday, 2 January 2020 and Friday, 3 January 2020, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 31 December 2019.

Business Review and Outlook

Upon close of the voluntary general cash offer ("**eSun Offer**") made by the Company in May 2018 to acquire all of the issued shares of eSun Holdings Limited ("**eSun**", and together with its subsidiaries, "**eSun Group**") that were not already owned by the Company in August 2018, eSun became a subsidiary of the Group and its financial results has been consolidated into the accounts of the Company starting from this set of annual results. The subsequent restoration of public float of eSun in February 2019 reduced the Company's shareholding in eSun marginally to 74.62%. The mandatory general offer to Lai Fung Holdings Limited ("**Lai Fung**", and together with its subsidiaries, "**Lai Fung Group**") triggered by the eSun Offer closed on 13 September 2018. As at the date of this Annual Report, Lai Fung is a 50.53% owned subsidiary of eSun.

eSun acts as an investment holding company and the principal activities of its subsidiaries include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products, cinema operation, property development for sale and property investment for rental purposes as well as the development, operation of and investment in cultural, leisure, entertainment and related facilities.

The completion of the eSun Offer has strengthen the wider Lai Sun Group. It highlights Lai Sun Group's capabilities as a property-led conglomerate and in particular the Group's positioning in the Greater Bay Area. The Group's acquisition of the 20% equity interest in Phase I of Novotown project in Hengqin ("**Novotown Phase I**") from eSun Group ("**Novotown Phase I Acquisition**") which has been approved by shareholders of eSun and completed in September 2019 enabled the Group to leverage their extensive resources and experience in property investment and development as well as consolidate its exposure in the Hengqin project and thereby strengthen its presence in the Greater Bay Area. As at the date of this Annual Report, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by the Group. Set out below is the Group's rental portfolio and landbank (in '000 square feet) as at 31 July 2019 by geography and our exposure in the Greater Bay Area.

Novotown Phase I, Hengqin

Business Review and Outlook (continued)

	Total gross floor area ("GFA") held by the Group[1]		Attributable GFA to the Group	
	For-rental properties	Properties under development	For-rental properties	Properties under development
Mainland China				
Shanghai	1,728[2]	772[2]	652	291
Guangzhou	1,347[2]	581[2]	508	219
Zhongshan	147[2]	2,099[2]	55	792
Hengqin	243[3]	5,443[3]	110	2,226
Subtotal of properties in Mainland China:	**3,465**	**8,895**	**1,325**	**3,528**
Hong Kong	1,659[4]	217[4]	1,659	217
Subtotal of properties in the Great Bay Area: (including Hong Kong, Guangzhou, Zhongshan, Hengqin):	**3,396**	**8,340**	**2,332**	**3,454**
Overseas				
London, United Kingdom	344[4]	—	344	—
Vietnam	98[4]	—	98	—
Subtotal of overseas properties:	**442**	**—**	**442**	**—**
Total:	**5,566**	**9,112**	**3,426**	**3,745**

Notes:

1. *As at 31 July 2019, all major properties of the Group in Mainland China were held through Lai Fung Group, except Novotown Phase I which was 80% owned by Lai Fung Group and 20% owned by eSun Group and all properties in Hong Kong and overseas were held by the Group excluding eSun Group.*
2. *Attributable GFA to Lai Fung Group.*
3. *Including total GFA of Novotown Phase I, which was 80% owned by Lai Fung Group and 20% owned by eSun Group as at 31 July 2019 and total GFA of Phase II of Novotown project in Hengqin which is 100% owned by Lai Fung Group.*
4. *Attributable GFA to the Group.*

Business Review and Outlook (continued)

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.

In light of the newly announced housing initiatives by the Chief Executive of Hong Kong on 16 October 2019, we believe the loosening of mortgage financing for completed residential units should increase buying power and hence should drive up demand. This could help improve overall sentiment in the Hong Kong property market in the near term. The management believes it is paramount to prepare the Group for the challenges and opportunities ahead.

Hong Kong and Overseas Property Market

The Group's Hong Kong properties performed steadily at nearly full occupancy levels. The Hong Kong Ocean Park Marriott Hotel ("**Ocean Park Marriott Hotel**") providing a total of 471 rooms officially commenced operations on 19 February 2019 and added approximately 365,974 square feet of attributable rental space to the rental portfolio of the Group. Despite the challenging market conditions brought to the hotel industry in Hong Kong due to the anti-government protests in the first quarter subsequent to the year end, the Group still managed to, on 16 September 2019, secure a HK$3,600 million 4-year secured term loan facility with 18 leading banks. The facility was the first green loan solely used to finance a hotel property in Hong Kong, and was 339% oversubscribed, having received a total commitment of HK$12,200 million.

With the planning consent approved by the City of London's Planning and Transportation Committee, the Group continues to monitor the market conditions in London for the potential redevelopment of the three properties on Leadenhall Street in London, comprising 100, 106 and 107 Leadenhall Street ("**Leadenhall Properties**"). All leases of Leadenhall Properties have been aligned to expire in 2023.

The Group continues to participate in government tenders to grow the pipeline. In March 2019, the Group successfully tendered for and secured a site located at Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, Hong Kong for HK$209.8 million. This site is designated for private residential purposes and is expected to add a maximum GFA of approximately 42,200 square feet to the development portfolio of the Group. In April 2019, the Group successfully secured an Urban Renewal Authority project with total site area of approximately 8,500 square feet at Nos. 12-30 Hang On Street, Kwun Tong, Hong Kong which will be developed into approximately 64,000 square feet of residential spaces. Ground investigations for both sites are in progress and constructions works are expected to commence the first quarter of 2020.

Business Review and Outlook (continued)

Hong Kong and Overseas Property Market (continued)

The construction works of Alto Residences, the joint venture project in Tseung Kwan O and 93 Pau Chung Street have been completed with the Certificate of Compliance issued by the Lands Department in September and November 2018, respectively. Up to 20 October 2019, the Group has sold 581 units in Alto Residences with saleable area of approximately 353,500 square feet and the average selling price was approximately HK$17,300 per square foot. Handover of the sold residential units of Alto Residences has been substantially completed. The Group has released in total 95 car-parking spaces of Alto Residences for sale since March 2019. Up to 20 October 2019, 63 car-parking spaces have been sold and the total sales proceeds amounted to approximately HK$170.5 million. The sale and handover of all 209 residential units of 93 Pau Chung Street have been completed, achieving an average selling price of approximately HK$16,400 per square foot. The Group released the commercial units of 93 Pau Chung Street for sale in July 2018. Up to 20 October 2019, 5 out of 7 commercial units with saleable area of approximately 14,000 square feet have been sold and handed over at an average selling price of approximately HK$23,000 per square foot.

The pre-sale of all 138 residential units of Novi, the Ki Lung Street project in Sham Shui Po, Kowloon, Hong Kong, with saleable area of approximately 28,800 square feet has been completed during the year under review, achieving an average selling price of approximately HK$18,900 per square foot. Construction of Novi has been completed with the Occupation Permit issued by the Buildings Department in July 2019. Handover of the pre-sold residential units is expected to commence by the end of 2019.

The Sai Wan Ho Street project with the Urban Renewal Authority in Shau Kei Wan, Hong Kong, named "Monti" providing 144 residential units with a total saleable area of 45,822 square feet was launched for pre-sale in August 2018. Up to 20 October 2019, the Group has pre-sold 62 units in Monti with saleable area of approximately 19,500 square feet at an average selling price of approximately HK$20,500 per square foot. Construction of Monti is expected to be completed by the end of 2019.

The Group is encouraged by the property sales during the year under review and will continue to participate in government tenders to grow the pipeline.

Mainland China Property Market

Being the flagship Mainland China property arm of the Group, the regional focus and rental-led strategy of Lai Fung Group continued to demonstrate resilience, which is of particular significance in times of uncertainty. With a total of approximately 3.4 million square feet of rentable GFA, primarily in Shanghai and Guangzhou, Lai Fung Group's rental portfolio delivered steady performance in rental income at close to full occupancies for the key assets.

Mainland China Property Market (continued)

Through developing the existing projects on hand in Shanghai, Guangzhou, Zhongshan and Hengqin, Lai Fung 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 is expected to complete in the second quarter of 2022 and upon completion, the redeveloped project including an office tower, a shopping mall and an underground car-parking structure will add a total GFA of approximately 693,600 square feet, excluding car-parking spaces, to the rental portfolio of Lai Fung 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 Novotown Phase I, namely "Lionsgate Entertainment World®" and "National Geographic Ultimate Explorer", 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" 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", leases of approximately 68% commercial area of Novotown Phase I has been secured with over 50% retail stores targeted to open by the 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.

Lai Fung 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 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, Lai Fung 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 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. Real Madrid World, Innovation Leadership Academy Hengqin ("**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. Lai Fung Group is in the process of finalising the master layout plan for Novotown Phase II with the Chinese Government.

Business Review and Outlook (continued)

Mainland China Property Market (continued)

The remaining residential units in Zhongshan Palm Spring and the cultural studios of 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 Lai Fung Group in the coming financial years. Particularly, in light of the prospects and the growing demand for residential units in Zhongshan, Lai Fung 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 gains/expenses, net" in the consolidated income statement of the Group. Lai Fung Group will continue its prudent and flexible approach and replenish its landbank as and when opportunities arise.

Media and Entertainment/Film Production and Distribution/Cinema Operation

eSun Group continues to enhance and expand its existing media and entertainment businesses in Hong Kong and Mainland China, optimising income derived from its film, TV, live entertainment, artiste management, music and cinema operations. Over the years, the entertainment industry has been generally considered to be recession resistant because it provides people with the need for distractions. Nevertheless, on the back of the growing middle class and rising per capita income, eSun Group expects the demand for entertainment will continue to be sustained. Having been continuously investing in the sector solidifying its foundation and presence in the industry, eSun Group is well positioned to capitalise on this trend.

- Film – continued drive to increase original production of films which appeal to Chinese language audiences with the current production pipeline including "*I'm Living It*", a feature film produced by Cheang Pou Soi with Aaron Kwok and Miriam Yeung, "*Knockout*", an action film by director Roy Chow featuring Han Geng, "*The Calling of a Bus Driver*", a romance comedy film with Ivana Wong and director Patrick Kong, and "*Septet: the Story of Hong Kong*", an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam.

- TV – expanded activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China. A 52 episode romance drama series "*New Horizon*", starring Zheng Kai and Chen Chiao-en, is in the post-production stage and projects under development include a 20 episode modern-day drama series namely "*Who Sell Bricks in Hong Kong*" tailor-made for Viu TV, featuring Ng Siu Hin, Fish Liew, Wu Tze Tung and Patrick Tam. eSun Group is in discussion with various Chinese and overseas portals and video web sites for new project development.

Media and Entertainment/Film Production and Distribution/Cinema Operation (continued)

- Live Entertainment – successfully produced and promoted a number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The recent "*FOLLOWMi Sammi Cheng World Tour – Hong Kong 2019*", "*EXO Planet#5 Tour 2019 Hong Kong*" and "*Along with Ekin Live Concert 2019*" have earned good reputation and public recognition. eSun Group will continue to work with prominent local and Asian artistes for concert promotion. Upcoming events include concerts of Tsai Chin, Yoga Lin and Leon Lai.

- Music – as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. The exclusive distribution licence of music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continue to provide stable income streams to eSun Group.

- Artiste Management – actively looking for promising talent in Greater China and business collaborations with Asian artistes with an aim to build up an artiste roster with breadth and depth. eSun Group is a strong believer of talent management and is of the view that such a roster will be an instrumental part of its media and entertainment businesses.

- Cinema – acquisition of an additional 10% equity interest in Intercontinental Group Holdings Limited ("**IGHL**") in November 2018 facilitated better implementation of the operating strategies of eSun into IGHL and bolstered eSun Group's further development in sale and distribution of films and cinema business in Hong Kong and Mainland China. Officially commenced operations in January 2019, the MCL Cheung Sha Wan Cinema is the first MCL cinema in West Kowloon district in Hong Kong. Renovated with a touch of industrial style, the 4-house cinema is equipped with 418 seats in a stadium seating setting, giving the audience a comfortable sightline and all cinema houses are equipped with 4K projection system, Dolby 7.1 surround sound system and Bowers & Wilkins Hi-Fi grade speakers to provide a great cinematic viewing experience for the audience. eSun Group has also secured one cinema project in Hong Kong, which is expected to commence business in 2022. eSun Group is closely monitor the market conditions in Hong Kong and Mainland China and will continue to evaluate opportunities to further expand its footprint.

Targeting the enormous yet growing China market, eSun Group endeavors to strengthen its integrated media platform with an aim to provide valuable and competitive products and to enhance its market positioning. eSun Group will continue to explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income stream.

Business Review and Outlook (continued)

Other Business Updates

The supplemental deed executed by Lai Fung 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 Lai Fung, eSun, the Company 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 due to the increase in the shareholding of Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk, being the substantial shareholders and core connected persons of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). The Company is considering steps to restore the public float at the minimum prescribed percentage in accordance with the Listing Rules.

The Group's consolidated cash position of HK$5,255.6 million (HK$1,483.5 million excluding eSun Group) and undrawn facilities of HK$5,465.7 million (HK$2,797.7 million excluding eSun Group) with a net debt to equity ratio of 39.2% as at 31 July 2019 provides the Group with full confidence and the means to review opportunities more actively. The Group's gearing excluding the net debt of eSun Group was approximately 24.6%. The Group's gearing excluding the net debt of eSun Group and the net debt of the London portfolio which have a positive carry net of financing costs is 22.6%. 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.

Lam Kin Ngok Peter
Chairman
Hong Kong
25 October 2019

Financial Highlights

		Year ended 31 July 2019	Year ended 31 July 2018	%
Turnover	(HK$M)	**6,493.9**	1,693.0	284%
Gross profit	(HK$M)	**2,305.4**	970.3	138%
Gross profit margin	(%)	**36%**	57%	
Operating profit	(HK$M)	**4,690.1**	2,850.0	65%
Operating profit margin	(%)	**72%**	168%	
Profit attributable to owners of the Company	(HK$M)			
— as reported		**4,842.9**	4,335.2	12%
— adjusted *(Note 1)*		**452.7**	188.5	140%
Net profit margin	(%)			
— as reported		**75%**	256%	
— adjusted		**7%**	11%	
Basic earnings per share *(Note 2)*	(HK$)			
— as reported		**7.988**	7.159	12%
— adjusted		**0.747**	0.311	140%
Equity attributable to owners of the Company	(HK$M)	**35,827.7**	31,158.7	15%
Net borrowings	(HK$M)	**14,056.6**	7,663.5	83%
Net asset value per share *(Note 3)*	(HK$)	**59.076**	51.410	15%
Share price as at 31 July	(HK$)	**11.080**	13.420	-17%
Price earnings ratio	(times)			
— as reported		**1.4**	1.9	
— adjusted		**14.8**	43.2	
Market capitalisation as at 31 July	(HK$M)	**6,719.6**	8,133.5	-17%
Return on shareholders' equity	(%)			
— as reported		**14%**	14%	
— adjusted		**1%**	1%	
Dividend per share	(HK$)	**0.108**	0.108	
Dividend yield	(%)	**1%**	1%	
Gearing — net debt to equity	(%)	**39%**	25%	
Interest cover *(Note 4)*	(times)			
— as reported		**5.7**	13.0	
— adjusted		**0.5**	0.6	
EBITDA *(Note 5)*/Interest expenses	(times)	**1.6**	1.8	
Current Ratio	(times)	**1.4**	2.2	
Discount to net asset value	(%)	**81%**	74%	

Note 1: excluding the effect of property revaluations and non-recurring transactions (if applicable) including reversal of provision for tax indemnity, loss an remeasurement of existing interest in an associate upon business combination and gain on bargain purchase upon acquisition of subsidiaries.

Note 2: calculated based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the years.

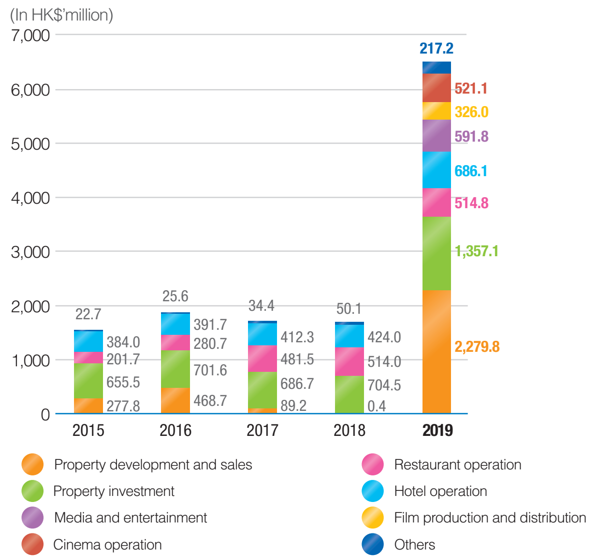
Note 3: calculated based on the number of ordinary shares in issue as at the end of respective reporting periods.

Note 4: calculated as profit attributable to owners of the Company over cash interest expenses.

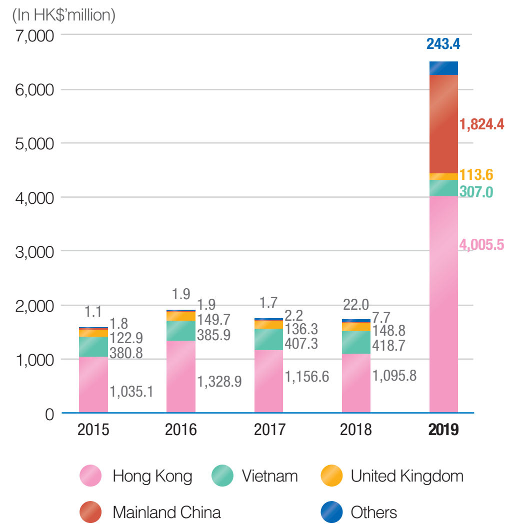
Note 5: EBITDA = Profit before tax – Property revaluation gain/loss – Net gain on bargain purchase + Depreciation + Amortisation + Finance costs.

Financial Highlights

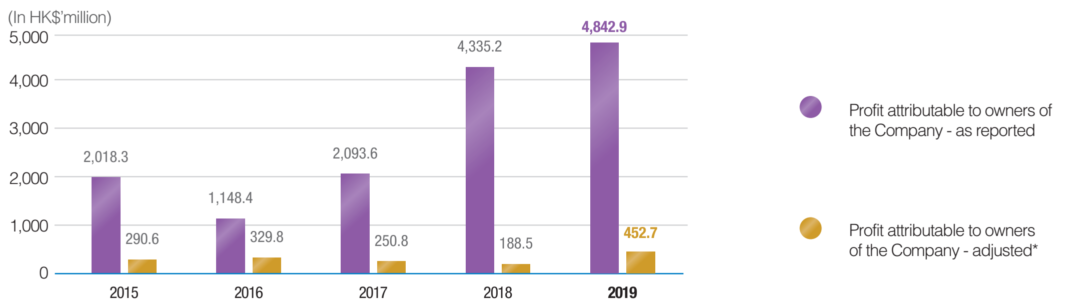
Turnover by Segment



Turnover by Geographical Location

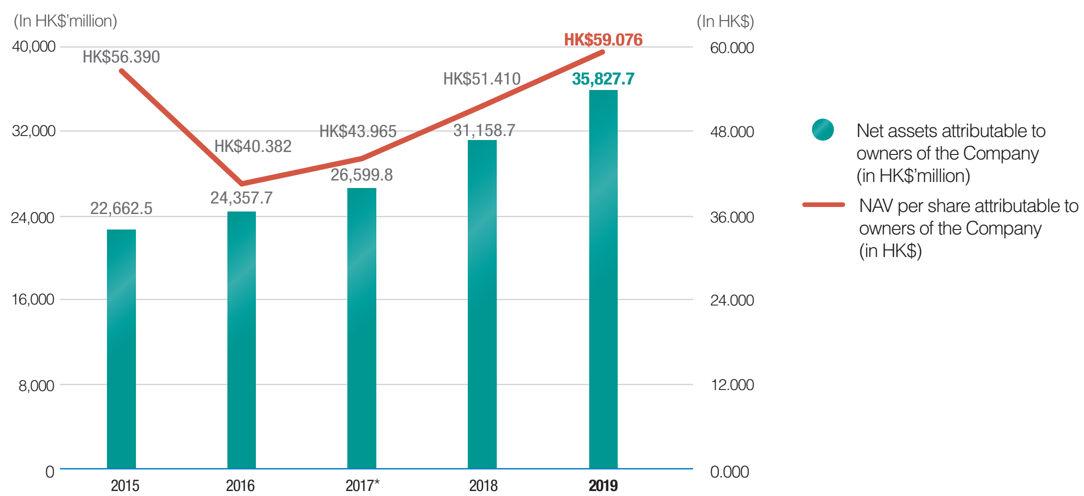


Profit attributable to owners of the Company



* *excluding the effect of property revaluations and non-recurring transactions (if applicable) including reversal of provision for tax indemnity, loss on remeasurement of existing interest in an associate upon business combination and gain on bargain purchase upon acquisition of subsidiaries.*

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



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

Property Portfolio Composition

As at 31 July 2019, the Group maintained a property portfolio with attributable GFA of approximately 7.5 million square feet, with all major properties of the Group in Mainland China held through Lai Fung Group, except Novotown Phase I which was 80% owned by Lai Fung Group and 20% owned by eSun Group and all properties in Hong Kong and overseas are held by the Group excluding eSun Group. Upon completion of the Novotown Phase I Acquisition in September 2019 and as at the date of this Annual Report, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by the Group. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces as at 31 July 2019 is as follows:

	Commercial/ Retail	Office	Hotel/ Serviced Apartments	Residential	Industrial	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
GFA of major properties and number of car-parking spaces of <u>Lai Fung Group</u> (on attributable basis[1])							
Completed Properties Held for Rental[2]	698[3]	403	—	—	—	1,101	301
Completed Hotel Properties and Serviced Apartments[2]	—	—	188	—	—	188	—
Properties under Development[4]	1,513	584	309	772	—	3,178	1,874
Completed Properties Held for Sale	13[5]	—	—	193[6]	—	206	785
Subtotal	**2,224**	**987**	**497**	**965**	**—**	**4,673**	**2,960**
GFA of major properties and number of car-parking spaces of <u>eSun Group (excluding Lai Fung Group)</u> (on attributable basis[1])							
Completed Properties Held for Rental[2]	36[3]	—	—	—	—	36	—
Properties under Development[4]	109	88	153	—	—	350	290
Completed Properties Held for Sale	—	—	—	26	—	26	—
Subtotal	**145**	**88**	**153**	**26**	**—**	**412**	**290**
GFA of major properties and number of car-parking spaces of <u>the Group excluding eSun Group</u> (on attributable basis[1])							
Completed Properties Held for Rental[2]	543	1,030	—	—	64	1,637	1,070
Completed Hotel Properties and Serviced Apartments[2]	—	—	464	—	—	464	16
Properties under Development[4]	13	—	—	204	—	217	8
Completed Properties Held for Sale	29	—	—	60	—	89	75
Subtotal	**585**	**1,030**	**464**	**264**	**64**	**2,407**	**1,169**
Total GFA attributable to the Group	**2,954**	**2,105**	**1,114**	**1,255**	**64**	**7,492**	**4,419**

Notes:

1. *As at 31 July 2019, Lai Fung is a 50.55%-owned subsidiary of eSun and eSun is a 74.62%-owned subsidiary of the Company.*
2. *Completed and rental generating properties.*
3. *Including the cultural attraction space in Novotown Phase I that has been occupied by "Lionsgate Entertainment World®".*
4. *All properties under construction.*
5. *Including commercial spaces in Zhongshan Palm Spring which is currently for self-use.*
6. *Including serviced apartment units of Zhongshan Palm Spring which have been reclassified as ("**Assets classified as held for sale**") as at 31 July 2019.*

Property Investment

Rental Income

During the year under review, the Group's rental operations recorded a turnover of HK$1,357.1 million (2018: HK$704.5 million), comprising turnover of HK$562.2 million, HK$113.6 million and HK$681.3 million from rental properties in Hong Kong, London and Mainland China, respectively. Breakdown of rental turnover by major investment properties of the Group is as follows:

	For the year ended 31 July			
	2019 HK$ million	2018 HK$ million	% Change	Year end occupancy (%)
Hong Kong				
Cheung Sha Wan Plaza	**329.0**	311.9	5.5%	94.5%
Causeway Bay Plaza 2	**180.7**	181.1	-0.2%	95.9%
Lai Sun Commercial Centre	**47.0**	49.9	-5.8%	94.7%
Others	**5.5**	12.8	-57.0%	
Subtotal:	**562.2**	555.7	1.2%	
London, United Kingdom				
36 Queen Street	**—**	24.1	-100.0%	N/A
107 Leadenhall Street	**49.5**	55.6	-11.0%	100.0%
100 Leadenhall Street	**57.7**	62.8	-8.1%	100.0%
106 Leadenhall Street	**6.4**	6.3	1.6%	100.0%
Subtotal:	**113.6**	148.8	-23.7%	
Mainland China				
Shanghai				
Shanghai Hong Kong Plaza	**330.5**	—	N/A	Retail: 99.0% Office: 96.3%
Shanghai May Flower Plaza	**33.3**	—	N/A	Retail: 82.1%
Shanghai Regents Park	**22.1**	—	N/A	100.0%
Guangzhou				
Guangzhou May Flower Plaza	**122.9**	—	N/A	98.9%
Guangzhou West Point	**26.7**	—	N/A	99.9%
Guangzhou Lai Fung Tower	**126.8**	—	N/A	Retail: 100.0% Office: 100.0%[1]
Zhongshan				
Zhongshan Palm Spring	**4.3**	—	N/A	Retail: 71.2%[1]
Others	**14.7**	—	N/A	
Subtotal:	**681.3**	—	N/A	
Total:	**1,357.1**	704.5	92.6%	
Rental proceeds from joint venture projects				
Hong Kong				
CCB Tower[2] (50% basis)	**139.5**	135.2	3.2%	100.0%
8 Observatory Road[3] (50% basis)	**27.6**	52.4	-47.3%	100.0%
Alto Residence[4] (50% basis)	**3.7**	—	N/A	25.8%[5]
Total:	**170.8**	187.6	-9.0%	

Property Investment (continued)

Rental Income (continued)

Notes:

1. *Excluding self-use area.*
2. *CCB Tower is a joint venture project with China Construction Bank Corporation ("**CCB**") in which each of the Group and CCB has an effective 50% interest. For the year ended 31 July 2019, the rental proceeds recorded by the joint venture is HK$279.0 million (2018: HK$270.4 million).*
3. *8 Observatory Road is a joint venture project with Henderson Land Development Company Limited ("**Henderson Land**") in which each of the Group and Henderson Land has an effective 50% interest. For the year ended 31 July 2019, the rental proceeds recorded by the joint venture is HK$55.2 million (2018: HK$104.8 million). Disposal of 8 Observatory Road was completed on 11 March 2019.*
4. *Alto Residences is a joint venture project with Empire Group Holdings Limited ("**Empire Group**") in which each of the Group and Empire Group has an effective 50% interest.*
5. *Referring to occupancy rate for commercial area only.*

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

	For the year ended 31 July 2019			For the year ended 31 July 2018		
	Attributable interest to the Group	**Turnover (HK$ million)**	**Total GFA (square feet)**	Attributable interest to the Group	Turnover (HK$ million)	Total GFA (square feet)
Hong Kong						
Cheung Sha Wan Plaza	**100%**			100%		
Commercial		**171.9**	**233,807**		162.6	233,807
Office		**137.4**	**409,896**		129.6	409,896
Car-parking spaces		**19.7**	**N/A**		19.7	N/A
Subtotal:		**329.0**	**643,703**		311.9	643,703
Causeway Bay Plaza 2	**100%**			100%		
Commercial		**118.7**	**109,770**		120.5	109,770
Office		**57.2**	**96,268**		55.6	96,268
Car-parking spaces		**4.8**	**N/A**		5.0	N/A
Subtotal:		**180.7**	**206,038**		181.1	206,038
Lai Sun Commercial Centre	**100%**			100%		
Commercial		**12.8**	**95,063**		23.9	95,063
Office		**14.8**	**74,181**		7.2	74,181
Car-parking spaces		**19.4**	**N/A**		18.8	N/A
Subtotal:		**47.0**	**169,244**		49.9	169,244
Others		**5.5**	**63,592** [1]		12.8	63,592 [1]
Subtotal:		**562.2**	**1,082,577** [1]		555.7	1,082,577 [1]

Property Investment (continued)

Rental Income (continued)

	For the year ended 31 July 2019			For the year ended 31 July 2018		
	Attributable interest to the Group	Turnover (HK$ million)	Total GFA (square feet)	Attributable interest to the Group	Turnover (HK$ million)	Total GFA (square feet)
London, United Kingdom						
36 Queen Street	*Note 2*			100%		
Office		—	—		24.1	60,816
107 Leadenhall Street	100%			100%		
Commercial		4.2	48,182		4.4	48,182
Office		45.3	98,424		51.2	98,424
Subtotal:		49.5	146,606		55.6	146,606
100 Leadenhall Street	100%			100%		
Office		57.7	177,700		62.8	177,700
106 Leadenhall Street	100%			100%		
Commercial		1.2	3,540		1.2	3,540
Office		5.2	16,384		5.1	16,384
Subtotal:		6.4	19,924		6.3	19,924
Subtotal:		113.6	344,230		148.8	405,046
Mainland China						
Shanghai						
Shanghai Hong Kong Plaza	37.72%			*Note 3*		
Retail		208.3	468,434		—	—
Office		116.1	362,096		—	—
Car-parking spaces		6.1	N/A		—	—
Subtotal:		330.5	830,530		—	—
Shanghai May Flower Plaza	37.72%			*Note 3*		
Retail		29.5	320,314		—	—
Car-parking spaces		3.8	N/A		—	—
Subtotal:		33.3	320,314		—	—
Shanghai Regents Park	35.83%			*Note 3*		
Retail		19.2	82,062		—	—
Car-parking spaces		2.9	N/A		—	—
Subtotal:		22.1	82,062		—	—

Property Investment (continued)

Rental Income (continued)

	For the year ended 31 July 2019			For the year ended 31 July 2018		
	Attributable interest to the Group	**Turnover (HK$ million)**	**Total GFA (square feet)**	Attributable interest to the Group	Turnover (HK$ million)	Total GFA (square feet)
Guangzhou						
Guangzhou May Flower Plaza	**37.72%**			*Note 3*		
Retail		**106.9**	**357,424**		—	—
Office		**13.1**	**79,431**		—	—
Car-parking spaces		**2.9**	**N/A**		—	—
Subtotal:		**122.9**	**436,855**		—	—
Guangzhou West Point	**37.72%**			*Note 3*		
Retail		**26.7**	**171,968**		—	—
Guangzhou Lai Fung Tower	**37.72%**			*Note 3*		
Retail		**16.4**	**112,292**		—	—
Office		**104.7**	**625,821**		—	—
Car-parking spaces		**5.7**	**N/A**		—	—
Subtotal:		**126.8**	**738,113**		—	—
Zhongshan						
Zhongshan Palm Spring	**37.72%**			*Note 3*		
Retail		**4.3**	**147,408**		—	—
Others		**14.7**	**N/A**	*Note 3*	—	—
Subtotal:		**681.3**	**2,727,250**		—	—
Total:		**1,357.1**	**4,154,057** [1]		704.5	1,487,623 [1]

Property Investment (continued)

Rental Income (continued)

	For the year ended 31 July 2019			For the year ended 31 July 2018		
	Attributable interest to the Group	**Turnover (HK$ million)**	**Total GFA (square feet)**	Attributable interest to the Group	Turnover (HK$ million)	Total GFA (square feet)
Joint Venture Projects						
Hong Kong						
CCB Tower[6] (50% basis)	**50%**			50%		
Office		**138.9**	**114,603** [4]		134.6	114,603 [4]
Car-parking spaces		**0.6**	**N/A**		0.6	N/A
Subtotal:		**139.5**	**114,603** [4]		135.2	114,603 [4]
8 Observatory Road[7] (50% basis)	**50%**			50%		
Commercial		**21.9**	**45,312** [5]		41.5	45,312 [5]
Office		**4.5**	**37,273** [5]		8.5	37,273 [5]
Car-parking spaces		**1.2**	**N/A**		2.4	N/A
Subtotal:		**27.6**	**82,585** [5]		52.4	82,585 [5]
Alto Residences[8] (50% basis)	**50%**			50%		
Commercial		**1.7**	**47,067**		—	—
Residential Units[9]		**1.7**	**7,557**		—	—
Car-parking spaces		**0.3**	**N/A**		—	—
Subtotal:		**3.7**	**54,624**		—	—
Total:		**170.8**	**251,812**		187.6	197,188

Notes:

1. *Excluding 10% interest in AIA Central.*
2. *36 Queen Street has been disposed and disposal was completed in July 2018.*
3. *eSun was an associate of the Company during the year ended 31 July 2018 and upon close of the eSun Offer in August 2018, eSun became a subsidiary of the Company with its financial results being consolidated into the results of the Company.*
4. *Referring to GFA attributable to the Group. The total GFA of CCB Tower is 229,206 square feet.*
5. *Referring to GFA attributable to the Group. The total GFA of 8 Observatory Road is 165,170 square feet.*
6. *CCB Tower is a joint venture project with CCB in which each of the Group and CCB has an effective 50% interest. For the year ended 31 July 2019, the rental proceeds recorded by the joint venture is HK$279.0 million (2018: HK$270.4 million).*
7. *8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the year ended 31 July 2019, the rental proceeds recorded by the joint venture is HK$55.2 million (2018: HK$104.8 million). Disposal of 8 Observatory Road was completed on 11 March 2019.*
8. *Alto Residences is a joint venture project with Empire Group in which each of the Group and Empire Group has an effective 50% interest.*
9. *Referring to those sold residential units offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.*

Property Investment (continued)

Rental Income (continued)

The average Sterling exchange rate for the year under review depreciated by approximately 4.8% compared with last year. Excluding the effect of currency translation, the Sterling denominated turnover from London properties decreased by 19.8% during the year under review. The disposal of 36 Queen Street was completed in July 2018. Breakdown of rental turnover of London portfolio for the year ended 31 July 2019 is as follows:

	2019 HK$'000	2018 HK$'000	% Change	**2019 GBP'000**	2018 GBP'000	% Change
36 Queen Street	**—**	24,092	N/A	**—**	2,275	N/A
107 Leadenhall Street	**49,427**	55,627	-11.1%	**4,903**	5,253	-6.7%
100 Leadenhall Street	**57,738**	62,826	-8.1%	**5,728**	5,933	-3.5%
106 Leadenhall Street	**6,396**	6,304	1.5%	**635**	595	6.7%
Total:	**113,561**	148,849	-23.7%	**11,266**	14,056	-19.8%

Review of major investment properties

Hong Kong Properties

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

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

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


Cheung Sha Wan Plaza


Causeway Bay Plaza 2


Lai Sun Commercial Centre

Property Investment (continued)

Review of major investment properties (continued)

Hong Kong Properties (continued)

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

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

Overseas Properties

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


CCB Tower


AIA Central

Review of major investment properties (continued)

Overseas Properties (continued)

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

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

The City of London's Planning and Transportation Committee has approved a resolution to grant Planning Consent to the Group to redevelop the Leadenhall Properties. The Leadenhall Properties currently have a combined GFA of approximately 344,230 square feet. The Planning Consent would allow the Group to redevelop the Leadenhall Properties into a 56 storey tower with i) approximately 1,068,510 square feet gross internal area of office space as well as new retail space of approximately 8,730 square feet; ii) a free, public viewing gallery of approximately 19,967 square feet at levels 55 and 56 of the building which offers 360 degree views across London; and iii) new pedestrian routes between Leadenhall Street, Bury Street and St Mary Axe, and new public spaces around the base of the building. Including ancillary facilities of approximately 178,435 square feet, the total gross internal area of the proposed tower is expected to be approximately 1,275,642 square feet upon completion. All leases of the Leadenhall Properties have been aligned to expire in 2023. The Group will continue to monitor the market conditions in London closely.


107 Leadenhall Street, London


100 Leadenhall Street, London

106 Leadenhall Street, London

Property Investment (continued)

Review of major investment properties (continued)

Mainland China Properties

Except for the Group's 20% interest in Novotown Phase I in Hengqin, all major rental properties of the Group in Mainland China are held through Lai Fung Group.

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

The property's total GFA is approximately 1.19 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 362,100 square feet, 468,400 square feet and 355,300 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki and internationally renowned luxury brands and a wide array of dining options.

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

Lai Fung Group owns 100% of this property.

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

Lai Fung 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 early in July 2018. Subsequently, Lai Fung Group secured a lease with Hema Fresh (盒馬鮮生), which is one of the first supermarkets opened in Mainland 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. Lai Fung Group retains a 95% interest in the commercial portion which has a total GFA of approximately 82,000 square feet.

Property Investment (continued)

Review of major investment properties (continued)

Mainland China 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.

Lai Fung 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 Lai Fung 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 Lai Fung 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.

Property Development

For the year ended 31 July 2019, recognised turnover from sales of properties was HK$2,279.8 million (2018: HK$0.4 million). Apart from the consolidation of financial results of eSun Group upon the close of eSun Offer in August 2018, the significant increase was contributed by the sale of residential units in 93 Pau Chung Street during the year under review. Breakdown of turnover for the year ended 31 July 2019 from sales of properties is as follows:

	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price (HK$/square foot)	Turnover (HK$ million)
Hong Kong				
93 Pau Chung Street				
Residential Units	209	77,012	16,418 [1]	1,345.5
Shops	5	13,959	22,996	321.0
Subtotal				**1,666.5**

	No. of Units	Approximate GFA (Square feet)	Average Selling Price (HK$/square foot)	Turnover (HK$ million)
Mainland China				
Zhongshan Palm Spring				
Residential High-rise Units	129	158,473	1,590 [2]	240.2 [3]
Residential House Units	25	52,870	2,739 [2]	137.9 [3]
Hengqin Novotown Phase I				
Cultural Studios	6	24,207	5,274 [2]	121.6 [3]
Shanghai Regents Park				
Car-parking Spaces	153	N/A	N/A	100.3 [3]
Guangzhou Eastern Place				
Car-parking Spaces	5	N/A	N/A	5.4 [3]
Guangzhou West Point				
Car-parking Spaces	4	N/A	N/A	2.4 [3]
Guangzhou King's Park				
Car-parking Spaces	1	N/A	N/A	0.7 [3]
Zhongshan Palm Spring				
Car-parking Spaces	24	N/A	N/A	4.4 [3]
Others				0.4
Subtotal				**613.3** [3]
Total				**2,279.8**

Property Development (continued)

Recognised sales from joint venture project

	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price (HK$/square foot)	Turnover (HK$ million)
Hong Kong				
Alto Residences[4] (50.0% basis)				
Residential Units	274	156,402	16,134 [1]	2,618.0
Car-parking spaces	21	N/A	N/A	56.4
Subtotal				**2,674.4**

	No. of Units	Approximate GFA (Square feet)	Average Selling Price (HK$/square foot)	Turnover (HK$ million)
Mainland China				
Guangzhou Dolce Vita[5] (47.5% basis)				
Retail Units	1	8,932	3,384 [2]	28.5 [3]
Car-parking spaces	8	N/A	N/A	2.5 [3]
Subtotal				**31.0**
Total				**2,705.4**

Notes:

1. *Excluding the financing component for sale of completed properties in accordance with Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers".*
2. *Before PRC business tax and value-added tax inclusive.*
3. *After PRC business tax and value-added tax exclusive.*
4. *Alto Residences is a joint venture project with Empire Group in which each of the Group and Empire Group has an effective 50% interest.*
5. *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CaptiaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest.*

Review of major projects for sale and under development

Hong Kong Properties

339 Tai Hang Road, Hong Kong

The Group wholly owns the development project located at No. 339 Tai Hang Road, Hong Kong. The development project is a luxury residential property with a total GFA of approximately 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is approximately HK$670 million. Up to the date of this Annual Report, 8 out of 9 units of this project have been sold.

Property Development (continued)

Review of major projects for sale and under development (continued)

Hong Kong Properties (continued)

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

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

This project providing 605 flats, including 23 houses was named "Alto Residences" and was launched for pre-sale in October 2016. Up to 20 October 2019, the Group has sold 581 units in Alto Residences with saleable area of approximately 353,500 square feet at an average selling price of approximately HK$17,300 per square foot. Handover of the sold residential units has been substantially completed. The Group released in total 95 car-parking spaces of Alto Residences for sale since March 2019. Up to 20 October 2019, 63 car-parking spaces have been sold and the total sales proceeds amounted to approximately HK$170.5 million.

93 Pau Chung Street
In April 2014, the Group was successful in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority in Ma Tau Kok, Kowloon, Hong Kong. The lot has an area of 12,599 square feet with a total GFA of 111,354 square feet split into 94,486 square feet for residential use and 16,868 square feet for commercial use. The construction has been completed with the Occupation Permit issued by the Buildings Department in July 2018 and the Certificate of Compliance issued by the Lands Department in November 2018.

Alto Residences

Alto Residences – Club House

Property Development (continued)

Review of major projects for sale and under development (continued)

Hong Kong Properties (continued)

93 Pau Chung Street (continued)

This project was named "93 Pau Chung Street" and launched for pre-sale in September 2016. The sale of 209 residential units has been completed, achieving an average selling price of approximately HK$16,400 per square foot. Handover of the sold residential units has been substantially completed. The Group released the commercial units of 93 Pau Chung Street for sale in July 2018. Up to 20 October 2019, 5 out of 7 commercial units with saleable area of approximately 14,000 square feet have been sold and handed over at an average selling price of approximately HK$23,000 per square foot.

Novi

The Group completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Sham Shui Po, Kowloon, Hong Kong in May 2016, The site comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet. It was planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,851 square feet. The construction works have been completed with the Occupation Permit issued by the Buildings Department in July 2019 and the total development cost is expected to be approximately HK$0.4 billion.

This project was named "Novi" and launched for pre-sale in July 2017, offering 138 flats in total, including studios, one and two-bedroom units. All 138 units with total saleable area of approximately 28,800 square feet have been pre-sold, achieving an average selling price of HK$18,900 per square foot. Handover of the pre-sold residential units is expected to commence by the end of 2019.

Novi

Monti

Property Development (continued)

Review of major projects for sale and under development (continued)

Hong Kong Properties (continued)

Monti

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

This project was named "Monti" and launched for pre-sale in August 2018. Up to 20 October 2019, the Group has pre-sold 62 units in Monti with saleable area of approximately 19,500 square feet at an average selling price of approximately HK$20,500 per square foot.

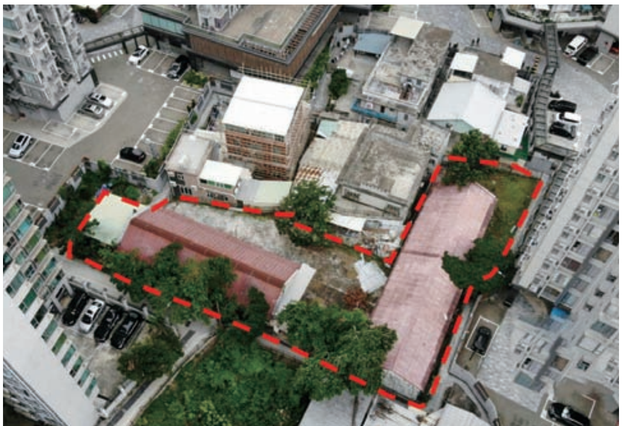
Tai Kei Leng project

In March 2019, the Group successfully tendered for and secured a site located at Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, Hong Kong for HK$209.8 million. This site is designated for private residential purposes and expected to add a maximum GFA of approximately 42,200 square feet to the development portfolio of the Group. Ground investigation is in progress and construction work is expected to be completed in 2024.

Hang On Street project

In April 2019, the Group successfully secured the Urban Renewal Authority project covering a site area of approximately 8,500 square feet at Nos. 12-30 Hang On Street, Kwun Tong, Hong Kong which will be developed into approximate 64,000 square feet of residential spaces. Ground investigation is in progress and construction work is expected to be completed in 2023.

All major properties for sale and under development in Mainland China of the Group are held through Lai Fung Group except the Group's 20% interest in Hengqin Novotown Phase I.



Tai Kei Leng

Hang On Street

Property Development (continued)

Review of major projects for sale and under development (continued)

Mainland China Properties

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, Lai Fung 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. Lai Fung Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and 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 Lai Fung Group. This project is expected to complete in the second quarter of 2022.

Shanghai Wuli Bridge Project

In July 2014, Lai Fung 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 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.

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.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District, Guangzhou. 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, 13 car-parking spaces remained unsold.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. Lai Fung 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.

PROPERTY DEVELOPMENT (CONTINUED)

Review of major projects for sale and under development (continued)

Mainland China Properties (continued)

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 under 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.

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, 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 gains/expenses, net" 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 and 1,215 unsold car-parking spaces.

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, Lai Fung and eSun jointly announced that Lai Fung had successfully won the bid of the land use rights of the land for Novotown Phase I. Upon completion of the Novotown Phase I Acquisition in September 2019 and as of the date of this Annual Report, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by the Group. 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.

Property Development (continued)

Review of major projects for sale and under development (continued)

Mainland China Properties (continued)

Hengqin Novotown — Phase I (continued)
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)	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**

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.

Lai Fung Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer, 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 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.

Sales of the cultural studios of Novotown Phase I were strong. During the year under review, 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. Completed cultural studios held for sale in this development as at 31 July 2019 amounted to approximately 173,230 square feet.

Property Development (continued)

Review of major projects for sale and under development (continued)

Mainland China Properties (continued)

Hengqin Novotown — Phase II

In June 2017, Lai Fung 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, Lai Fung 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.

Lai Fung 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.

Lai Fung 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 Novotown phase II. 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. Lai Fung Group is in the process of finalising the master layout plan for Novotown Phase II with the Chinese Government.

Restaurant Operation

For the year ended 31 July 2019, restaurant operation segment contributed HK$514.8 million to the Group's turnover (2018: HK$514.0 million). Up to the date of this Annual Report, restaurant operation includes the Group's interests in 23 restaurants in Hong Kong and Mainland China and 2 restaurants in Macau and Las Vegas under management. Details of each existing restaurant of the Group are as follows:

Cuisine	Restaurant	Location	Attributable interest to the Group	Award
Owned restaurants				
Western/ International Cuisine	8½ Otto e Mezzo BOMBANA Hong Kong	Hong Kong	37%	Three Michelin stars (2012-2019)
	8½ Otto e Mezzo BOMBANA Shanghai	Shanghai	13%	Two Michelin stars (2017-2019)
	Opera BOMBANA	Beijing	20%	
	CIAK — In The Kitchen	Hong Kong	62%	The Plate Michelin (2019) One Michelin star (2015-2017)
	CIAK — All Day Italian	Hong Kong	67%	Michelin Bib Gourmand (2017-2019)
	Beefbar	Hong Kong	62%	One Michelin star (2017-2019)
	Takumi by Daisuke Mori	Hong Kong	63%	One Michelin star (2018-2019)
	Prohibition *(Note)*	Hong Kong	100%	
	Zest by Konishi	Hong Kong	67%	
Asian Cuisine	China Tang Landmark	Hong Kong	50%	The Plate Michelin (2019)
	China Tang Harbour City	Hong Kong	60%	The Plate Michelin (2019)
	Howard's Gourmet	Hong Kong	50%	
	Beijing Howard's Gourmet	Beijing	67%	
	Chiu Tang Central	Hong Kong	67%	
	Old Bazaar Kitchen	Hong Kong	63%	
	Sun's Bazaar Pacific Place	Hong Kong	67%	
	Sun's Bazaar KiKi Tea Telford Plaza	Hong Kong	69%	
	Canton Bistro *(Note)*	Hong Kong	100%	
	KiKi Noodle Bar IFC	Hong Kong	67%	
	KiKi Noodle Bar K11 MUSEA	Hong Kong	67%	
	KiKi Noodle Bar Shanghai Hong Kong Plaza	Shanghai	67%	
Japanese Cuisine	Kaiseki Den by Saotome	Hong Kong	59%	One Michelin star (2010-2019)
	Sushi Masataka	Hong Kong	63%	The Plate Michelin (2019)
Managed restaurants				
Western Cuisine	8½ Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2019)
Asian Cuisine	China Tang Las Vegas	Las Vegas	N/A	

Note: *Performance of these two restaurants in Ocean Park Marriott Hotel has been included in the hotel operation segment for segment reporting purposes.*

Hotel and Serviced Apartment Operation

The hotel and serviced apartment operation segment of the Group includes the Group's operation of the Ocean Park Marriott Hotel in Hong Kong and the Caravelle Hotel in Ho Chi Minh City, Vietnam, as well as Lai Fung Group's hotel and serviced apartment operation in Shanghai, Mainland China. The hotel project in Phuket, Thailand that the Group invested in June 2017 is still at the planning stage and the Group will provide material updates on this project as and when available. For the year ended 31 July 2019, the hotel and serviced apartment operation contributed HK$686.1 million to the Group's turnover (2018: HK$424.0 million).

Breakdown of turnover for the year ended 31 July 2019 from hotel and serviced apartment operation is as follows:

	Location	Attributable interest to the Group	No. of Rooms [1]	Total GFA (square feet)	Turnover (HK$ million)	Year end occupancy (%)
Hotel and serviced apartment						
Ocean Park Marriott Hotel	Hong Kong	100%	471	365,974	218.2	86.0%
Ascott Huai Hai Road Shanghai	Shanghai	37.72%	300	355,267	119.7	89.6%
STARR Hotel Shanghai	Shanghai	37.72%	239	143,846	34.3	77.9%
STARR Resort Residence Zhongshan [2]	Zhongshan	37.72%	90	98,556	4.1 [2]	N/A [2]
Caravelle Hotel	Ho Chi Minh City	26.01%	335	378,225	307.0	62.4%
Subtotal			**1,435**	**1,341,868**	**683.3**	
Hotel management fee					2.8	
Total					**686.1**	

Note:

1. *On 100% basis*
2. *In light of the prospects and the growing demand for residential units in Zhongshan, LFH 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 during the year under review.*

Ocean Park Marriott Hotel - Swimming Pool

Ocean Park Marriott Hotel - Whisker Submarine Bedroom

Hotel and Serviced Apartment Operation (continued)

The Ocean Park Marriott Hotel operated by Marriott Group providing a total of 471 rooms grand opened on 19 February 2019 and added approximately 365,974 square feet of attributable rental space to the rental portfolio of the Group.

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

The hotel operation team of the Group has extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries and now manages Lai Fung Group's serviced apartments in Shanghai under the "STARR" brand.

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.

Lai Fung Group also owns 100% interest in the Ascott Huaihai Road in Shanghai Hong Kong Plaza which 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 has 308 contemporary apartments of various sizes: studios (640-750 square feet), one-bedroom apartments (915-1,180 square feet), two-bedroom apartments (1,720 square feet), three-bedroom apartments (2,370 square feet) and two luxurious penthouses on the highest two floors (4,520 square feet).

Takumi by Daisuke Mori


Kaiseki Den by Saotome

Media and Entertainment

The media and entertainment businesses are operated by eSun Group. For the year ended 31 July 2019, this segment recorded a turnover of HK$591.8 million.

Live Entertainment

eSun Group remains active on the live entertainment front. During the year under review, eSun Group organised and invested in 118 shows by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Ekin Cheng, Ivana Wong, Grasshopper, JJ Lin, Yoga Lin, EXO, Donghae & Eunhyuk and MayDay.

Music Production, Distribution and Publishing

For the year ended 31 July 2019, eSun Group released 49 albums, including titles by Sammi Cheng, Grasshopper, Remus Choy, Andy Leung, Tang Siu Hau and Feanna Wong. eSun Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

eSun Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing television drama production and film production business.

Film and Tv Programme Production and Distribution

The film and TV programme production and distribution businesses are operated by eSun Group. For the year ended 31 July 2019, this segment recorded a turnover of HK$326.0 million and segment results of a loss of HK$119.6 million.

During the year under review, eSun Group released 2 films, namely *Kung Fu Monster* and *Dead Pigs* and distributed 33 films and 482 videos with high profile titles including *Green Book, Hotel Mumbai, John Wick: Chapter 3 — Parabellum, BumbleBee, Captain Marvel and Venom*.

Cinema Operation

The cinema operation is managed by eSun Group. For the year ended 31 July 2019, this segment recorded a turnover of HK$521.1 million. eSun Group currently operates 10 cinemas in Hong Kong and 3 cinemas in Mainland China. The cinema operation provides a complementary distribution channel for eSun Group's film production and distribution businesses. The MCL Cheung Sha Wan Cinema, newly opened in January 2019 is the first MCL cinema in West Kowloon district. With industrial style design, the cinema has 4 houses with more than 400 seats in a stadium seating setting, giving the audience a comfortable sightline and all cinema houses are equipped with 4K projection system, Dolby 7.1 surround sound system and Bowers & Wilkins Hi-Fi grade speakers to provide a great cinematic viewing experience for the audience.

Details on the number of screens and seats of each existing cinema of eSun Group are as follows:

Cinema	Attributable interest to eSun Group (%)	No. of screens *(Note 1)*	No. of Seats *(Note 1)*
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		**22**	**2,951**
Hong Kong			
Movie Town (including MX4D theatre)	100	7	1,702
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema *(Note 2)*	95	6	694
MCL Telford Cinema (including MX4D theatre)	95	6	789
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
Subtotal		**51**	**7,213**
Total		**73**	**10,164**

Notes:
1. *On 100% basis.*
2. *With effect from 1 November 2018, rental space of one cinema house has been handed back to the landlord.*

Interests in Joint Ventures

During the year ended 31 July 2019, contribution from joint ventures amounted to HK$649.3 million (2018: HK$1,714.4 million). The decrease is primarily due to a lower revaluation gain of CCB Tower partially offset by the increased operation profit due to recognition of sales of residential units of Alto Residences during the year under review.

	For the year ended 31 July	
	2019 **(HK$ million)**	2018 (HK$ million)
Revaluation gains	**129.5**	1,598.6
Operating profits	**519.8**	115.8
Contribution from joint ventures	**649.3**	1,714.4

Liquidity and Financial Resources

As at 31 July 2019, cash and bank balances and undrawn facilities held by the Group amounted to HK$5,255.6 million and HK$5,465.7 million, respectively. Cash and bank balances held by the Group of which around 41.8% was denominated in Hong Kong dollar and United States dollar currencies, and around 50.0% was denominated in Renminbi. Cash and bank balances and undrawn facilities held by the Group excluding eSun and its subsidiaries ("**eSun Group**") as at 31 July 2019 were HK$1,483.5 million and HK$2,797.7 million, respectively. The Group's sources of funding comprise mainly internal funds generated from the Group's business operations, loan facilities provided by banks and guaranteed notes issued to investors.

As at 31 July 2019, the Group had bank borrowings of approximately HK$13,271.2 million, guaranteed notes of approximately HK$5,736.7 million and other borrowings of approximately HK$304.3 million. As at 31 July 2019, the maturity profile of the bank borrowings of HK$13,271.2 million is well spread with HK$4,282.9 million repayable within 1 year, HK$3,806.4 million repayable in the second year and HK$4,041.9 million repayable in the third to fifth years, and HK$1,140.0 million repayable beyond the fifth year.

The Group issued guaranteed notes in an aggregate principal amount of US$750 million. The guaranteed notes have terms of five years and bear a fixed interest rate of 4.6% and 5.65% per annum with interest payable semi-annually in arrears. The guaranteed notes are listed on the Stock Exchange and were issued for refinancing the previous notes and for general corporate purposes. The Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk.

Canton Bistro

Sun's Bazaar Pacific Place

Liquidity and Financial Resources (continued)

Approximately 69% and 30% of the Group's total borrowings carried interest on a floating rate basis and fixed rate basis, respectively, and the remaining 1% of Group's borrowings were interest-free.

The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total borrowings less cash and bank balances) to consolidated net assets attributable to owners of the Company, was approximately 39.2%. Excluding the net debt of eSun Group, the Group's gearing ratio was approximately 24.6%. Excluding the net debt of London portfolio of which had a positive carry net of financing costs, and the net debt of eSun Group, the Group's gearing ratio was approximately 22.6%.

As at 31 July 2019, certain investment properties with carrying amounts of approximately HK$29,231.0 million, certain prepaid land lease payments with carrying amounts of approximately HK$1,605.6 million, certain property, plant and equipment with carrying amounts of approximately HK$3,299.2 million, certain property under development of approximately HK$1,946.9 million, certain serviced apartments of approximately HK$1,937.2 million, and certain bank balances and time deposits with banks of approximately HK$1,419.2 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure banking facilities granted to joint ventures of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

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

Prohibition

ZEST by Konishi

Contingent Liabilities

Details of contingent liabilities of the Group at the end of the reporting period are set out in note 46 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2019, the Group employed a total of approximately 4,600 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.


Howard's Gourmet


Old Bazaar Kitchen

KiKi Noodle Bar K11 MUSEA

KiKi Noodle Bar IFC

Summary of Financial Information

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

Results

	Year ended 31 July				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**6,493,612**	1,693,010	1,704,080	1,868,334	1,541,686
PROFIT BEFORE TAX	**4,892,157**	4,420,873	2,203,563	1,237,457	2,127,891
Tax	**(159,297)**	(49,984)	(76,450)	(57,691)	(79,397)
PROFIT FOR THE YEAR	**4,732,860**	4,370,889	2,127,113	1,179,766	2,048,494
Attributable to:					
Owners of the Company	**4,842,944**	4,335,202	2,093,572	1,148,390	2,018,262
Non-controlling interests	**(110,084)**	35,687	33,541	31,376	30,232
	4,732,860	4,370,889	2,127,113	1,179,766	2,048,494

Summary of Financial Information

Assets, Liabilities and Non-controlling Interests

	As at 31 July				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**10,337,776**	5,276,957	4,034,466	2,983,985	2,380,267
Prepaid land lease payments	**1,623,441**	18,846	19,873	20,901	21,928
Investment properties	**38,807,637**	18,356,990	16,447,014	15,147,376	15,236,780
Properties under development (classified as non-current assets)	**3,044,000**	932,978	1,571,635	1,322,403	653,845
Film rights	**24,608**	—	—	—	—
Film products	**75,022**	—	—	—	—
Music catalogs	**56,718**	—	—	—	—
Goodwill	**227,033**	235,778	5,161	5,161	—
Other intangible assets	**113,945**	120,306	—	—	—
Investments in associates	**344,433**	3,596,585	3,555,876	3,660,835	3,930,309
Investments in joint ventures	**7,411,355**	7,272,859	7,224,183	6,754,353	5,937,793
Available-for-sale financial assets	**—**	2,162,254	1,589,670	1,382,026	1,215,485
Financial assets at fair value through other comprehensive income	**1,907,735**	—	—	—	—
Financial assets at fair value through profit or loss	**645,631**	—	—	—	—
Derivative financial instruments	**53,784**	6,171	—	—	—
Loans to related companies	**—**	650,000	—	—	—
Pledged and restricted bank balances and time deposits (classified as non-current assets)	**81,345**	82,909	69,675	216,241	—
Deposits, prepayments and other receivables	**311,266**	341,204	231,868	181,062	141,968
Deferred tax assets	**39,371**	34,534	—	—	—
Current assets	**13,520,882**	7,614,561	3,691,570	2,879,098	2,088,503
TOTAL ASSETS	**78,625,982**	46,702,932	38,440,991	34,553,441	31,606,878
Current liabilities	**(9,484,926)**	(3,457,150)	(3,459,879)	(719,579)	(1,592,678)
Bank borrowings (classified as non-current liabilities)	**(8,988,292)**	(7,698,454)	(6,748,399)	(5,275,720)	(3,270,608)
Other borrowings (classified as non-current liabilities)	**(262,894)**	—	—	—	—
Guaranteed notes (classified as non-current liabilities)	**(5,736,654)**	(3,118,594)	—	(2,709,227)	(2,703,324)
Deferred tax liabilities	**(5,470,430)**	(176,044)	(141,291)	(127,891)	(121,020)
Provision for tax indemnity	**—**	—	(93,000)	(729,387)	(729,387)
Other payables (classified as non-current liabilities)	**(87,410)**	(119,266)	(100,350)	—	—
Long term deposits received	**(241,286)**	(514,743)	(793,533)	(99,787)	(86,287)
TOTAL LIABILITIES	**(30,271,892)**	(15,084,251)	(11,336,452)	(9,661,591)	(8,503,304)
NON-CONTROLLING INTERESTS	**(12,526,389)**	(459,988)	(504,749)	(534,115)	(441,031)
NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**35,827,701**	31,158,693	26,599,790	24,357,735	22,662,543

Particulars of Major Properties

Completed Properties Held for Rental

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Office	Industrial	Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
Hong Kong								
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	233,807	409,896	–	643,703	355
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D,E,G,H,K,L,M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	109,770	96,268	–	206,038	57
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	95,063	74,181	–	169,244	538
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	50%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	–	114,603	–	114,603	19
Alto Residences	29 Tong Yin St, Tseung Kwan O, New Territories, Hong Kong	50%	The property is held for a term of 50 years commencing from 17 December 2012	52,486	–	–	52,486	73
Wyler Centre, Phase II 20/F and 27/F and car-parking spaces nos. 17, 18 and 59 on 2/F	192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	–	–	47,932	47,932	3
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	–	42,896	–	42,896	6
Metropolitan Factory and Warehouse Building Units A and B on 10/F and car-parking space nos. 1,2, 13 and 14 on G/F	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	–	–	11,370	11,370	4
Luen Fat Loong Factory Building 4/F	19 Cheung Lee Street, Chai Wan, Hong Kong	100%	The property is held for a term of 75 years commencing on 4 November 1963 renewable for a further term of 75 years	–	–	4,290	4,290	–
Subtotal of major completed properties held for rental in Hong Kong:				**491,126**	**737,844**	**63,592**	**1,292,562**	**1,055**
United Kingdom								
107 Leadenhall Street London *(Note 1)*	107 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	48,182	98,424	–	146,606	–
100 Leadenhall Street London *(Note 1)*	100 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	–	177,700	–	177,700	15
106 Leadenhall Street London *(Note1)*	106 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	3,540	16,384	–	19,924	–
Subtotal of major completed properties held for rental in United Kingdom:				**51,722**	**292,508**	**–**	**344,230**	**15**

Completed Properties Held for Rental (continued)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Office	Industrial	Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
Mainland China								
Shanghai								
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	37.72%	The property is held for a term of 50 years commencing on 16 September 1992	176,695	136,584	–	313,279	132
May Flower Plaza	Sujiaxiang, Jing'an District	37.72%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	120,824	–	–	120,824	–
Regents Park	88 Huichuan Road, Changning District	35.83%	The property is held for a term of 70 years commencing on 4 May 1996	29,406	–	–	29,406	–
			Subtotal of major completed properties held for rental in Shanghai:	**326,925**	**136,584**	**–**	**463,509**	**132**
Guangzhou								
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	37.72%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	134,822	29,961	–	164,783	51
West Point	Zhongshan Qi Road, Liwan District	37.72%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	64,867	–	–	64,867	–
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	37.72%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	42,357	236,063	–	278,420	118
			Subtotal of major completed properties held for rental in Guangzhou:	**242,046**	**266,024**	**–**	**508,070**	**169**
Zhongshan								
Palm Spring	Caihong Planning Area, Western District	37.72%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses.	55,603	–	–	55,603	–
			Subtotal of major completed properties held for rental in Zhongshan:	**55,603**	**–**	**–**	**55,603**	**–**
Hengqin								
Novotown Phase I *(Note 2)*	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	45.10%	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	109,551 *(Note 3)*	–	–	109,551	–
			Subtotal of major completed properties held for rental in Hengqin:	**109,551**	**–**	**–**	**109,551**	**–**
			Subtotal of major completed properties held for rental in Mainland China:	**734,125**	**402,608**	**–**	**1,136,733**	**301**
			Total of major completed properties held for rental:	**1,276,973**	**1,432,960**	**63,592**	**2,773,525**	**1,371**

Note 1: Gross internal area
Note 2: As at 31 July 2019, Novotown Phase I was 80% owned by Lai Fung Group and 20% owned by eSun Group
Note 3: Cultural attraction portion of Notovown Phase I which is designated for the operation of Lionsgate Entertainment World®

Completed Hotel Properties and Serviced Apartments

Hotel Name	Location	Group Interest	Tenure	No. of rooms	Approximate Attributable GFA (square feet)	No. of car-parking spaces attributable to the Group
Hong Kong						
Hong Kong Ocean Park Marriott Hotel, Hong Kong	180 Wong Chuk Hang Road, Ocean Park, Hong Kong	100%	The property is held for a term of 75 years commencing from 22 December 1972	471	365,974	16
Vietnam						
Caravelle Hotel	19 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	26.01%	The property is held under a land use right due to expire on 8 October 2040	335	98,376	—
Mainland China						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	37.72%	The property is held for a term of 50 years commencing on 16 September 1992	300	134,008	—
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	37.72%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	54,259	—
Subtotal of major completed hotel properties and serviced apartments in Mainland China:				**539**	**188,267**	**—**
Total of major completed hotel properties and serviced apartments:				**1,345**	**652,617**	**16**

Particulars of Major Properties

Properties Under Development

Property Name	Location	Attributable Interest to the Group	Stage of Construction	Expected Completion Date	Approximate Site Area (square feet) *(Note 1)*	Approximate Attributable Gross Floor Area					No. of car-parking spaces attributable to the Group
						Commercial/ Retail	Office	Hotel/Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Hong Kong											
Monti	9 Sai Wan Ho Street, Shau Kei Wan, Hong Kong	100%	Superstructure works in progress	Q4 2019	7,642	–	–	–	59,799	59,799	8
Novi	50 Ki Lung Street, Kowloon, Hong Kong	100%	Superstructure works in progress	Q3 2019	5,054	5,196	–	–	37,655	42,851	–
Tai Kei Leng project	Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, Hong Kong	100%	Ground investigation works in progress	2024	12,000	–	–	–	42,200	42,200	–
Hang On Street project	12-30 Hang On Street, in Kwun Tong, Hong Kong	100%	Ground investigation works in progress	2023	8,500	8,100	–	–	63,600	71,700	–
Subtotal of major properties under development in Hong Kong:						**13,296**	**–**	**–**	**203,254**	**216,550**	**8**
Mainland China											
Guangzhou											
Haizhu Plaza	Chang Di Main Road, Yuexiu District	37.72%	Construction work in progress	H1 2023	90,708	39,290	179,799	–	–	219,089	115
Subtotal of major properties under development in Guangzhou:						**39,290**	**179,799**	**–**	**–**	**219,089**	**115**
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	37.72%	Construction work in progress	Phase 3: Q3 2020 Phase 4: Q3 2021	2,547,298 *(Note 3)*	49,600	–	–	742,213	791,813	545
Subtotal of major properties under development in Zhongshan:						**49,600**	**–**	**–**	**742,213**	**791,813**	**545**
Shanghai											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	37.72%	Construction work in progress	Q2 2022	107,223	35,523	226,106	–	–	261,629	209
Wuli Bridge project	Wuliqiao Road, 104 Jie Fang, Huangpu District	37.72%	Construction work in progress	Q3 2019 *(Note 4)*	74,112	–	–	–	29,400	29,400	37
Subtotal of major properties under development in Shanghai:						**35,523**	**226,106**	**–**	**29,400**	**291,029**	**246**
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	45.10%	Construction work in progress	Q4 2019	1,401,184 *(Note 3)*	330,063	266,326	462,460	–	1,058,849	877
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	37.72%	Construction work in progress	2023	1,547,523	1,167,463	–	–	–	1,167,463	381
Subtotal of major properties under development in Hengqin:						**1,497,526**	**266,326**	**462,460**	**–**	**2,226,312**	**1,258**
Subtotal of major properties under development in Mainland China:						**1,621,939**	**672,231**	**462,460**	**771,613**	**3,528,243**	**2,164**
Total of major properties under development:						**1,635,235**	**672,231**	**462,460**	**974,867**	**3,744,793**	**2,172**

Note 1: On project basis
Note 2: Office/office apartments
Note 3: Including portions of the projects that have been completed for sale/lease
Note 4: Construction works completed in August 2019

Completed Properties Held for Sale

Property Name	Location	Attributable Interest to the Group	Approximate Attributable GFA (square feet) Commercial/ Retail	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Hong Kong						
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	27,306	—	27,306	7
339 Tai Hang Road	339 Tai Hang Road, Hong Kong	100%	—	6,458	6,458	3
Alto Residences	29 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong	50%	—	53,207	53,207	45
93 Pau Chung Street	20-32 San Shan Road and 93 Pau Chung Street, Ma Tau Kok, Kowloon, Hong Kong	100%	2,035	—	2,035	20
Subtotal of major completed properties held for sale in Hong Kong:			**29,341**	**59,665**	**89,006**	**75**
Mainland China						
Zhongshan						
Palm Spring	Caihong Planning Area, Western District	37.72%	12,712	141,004	153,716	458
Subtotal of major completed properties held for sale in Zhongshan:			**12,712**	**141,004**	**153,716**	**458**
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	45.10%	—	78,127	78,127	—
Subtotal of major completed properties held for sale in Hengqin:			**—**	**78,127**	**78,127**	**—**
Shanghai						
May Flower Plaza	Sujiaxiang, Jing'an District	37.72%	—	—	—	173
Regents Park, Phase II	88 Huichuan Road, Changning District	35.83%	—	—	—	90
Subtotal of major completed properties held for sale in Shanghai:			**—**	**—**	**—**	**263**
Guangzhou						
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	37.72%	—	—	—	6
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	17.92%	—	—	—	7
King's Park	Donghua Dong Road, Yuexiu District	37.72%	—	—	—	5
West Point	Zhongshan Qi Road, Liwan District	37.72%	—	—	—	46
Subtotal of major completed properties held for sale in Guangzhou:			**—**	**—**	**—**	**64**
Subtotal of major completed properties held for sale in Mainland China:			**12,712**	**219,131**	**231,843**	**785**
Total of major completed properties held for sale:			**42,053**	**278,796**	**320,849**	**860**

Environmental, Social and Governance Report

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 of 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 our 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	Property	Food & Beverage and Hotel Business	Cinema	Entertainment
Environmental		Emissions			✓	✓
		Use of resources	✓	✓	✓	✓
		The environment and natural resources	✓	✓		
Social	Employment and labour practices	Employment	✓	✓	✓	✓
		Diversity and equal opportunities	✓	✓		
		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 our business operations, the Group 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.

Overall Environmental Management Approach (continued)

Environmental Management and Air Emissions

The Group is aware of the environmental impact of our 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 endeavour to minimise the amount of air and greenhouse gas emissions, wastewater discharges and waste generations in its business activities.

Policies and Initiatives in Property Business

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, Chapter 311 Air Pollution Control Ordinance, Chapter 358 Water Pollution Control Ordinance and Chapter 354 Waste Disposal Ordinance as well as 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) and maintains respective limit as set up from the Air Pollutions Control (Volatile Organic Compounds) Regulation in all materials.

The Group refer to "BEAM Plus for New Buildings Version 1.2" and "LEED v4 for Building Design and Construction" when designing and planning new projects for development in Hong Kong and Mainland China respectively. 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 Lai Fung Holdings Limited ("**Lai Fung**", a non-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.

Overall Environmental Management Approach (continued)

Environmental Management and Air Emissions (continued)

Policies and Initiatives in Cinema Business

Considering the major source of emission in our cinema operation is the indirect carbon emission from energy consumption, the Group have formulated a management plan to reduce energy consumption which covers various measures on energy conservation, such as maintaining minimal functioning of air conditioning and other energy intensive equipment when individual cinema house is idle. The Group hopes to reduce indirect carbon emission and contribute to environmental protection by the implementation of energy saving measures.

Waste Management

To manage and minimise waste generation in our daily operations, the Group has 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.

Policies and Initiatives in Property Business

The Group pays attention to the construction phase of its projects and puts in place relevant waste management procedures. The Group complies with Chapter 354 Waste Disposal Ordinance, 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 licensed contractors in Hong Kong or 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. For other wastes, they would be sent to landfill operated by the Hong Kong Environmental Protection Department (EPD) with a registered billing account or with the required waste disposal permit.

In terms of chemical waste management, as required by the Waste Disposal (Chemical Waste) (General) Regulation, all our construction projects are registered with EPD as a chemical waste producer. The Group implements planned mitigation measures to minimise the generation of chemical waste on site. Solid waste including empty chemical cans and contaminated soil and liquid chemical wastes will be processed properly according to the Code of Practice on the Packaging, Labelling and Storage of Chemical Wastes. 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.

Overall Environmental Management Approach (continued)

Waste Management (continued)

Policies and Initiatives in Food and Beverage and Hotel Business

We believe at-source reduction of food waste is key to the effectiveness of waste management initiatives. Through suitable stocking of perishable food products we strive to minimize food waste generated during food production process. Besides, non-recyclable food waste will be disposed of by authorised contractors. Whenever possible, the Group donates food to charitable organisations so as to relieve the pressure on landfill while support the community.

All production, storage, collection and disposal of waste incurred in the Company are in compliance with Chapter 354 Waste Disposal Ordinance.

Resources Management and Conservation

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

Policies and Initiatives in Property Business

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 our existing property portfolio. Monthly monitoring on energy and water consumption helps the Group's property management to avoid excessive use of energy and water leakage. In Hong Kong, the Group has installed automatic sensor on its water tap at Lai Sun Commercial Centre for water conservation. Where possible, the Group will upgrade the asset with energy saving equipment to enhance the energy efficiency of its buildings. For example, the Group has upgraded an escalator at Cheung Sha Wan Plaza with automatic two-speed control which will turn the escalator to the slow speed mode when there are no passengers. It is estimated to save up to 14% of energy according to Electrical and Mechanical Services Department (EMSD).

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 have installed automatic sensor tap at all toilets in the Hong Kong Plaza to reduce water consumption. 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.

Policies and Initiatives in Cinema Business

Electricity is the major type of resources consumed in its cinema operation. To reduce its energy consumption, the Group has established various guiding principles to manage the electricity use. The Group reviews the electricity usage and reinforces guiding principles regularly among our cinemas.

Overall Environmental Management Approach (continued)

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.

Policies and Initiatives in Property Business

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 "BEAM Plus for New Buildings Version 1.2" and "LEED v4 for Building Design and Construction" in Hong Kong and Mainland China respectively 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.

Policies and Initiatives in Food & Beverage and Hotel Business

To value biodiversity, the Group tries its best to use responsible food sources for selected restaurant outlets. For example, the Hong Kong Ocean Park Marriott Hotel adopts the WWF Standard for its restaurants and introduces sustainable seafood menu. Whenever possible, the Hotel also procures other food and consumables from sustainable sources.

Case Study — Hong Kong Ocean Park Marriott Hotel

Loop Plus awarded to the Hotel

Opened in 2019, the Hong Kong Ocean Park Marriott Hotel has adopted innovative green design concept. The hotel exterior is installed with aluminium alloy for solar shading for the purpose of energy saving. Rainwater collection systems and green rooftops are also designed to preserve rainwater and reduce greenhouse gases (GHG) emissions respectively. The Hotel has proudly received LOOP Plus from WWF Hong Kong and participated in the Charter on External Lighting, Energy Saving Charter 2019 and 4Ts Charter as stipulated by the HKSAR Government. To further benchmark our green performance, we are in the process of applying the Green Key and BEAM Plus certification.


The Hotel's three buildings with green wall

In terms of hotel management, the hotel has various initiatives at different areas. In the food and beverage operation, the Hotel aims at promoting sustainable procurement practices. For example, coffee beans from sustainable sources were selected. At the rooftops of the Hotel, organic farms are set up and supply a certain amount of ingredients to the hotel restaurant. Guest visits to the organic farms were also organised to promote green living. Moreover, the Hotel is a member of WWF's scheme promoting sustainable seafood in all restaurants and catering, where all menus follow the WWF standard. No straws will be provided in relevant outlets unless requested to reduce use of plastic.


Rooftop organic farm on one of the buildings

Overall Environmental Management Approach (continued)

Case Study — Hong Kong Ocean Park Marriott Hotel (continued)

For waste reduction, the Hotel takes the initiative to work with local food surplus collection service providers including Foodlink and Food Angel, to donate food such as excess bread, pastries and desserts from buffet and cafeteria to people in need. Besides, the Hotel has regular general waste recycling measures in place where collectors are arranged to sorted wastes such as plastic, metal, glass, cooking oil, etc.

As a customer centric business, the Hotel actively raises environmental awareness of the guests and tries to influence their consumption behaviour. To reduce the use of plastic, water cartons are used instead of bottles. Dryers for wet umbrella were also installed to replace one-off plastic bags. Recyclable coffee capsules and water cartons are procured to further alleviate waste disposal. Apart from environmental protection policy and recycling initiatives, reminders are displayed in guestrooms to provide green tips. Moreover, the Hotel invites the guests to participate in various awareness raising events and engages them in driving environmental sustainability.

With the green innovative ideas in place, the Hotel obtains the first green loan which is solely used to finance a hotel property in Hong Kong. In July 2019, the green loan funding was certified by the Hong Kong Quality Assurance Agency to be in compliance with the requirement of the Green Finance Certification Scheme — Pre-Issuance Stage Assessment, which is also in alignment with the Loan Market Association/Asia Pacific Loan Market Association Green Loan Principles. The Hotel targets to obtain Final BEAM Plus "GOLD" certification or higher for New Buildings (NB) V.1.2 before the second quarter of 2020 and utilise the loan for enhancing environmental performance of the Hotel.

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 who have 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 has also signed the Good Employer Charter of the Labour Department. The Charter set out pledges that goes beyond legal requirements, covering employment aspects including employee care, work-life balance, employee benefits and employee communications.

The Group observes and complies with Chapter 57 Employment Ordinance, Chapter 282 Employees' Compensation Ordinance and Chapter 608 Minimum Wage Ordinance and in Mainland China, the Group 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 our staff's reference.

Overall Approach on Employment (continued)

Employment (continued)

The Group endeavours to promote equal opportunities and non-discrimination in the employment practices. The Group complies with Chapter 480 Sex Discrimination Ordinance, Chapter 487 Disability Discrimination Ordinance, Chapter 527 Family Status Discrimination Ordinance and Chapter 602 Race Discrimination Ordinance (collectively, "**Ordinances**"). Based on the Ordinances, 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 our 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.

There are no non-compliance cases in Chapter 509 Occupational Safety and Health Ordinance in Hong Kong operation and 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.

Policies and Initiatives in Property Business

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 our 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. The contractors are required to comply with Chapter 59 Factories and Industrial Undertakings Ordinance in Hong Kong. Safety officers are appointed for each project to monitor health and safety issues and submit on-site safety management plans. Bi-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.

Overall Approach on Employment (continued)

Health and Safety (continued)

Policies and Initiatives in Property Business (continued)

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 our 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.

Policies and Initiatives in Property Business

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 its employees so that they can be well-equipped the skills and knowledge for their duties.

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. During the reporting period, Human Resources Department has organised training courses for property officers and trainees on personal effectiveness and enhancing efficiency.

To attract more young graduates and new talents to contribute to our talent pool, we organise a 14-month Management Trainee Program annually. This program is tailored for graduates who are eager to join the property industry and allow them to have hands-on experience in property development and management. On-the-job training, management and professional training workshop, action learning projects are provided, and the trainees can also visit its property in Mainland China during their training. Job rotation opportunities will be available so that trainees can expose to more aspects in the property industry. They will eventually be assigned to one department to continue their career in our Group after the management program.

Labour Standards

The Group strives to uphold labour rights for its employees. In Hong Kong, the Group observes and complies with Chapter 57B Employment of Children Regulations and Chapter 57C Employment of Young Persons (Industry) Regulations. The Group strictly prohibits to engage child labour and forced labour in all its business operations.

Labour Standards (continued)

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 its contractors across all regions.

There are no non-compliance cases in the aforementioned laws and regulations in Hong Kong and 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 Hong Kong, the Group organises monthly "Lunch Talk" sessions on occupational safety, health talks, work-out exercise class and various interest classes. The Group also organises film screening event and large scale annual events such as Group Annual Dinner Party and one-day leisure tour for employees with their family and friends. During the reporting period, the Group also arranged a pre-view day site visit to Novotown Lionsgate Entertainment World which is the latest Group's project opened in July 2019.

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

Case Study — Causeway Bay Plaza 2

Located in a high floating population area, Causeway Bay Plaza 2 is a commercial building comprising office, bank and restaurants. It demands a talented property management team to operate. To equip its staff with enough skillsets and strengthen their professions, workshops and training programmes such as first-aid, security control, fire safety ambassador and customer service were held during the reporting year. Health and safety trainings were also provided to the on-boarding staff and technical engineers to protect them from occupational accidents. Qualified trainers were invited to our workshops to give safety advice to our staff on specific topics such as working at height and health, safety and environment (HSE) management.

To encourage its frontline staff to maintain excellent work performance, Causeway By Plaza 2 launched the "Seasonal Star Award". Awarded employees will receive a bonus remuneration and a certificate issued by senior management.

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

Policies and Initiatives in Property Business

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 which are in line with local regulations to contractors, the Group takes into consideration the environmental and safety issues of our 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 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 our operation. The Group is committed to protecting the privacy rights of our clients and comply with Chapter 486 Personal Data (Privacy) Ordinance. 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.

During the reporting year, there are no non-compliance cases in the aforementioned laws and regulations in Hong Kong.

Policies and Initiatives in Property Business

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)

Data Protection and Privacy (continued)

Policies and Initiatives in Food & Beverage and Hotel Business

The Group makes every effort in delivering high quality services to its guests while not compromising the security of their information. Therefore, several data collection measures including Information Protection & Cyber Security Policy, Information Protection Awareness Guide and Payment Card Industry (PCI) Compliance are established to provide guidance to its staff when taking note of guest preferences and information for quality service delivery. These become the standard guidelines and procedures as part of our hotel service process. The Group further strengthens the communication to staff by embedding it in staff training sessions.

Policies and Initiatives in Cinema Business

As part of the cinema operation, the Group collects customers' personal data and information but only for necessary use of managing customer memberships, including members' name, birthday, email and telephone number, where the Group collect for registration and promotion. The Group is particularly cautious with the handling procedures of such information with clear steps of data collection and information disposal in the Personal Information Collection Statement for all relevant staff to ensure the security of our customers' information. The Group also ensures that no personally identifiable information is collected during customer feedback and ticket sale processes. In case personally identifiable information is collected under special occasions, it will be disposed of in a confidential manner after appropriate use.

Responsible and Ethical Practices

Policies and Initiatives in Property Business

The Group takes necessary measures to prevent any misleading information for its customers and makes sure our sales brochures, price lists, show flats, advertisements, and sales arrangement in compliance with Chapter 621 Residential Properties (First-Hand Sales) Ordinance in Hong Kong. Marketing materials are reviewed by both external and internal solicitors to avoid the possibility of misrepresentation. In Mainland China, the Group also complies with relevant laws and regulations of Urban Real Estate Administration Law of the PRC regarding the sales process of its property. 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 Hong Kong and Mainland China regarding the sales process of the properties and the marketing materials.

Overall Approach on Managing Operating Practices (continued)

Responsible and Ethical Practices (continued)

Policies and Initiatives in Food & Beverage and Hotel Business

Food safety is of paramount importance to the Group's hotel and catering operations. Adhering to the Hygiene Manager and Hygiene Supervisor Scheme by Food and Environmental Hygiene Department, the Group has deployed management staff as hygiene supervisors. To maintain high standards of food hygiene, checklists are in place to remind staff of good food handling practices. Regular internal audits are conducted to maintain the quality of its food sold to its customers. Furthermore, the Group only purchases food from authorised suppliers to better trace the source of its food suppliers. The Group hopes to secure high food quality to all customers by both internal and external control.

Policies and Initiatives in Cinema Business

At the cinemas, the Group serves snacks and beverages to our customers and the Group upholds a high standard of food safety during the operation. Adhering to the Hygiene Manager and Hygiene Supervisor Scheme by Food and Environmental Hygiene Department, the Group has deployed management staff as hygiene supervisors in all cinemas. They are responsible for supervisory work of food handlers on proper food handling practices by conducting daily checking on the food conditions. This enables quality control of food sold to our customers.

During the reporting year, there are no non-compliance cases in Chapter 612 Food Safety Ordinance, Chapter 132 Public Health & Municipal Service Ordinance and Chapter 132W Food & Drugs (Composition and Labelling) Regulation.

Service Excellence

Policies and Initiatives in Property Business

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, the environment and greening and construction management. For example, the Group received high customer satisfaction rate in the 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.

Policies and Initiatives in Food & Beverage and Hotel Business

When delivering hotel and restaurant services, the Group may encounters customer complaints on various occasions. It is crucial to detect the early signs of potential complaints and have timely mitigation measures when complaints are received. All the restaurant and hotel managerial staff are well equipped to identify and manage complaints during service delivery. According to the Company's management policies, daily incident reports are required for the head office to ensure all issues being followed up properly.

Service Excellence (continued)

Policies and Initiatives in Food & Beverage and Hotel Business (continued)

In Hong Kong Ocean Park Marriott Hotel, complaint handling procedures are arranged similarly as described above. There is an online system for the guests to provide any opinion after the stay in our hotel. These comments will be followed up in 24 hours to ensure duly responses to the guests.

Policies and Initiatives in Cinema Business

The Group values customer feedback which drives the improvement of its service delivery. Therefore, a comprehensive feedback mechanism via customer hotline and email is established to process their comments. All comments and complaints will be handled by its customer service representatives. A service target time is also set up for its staff to answer the customers. The management team oversees all communications with the customers via these feedback channels to ensure timely and accurate responses. The Group will continue to collect customer comments with this comprehensive feedback system and improve its service quality.

Policies and Initiatives in Entertainment Business

The Group builds its business foundation by offering high quality cultural and entertainment products and events to the customers. Hence, the Group has invested significantly in gatekeeping the quality of the films, television programmes and music productions delivered to its audience and customers. The project management team also closely monitor the production process of the live shows so as to provide the best live experience to all its audience.

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.

Policies and Initiatives in Entertainment Business

The intellectual property rights of all creative works are vital to the business. The Group also follows all relevant intellectual property laws and regulations, including but not limited to Chapter 559 Trade Marks Ordinance, Chapter 528 Copyright Ordinance and Chapter 544 Prevention of Copyright Piracy Ordinance. In the Group's production process, the Group ensures the producers and their team of the films, television programmes and music productions understand the procedures to clear the rights for any creative works prior to using or referencing such. The Group will take immediate action to clear the rights or address relevant issues in case there is any perceived infringement.

During the reporting year, there are no non-compliance cases in the aforementioned laws and regulations.

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 Chapter 201 Prevention of Bribery Ordinance in Hong Kong and 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 Hong Kong and Mainland China.

Overall Approach on Managing Operating Practices (continued)

Integrity and Discipline (continued)

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 our 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 or violation of Chapter 201 Prevention of Bribery Ordinance are encouraged to report to the Company's management level for immediate investigation into the case.

Case Study — STAR Cinema

Star Cinema has started operation since 2013 and it is dedicated to providing the best entertainment service to customers. As a core and long-term customer initiative, the loyalty programmes of MCL Club and MCL Club Plus were introduced, where customers can earn credits and enjoy discount in the cinemas. To provide excellent customer service, a Standard Operating Procedure Manual has been established to guide our staff with regular monthly customer service training for both full-time and part-time staff. A centralised hotline is available for enquiries and if any customer feedback is received, the Group's onsite manager will handle timely. Particularly, the Group has designed a mystery shopper mechanism where its actual service quality is examined twice a month in all cinemas. The 'inspection' covers ticketing, food and beverage, and venue management. The 'inspector' will indicate both scores and qualitative feedback in a report for its continuous improvement.

Apart from customer service, the Group recognises the importance to protect the privacy of its customers. In its online ticketing system, the Group has strict access right control and regular review to make sure only authorised personnel can access the database. The ticketing system is also in compliance with the Visa Payment Standard "Payment Card Industry Data Security Standard" to ensure security of payment process. The online ticket data is stored in our Head office's database to reduce the spots of access. Whenever possible, the Group only collects basic personal information of customers for potential refund and redemption of tickets. As its customers choose to enrol in the loyalty programme, the Group has included the Personal Information Collection Statement and Privacy Policy Statement in the application form. Any marketing materials will not be sent to unsubscribed individuals without consents.

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.

For example, the Group purchases festive food products, such as fair-trade mooncake, for its employees in Hong Kong from local social enterprises to demonstrate its support in promoting environmental protection, creating local job opportunities and utilising local craftsmanship.

The Group also supports exercise for good initiatives. During the reporting period, the Group sponsored Konica Minolta Green Concert cum Grand Cycle Challenge Prix. The event combined cycling with power generation to promote environmental protection while raising fund for charitable organisations. The Group also formed a team to participate in the event.

Overall Approach on Community Development (continued)

To support the youth for career planning and development in Hong Kong, the Group offers internship placements for secondary school students through Yuen Long District Secondary School Students Summer Internship Programme. While equipping themselves with technical skills, students participating in the Summer Internship Programme can gain work experience and establish their self-confidence. Besides, the Group also organises career talks and classes on topics such as job hunting and office etiquette.

Policies and Initiatives in Property Business

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.

Policies and Initiatives in Food & Beverage and Hotel Business

The Group actively seeks for the opportunities in food donation projects wherever feasible. The Group will donate food products with lower food hygiene risks, including bakery products, to the disadvantaged and underprivileged through charitable organisations.

Summary of Environmental Performance

Hong Kong Property [Note 1]	Unit	Total
A1.2 Greenhouse gas emissions in total and intensity		
Indirect GHG emissions (Scope 2) [Note 2]	tonnes CO_2e	12,536
Total GHG emissions intensity	**tonnes CO_2e**	**0.10**
A1.3 Total hazardous waste produced and intensity [Note 3]		
Fluorescent lamp waste	kg	398
Total hazardous waste disposed intensity	**kg/m^2**	**0.0034**
A1.4 Total non-hazardous waste produced and intensity		
General construction waste	kg	2,574,110
Steel Recycled	kg	775,490
General waste	kg	7,196,150
Total non-hazardous waste produced	**kg**	**10,545,750**
Total non-hazardous waste produced intensity	**kg/m^2**	**84.03**
A2.1 Direct and/or indirect energy consumption by type in total and intensity [Note 4]		
Electricity consumption	kWh	19,802,361
Total energy consumption intensity	**kWh/m^2**	**157.79**
A2.2 Water consumption in total and intensity		
Water consumption	m^3	111,789
Total water consumption intensity	**m^3/m^2**	**0.89**

Note 1: The reporting scope for Hong Kong property includes Cheung Sha Wan Plaza, Causeway Bay Plaza 2, Lai Sun Commercial Centre, CCB Tower, Monti and Novi. The completion of construction works at three sites (Hong Kong Ocean Park Marriott Hotel, Alto Residence and 93 Pau Chung Street) and the sales of 8 Observatory Road led to a reduction in reporting scope and hence a decline in waste generation, as well as electricity and water consumption.

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

Note 3: Monti and Novi are excluded.

Note 4: Electricity supply was adopted at the construction sites, leading to immaterial consumption in diesel oil and scope 1 emission.

Summary of Environmental Performance (continued)

China Property Note 5	Unit	Total
A1.2 Greenhouse gas emissions in total and intensity		
Direct GHG emissions (Scope 1) Note 6	tonnes CO_2	65.5
Indirect GHG emissions (Scope 2) Note 6	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 7		
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 8		
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 5: *The reporting scope for China property includes 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, all properties held by Lai Fung.*

Note 6: *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 7: *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 8: *Novotown is excluded.*

Summary of Environmental Performance (continued)

Food & Beverage [Note 9]	Unit	Total
A1.2 Greenhouse gas emissions in total and intensity		
Direct GHG emissions (Scope 1) [Note 10]	tonnes CO_2e	808 [Note 11]
Indirect GHG emissions (Scope 2) [Note 10]	tonnes CO_2e	2,809 [Note 12]
Total GHG emissions	**tonnes CO_2e**	**3,617**
Total GHG emissions intensity	**tonnes CO_2e**	**0.5273**
A2.1 Direct and/or indirect energy consumption by type in total and intensity		
Electricity consumption	kWh	3,495,782
Gas consumption	kWh	4,214,229
Total energy consumption	kWh	7,710,011
Total energy consumption intensity	**kWh/m^2**	**1,123.82**
A2.2 Water consumption in total and intensity		
Water consumption	m^3	99,986
Total water consumption intensity	**m^3/m^2**	**14.57**

Note 9: The reporting scope for food and beverage includes CIAK in the Kitchen, CIAK-All Day Italian, Beefbar, China Tang Landmark, China Tang Harbour City, Howard's Gourmet, Beijing Howard's Gourmet, Chiu Tang Central, Old Bazaar Kitchen, Kaiseki Den by Saotome, Takumi by Daisuke Mori and Sushi Masataka.

Note 10: Greenhouse Gases Emissions (Scope 1 and 2) are calculated in accordance to the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition)", "Provincial Guidance on the Compilation of Greenhouse Gas Inventories (Trial)" and National Development and Reform Commission's "Average Carbon Dioxide Emission Factors for China's Regional Power Grids in 2011 and 2012".

Note 11: Direct emission of CH_4 and N_2O from fuel combustion in Beijing Howard's Gourmet is excluded.

Note 12: Indirect emission from gas supply in Beijing Howard's Gourmet is excluded.

Summary of Environmental Performance (continued)

Cinema *Note 13*	**Unit**	**Total**
A1.2 Greenhouse gas emissions in total and intensity		
Indirect GHG emissions (Scope 2) *Note 14*	tonnes CO_2e	2,440
Total GHG emissions intensity	**tonnes CO_2e**	**0.11**
A1.3 Total hazardous waste produced and intensity		
Fluorescent lamp waste	kg	150.63
Total hazardous waste disposed intensity	**kg/m^2**	**0.0069**
A1.4 Total non-hazardous waste produced and intensity		
General waste	kg	78,367
Total non-hazardous waste disposed intensity	**kg/m^2**	**3.61**
A2.1 Direct and/or indirect energy consumption by type in total and intensity		
Electricity consumption	kWh	4,213,435
Total energy consumption intensity	**kWh/m^2**	**193.98**
A2.2 Water consumption in total and intensity *Note 15*		
Water consumption	m^3	6,402
Total water consumption intensity	**m^3/m^2**	**0.33**

Note 13: *The reporting scope for cinema includes the cinemas in Hong Kong held by the Group (Festival Grand Cinema, MCL Metro City Cinema, MCL Telford Cinema, STAR Cinema, Grand Kornhill Cinema, MCL South Horizons Cinema, MCL Green Code Cinema, Grand Windsor Cinema, Movie Town). Data collection methodology for fluorescent lamp waste, general waste and water consumption have been revised in the reporting year to better reflect the actual usage.*

Note 14: *CO_2e emission from electricity is calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).*

Note 15: *Grand Kornhill Cinema is excluded. Grand Windsor Cinema underwent renovation and the Group ceased the leasing of part of the MCL Metro City Cinema, resulting in a drop in water consumption in the reporting year.*

Summary of Environmental Performance (continued)

Entertainment *Note 16*	**Unit**	**Total**
A1.2 Greenhouse gas emissions in total and intensity		
Direct GHG emissions (Scope 1) *Note 17*	tonnes CO_2e	26.18
Indirect GHG emissions (Scope 2) *Note 15*	tonnes CO_2e	159.78
Total GHG emissions	**tonnes CO_2e**	**185.96**
Total GHG emissions intensity	**tonnes CO_2e/m^2**	**0.01**
A2.1 Direct and/or indirect energy consumption by type in total and intensity		
Electricity consumption	kWh	313,290 *Note 18*
Gasoline consumption for transportation	L	9,670 *Note 19*
Total energy consumption	**kWh**	**398,958**
Total energy consumption intensity	**kWh/m^2**	**22.01**

Note 16: The reporting scope of the summary of environmental performance includes the major office in Wyler Centre Kwai Chung, New Territories. The total hazardous waste, non-hazardous waste and water consumption is managed by the central property management of the office building, thus, they are not applicable for this Report. The total packaging material used for finished products is not material for Media Asia, thus, it is not applicable for this Report.

Note 17: Greenhouse gases emissions (Scope 1 and 2) are calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Note 18: The major office in Wyler Centre was renovated and expanded in late 2018, resulting in an increase in electricity consumption in the reporting year.

Note 19: Media Asia expanded its vehicle fleet for operation in late 2018, leading to an increase in gasoline consumption.

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

Content Index (continued)

Subject Areas, Aspects, and General Disclosure		Sections
B. Social		
Employment and Labor Practices		
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
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Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
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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 in compliance with the principles and code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

(1) Corporate Governance Practices

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 2019 ("**Year**") save for the deviations from code provisions A.4.1, A.5.1 and E.1.2.

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. The Board has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board annually and the Company has achieved and maintained diversity of the Board including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service which meet the Company's business model and specific needs. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**EDs**"). In January 2019, the Company adopted the Nomination Policy which set out the criteria, process and procedures by which the Company will select candidates for possible inclusion in the Board. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

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

Due to other pre-arranged business commitments which must be attended to by him, Dr. Lam Kin Ngok, Peter, the Chairman, was not present at the AGM held on 21 December 2018. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM took the chair of that AGM pursuant to Article 71 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

(2) Board of Directors

(2.1) Responsibilities and delegation

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

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

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

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

(2.2) Composition of the Board

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

Executive Directors ("EDs")
Lam Kin Ngok, Peter, GBS *(Chairman)*
Chew Fook Aun *(Deputy Chairman)*
Lau Shu Yan, Julius *(Chief Executive Officer)*
Lam Hau Yin, Lester
Tham Seng Yum, Ronald *(appointed with effect from 19 August 2019)*

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

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

(2) Board of Directors (continued)

(2.2) Composition of the Board (continued)

The brief biographical particulars of the Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report on pages 92 to 97.

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

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

(2.3) Directors' attendance at Board meetings

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

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Lam Kin Ngok, Peter, GBS *(Chairman)*	5/5
Chew Fook Aun *(Deputy Chairman)*	5/5
Lau Shu Yan, Julius *(Chief Executive Officer)*	4/5
Lam Hau Yin, Lester	5/5
Tham Seng Yum, Ronald	N/A
Non-executive Directors	
Lam Kin Ming	4/5
U Po Chu	3/5
Independent Non-executive Directors	
Ip Shu Kwan, Stephen, GBS, JP	5/5
Lam Bing Kwan	5/5
Leung Shu Yin, William	5/5
Leung Wang Ching, Clarence, JP	5/5

(2.4) INEDs

The Company has complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules which require that every board of directors of a listed issuer must include at least three INEDs and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs an annual confirmation in writing of his independence for the Year and all INEDs meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(2) Board of Directors (continued)

(2.4) INEDs (continued)

Mr. Ip Shu Kwan, Stephen ("**Mr. Stephen Ip**"), an INED of the Company will retire by rotation as a Director at the forthcoming AGM and, being eligible, offers himself for re-election. Mr. Stephen Ip has served on the Board for more than 9 years. Being a long-serving director, Mr. Stephen Ip 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. Stephen Ip would impair his independent judgment. The Board is satisfied that Mr. Stephen Ip will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Stephen Ip as an INED at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that the independence of any INED has been impaired.

(2.5) Directors' and Officers' Liabilities Insurance

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

(3) Directors' Induction and Continuous Professional Development

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

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

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

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

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

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

(4) Board Committees

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

(4.1) Remuneration Committee

The Board established on 18 November 2005 a Remuneration Committee which currently comprises two INEDs, namely Mr. Leung Shu Yin, William (Chairman) and Mr. Lam Bing Kwan and an ED, Mr. Chew Fook Aun.

(4) Board Committees (continued)

(4.1) Remuneration Committee (continued)

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

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

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

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

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

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

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

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Independent Non-executive Directors	
Leung Shu Yin, William	2/2
Lam Bing Kwan	2/2
Executive Director	
Chew Fook Aun	2/2

(4) Board Committees (continued)

(4.2) Audit Committee

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

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

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

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

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

On 29 March 2012, the Board formalised the governance-related policies and procedures, established on the foundations of accountability, transparency, fairness and integrity and adopted by the Group for years, into a set of corporate governance policy ("**CG Policy**"). The terms of reference of the Audit Committee were revised in line with the CG Policy and had incorporated the new corporate governance-related functions required under the CG Code effective from 1 April 2012.

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

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

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

The Audit Committee is also responsible to oversight the Company's internal control and risk management systems as assisted by the Independent Advisor.

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

(b) Work performed by the Audit Committee

The Audit Committee held three meetings during the Year. It has reviewed the audited results of the Company for the year ended 31 July 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 Group's internal audit plan and the budget for the ensuing year and put forward relevant recommendations to the Board.

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

(c) Attendance at the Audit Committee meetings

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

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Independent Non-executive Directors	
Leung Shu Yin, William	3/3
Lam Bing Kwan	3/3
Leung Wang Ching, Clarence, JP (appointed with effect from 25 October 2018)	2/2
Non-executive Director	
Lam Kin Ming (ceased with effect from 25 October 2018)	1/1

(5) Chairman and Chief Executive

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

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

(6) Non-Executive Directors

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

(7) Nomination Policy for Directors

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The Company has adopted the Nomination Policy in January 2019 which sets 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, commitment and integrity, and the independence criterial 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, the Board has resolved in a Board meeting for 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 ("**Policy**") in July 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

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

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

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

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

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

(9) Dividend Policy

The Company has adopted the dividend policy ("**Dividend Policy**") with effect from 1 January 2019 which sets out the principles and guidelines for the Board to determine (i) whether dividends are to be declared and paid, and (ii) the level of dividend to be paid to the Shareholders.

The Company aims to allow the Shareholders to participate in the Company's profits whilst retaining adequate cash reserves for maintaining its working capital requirement and future growth as well as its share value.

The Board has the sole discretion to declare and distribute dividends to the Shareholders, subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) ("**Companies Ordinance**") and the Company's Articles of Association.

The Board may propose the payment of dividends, if any, with respect to the Company's shares on a per share basis.

The Company determines/proposes the frequency, amount and form of any dividend in any financial year/period through the consideration of a number of factors. The Company does not have any pre-determined dividend ratio.

The Board will review the Dividend Policy as appropriate from time to time and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

(10) Securities Transactions by Directors and Designated Employees

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

(11) Independent Auditor's Remuneration

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor, Ernst & Young, Certified Public Accountants, ("**Ernst & Young**") Hong Kong for the Year amounted to HK$15,462,000 and HK$6,172,000, respectively. The non-audit services mainly consist of advisory, review, tax compliance service and other reporting services. An analysis of such fees is set out below:

	Audit service HK$'000	Non-audit service HK$'000
The Group (excluding eSun Holdings Limited ("**eSun**"), Lai Fung Holdings Limited and Media Asia Group Holdings Limited)	5,141	2,079
eSun and its subsidiaries	10,321	4,093
Total	**15,462**	**6,172**

(12) Directors' Responsibility for Preparing Financial Statements

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

(13) Independent Auditor's Reporting Responsibility

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

(14) 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 it risks across business operations.

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

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and 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.

(14) Risk Management and Internal Control (continued)

In addition, the Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. The 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.

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

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.

(15) 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.

(16) Shareholders' Rights

(16.1) Procedures for Shareholders to convene a general meeting

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

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

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

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

(16.2) Procedures for putting forward proposals at general meeting

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

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

(16) Shareholders' Rights (continued)

(16.3) Procedures for proposing a person for election as a director

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

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

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

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

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

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

(17) Communication with Shareholders

(17.1) Shareholders' Communication Policy

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

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

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

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

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

(iv) corporate information and the Articles of Association of the Company are made available on the Company's website and the latter is also posted on the website of the Stock Exchange;

(17) COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

(17.1)Shareholders' Communication Policy (continued)

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

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

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

(17.2)Directors' attendance at general meeting

During the Year, the Company had held three general meetings (including the 2018 AGM) and the attendance record of individual Directors at these meetings is set out below:

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Lam Kin Ngok, Peter, GBS *(Chairman)*	0/3
Chew Fook Aun *(Deputy Chairman)*	3/3
Lau Shu Yan, Julius *(Chief Executive Officer)*	2/3
Lam Hau Yin, Lester	0/3
Tham Seng Yum, Ronald	N/A
Non-executive Directors	
Lam Kin Ming	0/3
U Po Chu	0/3
Independent Non-executive Directors	
Ip Shu Kwan, Stephen, GBS, JP	3/3
Lam Bing Kwan	3/3
Leung Shu Yin, William	3/3
Leung Wang Ching, Clarence, JP	3/3

(17) Communication with Shareholders (continued)

(17.3) Details of the Shareholders' general meeting

The last AGM was held at 11:00 a.m. on 21 December 2018 at Harbour View Rooms I & II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong ("**2018 AGM**"). At the 2018 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2018 and the reports of the directors and the independent auditor thereon; (ii) the declaration of a final dividend; (iii) the election of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester as ED; (iv) the authorisation for the Board to fix the remuneration of the Directors; (v) the appointment of Ernst & Young as the Independent Auditor for the Year and the authorisation for the Board to fix their remuneration; (vi) the granting to the Directors a general mandate to buy back the Company's shares not exceeding 10% of the aggregate number of the issued shares of the Company; (vii) the granting to the Directors a general mandate to issue, allot and deal with additional shares of the Company of not exceeding 20% of the aggregate number of the issued shares; (viii) the extension to the general mandate granted to the Directors to issue share of the Company by adding the number of bought back. The notice of the 2018 AGM and the poll results announcement in respect of the 2018 AGM were published on the websites of both the Stock Exchange and the Company on 21 November 2018 and 21 December 2018, respectively.

The GM was held at 12:00 noon on 8 August 2018 at Harbour View Rooms I & II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong. At the GM, Shareholders approved by a vast majority of votes the Offers as a very substantial acquisition and making of the Share Offers to the Yu Shareholders as a connected transaction as set out in the notice of the GM. The notice of GM and the poll results announcement in respect of the GM were published on the websites of both the Stock Exchange and the Company on 22 July 2018 and 8 August 2018, respectively.

Another GM was held at 11:00 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. At the GM, Shareholders approved by a vast majority of votes approve, confirm and ratify the 2019 Supplemental Deed executed by Lai Fung Holdings Limited as set out in the notice of the GM. The notice of GM and the poll results announcement in respect of the GM were published on the websites of both the Stock Exchange and the Company on 18 March 2019 and 30 April 2019, respectively.

(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	Organizer	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	HSBC	Hong Kong/ Singapore
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@laisun.com.

Biographical Details of Directors

Executive Directors

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

Dr. Lam Kin Ngok, Peter, Chairman, aged 62, has been an Executive Director since June 1977 and is presently a member of the Executive Committee of the Company. He is also the deputy chairman and executive director of LSG and an executive director of Crocodile Garments Limited ("**CGL**"), a company listed on the Main Board of the Stock Exchange as well as the chairman and an executive director of MAGHL. Dr. Lam was an executive director of eSun from 15 October 1996 to 13 February 2014. Dr. Lam was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012. Dr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business. He was conferred an Honorary Doctorate by The Hong Kong Academy for Performing Arts in June 2011. Dr. Lam received the Gold Bauhinia Star award from the Government of the Hong Kong Special Administrative Region ("**HKSAR**") on 1 July 2015.

Currently, Dr. Lam is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. In addition, he is chairman of Hong Kong Chamber of Films Limited, honorary chairman of Hong Kong Motion Picture Industry Association Limited, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, the vice chairman of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited, an honorary chairman of Federation of HK Jiangsu Community Organisations, the President of Hong Kong Association of Cultural Industries Limited, the chairman of Hong Kong Cultural Development Research Institute Limited, a non-official member of each of the Trade and Industry Advisory Board and the Lantau Development Advisory Committee. Dr. Lam was appointed the chairman of the Hong Kong Trade Development Council for a term of two years from 1 June 2019 to 31 May 2021.

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

Executive Directors (continued)

Mr. Chew Fook Aun, aged 57, was appointed the Deputy Chairman and an Executive Director on 5 June 2012 and is presently a member of the Executive Committee and Remuneration Committee. He was also appointed a deputy chairman and an executive director of LSG, an executive director of eSun and the chairman and an executive director of Lai Fung.

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

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

Mr. Lau Shu Yan, Julius, Chief Executive Officer, aged 63, joined the Company as an Executive Director in July 1991 and is a member of the Executive Committee of the Company. Mr. Lau was an executive director of Lai Fung from 22 April 2005 to 16 January 2015. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of The Real Estate Developers Association of Hong Kong. Mr. Lau graduated with an honour degree of Bachelor of Social Science from the University of Hong Kong in 1980.

Mr. Lam Hau Yin, Lester, aged 38, was appointed an Executive Director and a member of the Executive Committee of the Company with effect from 1 November 2012. He is also an executive director of LSG and eSun as well as an executive director and the chief executive officer of Lai Fung. Further, Mr. Lam is an alternate director to Madam U Po Chu in her capacity as an executive director of LSG.

Mr. Lam holds a Bachelor of Science in Business Administration degree from 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 (Chairman and an Executive Director of the Company), a nephew of Dr. Lam Kin Ming (a Non-executive Director of the Company) and a grandson of Madam U Po Chu (another Non-executive Director of the Company).

Executive Directors (continued)

Mr. Tham Seng Yum, Ronald, aged 50, was appointed an Executive Director of the Company in August 2019 and is a member of the Executive Committee. He is also an executive director of Lai Fung.

Mr. Tham has over 28 years of experience in banking, accounting and finance and management gained mainly in Greater China, Asia Pacific and 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.

The Company has entered into an employment contract with Mr. Tham with no fixed term but such contract is determinable by either the Company or Mr. Tham by serving the other party not less than 3 months' written notice or payment in lieu thereof. Mr. Tham receives a remuneration of HK$3,900,000 per annum and a yearly discretionary bonus with reference to the results of the Group and his performance. He also receives an annual remuneration of HK$3,900,000 from Lai Fung.

Save as disclosed above, Mr. Tham does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this annual report, except for his personal interest in the share options comprising 800,000 shares in the Company and 500,000 shares in Lai Fung, Mr. Tham does not hold any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("**SFO**").

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

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

Non-Executive Directors

Dr. Lam Kin Ming, aged 82, has been a Director of the Company since June 1959. He is also the chairman and an executive director of LSG, the deputy chairman and an executive director of Lai Fung and the chairman, the chief executive officer and an executive director of CGL. The issued shares of LSG, Lai Fung and CGL are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company. Dr. Lam has been involved in the management of garment business since 1958. He received an honorary doctorate degree from the International American University in the United States of America in 2009 and was admitted as Honorary Doctorate of Management of the Lincoln University in the United States of America in February 2014.

He is the elder brother of Dr. Lam Kin Ngok, Peter (Chairman and an Executive Director of the Company) and an uncle of Mr. Lam Hau Yin, Lester (an Executive Director of the Company).

Madam U Po Chu, aged 94, has been a Director of the Company since December 1993. She is also a non-executive director of eSun and an executive director of LSG and Lai Fung. The issued shares of LSG, eSun, and Lai Fung are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company while the Company is the holding company of eSun which in turn is the holding company of Lai Fung.

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

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

Madam U does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, she will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Madam U presently receives an annual director's fee of HK$250,000 and is entitled to receive such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, her duties and responsibilities with the Company as well as prevailing market practice. She also receives an annual remuneration of HK$2,880,000 from Lai Fung.

As at the date of this annual report, Madam U is interested or deemed to be interested within the meaning of Part XV of the SFO in 825,525 shares in LSG and 26,919 Shares in the Company. Save as disclosed herein, Madam U does not hold any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning or Part XV of the SFO.

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

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

Independent Non-Executive Directors

Mr. Lam Bing Kwan, aged 70, was appointed an Independent Non-Executive Director in July 2002 and is a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in the property development and investment in China, having been actively involved in this industry since the mid-1980's. Mr. Lam has served on the boards of directors of a number of listed companies in Hong Kong for over 10 years and is currently a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited and an independent non-executive director of LSG and Lai Fung. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company.

Mr. Leung Shu Yin, William, aged 70, was appointed an Independent Non-Executive Director in September 2004 and is the chairman of both the Remuneration Committee and the Audit Committee of the Company. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is a practising director of two certified public accountants' firms in Hong Kong and is also an independent non-executive director of LSG, CGL and Mainland Headwear Holdings Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company.

Mr. Ip Shu Kwan, Stephen, aged 68, was appointed an Independent Non-Executive Director of the Company in December 2009. Mr. Ip graduated from the University of Hong Kong with a Bachelor degree in Social Sciences in 1973. He joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Government of the HKSAR as a Principal Official from July 1997 to June 2007. Senior positions held by Mr. Ip in the past included Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour on 1 July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees' rights. Mr. Ip retired from the Government of the HKSAR in July 2007. Mr. Ip received the Gold Bauhinia Star award from the Government of the HKSAR in 2001 and is an unofficial Justice of the Peace.

Mr. Ip is currently an independent non-executive director of five other publicly-listed companies, namely China Resources Cement Holdings Limited, Kingboard Laminates Holdings Limited, Luk Fook Holdings (International) Limited, Nameson Holdings Limited and Million Cities Holdings Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. He was formerly an independent non-executive director of Goldpoly New Energy Holdings Limited (now known as United Photovoltaics Group Limited), Milan Station Holdings Limited, PICC Property and Casualty Company Limited, Viva China Holdings Limited, Yangtze China Investment Limited and Synergis Holdings Limited.

Mr. Ip does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Ip presently receives an annual director's fee of HK$350,000 and is entitled to receive such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities with the Company as well as prevailing market practice.

Independent Non-Executive Directors (continued)

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

As at the date of this annual report, Mr. Ip does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

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

Mr. Leung Wang Ching, Clarence, aged 40, was appointed an Independent Non-Executive Director of the Company with effect on 1 August 2018.

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

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

Note:

*Madam U Po Chu, Mr. Ip Shu Kwan, Stephen and Mr. Tham Seng Yum, Ronald ("**Retiring Directors**") will retire as directors at the forthcoming annual general meeting of the Company. Being eligible, they offer themselves for re-election. For the purpose of each of the Retiring Directors' re-election, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.*

Report of the Directors

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

Principal Activities

During the Year, the Group's principal activities have not changed and the Group focused on property development, property investment, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding.

Results and Dividends

Details of the consolidated profit of the Company for the Year and the state of affairs of the Company and of the Group as at 31 July 2019 are set out in the consolidated financial statements and their accompanying notes on pages 126 to 299.

The Directors have resolved to recommend the payment of a final dividend of HK$0.108 per share (2018: HK$0.108 per share), amounting to approximately HK$65,498,000 for the financial year ended 31 July 2019 to shareholders of the Company ("**Shareholders**") whose names appear on the Register of Members of the Company on Friday, 3 January 2020 subject to the approval of Shareholders at the forthcoming Annual General Meeting to be held on Friday, 20 December 2019 ("**AGM**").

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

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

A circular containing details of the scrip dividend proposal will be despatched to Shareholders together with the form of election for scrip dividend on or about Wednesday, 8 January 2020. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to Shareholders on or about Thursday, 13 February 2020.

Business Review

A review of the business of the Group during the Year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 4 to 14 and Management Discussion and Analysis on pages 17 to 44 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 50 to the financial statements.

An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Chairman's Statement on pages 4 to14 and Financial Highlights on pages 16 to 17 of this Annual Report.

Discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report on pages 52 to 74 of this Annual Report.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at 31 July 2019 were approximately HK$1,749,311,000.

Shares Issued in the Year

Details of the ordinary shares issued by the Company in the Year are set out in note 41 to the financial statements. The ordinary shares issued during the Year were in lieu of cash dividends.

Permitted Indemnity Provision

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

Directors

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

Executive Directors ("EDs")
Lam Kin Ngok, Peter, GBS ("**Dr. Peter Lam**") *(Chairman)*
Chew Fook Aun ("**Mr. FA Chew**") *(Deputy Chairman)*
Lau Shu Yan, Julius ("**Mr. Julius Lau**") *(Chief Executive Officer)*
Lam Hau Yin, Lester ("**Mr. Lester Lam**")
Tham Seng Yum, Ronald ("**Mr. Ronald Tham**") *(appointed with effect from 19 August 2019)*

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

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

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

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

Directors (continued)

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

The list of directors who have served on the boards of the Company's subsidiaries during the Year and up to the date of this Report is available on the Company's website at www.laisun.com under Corporate Governance section.

Biographical Details of Directors

Brief biographical particulars of the existing Directors are set out on pages 92 to 97 of this Annual Report. Directors' other particulars are contained in this Report and elsewhere in this Annual Report.

Directors' Service Contracts

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

Directors' Remuneration

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Controlling Shareholder's Interests in Significant Contracts

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

Continuing Connected Transactions

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

Agreements Regarding Letting and/or Licensing of Premises

The Lai Sun Group, namely, Lai Sun Garment (International) Limited ("**LSG**", together with its subsidiaries "**LSG Group**"), Lai Sun Development Company Limited ("**LSD**", together with its subsidiaries "**LSD Group**"), eSun Holdings Limited ("**eSun**", together with its subsidiaries "**eSun Group**"), Lai Fung Holdings Limited ("**Lai Fung**" together with its subsidiaries "**Lai Fung Group**") and Media Asia Group Holdings Limited ("**MAGHL**", together with its subsidiaries "**MAGHL Group**") entered into a renewal agreement on 31 July 2017 ("**Renewal Agreement**") to renew the memorandum of agreement dated 14 February 2014 ("**Existing Agreement**") in relation to all existing or future transactions with regard to the letting and/or licensing of premises within members of the Lai Sun Group, which includes the LSG Group, LSD Group, eSun Group, Lai Fung Group and MAGHL Group ("**Transactions**"). LSG is the ultimate holding company of LSD and is a connected person of LSD. The Transactions are, therefore, constituted continuing connected transactions of LSD, under Chapter 14A of the Listing Rules.

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

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

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

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

(b) on normal commercial terms or better; and

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

For the year ended 31 July 2019, there was no CCT requiring review by the Company's independent auditor. Therefore, Ernst & Young, Certified Public Accountants ("**Ernst & Young**"), the Company's independent auditor, has not been engaged to report on the Group's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. No letter is issued by Ernst & Young containing its findings and conclusion in respect of the CCTs.

Directors' Interests in Competing Businesses

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

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

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

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

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

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

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

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

Share Option Schemes

(1) The Company

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

The purpose of the New Scheme is to recognise the contribution or future contribution of (i) any employee of any member of the Company together with its subsidiaries ("**Group**") or of any of LSG, eSun, Lai Fung and MAGHL together with its subsidiaries ("**Affiliated Group**") that is affiliated with the Company ("**Relevant Companies**"); (ii) any director, officer or consultant of any member of the Relevant Companies; and (iii) any other group or classes of participants which the Directors, in their absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangement, to the development and growth of the Group ("**Eligible Participants**"), for their contribution to the Group by granting Options to them as incentives or rewards and to attract, retain or motivate Eligible Participants in line with the performance goals of the Relevant Companies. Unless otherwise altered or terminated, the New Scheme will be valid and effective for a period of 10 years commencing on the Effective Date.

Share Option Schemes (continued)

(1) The Company (continued)

As at 31 July 2019, share options comprising a total of 14,359,534 underlying shares were outstanding, of which share options comprising 14,239,534 underlying shares were granted under the Old Scheme and share options comprising 120,000 underlying shares were granted under the New Scheme.

During the Year, there were no options granted, exercised, cancelled or lapsed in accordance with the terms of the share option schemes. Particulars of the outstanding options at the beginning and at the end of the financial period are as follows:

There were 800,000 options granted to Mr. Tham Seng Yum, Ronald, an executive director of the Company under the New Scheme in August 2019 and 166,400 options lapsed under the Old Scheme in September 2019.

Name and category of participant	Number of underlying shares comprised in share options							
	Date of grant of options	Outstanding at 01/08/2018	*Granted during the Year	Exercise price of share options HK$ per share	Exercised during the Year	*Lapsed during the Year	*Outstanding at 31/07/2019	Exercisable period of share options
Directors								
Lam Kin Ngok, Peter	18/01/2013	417,308	—	16.100	—	—	417,308	18/01/2013-17/01/2023
Chew Fook Aun	05/06/2012	3,773,081	—	5.350	—	—	3,773,081	05/06/2012-04/06/2022
Lau Shu Yan, Julius	18/01/2013	2,086,540	—	16.100	—	—	2,086,540	18/01/2013-17/01/2023
Lam Hau Yin, Lester	18/01/2013	4,173,081	—	16.100	—	—	4,173,081	18/01/2013-17/01/2023
Other employees	18/01/2013	3,477,524	—	16.100	—	—	3,477,524	18/01/2013-17/01/2023
Other employees	26/07/2013	83,200	—	11.250	—	—	83,200	26/07/2013-25/07/2023
Other employees	21/01/2015	228,800	—	8.350	—	—	228,800	21/01/2015-20/01/2025
Other employees	22/01/2016	60,000	—	4.700	—	—	60,000	22/01/2016-21/01/2026
Other employees	20/01/2017	60,000	—	8.150	—	—	60,000	20/01/2017-19/01/2027
Total:		**14,359,534**	**—**	**—**	**—**	**—**	**14,359,534**	

** Notes:*

*As at the date of this Report ("**Report Date**"), (i) maximum number of 14,073,134 shares of the Company are available for issue in relation to the underlying shares comprised in the subsisting option granted under the Old Scheme and remained outstanding, representing approximately 2.32% of the shares in issue as at the Report Date; and (ii) further options to subscribe for a maximum of 39,089,067 could be granted under the New Scheme, together with the 920,000 underlying shares comprised in the share options granted under the New Scheme and remained outstanding as the Report Date, a total of 40,009,067 shares available for issue under the New Scheme, representing approximately 6.60% of the shares in issue as at the Report Date.*

Mr. Tham Seng Yum, Ronald has been appointed an executive director of the Company with effect from 19 August 2019. He was granted an option to subscribe for a total of 800,000 ordinary shares at an exercise price of HK$9.920 per share during the exercisable period from 19 August 2019 to 18 August 2029.

In September 2019, there were 166,400 options lapsed which is granted on 18 January 2013.

The total number of underlying shares entitled to be subscribed for under the outstanding share options granted under the share option schemes will be adjusted to 14,993,134 as at the date of this Annual Report.

Details of the Share Option Scheme are set out in note 42 to the financial statements.

Share Option Schemes (continued)

(2) eSun

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

On 27 May 2018, a joint announcement was issued by LSG, the Company, Transtrend Holdings Limited ("**Offeror**", a wholly-owned subsidiary of the Company), eSun and Lai Fung in respect of, among others, (1) the conditional voluntary general cash offer to be made by The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") on behalf of the Offeror, to acquire all of the issued shares of eSun (other than those already owned or agreed to be acquired by the Company, the Offeror or their respective subsidiaries) ("**eSun Share Offer**") and to cancel all the outstanding share options of eSun ("**eSun Option Offer**", and together with the eSun Share Offer, "**eSun Offers**") and (2) the possible unconditional mandatory general cash offer to be made by HSBC on behalf of the Offeror to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by the Company, the Offeror, eSun or their respective subsidiaries) and to cancel all the outstanding share options of Lai Fung.

In the joint announcement issued by the Company, the Offeror and eSun dated 22 August 2018 in relation to the close and the results of the eSun Offers, the eSun Offers closed at 4:00 p.m. on 22 August 2018 and the Offeror had received valid acceptances of eSun Option Offer in respect of 13,145,696 underlying eSun Shares and such share options had been cancelled upon the eSun Option Offer becoming unconditional in all respects on 8 August 2018. In addition, pursuant to the terms of the 2005 Scheme and the 2015 Scheme, all share options of eSun not exercised (i.e. 19,704,969 underlying eSun Shares) before the close of the eSun Share Offer (i.e. 22 August 2018) have lapsed upon the close of the eSun Share Offer. Therefore, as at 31 July 2019 and the date of this Report, all outstanding share options under the 2005 Scheme and the 2015 Scheme had lapsed or cancelled.

SHARE OPTION SCHEMES (CONTINUED)

(2) eSun (continued)

The movements of the share options granted under the 2005 Scheme and the 2015 Scheme for the Year are as follows:

Category/Name of participant	Date of grant (dd/mm/yyyy) *(Note 1)*	Number of underlying eSun Shares comprised in share options: Outstanding at 01/08/2018	Granted during the Year	Lapsed/ Cancelled during the Year	Outstanding at 31/07/2019	Exercisable period	Exercisable price per eSun Share (HK$) *(Note 2)*
Directors							
Lam Kin Ngok, Peter *(Note 4)*	18/01/2013	1,243,212	—	(1,243,212)	—	18/01/2013-17/01/2023	1.612
Chew Fook Aun *(Note 3)*	05/06/2012	6,216,060	—	(6,216,060)	—	05/06/2012-04/06/2022	0.920
Lam Hau Yin, Lester *(Note 4)*	18/01/2013	12,432,121	—	(12,432,121)	—	18/01/2013-17/01/2023	1.612
Employees and other eligible participants							
Employees (in aggregate)	18/01/2013	10,759,272	—	(10,759,272)	—	18/01/2013-17/01/2023	1.612
	21/01/2015	1,800,000	—	(1,800,000)	—	21/01/2015-20/01/2025	0.728
	19/01/2018	400,000	—	(400,000)	—	19/01/2018-18/01/2028	1.36
Total:		**32,850,665**	**—**	**(32,850,665)**	**—**		

Notes:

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

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

3. *Mr. Chew Fook Aun tendered acceptances to eSun Option Offer by the Offeror to cancel all the outstanding share options in respect of his option relating to 6,216,060 underlying eSun Shares on 27 July 2018. The eSun Option Offer has become unconditional in all respects and such option has been cancelled on 8 August 2018.*

4. *Pursuant to the terms of the 2005 Scheme, all share options of eSun would lapse upon the close of eSun Share Offer. Therefore, Dr. Lam Kin Ngok, Peter and Mr. Lam Hau Yin, Lester's option relating to 1,243,212 and 12,432,121 underlying eSun Shares, respectively, have lapsed on 22 August 2018.*

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2005 Scheme and the 2015 Scheme of eSun during the Year.

Share Option Schemes (continued)

(3) Lai Fung

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

On 8 August 2018, the shareholders of Lai Fung approved certain amendments to the 2003 Share Option Scheme and the affirmation of the continuing effectiveness of the share options granted pursuant to 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 (as amended on 8 August 2018) 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 (as amended on 8 August 2018) and the 2012 Share Option Scheme during the Year is as follows:

		Number of underlying shares comprised in share options						
Name or category of participant	**Date of grant** *(Note 1)*	**Outstanding at 01/08/2018**	**Granted during the Year**	**Exercised during the Year**	**Lapsed during the Year**	**Outstanding at 31/07/2019**	**Exercisable period**	**Exercisable price per share** (HK$) *(Note 2)*
Directors *(Note 4)*								
Lam Kin Ngok, Peter	18/01/2013	321,918	–	–	–	321,918	18/01/2013-17/01/2023	11.40
Chew Fook Aun	12/06/2012	1,009,591	–	–	–	1,009,591	12/06/2012-11/06/2020	6.65
Lau Shu Yan, Julius	18/01/2013	965,754	–	–	–	965,754	18/01/2013-17/01/2023	11.40
Lam Hau Yin, Lester	18/01/2013	3,219,182	–	–	–	3,219,182	18/01/2013-17/01/2023	11.40
Other eligible participants (in aggregate) *(Note 5)*								
Batch 1	18/01/2013	3,867,672	–	–	–	3,867,672	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 3)*	22/01/2019	–	580,000	–	–	580,000	22/01/2019-21/01/2029	10.18
Total:		**10,234,117**	**580,000**	**–**	**–**	**10,814,117**		

Share Option Schemes (continued)

(3) Lai Fung (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 Lai Fung's share capital.*

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

4. *Directors refer to Directors of the Company.*

5. *Other Eligible Participants include directors of Lai Fung.*

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the 2003 Share Option Scheme (as amended on 8 August 2018) and the 2012 Share Option Scheme of Lai Fung during the Year.

Subsequent to the Year end,

(i) a total of 109,591 ordinary shares of HK$5.00 each in the share capital of Lai Fung 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 and an eligible participant of Lai Fung at an exercise price of HK$6.65 per share. The closing price of the shares of Lai Fung immediately before the exercise date was HK$7.04 per share; and

(ii) a share option was granted to Mr. Tham Seng Yum, Ronald on 19 August 2019 to subscribe for a total of 500,000 ordinary shares of Lai Fung at an exercise price of HK$6.784 per share during the exercisable period from 19 August 2019 to 18 August 2029.

(4) MAGHL

On 18 December 2012, MAGHL, a company listed on GEM of the Stock Exchange and a non-wholly-owned subsidiary of eSun since 9 June 2011, adopted a share option scheme ("**MAGHL Scheme**") which was also approved by the shareholders at a SGM of eSun held on 18 December 2012. The MAGHL Scheme will remain in force for a period of 10 years commencing on its adoption date.

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

No share options have been granted under the MAGHL Scheme since its adoption on 18 December 2012.

Directors' Interests

The following Directors and the 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 by the Directors:

(1) The Company

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	429,232	Nil	340,023,572 *(Note 2)*	417,308 *(Note 5)*	340,870,112	56.21%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	400,000 *(Note 4)*	3,773,081 *(Note 5)*	4,173,081	0.69%
Lau Shu Yan, Julius	Beneficial owner	263,500	Nil	Nil	2,086,540 *(Note 5)*	2,350,040	0.39%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	4,173,081 *(Note 5)*	4,173,081	0.69%
U Po Chu *(Note 3)*	Beneficial owner	26,919 *(Note 3)*	Nil	Nil	Nil	26,919	0.01%

(1) The Company (continued)

Notes:

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

(2) *Lai Sun Garment (International) Limited ("**LSG**") and two of its wholly-owned subsidiaries, namely Zimba International Limited ("**Zimba International**") and Joy Mind Limited ("**Joy Mind**"), beneficially owned 340,023,572 Shares, representing approximately 56.07% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.14% in the issued share capital of LSG. LSG is approximately 12.70% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.44% owned by Wisdoman Limited which is in turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter.*

LSG pledged approximately 208,513,987 Shares held by LSG, Zimba International and Joy Mind as security pursuant to its 7.70% secured guaranteed notes due 2018 under a Share Charge dated 24 July 2014. The amount has been repaid in full.

*On 21 December 2018, the Shareholders approved a final dividend of HK$0.108 per Share payable in cash with a scrip dividend alternative ("**Scrip Dividend Scheme**") for the year ended 31 July 2018.*

On 13 February 2019, the Company allotted and issued 387,511 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2018, increasing the total number of issued shares in the Company from 606,076,614 to 606,464,125.

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

(4) *The 400,000 Shares owned by The Orchid Growers Association Limited. By virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited, Mr. Chew Fook Aun was deemed to be interested in these 400,000 shares.*

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

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price per Share
Lam Kin Ngok, Peter	18/01/2013	417,308	18/01/2013-17/01/2023	HK$16.100
Chew Fook Aun	05/06/2012	3,773,081	05/06/2012-04/06/2022	HK$5.350
Lau Shu Yan, Julius	18/01/2013	2,086,540	18/01/2013-17/01/2023	HK$16.100
Lam Hau Yin, Lester	18/01/2013	4,173,081	18/01/2013-17/01/2023	HK$16.100

* *A share option was granted to Mr. Tham Seng Yum, Ronald on 19 August 2019 to subscribe for a total of 800,000 ordinary shares at an exercise price of HK$9.920 per share during the exercisable period from 19 August 2019 to* 18 August 2029.

Directors' Interests (continued)

(2) Associated Corporations

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

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued LSG Shares *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	48,441,476 *(Note 2)*	Nil	113,891,650 *(Note 2)*	708,575 *(Note 6)*	163,041,701	42.14%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	202,422 *(Note 3)*	3,819,204 *(Note 6)*	4,021,626	1.04%
Lam Hau Yin, Lester	Beneficial owner	12,366,937 *(Note 4)*	Nil	Nil	7,571,626 *(Note 6)*	19,938,563	5.15%
Lam Kin Ming	Beneficial owner	1,013,879 *(Note 5)*	Nil	Nil	Nil	1,013,879	0.26%
U Po Chu	Beneficial owner	825,525	Nil	Nil	Nil	825,525	0.21%

Directors' Interests (continued)

(2) Associated Corporations (continued)

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

Notes:

(1) *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).*

(2) *On 21 December 2018, the LSG shareholders approved a final dividend of HK$0.074 per share payable in cash with a scrip dividend alternative ("**LSG Scrip Dividend Scheme**") for the year ended 31 July 2018.*

*On 13 February 2019, LSG allotted and issued 1,467,165 new ordinary shares ("**Scrip Shares**") pursuant to the LSG Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2018, increasing the total number of issued shares in LSG from 385,137,657 to 386,604,822.*

LSG allotted and issued a total of 185,600 LSG Shares and 89,200 LSG Shares to an eligible participant of LSG upon exercise of LSG share options on 18 April 2019 and 15 July 2019, respectively, increasing the total number of issued shares of LSG from 386,604,822 to 386,879,622.

On 13 February 2019, Wisdoman Limited has elected to receive a total of 764,373 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing Wisdoman's interests in LSG from 113,127,277 LSG Shares to 113,891,650 LSG Shares. Dr. Lam Kin Ngok, Peter was deemed to be interested in 113,891,650 LSG Shares (representing approximately 29.44% of LSG's issued share capital) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.

On 13 February 2019, Dr. Lam Kin Ngok, Peter has elected to receive a total of 325,110 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 48,116,366 LSG Shares to 48,441,476 LSG Shares.

(3) *The 202,422 LSG Shares held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun. Mr. Chew Fook Aun was deemed to be interested in these 202,422 LSG Shares.*

(4) *On 13 February 2019, Mr. Lam Hau Yin, Lester has elected to receive a total of 82,999 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 12,283,938 LSG Shares to 12,366,937 LSG Shares.*

(5) *On 13 February 2019, Dr. Lam Kin Ming has elected to receive a total of 6,804 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing his personal interests in LSG from 1,007,075 LSG Shares to 1,013,879 LSG Shares.*

Directors' Interests (continued)

(2) Associated Corporations (continued)

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

Notes: (continued)

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

Registered Name	Date of grant	Number of LSG underlying shares comprised in the option	Option period	Subscription price per LSG Share
Lam Kin Ngok, Peter	18/01/2013	375,242	18/01/2013-17/01/2023	HK$6.05
	19/06/2017	333,333	19/06/2017-18/06/2027	HK$15.00
Chew Fook Aun	19/06/2017	3,819,204	19/06/2017-18/06/2027	HK$15.00
Lam Hau Yin, Lester	18/01/2013	3,752,422	18/01/2013-17/01/2023	HK$6.05
	19/06/2017	3,819,204	19/06/2017-18/06/2027	HK$15.00

(ii) eSun Holdings Limited ("**eSun**") — a subsidiary of the Company

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued eSun Shares *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	1,113,260,072 *(Note 2)*	Nil *(Note 3&4)*	1,116,054,515	74.81%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	Nil *(Note 3&4)*	2,794,443	0.19%

(2) Associated Corporations (continued)

(ii) eSun Holdings Limited ("**eSun**") — a subsidiary of the Company (continued)

Notes:

(1) *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).*

(2) *LSG was interested in 340,023,572 Shares in the Company, representing approximately 56.07% of the issued share capital of the Company. Transtrend Holdings Limited ("**Transtrend**"), a wholly-owned subsidiary of the Company, was interested in 1,113,260,072 eSun Shares in eSun, representing approximately 74.62% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 1,113,260,072 eSun Shares by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 42.14% and 56.21% in the issued share capital of LSG and the Company, respectively.*

*With reference to the Company's announcements dated 27 May 2018, 22 July 2018, 25 July 2018, 8 August 2018 and 22 August 2018 ("**Announcements**") and the composite offer and response document jointly issued by the Company, Transtrend and eSun dated 23 July 2018, the eSun Offers (as defined in the Announcements) had become unconditional in all respects on 8 August 2018.*

Transtrend received valid acceptances in respect of 603,369,886 eSun Shares in relation to its offer for eSun Shares from 23 July 2018 to 22 August 2018, which increased the total number of eSun Shares in which the Company is deemed to be interested to 1,154,410,072.

On 11 February 2019, Transtrend has completed the sale of an aggregate of 41,150,000 eSun Shares, which decreased the total number of eSun Shares in which the Company is deemed to be interested to 1,113,260,072. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 1,113,260,072 eSun Shares, representing approximately 74.62% of the issued share capital of eSun.

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

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

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

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

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

Directors' Interests (continued)

(2) Associated Corporations (continued)

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

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	Nil	165,502,573 *(Note 2)*	321,918 *(Note 4)*	165,824,491	50.65%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	600,000 *(Note 3)*	1,009,591 *(Note 4)*	1,609,591	0.49%
Lau Shu Yan, Julius	Beneficial owner	235	Nil	Nil	965,754 *(Note 4)*	965,989	0.30%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	3,219,182 *(Note 4)*	3,219,182	0.98%

(2) Associated Corporations (continued)

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

Notes:

(1) *The percentage has compiled based on the total number of issued Shares as at 31 July 2019 (i.e. 327,386,965 Lai Fung Shares). The issued shares of Lai Fung increased to 327,496,556 as at the date of this Annual Report.*

(2) *On 21 December 2018, the Lai Fung shareholders approved a final dividend of HK$0.20 per share payable in cash with a scrip dividend alternative ("**Lai Fung Scrip Dividend Scheme**") for the year ended 31 July 2018.*

On 13 February 2019, Lai Fung allotted and issued 342,831 new ordinary shares pursuant to the Lai Fung Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2018, increasing the total number of issued Lai Fung Shares from 327,044,134 to 327,386,965.

Lai Fung allotted and issued a total of 109,591 shares to an eligible participant of Lai Fung upon exercise of Lai Fung share options in August 2019, increasing the total number of issued shares of Lai Fung from 327,386,965 to 327,496,556.

Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 165,485,406 Lai Fung Shares by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 74.81% in the issued share capital of eSun.

Transtrend received valid acceptances in respect of 17,167 Lai Fung Shares in relation to its offer for Lai Fung Shares from 15 August 2018 to 13 September 2018, which increased the total number of Lai Fung Shares in which Dr. Lam Kin Ngok, Peter was deemed to be interested to 165,502,573, representing approximately 50.55% of the issued share capital of Lai Fung.

(3) *The deemed interests of Mr. Chew Fook Aun were 600,000 Lai Fung Shares. These shares were held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun.*

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

Registered Name	Date of grant	Number of underlying Lai Fung Shares comprised in the option	Option period	Subscription price per Lai Fung Share
Lam Kin Ngok, Peter	18/01/2013	321,918	18/01/2013-17/01/2023	HK$11.400
Chew Fook Aun	12/06/2012	1,009,591	12/06/2012-11/06/2020	HK$6.650
Lau Shu Yan, Julius	18/01/2013	965,754	18/01/2013-17/01/2023	HK$11.400
Lam Hau Yin, Lester	18/01/2013	3,219,182	18/01/2013-17/01/2023	HK$11.400

* *A share option was granted to Mr. Tham Seng Yum, Ronald on 19 August 2019 to subscribe for a total of 500,000 ordinary shares at an exercise price of HK$6.784 per Lai Fung Share during the exercisable period from 19 August 2019 to 18 August 2029.*

Directors' Interests (continued)

(2) Associated Corporations (continued)

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

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

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

Note:

(1) As at 31 July 2019, these interests in MAGHL represented the shares beneficially owned by Perfect Sky Holdings Limited, a wholly-owned subsidiary of eSun, representing approximately 67.56% of the issued share capital of MAGHL. eSun is owned as to approximately 74.62% by the Company which in turn is owned as to approximately 56.07% by LSG. As LSG is approximately 12.70% owned by Dr. Lam Kin Ngok, Peter and approximately 29.44% owned by Wisdoman Limited which is in turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 1,443,156,837 MAGHL Shares.

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

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Share Option Schemes" and "Directors' Interests" in this Report and in note 42 to the financial statements, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests

As at 31 July 2019, so far as was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (are being a Director), who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of Substantial Shareholders of the Listing Rules) were as follows:

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

Name	Capacity	Nature of interests	Number of Shares and underlying Shares	Approximate % of Shares in issue
Lai Sun Garment (International) Limited	Beneficial owner	Corporate	340,023,572 *(Note 1)*	56.07%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Personal and corporate	340,870,112 *(Note 1)*	56.21%
Yu Cheuk Yi	Beneficial owner	Personal	110,177,910 *(Note 2)*	18.17%
Yu Siu Yuk	Beneficial owner	Personal	110,177,910 *(Note 2)*	18.17%

Notes:

*(1) LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited ("**Zimba International**") and Joy Mind Limited, ("**Joy Mind**") beneficially owned 340,023,572 Shares, representing approximately 56.07% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.14% in the issued share capital of LSG.*

*(2) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (collectively "**YUs**") jointly held 110,177,910 Shares (18.17 %) according to shareholding shown in last Individual Substantial Notice (Form 1) filed for an event on 21 June 2019. As at the date of this Report, YUs hold an aggregate of 115,290,210 Shares, representing approximately 19.01% of the total issued Shares. YUs have become substantial Shareholders on 16 September 2019.*

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

Purchase, Sale or Redemption of Listed Securities

During the Year, the Company did not redeem any of its Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

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, YUs have jointly purchased 420,000 Shares on 16 September 2019 ("**Purchase**"), thereby increasing their shareholding interests in the Company to approximately 19.01%. 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 are substantial Shareholders and core connected persons of the Company. The Company is considering steps to restore the public float of the Company at the minimum prescribed percentage in accordance with the Listing Rules.

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

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

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2019 are set out in note 52 to the financial statements.

Charitable Contributions

During the Year, the Group made charitable contributions totalling approximately HK$9,478,000.

Major Customers and Suppliers

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

During the Year, purchases from the Group's five largest suppliers accounted for appropriately 38% of the Group's total purchases, while the largest supplier accounted for approximately 22% of the Group's total purchases for the Year.

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

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the "Summary of Financial Information" of this Annual Report on pages 45 and 46.

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 75 to 91.

Independence of Independent Non-Executive Directors

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

Equity-Linked Agreements

For the year ended 31 July 2019, the Company has not entered into any equity-linked agreements. Particulars of options granted are set out in the section under Share Option Schemes of this Report.

Review by Audit Committee

The Audit Committee of the Company comprises three INEDs, Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan and Mr. Leung Wang Ching, Clarence. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the Year.

Independent Auditor

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

On behalf of the Board

Chew Fook Aun
Executive Director and Deputy Chairman

Hong Kong
25 October 2019

Shareholders' Information

Key Dates

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

	For Financial Year 2018/2019
Annual results announcement	25 October 2019
Latest time and date for lodging transfer documents with the share 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
Closure of Register of Members for final dividend entitlement	2 and 3 January 2020
Record date of final dividend entitlement	3 January 2020
Latest time and date for lodging form of election for scrip dividend	4:30 p.m. on 21 January 2020
Proposed Final Dividend of HK$0.108 per share	
Payable	13 February 2020
Scrip share certificate despatch	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

Annual Report

To ensure that all shareholders have equal and timely access to important corporate information, the Company makes extensive use of its website to deliver up-to-date information. This 2018-2019 Annual Report is printed in both English and Chinese and is available on the Company's website at www.laisun.com.

AGM

The AGM will be held on 20 December 2019. Details of the AGM are set out in the notice of the AGM which constitutes part of this Annual Report. Notice of the AGM and the proxy form are also available on the Company's website.

EY 安永

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

Opinion

We have audited the consolidated financial statements of Lai Sun Development Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 126 to 299, 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 Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of a hotel property located in Hong Kong	
Included in property, plant and equipment is a hotel property (the "**HK Hotel**") located in Hong Kong, which is stated at cost less accumulated depreciation and impairment losses, if any. The carrying amounts of the HK Hotel and the related prepaid land lease payments as at 31 July 2019 were approximately HK$3,299 million and HK$1,606 million, respectively. Significant judgements and assumptions, including those related to cash flow projections, such as the forecast average daily room rate and occupancy rate, are required to assess whether a provision for impairment is required. To support management's impairment assessment, the Group engaged an external valuer to perform a valuation using the cash flow projections. Related disclosures are disclosed in notes 3, 14 and 15 to the consolidated financial statements.	Our audit procedures included, among others, involving our internal valuation specialists to assist us to evaluate the assumptions and methodologies used in the valuation. We also evaluated the objectivity, independence and competency of the valuer.
Estimation of fair values of investment properties	
Investment properties are stated at fair value. The carrying amount of investment properties as at 31 July 2019 was approximately HK$37,805 million. Significant judgements and assumptions are required to determine the fair values of the investment properties. To support management's determination of the fair value, the Group engaged external valuers to perform valuations on the investment properties at the end of the reporting period. Related disclosures are disclosed in notes 3 and 16 to the consolidated financial statements.	Our audit procedures included, among others, involving our internal valuation specialists to assist us to evaluate the assumptions and methodologies used in the valuations. We also evaluated the objectivity, independence and competency of the valuers. We then assessed the Group's disclosures of investment properties.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation for a business combination	
In August 2018, the Group acquired an additional equity interest in eSun Holdings Limited and its subsidiaries (the "**eSun Group**") at a total consideration of HK$735 million. The Group, thereafter, held a 74.62% equity interest in the eSun Group, including the existing 36.94% equity interest, which constitutes a business combination. Significant judgements and estimations are required in respect of the fair value assessments and the allocation of the purchase price to the assets acquired and the liabilities assumed. To support management's determination of the fair values, the Group engaged external valuers to perform valuations on the identifiable assets acquired and liabilities assumed for the purchase price allocation. Related disclosures are disclosed in notes 3 and 55 to the consolidated financial statements.	Our audit procedures included, among others, reviewing the purchase price allocation schedules prepared by management and discussing with management to understand management's identification and measurement of the acquired assets and liabilities assumed. We involved our internal specialists to assist us to evaluate the assumptions and methodologies used in the valuations and evaluated the objectivity, independence and competency of the valuers. We also assessed the Group's disclosures of the business combination.

Other Information Included in the Annual Report

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Law Fu Yuen, Patrick.

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

25 October 2019

Consolidated Income Statement

Year ended 31 July 2019

	Notes	2019 HK$'000	2018 HK$'000
TURNOVER	6	**6,493,912**	1,693,010
Cost of sales		**(4,188,480)**	(722,711)
Gross profit		**2,305,432**	970,299
Other revenue	6	**319,616**	168,665
Selling and marketing expenses		**(187,158)**	(16,974)
Administrative expenses		**(983,804)**	(369,391)
Other operating expenses	7(b)	**(1,150,435)**	(313,245)
Fair value gains on investment properties, net	16	**649,774**	2,410,357
Reversal of provision for tax indemnity		**—**	305
Loss on remeasurement of existing interest in an associate upon business combination	55(a)	**(2,930,325)**	—
Gain on bargain purchase on acquisition of subsidiaries	55(a)	**6,666,994**	—
PROFIT FROM OPERATING ACTIVITIES	7(a)	**4,690,094**	2,850,016
Finance costs	8	**(474,207)**	(229,482)
Share of profits and losses of associates		**26,948**	85,979
Share of profits and losses of joint ventures		**649,322**	1,714,360
PROFIT BEFORE TAX		**4,892,157**	4,420,873
Tax	11	**(159,297)**	(49,984)
PROFIT FOR THE YEAR		**4,732,860**	4,370,889
Attributable to:			
Owners of the Company		**4,842,944**	4,335,202
Non-controlling interests		**(110,084)**	35,687
		4,732,860	4,370,889
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		**HK$7.988**	HK$7.159
Diluted		**HK$7.958**	HK$7.128

Consolidated Statement of Comprehensive Income

Year ended 31 July 2019

	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR	**4,732,860**	4,370,889
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Changes in fair values of available-for-sale financial assets	**—**	328,541
Exchange realignments	**(495,192)**	(12,975)
Share of other comprehensive income/(expense) of associates	**9,258**	(48,010)
Share of other comprehensive income/(expense) of joint ventures	**10,911**	(1,282)
	(475,023)	266,274
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair values of financial assets at fair value through other comprehensive income	**(6,065)**	—
Release of reserves upon remeasurement of existing interest in an associate upon business combination	**215,211**	—
Release of reserve upon remeasurement of existing interest in a joint venture upon business combination	**—**	374
Release of reserve upon winding-up and disposal of subsidiaries	**(10,636)**	—
	204,575	374
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	**(276,513)**	266,648
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,456,347**	4,637,537
Attributable to:		
Owners of the Company	**4,743,024**	4,602,109
Non-controlling interests	**(286,677)**	35,428
	4,456,347	4,637,537

Consolidated Statement of Financial Position

31 July 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**10,337,776**	5,276,957
Prepaid land lease payments	15	**1,623,441**	18,846
Investment properties	16	**38,807,637**	18,356,990
Properties under development	17	**3,044,000**	932,978
Film rights	18	**24,608**	—
Film products	19	**75,022**	—
Music catalogs	20	**56,718**	—
Goodwill	21	**227,033**	235,778
Other intangible assets	22	**113,945**	120,306
Investments in associates	23	**344,433**	3,596,585
Investments in joint ventures	24	**7,411,355**	7,272,859
Available-for-sale financial assets	25	**—**	2,162,254
Financial assets at fair value through other comprehensive income	25	**1,907,735**	—
Financial assets at fair value through profit or loss	26	**645,631**	—
Derivative financial instruments	27	**53,784**	6,171
Deposits, prepayments and other receivables	28	**311,266**	341,204
Deferred tax assets	40	**39,371**	34,534
Loans to related companies	29	**—**	650,000
Pledged and restricted bank balances and time deposits	30	**81,345**	82,909
Total non-current assets		**65,105,100**	39,088,371
CURRENT ASSETS			
Properties under development	17	**3,807,868**	1,049,331
Completed properties for sale	31	**2,264,763**	252,121
Films under production and film investments	32	**417,242**	—
Inventories		**58,443**	31,973
Financial assets at fair value through profit or loss	26	**230,273**	—
Debtors	34	**300,468**	52,747
Deposits, prepayments and other receivables	28	**1,082,648**	494,931
Prepaid tax		**42,031**	—
Pledged and restricted bank balances and time deposits	30	**1,452,156**	298,509
Cash and cash equivalents	30	**3,722,107**	3,958,416
		13,377,999	6,138,028
Assets classified as held for sale	33	**142,883**	1,476,533
Total current assets		**13,520,882**	7,614,561

	Notes	2019 HK$'000	2018 HK$'000
CURRENT LIABILITIES			
Creditors, other payables and accruals	35	**3,187,571**	596,770
Deposits received, deferred income and contract liabilities	36	**1,674,695**	1,549,718
Tax payable		**298,297**	124,383
Bank borrowings	38	**4,282,923**	1,186,279
Other borrowings	39	**41,440**	—
Total current liabilities		**9,484,926**	3,457,150
NET CURRENT ASSETS		**4,035,956**	4,157,411
TOTAL ASSETS LESS CURRENT LIABILITIES		**69,141,056**	43,245,782
NON-CURRENT LIABILITIES			
Bank borrowings	38	**8,988,292**	7,698,454
Other borrowings	39	**262,894**	—
Guaranteed notes	37	**5,736,654**	3,118,594
Deferred tax liabilities	40	**5,470,430**	176,044
Other payables	35	**87,410**	119,266
Long-term deposits received	36	**241,286**	514,743
Total non-current liabilities		**20,786,966**	11,627,101
		48,354,090	31,618,681
EQUITY			
Equity attributable to owners of the Company			
Share capital	41	**4,081,774**	4,076,816
Reserves	43	**31,745,927**	27,081,877
		35,827,701	31,158,693
Non-controlling interests		**12,526,389**	459,988
		48,354,090	31,618,681

Chew Fook Aun
Director

Lau Shu Yan, Julius
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Capital reduction reserve HK$'000	General reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 August 2017	4,063,736	1,442,513	64,693	1,852	4,692	646,700	215,998	46,240	(382,327)	20,495,693	26,599,790	504,749	27,104,539
Profit for the year	—	—	—	—	—	—	—	—	—	4,335,202	4,335,202	35,687	4,370,889
Other comprehensive income/(expense) for the year:													
Change in fair values of available-for-sale financial assets	—	328,541	—	—	—	—	—	—	—	—	328,541	—	328,541
Exchange realignments	—	—	—	—	—	—	—	—	(12,975)	—	(12,975)	—	(12,975)
Share of other comprehensive expense of associates	—	(5,422)	—	(1,378)	—	—	—	—	(40,951)	—	(47,751)	(259)	(48,010)
Share of other comprehensive expense of a joint venture	—	—	—	—	—	—	—	—	(1,282)	—	(1,282)	—	(1,282)
Release of reserve upon remeasurement of existing interest in a joint venture upon business combination	—	—	—	—	—	—	—	—	374	—	374	—	374
Total comprehensive income/(expense) for the year	—	323,119	—	(1,378)	—	—	—	—	(54,834)	4,335,202	4,602,109	35,428	4,637,537
Final 2017 dividend declared (note 12)	—	—	—	—	—	—	—	—	—	(60,509)	(60,509)	—	(60,509)
Share of reserve movements of associates	—	—	(88)	(474)	—	—	(12,702)	8,341	—	9,261	4,338	—	4,338
Shares issued in lieu of cash dividend (note 41(b))	12,683	—	—	—	—	—	—	—	—	—	12,683	—	12,683
Dividends paid to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(71,854)	(71,854)
Share options exercised	397	—	(115)	—	—	—	—	—	—	—	282	—	282
Repayment to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(8,576)	(8,576)
Acquisition of subsidiaries (note 55(c))	—	—	—	—	—	—	—	—	—	—	—	241	241
At 31 July 2018	4,076,816	1,765,632*	64,490*	—*	4,692*	646,700*	203,296*	54,581*	(437,161)*	24,779,647*	31,158,693	459,988	31,618,681

	Attributable to owners of the Company											
	Share capital HK$'000	Investment revaluation/ fair value reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000	General reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 July 2018 (audited)	4,076,816	1,765,632	64,490	4,692	646,700	203,296	54,581	(437,161)	24,779,647	31,158,693	459,988	31,618,681
Effect of adoption of HKFRS 9 (note 2.2(b))	—	(131,854)	—	—	—	—	—	—	131,854	—	—	—
At 1 August 2018 (restated)	4,076,816	1,633,778	64,490	4,692	646,700	203,296	54,581	(437,161)	24,911,501	31,158,693	459,988	31,618,681
Profit/(loss) for the year	—	—	—	—	—	—	—	—	4,842,944	4,842,944	(110,084)	4,732,860
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods:												
Exchange realignments	—	—	—	—	—	—	—	(309,196)	—	(309,196)	(185,996)	(495,192)
Share of other comprehensive income/(expense) of associates	—	—	—	—	—	—	—	(7)	—	(7)	9,265	9,258
Share of other comprehensive income of joint ventures	—	—	—	—	—	—	—	4,156	—	4,156	6,755	10,911
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:												
Changes in fair values of financial assets at fair value through other comprehensive income	—	(6,065)	—	—	—	—	—	—	—	(6,065)	—	(6,065)
Release of reserves upon remeasurement of existing interest in an associate upon business combination	—	383	—	—	—	—	—	214,828	—	215,211	—	215,211
Release of reserve upon winding-up and disposal of subsidiaries	—	—	—	—	—	—	—	(4,019)	—	(4,019)	(6,617)	(10,636)
Total comprehensive income/(expense) for the year	—	(5,682)	—	—	—	—	—	(94,238)	4,842,944	4,743,024	(286,677)	4,456,347
Final 2018 dividend declared (note 12)	—	—	—	—	—	—	—	—	(65,456)	(65,456)	—	(65,456)
Transfer of fair value reserve upon the disposal of financial assets at fair value through other comprehensive income (note 25)	—	35,120	—	—	—	—	—	—	(35,120)	—	—	—
Shares issued in lieu of cash dividend (note 41(d))	4,958	—	—	—	—	—	—	—	—	4,958	—	4,958
Shares issued by a subsidiary in lieu of cash dividend (note 52(a))	—	—	—	—	—	(7,094)	—	—	—	(7,094)	10,319	3,225
Dividend paid/payable to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(53,002)	(53,002)
Repayment to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	(7,000)	(7,000)
Capital contributions from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	27,143	27,143
Release of reserve upon cancellation and lapse of share options issued by a subsidiary	—	—	—	—	—	—	—	—	15,054	15,054	(15,054)	—
Equity-settled share option arrangements of a subsidiary	—	—	—	—	—	—	—	—	—	—	2,322	2,322
Transfer to statutory reserve	—	—	—	—	—	—	2,312	—	(2,312)	—	—	—
Acquisition of subsidiaries (note 55(a))	—	—	—	—	—	—	—	—	—	—	12,400,728	12,400,728
Acquisition of additional interest in a subsidiary (note 52(b))	—	—	—	—	—	(21,478)	—	—	—	(21,478)	(16,341)	(37,819)
Release of reserves upon remeasurement of existing interest in an associate upon business combination	—	—	(5,730)	—	—	(207,233)	(54,581)	—	267,544	—	—	—
Disposal of subsidiaries (note 56)	—	—	—	—	—	—	—	—	—	—	3,963	3,963
At 31 July 2019	4,081,774	1,663,216*	58,760*	4,692*	646,700*	(32,509)*	2,312*	(531,399)*	29,934,155*	35,827,701	12,526,389	48,354,090

* These reserve accounts comprise the consolidated reserves of HK$31,745,927,000 (2018: HK$27,081,877,000) 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		**4,892,157**	4,420,873
Adjustments for:			
Finance costs	8	**474,207**	229,482
Share of profits and losses of associates		**(26,948)**	(85,979)
Share of profits and losses of joint ventures		**(649,322)**	(1,714,360)
Loss on remeasurement of existing interest in an associate upon business combination	55(a)	**2,930,325**	—
Gain on bargain purchase on acquisition of subsidiaries	55(a)	**(6,666,994)**	—
Fair value gains on investment properties, net	16	**(649,774)**	(2,410,357)
Reversal of provision for tax indemnity		**—**	(305)
Depreciation	7(a)	**396,820**	84,182
Amortisation of prepaid land lease payments	7(a)	**43,405**	1,027
Impairment of property, plant and equipment	7(a)	**51,760**	9,583
Loss on disposal/write-off of items of property, plant and equipment	7(a)	**3,405**	8,337
Write-down of properties under development to net realisable value	7(a)	**92,003**	—
Impairment of films under production	7(a)	**64,310**	—
Amortisation of film rights	7(a)	**6,357**	—
Amortisation of film products	7(a)	**69,019**	—
Amortisation of music catalogs	7(a)	**26,957**	—
Amortisation of other intangible assets	7(a)	**981**	—
Impairment of debtors	7(a)	**693**	—
Impairment of advances and other receivables	7(a)	**22,209**	—
Write-back of impairment of advances and other receivables	7(a)	**(567)**	—
Impairment of amounts due from joint ventures	7(a)	**1,763**	—
Write-back of impairment of music catalogs	7(a)	**(8,842)**	—
Write-back of impairment of film rights	7(a)	**(18,000)**	—
Fair value losses on financial assets at fair value through profit or loss	7(a)	**26,809**	—
Loss on disposal of financial assets at fair value through profit or loss	7(a)	**8,388**	—
Impairment of inventories	7(a)	**2,480**	—
Gain on disposal of subsidiaries	6	**(4,720)**	—
Gain on disposal of an associate	6	**(19,705)**	—
Gain on disposal of joint ventures	6	**(8,158)**	—
Gain on remeasurement of existing interest in a joint venture upon business combination	6	**—**	(24,564)
Gain on disposal of an unlisted available-for-sale financial asset	6	**—**	(8,199)
Fair value gains on cross currency swaps	6	**(45,082)**	(6,171)
Interest income	6	**(72,306)**	(59,713)
Dividend income from unlisted available-for-sale financial assets	6	**—**	(27,400)
Dividend income from financial assets at fair value through other comprehensive income	6	**(40,671)**	—
Equity-settled share option expenses	7(a)	**2,322**	—
Foreign exchange differences, net		**360**	6,612
		905,641	423,048

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Increase in properties under development		**(2,115,104)**	(369,744)
Decrease in completed properties for sale		**1,729,290**	—
Increase in inventories		**(2,700)**	(646)
Additions of films under production and film investments	32	**(245,585)**	—
Additions of film products, net	19	**(2)**	—
Decrease in film products	19	**150,913**	—
Additions of film rights		**(1,760)**	—
Increase in debtors		**(71,711)**	(33,744)
Increase in deposits, prepayments and other receivables		**(173,542)**	(46,437)
Increase in creditors, other payables and accruals		**106,383**	246,156
(Decrease)/increase in deposits received, deferred income and contract liabilities		**(979,950)**	837,125
Cash (used in)/generated from operations		**(698,127)**	1,055,758
Interest received		**72,306**	59,713
Interest paid on bank borrowings		**(555,736)**	(173,356)
Interest paid on guaranteed notes		**(280,639)**	(144,171)
Hong Kong profits tax paid, net		**(41,776)**	(40,983)
Mainland China taxes paid, net		**(197,562)**	(71)
Overseas taxes paid, net		**(15,644)**	(27,860)
Net cash flows (used in)/from operating activities		**(1,717,178)**	729,030
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(1,633,826)**	(1,193,903)
Additions to investment properties		**(1,668,216)**	(43,671)
Deposits paid for purchase of items of property, plant and equipment		**(15,180)**	(38,998)
Deposits paid for additions to investment properties		**(2,142)**	(11,502)
Acquisition of unlisted available-for-sale financial assets		**—**	(254,348)
Acquisition of financial assets at fair value through other comprehensive income		**(101,890)**	—
Acquisition of financial assets at fair value through profit or loss		**(238,006)**	—
Proceeds from disposal of an unlisted available-for-sale financial asset		**—**	18,504
Proceeds from disposal of financial assets at fair value through other comprehensive income		**16,515**	—
Proceeds from disposal of items of property, plant and equipment		**167**	1,568
Proceeds from disposal of investment properties		**—**	561,648
Proceeds from disposal of joint ventures		**1,414,380**	—
Proceeds from disposal of an associate		**23,800**	—
Acquisition of subsidiaries	55	**1,400,920**	132,650
Disposal of subsidiaries	56	**(5,372)**	—

Consolidated Statement of Cash Flows

Year ended 31 July 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)		
Acquisition of an associate	**(243)**	—
Advances to associates	**(171,541)**	(136)
Repayment from associates	**51,131**	4,665
Dividends received from associates	**5,430**	—
Advances to joint ventures	**(8,026)**	(89,451)
Repayment from joint ventures	**680,007**	—
Dividends received from joint ventures	**1,774,100**	150,000
Capital contributions to joint ventures	**(2,500)**	—
Loans to related companies	**—**	(650,000)
Dividends received from unlisted available-for-sale financial assets	**—**	27,400
Dividends received from financial assets at fair value through other comprehensive income	**40,671**	—
Partial refund of capital of financial assets at fair value through profit or loss	**492**	—
Increase in pledged and restricted bank balances and time deposits	**(78,321)**	(98,103)
Settlement of tax indemnity	**—**	(92,695)
Increase in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	**(39,309)**	—
Net cash flows from/(used in) investing activities	**1,443,041**	(1,576,372)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	**6,559,207**	3,729,800
Repayment of bank borrowings	**(6,035,682)**	(1,809,155)
Guaranteed notes issued	**—**	3,124,800
Guaranteed note issue expenses	**—**	(24,861)
Repayment of guaranteed notes	**—**	(2,734,550)
Bank financing charges	**(9,694)**	(15,824)
Loans from a joint venture	**462,834**	—
Repayment of loans from a joint venture	**(1,095,915)**	—
Increase in other borrowings	**41,560**	—
Increase in put option liabilities	**280,532**	—
Acquisition of additional interest in a subsidiary	**(37,819)**	—
Dividend paid	**(60,498)**	(47,826)
Dividends paid to non-controlling interests of subsidiaries	**(32,567)**	(71,854)
Capital contribution from non-controlling interests of subsidiaries	**9,933**	—
Repayment to non-controlling interests of a subsidiary	**(7,000)**	(8,576)
Share options exercised	**—**	282
Net cash flows from financing activities	**74,891**	2,142,236

	2019 HK$'000	2018 HK$'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(199,246)**	1,294,894
Cash and cash equivalents at beginning of year	**3,958,416**	2,664,066
Effect of foreign exchange rate changes, net	**(76,372)**	(544)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**3,682,798**	3,958,416
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	**2,876,477**	3,807,347
Non-pledged and non-restricted time deposits	**845,630**	151,069
Cash and cash equivalents as stated in the consolidated statement of financial position	**3,722,107**	3,958,416
Non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	**(39,309)**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	**3,682,798**	3,958,416

1. Corporate and Group Information

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

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

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

Details of the principal subsidiaries are set out in note 52 to the financial statements.

2.1 Basis of Preparation

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

2.1 Basis of Preparation (continued)

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 structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

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 the amendments to HKFRS 4 and *Annual Improvements to HKFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs, are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 August 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) (continued)

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 August 2018 is as follows:

		HKAS 39 measurement		Re-	HKFRS 9 measurement	
		Category	Amount	classification	Amount	Category
	Notes		HK$'000	HK$'000	HK$'000	
Financial assets						
Available-for-sale financial assets		AFS[1]	2,162,254	(2,162,254)	—	N/A
To: Financial assets at fair value through other comprehensive income — equity investments	(i)			(1,809,744)		
To: Financial assets at fair value through profit or loss	(ii)			(352,510)		
Financial assets at fair value through other comprehensive income — equity investments		N/A	—	1,809,744	1,809,744	FVOCI[2] (equity)
From: Available-for-sale financial assets	(i)			1,809,744		
Debtors		L&R[3]	52,747	—	52,747	AC[4]
Financial assets included in deposits, prepayments and other receivables		L&R	577,449	(95,162)	482,287	AC
To: Financial assets at fair value through profit or loss	(iii)			(95,162)		
Financial assets at fair value through profit or loss		FVPL[5]	—	447,672	447,672	FVPL (mandatory)
From: Available-for-sale financial assets	(ii)			352,510		
From: Financial assets included in deposits, prepayments and other receivables	(iii)			95,162		
Derivative financial instruments		FVPL	6,171	—	6,171	FVPL (mandatory)
Loans to related companies		L&R	650,000	—	650,000	AC
Pledged and restricted bank balances and time deposits		L&R	381,418	—	381,418	AC
Cash and cash equivalents		L&R	3,958,416	—	3,958,416	AC
			7,788,455	—	7,788,455	
Financial liabilities						
Financial liabilities included in creditors, other payables and accruals		AC	596,770	—	596,770	AC
Bank borrowings		AC	8,884,733	—	8,884,733	AC
Guaranteed notes		AC	3,118,594	—	3,118,594	AC
			12,600,097	—	12,600,097	

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) (continued)

Classification and measurement (continued)

[1] AFS: Available-for-sale financial assets
[2] FVOCI: Financial assets at fair value through other comprehensive income
[3] L&R: Loans and receivables
[4] AC: Financial assets or financial liabilities at amortised cost
[5] FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its equity investments previously classified as AFS as FVOCI.

(ii) The Group has classified certain of its investments previously classified as AFS as FVPL as these investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(iii) The Group has classified certain loan receivables previously classified as L&R measured at amortised cost of approximately HK$95,162,000 (as included in deposits, prepayments and other receivables) under non-current assets as FVPL.

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Investment revaluation/fair value reserve HK$'000	Retained profits HK$'000
Balance as at 31 July 2018 under HKAS 39	**1,765,632**	**24,779,647**
Reclassification of financial assets from AFS to FVPL	**(106,646)**	**106,646**
Transfer of impairment losses under HKAS 39 for equity investments designated at FVOCI previously classified as AFS	**(25,208)**	**25,208**
	(131,854)	**131,854**
Balance as at 1 August 2018 under HKFRS 9	**1,633,778**	**24,911,501**

2.2 Changes in Accounting Policies and Disclosures (continued)

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, 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 principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 6 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

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 adoption of HKFRS 15 has had no significant impact on the opening balance of retained profits 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.

Set out below are the amounts by which the relevant financial statement line items were affected as at 1 August 2018 as a result of the adoption of HKFRS 15:

	Note	**Increase HK$'000**
Non-current assets		
Properties under development	(i)	**8,697**
Current assets		
Properties under development	(i)	**59,473**
Current liabilities		
Contract liabilities (included in deposits received, deferred income and contract liabilities)	(i)	**59,473**
Non-current liabilities		
Contract liabilities (included in deposits received, deferred income and contract liabilities)	(i)	**8,697**

2.2 Changes in Accounting Policies and Disclosures (continued)

(c) (continued)

Set out below are the amounts by which the relevant financial statement line items were affected as at 31 July 2019 and for the year ended 31 July 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

For the year ended 31 July 2019	Note	Amounts prepared under HKFRS 15 HK$'000	Previous HKFRS HK$'000	Increase HK$'000
Revenue	(i)	**6,493,912**	**6,412,758**	**81,154**
Cost of sales	(i)	**(4,188,480)**	**(4,107,326)**	**81,154**
Gross profit		**2,305,432**	**2,305,432**	**—**

As at 31 July 2019	Note	Amounts prepared under HKFRS 15 HK$'000	Previous HKFRS HK$'000	Increase HK$'000
Current assets				
Properties under development	(i)	**3,807,868**	**3,784,497**	**23,371**
Current liabilities				
Contract liabilities (included in deposits received, deferred income and contract liabilities)	(i)	**1,141,572**	**1,118,201**	**23,371**

(c) (continued)

The nature of the adjustments as at 1 August 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 31 July 2019 and the consolidated income statement for the year ended 31 July 2019 are described below:

Note:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as deposits received. Under HKFRS 15, the amount is classified as contract liabilities which is included in deposits received, deferred income and contract liabilities.

Therefore, upon adoption of HKFRS 15, the Group reclassified approximately HK$1,175,171,000 and HK$423,528,000 under current liabilities and non-current liabilities, respectively from deposits received to contract liabilities as at 1 August 2018 in relation to the consideration received from customers in advance as at 1 August 2018.

As at 31 July 2019, under HKFRS 15, HK$1,141,572,000 in relation to the consideration received from customers in advance was included under current liabilities as contract liabilities.

Financing component for sale and pre-sale of properties

HKFRS 15 requires property developers to account for the financing component in a contract separately from revenue if the financing effects are significant, subject to a practical expedient where the period between the payment and delivery of properties will be less than one year. Currently, in respect of certain transactions for sale of properties, (i) the Group offers property buyers a discount if they opt to pay the purchase price in full within 120 to 180 days of signing the provisional agreement of sale and purchase; and (ii) it is expected that the length of time between the payment and delivery of properties of the Group's projects will exceed one year. Accordingly, the financing component is considered to be significant.

The amount of the financing component is estimated at the contract inception and the payment plan is confirmed by the property buyer by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. Interest expense is recognised only to the extent that a contract liability (receipts in advance) is recognised in accounting for the contract with the customer.

2.2 Changes in Accounting Policies and Disclosures (continued)

(c) (continued)

Note: (continued)

(i) Consideration received from customers in advance (continued)

Financing component for sale and pre-sale of properties (continued)

Upon adoption of HKFRS 15, the Group has recognised and capitalised the interest on the sales proceeds received from customers in connection with the pre-sale of properties, which led to the increase in properties under development of approximately HK$59,473,000 and HK$8,697,000 under current assets and non-current assets, respectively, with a corresponding increase in contract liabilities as at 1 August 2018.

As at 31 July 2019, under HKFRS 15, properties under development increased by HK$23,371,000, with a corresponding increase in contract liabilities as at 31 July 2019. Revenue and cost of sales were both increased by HK$81,154,000, respectively, for the year ended 31 July 2019.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no significant impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments 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 (2011)	*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 HKFRS 16 that is expected to be applicable to the Group is described below.

HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17.

2.3 Issued But not Yet Effective Hong Kong Financial Reporting Standards (continued)

HKFRS 16 (continued)

Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 August 2019. 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. As at 31 July 2019, the Group had non-cancellable operating lease commitments as disclosed in note 47(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

Other than the above, the Group is in the process of making an assessment of the impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's financial performance and financial position.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

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

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

Business combinations and goodwill

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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

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

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

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

Fair value measurement

The Group measures its completed investment properties, certain investment properties under construction, certain available-for-sale financial assets, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss 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.

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties for sale, inventories, deferred tax assets, financial assets, investment properties, assets classified as held for sale 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

Leasehold land	Over the unexpired lease terms
Leasehold buildings	Over the remaining lease terms
Hotel properties	Over the remaining lease terms
Leasehold improvements	20% or over the terms of the related leases, whichever is shorter
Theme park, excluding land and buildings	10% - 20%
Furniture, fixtures and equipment	10% - 25%
Motor vehicles	10% - 30%
Computers	18% - 33%
Motor vessels	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 buildings under construction or equipment under installation or testing, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies (continued)

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 year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

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.

Operating leases

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

2.4 Summary of Significant Accounting Policies (continued)

Properties under development

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

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

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.

Non-current assets held for sale

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

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

Intangible assets (other than goodwill)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

(i) Trademarks

Trademarks are stated at cost less impairment losses.

(ii) Customer relationship

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

Completed properties for sale

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

If an item of completed property for sale becomes owner-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.

Music catalogs

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

The costs of music catalogs less accumulated impairment loss are amortised based on the proportion of actual revenue earned during the year to total estimated projected revenues subject to a maximum of 15 years. Additional adjustment to accumulated amortisation is made if the projected revenues are different from the previous estimation or to reflect the actual consumption of economic benefits, as appropriate. Estimated projected revenues and related future cash flows, and the amortisation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

2.4 Summary of Significant Accounting Policies (continued)

Film products and films under production

Film products are stated at cost less accumulated amortisation and any impairment losses. The portion of film products to be recovered through use, less accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to their total estimated projected revenues as an approximation of the consumption of their economic benefits. Additional adjustment to accumulated amortisation is made if the projected revenues are different from the previous estimation or to reflect the actual consumption of economic benefits, as appropriate. Cost of film products, accounted for on a project-by-project basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film.

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

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

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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 debtors 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. Debtors 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.

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.

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 has certain investments in film projects and entertainment events which entitle the Group to receive a fixed and/or variable income based on the Group's investment amount and/or expected rate of return as specified in respective agreements. All film investments and investments in entertainment events which give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding are stated 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 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 the income statement when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the income statement. Dividends are recognised as other revenue in the income statement when the right of 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, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, 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.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other revenue in the income statement when the right of 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other revenue and negative net changes in fair value presented as other operating expenses in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 August 2018)" below.

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

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

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

Subsequent measurement (continued)

Loans and receivables

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

Available-for-sale financial assets

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

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the income statement as other revenue in accordance with the policies set out for "Revenue recognition (applicable before 1 August 2018)" below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

General approach (continued)

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 contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be 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 debtors 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

Simplified approach

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

2.4 Summary of Significant Accounting Policies (continued)

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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Assets carried at cost

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

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

Available-for-sale financial assets

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

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

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

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

Financial liabilities (policies under HKFRS 9 applicable from 1 August 2018 and 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.

Subsequent measurement

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

2.4 Summary of Significant Accounting Policies (continued)

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

Subsequent measurement (continued)

Loans and borrowings

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

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

Put option liabilities

Put options are financial instruments granted by the Group whereby counterparties may have the right to request the Group to purchase their equity interests in certain of 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 option. 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.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 August 2018 and 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 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 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 a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 August 2018 and 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 hedges 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 hedging reserve, while any ineffective portion is recognised immediately in the income statement. The hedging 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.

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

Initial recognition and subsequent measurement (continued)

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.

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

2.4 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of 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.

Income tax (continued)

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if 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**").

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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.

Government grants

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

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

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (applicable from 1 August 2018)

Revenue from contracts with customers (continued)

(a) *Sale of properties*
Revenue from the sale of completed properties is recognised at point in time when the control of the property is transferred to the purchaser.

(b) *Building management services*
Revenue from the provision of building management services 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) *Service from hotel operation*
Revenue from the provision of service from hotel 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.

(d) *Revenue from restaurant operation*
Revenue from restaurant operation is recognised at the point in time when the control of the assets is transferred to the customer, generally upon consumption of the food and beverage items by the customer.

(e) *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.

(f) *Entertainment event*
Revenue from entertainment events organised by the Group is recognised when the events are completed.

(g) *Film distribution*
Income from films licensed to movie theatres is recognised when the films are exhibited.

2.4 Summary of Significant Accounting Policies (continued)

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

Revenue from contracts with customers (continued)

(h) *Film licence fee*

Licence income from films licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract is recognised where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees.

Licence income from films licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period is recognised when the films are available for showing or telecast.

(i) *Sale of products and albums*

Sale of products and albums are recognised when control of the asset is transferred to the customers, generally on delivery of the products or in accordance with the terms of the relevant agreements.

(j) *Distribution commission*

Distribution commission income is recognised when the albums or film materials have been delivered to the wholesalers, distributors and licensees.

(k) *Album licence and music publishing*

Album licence income and music publishing income are recognised when the license is used by the customer or the customer simultaneously receives and consumes the benefits provided by the Group in accordance with the terms of the relevant agreements.

(l) *Box-office takings*

Revenue from gross box-office takings for film exhibition is recognised at a point in time, upon the sale of tickets and when the film is exhibited.

(m) *Advertising, artiste management, producer and consultancy service*

Advertising income, artiste management fee income, producer fee income and consultancy service income from entertainment events and commission income and handling fee from entertainment events are recognised in the period in which the relevant services are rendered to the customer or the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 Summary of Significant Accounting Policies (continued)

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

Revenue from other sources

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

Other revenue

(a) 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.

(b) 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.

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 are ready for delivery to the purchasers pursuant to the sales agreements, and collectability of the related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as deposits received;

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

(c) service income from hotel and restaurant operations and the provision of other related services is recognised when such services have been provided to customers;

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Dividends

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

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

Borrowing costs

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

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or 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 overseas/Mainland China subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payments

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Paid leave carried forward

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

Retirement benefits

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

The employees of the Group's subsidiaries which operate in Vietnam and the PRC are required to participate in central pension schemes operated by the respective governments in Vietnam and the PRC. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

3. Significant Accounting Judgements and Estimates

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

Judgements

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

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Impairment of non-financial assets (other than goodwill)

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

Impairment of a hotel property located in Hong Kong (the "HK Hotel") and the related prepaid land lease payments

The HK Hotel is stated at cost less accumulated depreciation and impairment losses, if any. In determining whether there is any indication of impairment, the Group has to exercise judgement, particularly in assessing the appropriate key assumptions to be applied in preparing cash flow projections. To support the impairment assessment, the Group engaged an external valuer to perform a valuation on the HK Hotel and the related prepaid land lease payments. Changing the assumptions selected by the valuer to determine whether there is any indication of impairment, including those related to the cash flow projections, such as the forecast average daily room rate and occupancy rate, could materially affect the net present value used in the impairment test. The carrying amounts of the HK Hotel and the related prepaid land lease payments as at 31 July 2019 were approximately HK$3,299 million and HK$1,606 million, respectively.

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 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.

When fair value of investment properties under construction can be reliably measured

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

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

When fair value of investment properties under construction can be reliably measured (continued)

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.

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 40 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.

Put option liabilities

As explained in note 35 to the financial statements in respect of an investment by Cinda in certain subsidiaries of the Group, put option liabilities arising from the buy-back of the investment 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 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.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Accounting for film products and films under production

Films under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Film products are stated at cost less accumulated amortisation and any impairment losses. The portions of film products to be recovered through use, less accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to their total estimated projected revenues as an approximation of the consumption of their economic benefits. Additional adjustment to accumulated amortisation is made if the projected revenues are different from the previous estimation or to reflect the actual consumption of economic benefits, as appropriate.

Management estimates the costs to be incurred to complete production and the total projected revenues and related future cash flows, as appropriate, of each film under production and each film product based on the historical cost, performance and cash flows of similar films, incorporating factors such as the production plan, target market and business plan of films, the past box office records and/or other relevant information of the main artistes and directors of the films, the genre of the films, anticipated performance in the theatrical, home entertainment, television and other ancillary markets, and/or agreements for future sales, licensing and other exploitation.

These estimated costs to be incurred to complete production, projected revenues and related future cash flows can change significantly due to a variety of factors. Based on both internal and external market information available on the films under production and film products, management reviews and revises the estimated costs to be incurred to complete production, projected revenues and related future cash flows of the relevant asset, as appropriate, to assess whether there are any indicators of impairment or reversal of impairment at least at the end of each reporting period. Any change in consumption of economic benefits or estimations of costs to be incurred to complete production, projected revenues and related future cash flows may result in a change in the rate of amortisation and/or the impairment of the assets. This could have a significant impact on the Group's financial performance. The carrying amounts of film products and films under production and film investments are disclosed in notes 19 and 32 to the financial statements, respectively.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Estimation of fair values of investment properties and certain financial asset at fair value through comprehensive income/available-for-sale financial asset

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) independent valuations; (ii) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The carrying amount of investment properties measured at fair value as at 31 July 2019 was approximately HK$37,805 million (2018: HK$18,357 million) and that of a financial asset at fair value through comprehensive income (2018: available-for-sale financial asset), of which the principal asset is an investment property, as at 31 July 2019 was approximately HK$1,696 million (2018: HK$1,664 million).

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.

Provision for ECLs on debtors and other receivables

Under HKFRS 9, applicable from 1 August 2018, the Group uses a provision matrix to calculate ECLs for debtors. The provision rates are based on days past due for groupings of various customer segments with shared risk characteristics. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's debtors is disclosed in note 34 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for ECLs on debtors and other receivables (continued)

The loss allowances for other receivables are based on assumption about risk of default and expected loss rates. The Group makes adjustment in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. A number of significant judgements are also required in applying the accounting requirements for measuring ECLs, such as:

– Determining criteria for a significant increase in credit risk;
– Identifying economic indicators for forward-looking measurement; and
– Estimating future cash flows for the other receivables.

The information about the provision for ECLs on the Group's other receivables is disclosed in note 28 to the financial statements.

Impairment of loans and receivables

Before 1 August 2018, the Group assessed at the end of each reporting period whether there was any objective evidence that a loan/receivable was impaired. To determine whether there was objective evidence of impairment, the Group considered factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there was objective evidence of impairment, the amount and timing of future cash flows were estimated based on historical loss experience for assets with similar credit risk characteristics.

Useful lives and residual values of items of property, plant and equipment

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

Business combinations and goodwill

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Impairment of goodwill and trademarks with indefinite useful lives

The Group determines whether goodwill and trademarks with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units or the fair value of a trademark to which the goodwill and trademarks with indefinite useful lives are allocated. Estimating the value in use and fair value requires the Group to make an estimate of the expected future cash flows from the cash-generating units or trademarks and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of goodwill and trademarks with indefinite useful lives are disclosed in notes 21 and 22 to the financial statements.

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.

4. Segment Information

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

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

(b) the property investment segment invests in 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;

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

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

4. Segment Information (continued)

For management purposes, the Group has the following reportable segments: (continued)

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

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

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

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

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

Segment assets mainly exclude investments in associates, investments in joint ventures, available-for-sale financial assets, financial assets at fair value through other comprehensive income, certain financial assets at fair value through profit or loss, derivative financial instruments, deferred tax assets, prepaid tax, certain pledged and restricted bank balances and time deposits, certain cash and cash equivalents, assets classified as held for sale and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities mainly exclude bank borrowings, other borrowings, guaranteed notes, tax payable, deferred tax liabilities, put option liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

4. Segment Information (continued)

Segment revenue and results

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

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Media and entertainment		Film production and distribution		Cinema operation		Others		Eliminations		Consolidated	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Segment revenue: (note 6)																				
Sales to external customers	**2,279,822**	430	**1,357,078**	704,513	**686,057**	423,958	**514,784**	514,019	**591,795**	—	**325,996**	—	**521,104**	—	**217,276**	50,090	**—**	—	**6,493,912**	1,693,010
Intersegment sales	**—**	—	**42,878**	19,200	**2,137**	—	**249**	—	**100**	—	**14,524**	—	**1,706**	—	**31,694**	27,221	**(93,288)**	(46,421)	**—**	—
Other revenue	**10,245**	6,443	**31,146**	30,708	**542**	145	**480**	732	**24,208**	—	**21,788**	—	**43,925**	—	**23,529**	21,096	**—**	—	**155,863**	59,124
Total	**2,290,067**	6,873	**1,431,102**	754,421	**688,736**	424,103	**515,513**	514,751	**616,103**	—	**362,308**	—	**566,735**	—	**272,499**	98,407	**(93,288)**	(46,421)	**6,649,775**	1,752,134
Segment results	**250,339**	(6,782)	**827,814**	585,524	**(238,615)**	34,733	**(39,786)**	(36,208)	**40,131**	—	**(119,590)**	—	**(110,710)**	—	**(57,396)**	18,179	**—**	—	**552,187**	595,446
Unallocated other revenue																			**163,753**	109,541
Fair value gains on investment properties, net	**—**	—	**649,774**	2,410,357	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**649,774**	2,410,357
Unallocated expenses																			**(412,289)**	(265,633)
Reversal of provision for tax indemnity																			**—**	305
Loss on remeasurement of existing interest in an associate upon business combination																			**(2,930,325)**	—
Gain on bargain purchase on acquisition of subsidiaries																			**6,666,994**	—
Profit from operating activities																			**4,690,094**	2,850,016
Finance costs																			**(474,207)**	(229,482)
Share of profits and losses of associates	**101**	466	**(40)**	—	**(237)**	(309)	**60**	(1,471)	**(68)**	—	**432**	—	**463**	—	**1,347**	(80)	**—**	—	**2,058**	(1,394)
Share of profits and losses of associates — unallocated																			**24,890**	87,373
Share of profits and losses of joint ventures	**565,620**	3,071	**85,432**	1,716,061	**—**	—	**—**	(1,483)	**(144)**	—	**(1,586)**	—	**—**	—	**—**	(3,289)	**—**	—	**649,322**	1,714,360
Profit before tax																			**4,892,157**	4,420,873
Tax																			**(159,297)**	(49,984)
Profit for the year																			**4,732,860**	4,370,889

4. Segment Information (continued)

Segment assets and liabilities

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

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Media and entertainment		Film production and distribution		Cinema operation		Others		Consolidated	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Segment assets	**9,432,089**	2,640,197	**41,153,140**	18,599,262	**9,394,633**	5,444,389	**568,971**	531,037	**474,906**	—	**877,035**	—	**719,620**	—	**4,292,515**	1,683,631	**66,912,909**	28,898,516
Investments in associates	**2,251**	1,701	**5,804**	—	**182,812**	163,301	**(10,105)**	(10,394)	**—**	—	**—**	—	**—**	—	**2,975**	233	**183,737**	154,841
Investments in associates — unallocated																	**160,696**	3,441,744
Investments in joint ventures	**1,329,107**	1,194,367	**6,062,373**	6,075,975	**—**	—	**—**	2,517	**17,804**	—	**2,071**	—	**—**	—	**—**	—	**7,411,355**	7,272,859
Unallocated assets																	**3,814,402**	5,458,439
Assets classified as held for sale																	**142,883**	1,476,533
Total assets																	**78,625,982**	46,702,932
Segment liabilities	**1,325,075**	1,684,053	**1,495,079**	390,603	**664,478**	237,631	**61,600**	41,259	**181,195**	—	**417,061**	—	**205,151**	—	**469,519**	330,037	**4,819,158**	2,683,583
Bank borrowings																	**13,271,215**	8,884,733
Guaranteed notes																	**5,736,654**	3,118,594
Other borrowings																	**304,334**	—
Unallocated liabilities																	**6,140,531**	397,341
Total liabilities																	**30,271,892**	15,084,251

4. Segment Information (continued)

Other segment information

The following table presents the other segment information for the Group's reportable segments:

	Property development and sales 2019 HK$'000	Property development and sales 2018 HK$'000	Property investment 2019 HK$'000	Property investment 2018 HK$'000	Hotel operation 2019 HK$'000	Hotel operation 2018 HK$'000	Restaurant operation 2019 HK$'000	Restaurant operation 2018 HK$'000	Media and entertainment 2019 HK$'000	Media and entertainment 2018 HK$'000	Film production and distribution 2019 HK$'000	Film production and distribution 2018 HK$'000	Cinema operation 2019 HK$'000	Cinema operation 2018 HK$'000	Others 2019 HK$'000	Others 2018 HK$'000	Consolidated 2019 HK$'000	Consolidated 2018 HK$'000
Amortisation of prepaid land lease payments	—	—	—	—	43,405	1,027	—	—	—	—	—	—	—	—	—	—	43,405	1,027
Depreciation	1,533	—	26,284	116	225,904	22,048	44,250	49,886	1,587	—	1,508	—	68,135	—	11,963	1,241	381,164	73,291
Depreciation — unallocated																	15,656	10,891
																	396,820	84,182
Impairment of property, plant and equipment	—	—	—	—	—	—	2,900	9,583	—	—	—	—	40,850	—	—	—	43,750	9,583
Impairment of property, plant and equipment — unallocated																	8,010	—
																	51,760	9,583
Loss on disposal/write-off of items of property, plant and equipment	47	—	695	29	650	653	1,283	7,655	209	—	4	—	507	—	10	—	3,405	8,337
Write-down of properties under development to net realisable value	92,003	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	92,003	—
Impairment of films under production	—	—	—	—	—	—	—	—	—	—	64,310	—	—	—	—	—	64,310	—
Amortisation of film rights	—	—	—	—	—	—	—	—	—	—	6,357	—	—	—	—	—	6,357	—
Amortisation of film products	—	—	—	—	—	—	—	—	—	—	69,019	—	—	—	—	—	69,019	—
Amortisation of music catalogs	—	—	—	—	—	—	—	—	26,957	—	—	—	—	—	—	—	26,957	—
Amortisation of other intangible assets	—	—	—	—	—	—	—	—	—	—	586	—	—	—	395	—	981	—
Impairment of advances and other receivables	—	—	—	—	—	—	—	—	3,184	—	18,486	—	539	—	—	—	22,209	—
Write-back of impairment of advances and other receivables	—	—	—	—	—	—	—	—	(251)	—	(316)	—	—	—	—	—	(567)	—
Impairment of amounts due from joint ventures	—	—	—	—	—	—	—	—	1,763	—	—	—	—	—	—	—	1,763	—
Write-back of impairment of music catalogs	—	—	—	—	—	—	—	—	(8,842)	—	—	—	—	—	—	—	(8,842)	—
Write-back of impairment of film rights	—	—	—	—	—	—	—	—	—	—	(18,000)	—	—	—	—	—	(18,000)	—
Gain on disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	(4,720)	—	—	—	—	—	(4,720)	—
Gain on disposal of an associate	—	—	—	—	—	—	—	—	—	—	—	—	(19,705)	—	—	—	(19,705)	—
Gain on disposal of joint ventures	—	—	(8,158)	—	—	—	—	—	—	—	—	—	—	—	—	—	(8,158)	—
Impairment of inventories	—	—	—	—	—	—	—	—	2,319	—	161	—	—	—	—	—	2,480	—
Capital expenditure	990	—	2,553,656	45,858	908,246	1,306,810	18,082	26,185	4,798	—	725	—	65,368	—	24,734	2,106	3,576,599	1,380,959
Capital expenditure — unallocated																	708	369
																	3,577,307	1,381,328

4. Segment Information (continued)

Geographical information

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

	Hong Kong		Mainland China (including Macau)		United Kingdom		Vietnam		Others		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue												
Sales to external customers	**4,005,529**	1,095,759	**1,824,391**	7,658	**113,561**	148,849	**306,970**	418,729	**243,461**	22,015	**6,493,912**	1,693,010
Other revenue	**115,517**	29,545	**39,831**	23	**253**	29,416	**262**	20	**—**	120	**155,863**	59,124
Total	**4,121,046**	1,125,304	**1,864,222**	7,681	**113,814**	178,265	**307,232**	418,749	**243,461**	22,135	**6,649,775**	1,752,134
Segment assets												
Non-current assets	**22,751,325**	22,367,042	**28,113,380**	18,770	**3,021,774**	2,868,811	**363,749**	286,291	**373,783**	361,382	**54,624,011**	25,902,296
Current assets	**3,506,397**	2,335,915	**8,185,936**	9,732	**48,726**	63,642	**205,285**	266,462	**342,554**	320,469	**12,288,898**	2,996,220
Total	**26,257,722**	24,702,957	**36,299,316**	28,502	**3,070,500**	2,932,453	**569,034**	552,753	**716,337**	681,851	**66,912,909**	28,898,516

Information about major customers

For both the years ended 31 July 2019 and 31 July 2018, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

5. Related Party Transactions

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

(a) Transactions with related parties

	Note	2019 HK$'000	2018 HK$'000
Rental income and building management fee received or receivable from eSun and its subsidiaries (collectively the "**eSun Group**"), a former associate	(i)	**—**	13,231
Rental expenses and building management fees paid or payable to:			
— LSG	(i)	**1,186**	814
— an associate of LSG	(i)	**2,444**	2,298
— the eSun Group	(i)	**—**	67
Interest income received or receivable from advance to:			
— the eSun Group	(i)	**—**	1,946
— joint ventures	(i)	**11,376**	4,733
Interest expenses paid or payable for loans from:			
— a joint venture	8, (i)	**7,125**	—
Production fee paid or payable to:			
— joint ventures	(i)	**2,770**	—
Management and other service fees paid or payable to:			
— a subsidiary of a substantial shareholder of Lai Fung Holdings Limited ("**Lai Fung**")	(i)	**9,039**	—
Sharing of corporate salaries on a cost basis allocated to:			
— LSG		**10,628**	8,663
— the eSun Group		**—**	50,691
Sharing of administrative expenses on a cost basis allocated to:			
— LSG		**3,846**	1,478
— the eSun Group		**—**	6,212
Sharing of corporate salaries on a cost basis allocated from:			
— LSG		**7,562**	5,730
— the eSun Group		**—**	6,376
Sharing of administrative expenses on a cost basis allocated from:			
— LSG		**6**	3
— the eSun Group		**—**	1,964

Note:

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

5. Related Party Transactions (continued)

(b) Compensation of key management personnel of the Group

	2019 HK$'000	2018 HK$'000
Short term employee benefits	**65,572**	32,344
Post-employment benefits	**338**	277
Total compensation paid to key management personnel	**65,910**	32,621

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

6. Turnover and Other Revenue

An analysis of turnover is as follows:

	2019 HK$'000	2018 HK$'000
Turnover from contracts with customers:		
Sale of properties	**2,279,822**	430
Building management fee income	**192,959**	95,758
Income from hotel operation	**686,057**	423,958
Income from restaurant operation	**514,784**	514,019
Box-office takings, concessionary income and related income from cinemas	**521,104**	—
Distribution commission income from, licence fee income from and sale of film products and film rights	**320,965**	—
Entertainment event income	**309,321**	—
Sale of game products	**176,965**	—
Album sales, licence income and distribution commission income from music publishing and licensing	**86,609**	—
Artiste management fee income	**18,900**	—
Advertising income	**5,031**	—
Income from theme park operation	**285**	—
Others	**217,276**	50,090
	5,330,078	1,084,255
Turnover from other source:		
Rental income	**1,163,834**	608,755
Total turnover	**6,493,912**	1,693,010

6. Turnover and Other Revenue (continued)

(a) Disaggregated revenue information:

Segments	Property development and sales HK$'000	Property investment HK$'000	Hotel operation HK$'000	Restaurant operation HK$'000	Media and entertainment HK$'000	Film production and distribution HK$'000	Cinema operation HK$'000	Others HK$'000	Consolidated HK$'000
	For the year ended 31 July 2019								
Type of goods or services									
Sale of properties	2,279,822	–	–	–	–	–	–	–	2,279,822
Building management fee income	–	192,959	–	–	–	–	–	–	192,959
Income from hotel operation	–	–	686,057	–	–	–	–	–	686,057
Income from restaurant operation	–	–	–	514,784	–	–	–	–	514,784
Box-office takings, concessionary income and related income from cinemas	–	–	–	–	–	–	521,104	–	521,104
Distribution commission income from, licence fee income from and sale of film products and film rights	–	–	–	–	–	320,965	–	–	320,965
Entertainment event income	–	–	–	–	309,321	–	–	–	309,321
Sale of game products	–	–	–	–	176,965	–	–	–	176,965
Album sales, licence income and distribution commission income from music publishing and licensing	–	–	–	–	86,609	–	–	–	86,609
Artiste management fee income	–	–	–	–	18,900	–	–	–	18,900
Advertising income	–	–	–	–	–	5,031	–	–	5,031
Income from theme park operation	–	285	–	–	–	–	–	–	285
Others	–	–	–	–	–	–	–	217,276	217,276
Total turnover from contracts with customers	2,279,822	193,244	686,057	514,784	591,795	325,996	521,104	217,276	5,330,078
Turnover from other source — rental income	–	1,163,834	–	–	–	–	–	–	1,163,834
Total turnover	2,279,822	1,357,078	686,057	514,784	591,795	325,996	521,104	217,276	6,493,912

6. Turnover and Other Revenue (continued)

(a) Disaggregated revenue information: (continued)

Segments	Property development and sales HK$'000	Property investment HK$'000	Hotel operation HK$'000	Restaurant operation HK$'000	Media and entertainment HK$'000	Film production and distribution HK$'000	Cinema operation HK$'000	Others HK$'000	Consolidated HK$'000
	For the year ended 31 July 2019								
Geographical markets									
Hong Kong	1,666,500	71,615	221,072	494,205	433,761	90,436	485,213	52,130	3,514,932
Mainland China (including Macau)	613,322	108,765	158,015	18,821	116,106	200,931	35,891	—	1,251,851
United Kingdom	—	12,864	—	—	—	—	—	—	12,864
Vietnam	—	—	306,970	—	—	—	—	—	306,970
Others	—	—	—	1,758	41,928	34,629	—	165,146	243,461
Total turnover from contracts with customers	2,279,822	193,244	686,057	514,784	591,795	325,996	521,104	217,276	5,330,078
Turnover from other source — rental income	—	1,163,834	—	—	—	—	—	—	1,163,834
Total turnover	2,279,822	1,357,078	686,057	514,784	591,795	325,996	521,104	217,276	6,493,912
Timing of revenue recognition									
At a point in time	2,279,822	—	436,094	514,784	535,061	325,996	521,104	211,451	4,824,312
Over time	—	193,244	249,963	—	56,734	—	—	5,825	505,766
Total turnover from contracts with customers	2,279,822	193,244	686,057	514,784	591,795	325,996	521,104	217,276	5,330,078
Turnover from other source — rental income	—	1,163,834	—	—	—	—	—	—	1,163,834
Total turnover	2,279,822	1,357,078	686,057	514,784	591,795	325,996	521,104	217,276	6,493,912

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 HK$'000
Sale of properties	**1,543,000**

6. Turnover and Other Revenue (continued)

(b) Performance obligations

Information about the Group's major 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.

Hotel operation and building management operation

The performance obligation is satisfied over time as services are rendered. Contracts for hotel services and building management services are for certain periods and are billed based on the time incurred.

Entertainment event

Revenue from entertainment events organised by the Group is recognised at a point in time when the events are completed. Payment is generally due within 30 to 60 days from the date of billing.

Film licence fee income

The performance obligation is satisfied at a point in time (i) when the films licensed to movie theatres are exhibited, (ii) where an assignment is granted to the licensee which permits the licensee to exploit those rights freely and where the Group has no remaining obligations to perform and when the materials have been delivered to licensees, or (iii) when the films are available for showing or telecast. Partial payment in advance for license income is normally required and the remaining balance is billed upon completion of exhibition of the films which is generally due within 30 to 60 days from the date of billing.

(c) 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$1,017,277,000 and is 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 or contracts for serviced apartment and building management operations for which the Group bills a fixed amount for each month of service provided and recognises revenue in the amount to which the Group has a 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 the HKFRS 15 disclosure requirement in respect of the transaction price allocated to the remaining performance obligations.

6. Turnover and Other Revenue (continued)

An analysis of other revenue is as follows:

	Notes	2019 HK$'000	2018 HK$'000
Other revenue			
Interest income from bank deposits		**44,460**	39,008
Other interest income		**27,846**	20,705
Dividend income from financial assets at fair value through other comprehensive income		**40,671**	—
Dividend income from unlisted available-for-sale financial assets		**—**	27,400
Share of net gain from entertainment events organised by co-investors		**9,109**	—
Write-back of impairment of advances and other receivables	28	**567**	—
Write-back of impairment of music catalogs		**8,842**	—
Write-back of impairment of film rights		**18,000**	—
Gain on disposal of subsidiaries	56	**4,720**	—
Gain on disposal of an associate	23	**19,705**	—
Gain on disposal of joint ventures	24	**8,158**	—
Fair value gains on cross currency swaps	27	**45,082**	6,171
Government grants		**1,969**	—
Foreign exchange gains, net		**8,125**	—
Gain on remeasurement of existing interest in a joint venture upon business combination		**—**	24,564
Gain on disposal of an unlisted available-for-sale financial asset		**—**	8,199
Compensation income		**—**	20,666
Others		**82,362**	21,952
		319,616	168,665

7. Profit From Operating Activities

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

	Notes	2019 HK$'000	2018 HK$'000
Cost of inventories sold		**453,386**	171,994
Cost of completed properties sold		**1,836,830**	—
Cost of film rights, licence rights and film products		**347,347**	—
Cost of artiste management services and services for entertainment events provided		**292,758**	—
Cost of theatrical releasing and concessionary sales		**187,365**	—
Depreciation ^	14	**396,820**	84,182
Amortisation of prepaid land lease payments *	15	**43,405**	1,027
Impairment of property, plant and equipment *	14	**51,760**	9,583
Loss on disposal/write-off of items of property, plant and equipment *		**3,405**	8,337
Write-down of properties under development to net realisable value *	17	**92,003**	—
Staff costs (including directors' remuneration — note 9):			
Wages and salaries		**1,308,775**	425,560
Pension scheme contributions ##		**22,298**	12,506
Equity-settled share option expenses		**2,322**	—
		1,333,395	438,066
Capitalised in films under production and film investments		**(7,964)**	—
Capitalised in properties under development/ investment properties under construction/ property, plant equipment/ construction in progress		**(132,425)**	(7,846)
		1,193,006	430,220
Auditor's remuneration		**15,499**	3,761
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		**6,159**	—
Cinemas *		**183,983**	—
Others		**114,251**	61,073
Contingent rents incurred for:			
Entertainment events #		**40,631**	—
Cinemas *		**11,812**	—
Others		**11,280**	11,775
		368,116	72,848
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(10,599)**	—
Total operating lease payments **		**357,517**	72,848

7. Profit From Operating Activities (continued)

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

	Notes	**2019 HK$'000**	2018 HK$'000
Minimum lease income under operating leases		**(1,159,029)**	(704,096)
Contingent rent income		**(4,805)**	(417)
Total operating lease income		**(1,163,834)**	(704,513)
Less: Outgoings		**308,003**	109,705
Net rental income		**(855,831)**	(594,808)
Impairment of films under production #	32	**64,310**	—
Share of net gain from entertainment events organised by co-investors @		**(9,109)**	—
Amortisation of film rights #		**6,357**	—
Amortisation of film products #	19	**69,019**	—
Amortisation of music catalogs #		**26,957**	—
Amortisation of other intangible assets #	22	**981**	—
Impairment of debtors *	34	**693**	—
Impairment of advances and other receivables *	28	**22,209**	—
Write-back of impairment of advances and other receivables @	28	**(567)**	—
Impairment of amounts due from joint ventures *		**1,763**	—
Write-back of impairment of music catalogs @		**(8,842)**	—
Write-back of impairment of film rights @		**(18,000)**	—
Gain on disposal of subsidiaries @	56	**(4,720)**	—
Gain on disposal of an associate @	23	**(19,705)**	—
Gain on disposal of joint ventures @	24	**(8,158)**	—
Fair value gains on cross currency swaps @	27	**(45,082)**	(6,171)
Fair value losses on financial assets at fair value through profit or loss *		**26,809**	—
Loss on disposal of financial assets at fair value through profit or loss *		**8,388**	—
Impairment of inventories #		**2,480**	—
Foreign exchange (gains)/losses, net		**(8,125)@**	5,927*

7. PROFIT FROM OPERATING ACTIVITIES (CONTINUED)

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

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

@ These items are included in "other revenue" on the face of the consolidated income statement.

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

^ Depreciation charge of approximately HK$364,364,000 (2018: HK$79,152,000) for property, plant and equipment is included in "other operating expenses" on the face of the consolidated income statement.

** Operating lease payments of approximately HK$253,071,000 (2018: HK$63,356,000) are included in "other operating expenses" on the face of the consolidated income statement.

As at 31 July 2019 and 31 July 2018, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.

(b) Other than those mentioned in note 7(a) above, "other operating expenses" also included service fee for operation of a club in the Group's hotel operation in Vietnam of approximately HK$39,461,000 (2018: HK$60,250,000).

8. FINANCE COSTS

	Notes	**2019 HK$'000**	2018 HK$'000
Interest on bank borrowings		**498,150**	175,378
Interest on guaranteed notes		**313,815**	196,075
Interest on other borrowings		**5,766**	—
Interest on loans from a joint venture		**7,125**	—
Bank financing charges		**68,458**	38,314
Interest expenses arising from revenue contracts		**36,355**	—
		929,669	409,767
Less: Amount capitalised in construction in progress	14	**(133,544)**	(139,355)
Amount capitalised in properties under development	17	**(177,470)**	(40,930)
Amount capitalised in investment properties under construction	16	**(144,448)**	—
		474,207	229,482

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, capitalisation at rates ranging from 4.0% to 5.6% (2018: 4.0%) have been applied to the expenditure on the individual assets for the year ended 31 July 2019.

9. Directors' Remuneration

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

	2019 **HK$'000**	2018 HK$'000
Fees	**2,120**	1,400
Other emoluments:		
Salaries, allowances and benefits in kind	**63,452**	30,944
Pension scheme contributions	**338**	277
	63,790	31,221
	65,910	32,621
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(10,460)**	—
	55,450	32,621

9. DIRECTORS' REMUNERATION (CONTINUED)

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

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2019					
Executive directors:					
Lam Kin Ngok, Peter	(a)	120	30,955	18	31,093
Chew Fook Aun	(b)	—	18,374	54	18,428
Lau Shu Yan, Julius	(c)	—	5,066	230	5,296
Lam Hau Yin, Lester	(d)	—	3,637	36	3,673
		120	58,032	338	58,490
Non-executive directors:					
Lam Kin Ming	(e)	250	1,140	—	1,390
U Po Chu	(f)	250	4,280	—	4,530
		500	5,420	—	5,920
Independent non-executive directors:					
Ip Shu Kwan, Stephen		300	—	—	300
Lam Bing Kwan	(g)	600	—	—	600
Leung Shu Yin, William		300	—	—	300
Leung Wang Ching, Clarence	(h)	300	—	—	300
		1,500	—	—	1,500
		2,120	63,452	338	65,910

9. Directors' Remuneration (continued)

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

Notes:

(a) The amounts included fees and salaries paid by the eSun Group of HK$15,598,000 (2018: Nil).

(b) The amounts included salaries and pension scheme contributions paid by the eSun Group of HK$9,223,000 (2018: Nil).

(c) Lau Shu Yan, Julius is also the chief executive officer of the Company.

(d) The amounts included salaries and pension scheme contributions paid by the eSun Group of HK$1,752,000 (2018: Nil).

(e) The amounts included salaries paid by the eSun Group of HK$1,140,000 (2018: Nil).

(f) The amounts included salaries paid by the eSun Group of HK$4,280,000 (2018: Nil).

(g) The amounts included fees paid by the eSun Group of HK$300,000 (2018: Nil).

(h) Mr. Leung Wang Ching, Clarence was appointed as an independent non-executive director with effect from 1 August 2018.

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 year (2018: Nil).

10. Employees' Remuneration

The five highest paid employees during the year included two (2018: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2018: two) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**21,902**	7,474
Pension scheme contributions	**180**	36
	22,082	7,510
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(5,283)**	—
	16,799	7,510

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

	Number of employees	
	2019	2018
HK$2,500,001 to HK$3,000,000	**—**	1
HK$4,500,001 to HK$5,000,000	**—**	1
HK$7,000,001 to HK$7,500,000	**1**	—
HK$7,500,001 to HK$8,000,000	**2**	—
	3	2

11. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2019 **HK$'000**	2018 HK$'000
Current		
— Hong Kong		
Charge for the year	**93,309**	41,517
(Overprovision)/underprovision in prior years	**(47,401)**	5,749
	45,908	47,266
— Mainland China		
CIT		
Charge for the year	**78,900**	—
Underprovision in prior years	**380**	—
LAT		
Charge for the year	**118,898**	—
Underprovision in prior years	**20,301**	—
	218,479	—
— Elsewhere		
Charge for the year	**18,531**	27,195
Underprovision in prior years	**377**	569
	18,908	27,764
	283,295	75,030
Deferred tax (note 40)	**(123,998)**	(25,046)
Tax charge for the year	**159,297**	49,984

11. Tax (continued)

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

	2019 HK$'000	2018 HK$'000
Profit before tax	**4,892,157**	4,420,873
Less: Share of profits and losses of associates	**(26,948)**	(85,979)
Share of profits and losses of joint ventures	**(649,322)**	(1,714,360)
Profit before tax attributable to the Group	**4,215,887**	2,620,534
Tax at the statutory tax rate of 16.5% (2018: 16.5%)	**695,621**	432,388
Higher tax rate for other countries	**32,799**	27,452
Adjustments in respect of current income tax of previous periods	**(46,644)**	6,318
Income not subject to tax	**(765,665)**	(439,614)
Expenses not deductible for tax purposes	**82,558**	58,681
Tax losses utilised from previous periods	**(14,144)**	(18,479)
Tax losses not recognised	**183,879**	14,850
Recognition of tax losses previously not recognised	**—**	(31,612)
Provision for LAT	**139,199**	—
Tax effect of provision for LAT	**(34,800)**	—
Other temporary differences	**(102,547)**	—
Withholding tax on the distributable earnings of the subsidiaries established in Mainland China	**(10,959)**	—
Tax charge for the year	**159,297**	49,984

12. 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) — HK10.80 cents (2018: HK10.00 cents) per ordinary share	**65,456**	60,509
Proposed final dividend — HK10.80 cents (2018: HK10.80 cents) per ordinary share	**65,498**	65,456

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

13. Earnings Per Share Attributable To Owners Of The Company

	2019 **HK$'000**	2018 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**4,842,944**	4,335,202
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of subsidiaries (2018: an associate) based on dilution of its earnings per share	**(124)**	(752)
Earnings for the purpose of diluted earnings per share	**4,842,820**	4,334,450

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**606,256**	605,572
Effect of dilutive potential ordinary shares arising from share options	**2,264**	2,525
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**608,520**	608,097

14. Property, Plant and Equipment

	Notes	Hotel properties HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Motor vessels HK$'000	Theme park HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:											
At 1 August 2017		357,035	237,627	199,812	174,698	33,574	18,045	55,503	—	3,469,095	4,545,389
Finance costs capitalised	8	—	—	—	—	—	—	—	—	139,355	139,355
Additions		—	—	24,233	17,879	1,475	1,926	68	—	1,150,860	1,196,441
Acquisition of subsidiaries	55(c)	—	—	78	6,428	9	3,850	—	—	—	10,365
Disposals/write-off		—	—	(14,540)	(24,724)	(203)	(344)	—	—	—	(39,811)
At 31 July 2018 and 1 August 2018		**357,035**	**237,627**	**209,583**	**174,281**	**34,855**	**23,477**	**55,571**	**—**	**4,759,310**	**5,851,739**
Finance costs capitalised	8	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**133,544**	**133,544**
Additions		**73,114**	**—**	**121,217**	**108,051**	**5,359**	**49,182**	**71**	**—**	**1,439,843**	**1,796,837**
Transfer in/(out)		**3,209,180**	**—**	**—**	**—**	**—**	**—**	**—**	**1,550,160**	**(4,759,340)**	**—**
Transfer to prepaid land lease payments	15	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,648,000)**	**(1,648,000)**
Transfer to assets held for sale		**(149,878)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(149,878)**
Acquisition of subsidiaries	55(a)	**2,700,808**	**369,104**	**255,454**	**114,334**	**5,553**	**7,980**	**—**	**—**	**1,735,427**	**5,188,660**
Reclassification from investment properties upon business combination	16	**—**	**224,700**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**224,700**
Disposal of subsidiaries	56	**—**	**—**	**—**	**—**	**—**	**(34)**	**—**	**—**	**—**	**(34)**
Disposals/write-off		**(9)**	**—**	**(2,073)**	**(14,191)**	**(426)**	**(263)**	**—**	**—**	**—**	**(16,962)**
Exchange realignment		**(22,195)**	**(1,667)**	**(3,414)**	**(289)**	**(197)**	**(723)**	**—**	**—**	**(20,930)**	**(49,415)**
At 31 July 2019		**6,168,055**	**829,764**	**580,767**	**382,186**	**45,144**	**79,619**	**55,642**	**1,550,160**	**1,639,854**	**11,331,191**
Accumulated depreciation and impairment:											
At 1 August 2017		163,683	39,638	110,909	106,099	27,287	12,767	50,540	—	—	510,923
Depreciation provided during the year	7(a)	8,207	4,858	34,716	26,239	3,515	2,441	4,206	—	—	84,182
Impairment during the year	7(a)	—	—	5,619	3,892	—	72	—	—	—	9,583
Disposals/write-off		—	—	(8,651)	(20,900)	(173)	(182)	—	—	—	(29,906)
At 31 July 2018 and 1 August 2018		**171,890**	**44,496**	**142,593**	**115,330**	**30,629**	**15,098**	**54,746**	**—**	**—**	**574,782**
Depreciation provided during the year	7(a)	**191,143**	**28,580**	**98,318**	**65,510**	**3,747**	**9,009**	**513**	**—**	**—**	**396,820**
Impairment during the year	7(a)	**—**	**8,010**	**42,496**	**1,221**	**—**	**33**	**—**	**—**	**—**	**51,760**
Transfer to assets held for sale		**(7,072)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(7,072)**
Disposals/write-off		**—**	**—**	**(540)**	**(12,463)**	**(298)**	**(89)**	**—**	**—**	**—**	**(13,390)**
Exchange realignment		**(2,955)**	**(658)**	**(4,742)**	**(862)**	**(104)**	**(164)**	**—**	**—**	**—**	**(9,485)**
At 31 July 2019		**353,006**	**80,428**	**278,125**	**168,736**	**33,974**	**23,887**	**55,259**	**—**	**—**	**993,415**
Net carrying amount:											
At 31 July 2019		**5,815,049**	**749,336**	**302,642**	**213,450**	**11,170**	**55,732**	**383**	**1,550,160**	**1,639,854**	**10,337,776**
At 31 July 2018		185,145	193,131	66,990	58,951	4,226	8,379	825	—	4,759,310	5,276,957

At 31 July 2019, the HK Hotel comprising hotel properties, leasehold improvements, furniture, fixtures and equipment, motor vehicles, computers and construction in progress of a hotel project, named "Hong Kong Ocean Park Marriott Hotel", with carrying amounts of approximately HK$3,198,571,000 (2018: Nil), HK$48,875,000 (2018: HK$97,000), HK$34,472,000 (2018: HK$229,000), HK$84,000 (2018: HK$167,000), HK$17,241,000 (2018: HK$741,000) and nil (2018: HK$4,705,549,000), respectively, totalling HK$3,299,243,000 (2018: HK$4,706,783,000); and certain serviced apartments under hotel properties (including related leasehold improvements) with an aggregate carrying amount of HK$1,937,198,000 (2018: Nil) were pledged to banks to secure banking facilities granted to the Group (note 38).

14. Property, Plant and Equipment (continued)

As at 31 July 2019, the Group had conducted an impairment test on property, plant and equipment of certain loss-making subsidiaries. The carrying amount of the cash-generating unit, which included these property, plant and equipment, was in excess of their recoverable amount as a result of the continuing operating losses incurred. Accordingly, a provision for impairment of approximately HK$51,760,000 (2018: HK$9,583,000) was charged to the consolidated income statement for the year.

15. Prepaid Land Lease Payments

	Notes	2019 HK$'000	2018 HK$'000
Cost:			
At beginning of year		**35,960**	35,960
Transfer from construction in progress	14	**1,648,000**	—
At end of year		**1,683,960**	35,960
Accumulated amortisation:			
At beginning of year		**17,114**	16,087
Amortisation provided for the year	7(a)	**43,405**	1,027
At end of year		**60,519**	17,114
Net carrying amount:			
At beginning of year		**18,846**	19,873
At end of year		**1,623,441**	18,846

At 31 July 2019, certain of the Group's prepaid land lease payments in respect of land on which the HK Hotel is situated, with a carrying amount of HK$1,605,623,000 (2018: Nil) were pledged to secure banking facilities granted to the Group (note 38).

16. Investment Properties

	2019 HK$'000	2018 HK$'000
Completed investment properties	**31,211,260**	18,356,990
Investment properties under construction, at fair value	**6,593,776**	—
	37,805,036	18,356,990
Investment properties under construction, at cost *	**1,002,601**	—
	38,807,637	18,356,990

* 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 cannot be reliably measurable.

16. Investment Properties (continued)

	Notes	2019 HK$'000	2018 HK$'000
Carrying amount at beginning of year		**18,356,990**	16,447,014
Additions, at cost		**1,780,470**	45,775
Acquisition of subsidiaries	55(a)	**18,601,100**	—
Disposal		**—**	(538,801)
Reclassification to property, plant and equipment upon business combination	14	**(224,700)**	—
Finance costs capitalised	8	**144,448**	—
Fair value gains, net		**649,774**	2,410,357
Exchange realignment		**(500,445)**	(7,355)
Carrying amount at end of year		**38,807,637**	18,356,990

Most of the investment properties of the Group are leased to third parties under operating leases, further summary details of which are included in note 47(a) to the financial statements.

Certain investment properties of the Group with an aggregate carrying amount of approximately HK$29,230,940,000 (2018: HK$18,090,250,000) were pledged to banks to secure banking facilities granted to the Group (note 38).

Valuation process

The directors of the Company have determined that investment properties are completed properties held for rental and investment properties under construction, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 July 2019 based on valuations performed by Savills Valuation and Professional Services Limited, Savills (UK) Limited and Knight Frank Petty Limited, independent professionally qualified valuers, at HK$15,390,510,000 (2018: HK$15,521,740,000) and HK$2,995,650,000 (2018: HK$2,835,250,000) and HK$19,418,876,000 (2018: Nil), respectively. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting.

Fair value measurement using significant unobservable inputs (Level 3)

For completed investment properties, valuations are based on the income approach and the 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 valuation 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.

16. Investment Properties (continued)

Valuation process (continued)

Fair value measurement using significant unobservable inputs (Level 3) (continued)

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

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

Valuation techniques

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

2019

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Completed properties held for rental in Hong Kong	Income approach	Average monthly market rent per square foot	HK$15 to HK$404	The higher the market rent, the higher the fair value
		Capitalisation rate	2.7% to 4.4%	The higher the capitalisation rate, the lower the fair value
Completed properties held for rental in Mainland China	Income approach	Average monthly market rent per square metre	HK$44 to HK$354	The higher the market rent, the higher the fair value
		Capitalisation rate	4.3% to 7.5%	The higher the capitalisation rate, the lower the fair value

16. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

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

2019 (continued)

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties (continued)				
Residential properties in Mainland China	Market approach	Average market unit rate per square metre	HK$157,000	The higher the market unit rate, the higher the fair value
Completed properties held for rental in London (with future redevelopment plan)	Residual method	GDV per square foot	HK$15,064	The higher the GDV, the higher the fair value
		Estimated development costs	HK$10.4 billion	The higher the estimated development costs, the lower the fair value
		Developer's profit margin	15%	The higher the developer's profit margin, the lower the fair value
Investment properties under construction				
Commercial properties in Mainland China	Residual method	GDV per square metre	HK$14,200 to HK$79,000	The higher the GDV, the higher the fair value
		Budgeted costs to completion	HK$283,700,000 to HK$985,200,000	The higher the budgeted costs to completion, the lower the fair value
		Developer's profit margin	2.0% to 4.5%	The higher the developer's profit margin, the lower the fair value

16. Investment Properties (continued)

Valuation techniques (continued)

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

2018

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Completed properties held for rental in Hong Kong	Income approach	Average monthly market rent per square foot	HK$13 to HK$400	The higher the market rent, the higher the fair value
		Capitalisation rate	2.7% to 4.3%	The higher the capitalisation rate, the lower the fair value
Completed properties held for rental in London (with future redevelopment plan)	Residual method	GDV per square foot	HK$15,527	The higher the GDV, the higher the fair value
		Estimated development costs	HK$10.7 billion	The higher the estimated development costs, the lower the fair value
		Developer's profit margin	15%	The higher the developer's profit margin, the lower the fair value

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).

17. Properties Under Development

	Notes	2019 HK$'000	2018 HK$'000
At beginning of year, at cost		**1,982,309**	1,571,635
Acquisition of subsidiaries	55(a)	**4,667,700**	—
Additions*		**2,183,274**	369,744
Interest and bank financing charges capitalised	8	**177,470**	40,930
Transfer to completed properties for sale		**(2,006,111)**	—
Write-down of properties under development to net realisable value	7(a)	**(92,003)**	—
Exchange realignment		**(60,771)**	—
At end of year, at cost		**6,851,868**	1,982,309
Analysed into:			
Current		**3,807,868**	1,049,331
Non-current		**3,044,000**	932,978
		6,851,868	1,982,309

* Included in the balance was an amount of HK$68,170,000 representing the interest recognised and capitalised on the sales proceeds received from customers in connection with the pre-sale of properties upon the adoption of HKFRS 15 on 1 August 2018.

As at 31 July 2019, certain of the Group's properties under development with a total carrying amount of approximately HK$1,946,895,000 (2018: HK$667,695,000) were pledged to banks to secure banking facilities granted to the Group (note 38).

18. Film Rights

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

The Group regularly reviews its library of film rights to assess the marketability/future economic benefits of film rights and the corresponding recoverable amounts. The estimated recoverable amount as at 31 July 2019 was determined based on the present value of expected future revenues and related cash flows arising from the distribution and sub-licensing of the film rights, which were derived from discounting the projected cash flows using a discount rate of approximately 15%.

19. Film Products

	Notes	HK$'000
Cost:		
At 1 August 2017, 31 July 2018 and 1 August 2018		—
Acquisition of subsidiaries	55(a)	**80,217**
Additions, net		**2**
Disposal of subsidiaries		**(24)**
Transfer from films under production	32	**214,870**
Sale of film products		**(150,913)**
Exchange realignment		**(1,346)**
At 31 July 2019		**142,806**
Accumulated amortisation and impairment:		
At 1 August 2017, 31 July 2018 and 1 August 2018		—
Provided during the year	7(a)	**69,019**
Disposal of subsidiaries		**(24)**
Exchange realignment		**(1,211)**
At 31 July 2019		**67,784**
Net carrying amount:		
At 31 July 2019		**75,022**
At 31 July 2018		—

The Group regularly reviews its film products to assess marketability/future economic benefits of film products and the corresponding recoverable amounts. The estimated recoverable amount as at 31 July 2019 was determined based on the present value of expected future revenues and related cash flows arising from the distribution and sub-licensing of the film products, which were derived from discounting the projected cash flows using a discount rate of 15%.

20. MUSIC CATALOGS

Music catalogs represent song catalogs, music video recording rights and publishing rights of songs acquired.

The Group undertakes a review of its library of music catalogs to assess the marketability/future economic benefits of respective music catalogs and the corresponding recoverable amounts. The estimated recoverable amount as at 31 July 2019 was determined based on the present value of expected future cash flows generated from the music catalogs, which were discounted using a discount rate of approximately 13%.

21. GOODWILL

	2019 **HK$'000**	2018 HK$'000
Cost and net carrying amount:		
At beginning of year	**235,778**	5,161
Acquisition of subsidiaries (note 55(c))	**—**	230,617
Exchange realignment	**(8,745)**	—
At end of year	**227,033**	235,778

Impairment testing of goodwill

CNI CGU

Goodwill of HK$221,872,000 (2018: HK$230,617,000) arising from the CNI Acquisition during the year ended 31 July 2018 as stated in note 55(c) was allocated to a cash-generating unit (the "**CNI CGU**"), which is included in components of the others segment for impairment testing.

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

Details of the impairment test of the CNI CGU are set out in note 22 to the financial statements.

21. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

F&B CGU

Goodwill of HK$5,161,000 (2018: HK$5,161,000) arising from the acquisition of additional equity interests in three subsidiaries during the year ended 31 July 2016 was allocated to a cash-generating unit (the "**F&B CGU**"), which is included in components of the restaurant operation segment for impairment testing.

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

The recoverable amount of the F&B CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a three-year period (2018: three-year period) with a growth rate approved by senior management, which is based on management's expectation for market development. The discount rate applied to the cash flow projections is 16% (2018: 13%).

Assumptions were used in the value-in-use calculation of the F&B CGU for the years ended 31 July 2019 and 31 July 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

22. Other Intangible Assets

	Notes	Trademarks HK$'000	Customer relationship HK$'000	Online movie platform HK$'000	Total HK$'000
Cost:					
At 1 August 2017		—	—	—	—
Acquisition of subsidiaries	55(c)	114,761	4,013	—	118,774
Exchange realignment		1,480	52	—	1,532
At 31 July 2018 and 1 August 2018		**116,241**	**4,065**	**—**	**120,306**
Acquisition of subsidiaries	55(a)	**—**	**—**	**586**	**586**
Exchange realignment		**(5,771)**	**(204)**	**—**	**(5,975)**
At 31 July 2019		**110,470**	**3,861**	**586**	**114,917**
Accumulated amortisation and impairment:					
At 1 August 2017, 31 July 2018 and 1 August 2018		**—**	**—**	**—**	**—**
Provided during the year	7(a)	**—**	**395**	**586**	**981**
Exchange realignment		**—**	**(9)**	**—**	**(9)**
At 31 July 2019		**—**	**386**	**586**	**972**
Net carrying amount:					
At 31 July 2019		**110,470**	**3,475**	**—**	**113,945**
At 31 July 2018		116,241	4,065	—	120,306

Trademarks

Trademarks are regarded as having an indefinite useful life because the trademarked products and services are expected to generate net cash inflows indefinitely.

22. Other Intangible Assets

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

The recoverable amount of the CNI CGU has been determined based on a value-in-use calculation using three-year (2018: five-year) cash flow projections based on financial budgets approved by senior management, which is based on management's expectation for market development. The growth rate used to extrapolate the cash flows of the CNI CGU beyond the three-year (2018: five-year) period is 3% (2018: 3%). The discount rate applied to the cash flow projections is 14% (2018: 16%).

Assumptions were used in the value-in-use calculation of the CNI CGU for the years ended 31 July 2019 and 31 July 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

23. Investments in Associates

	2019 **HK$'000**	2018 HK$'000
Share of net assets	**29,981**	3,429,842
Amounts due from associates	**399,823**	252,697
Provision for impairment	**(85,371)**	(85,954)
	344,433	3,596,585
Market value of listed shares at the end of the reporting period	**N/A**	699,821

The amounts due from associates are unsecured, interest-free and repayable on demand but are not expected to be repayable in the next 12 months from the end for the reporting period. In the opinion of the directors, these balances are considered as part of the Group's net investments in the associates.

During the year ended 31 July 2019, the provision for impairment decreased by approximately HK$583,000 mainly arising from the exchange differences (2018: the provision for impairment increased by approximately HK$3,414,000 mainly arising from the operating loss of an associate and exchange differences).

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

23. Investments in Associates (continued)

The associates are accounted for using the equity method in these consolidated financial statements. During the year, the Group received dividend income amounting to HK$5,430,000 (2018: Nil) from associates.

During the year ended 31 July 2019, the Group disposed of an associate for a cash consideration of HK$23,800,000 (2018: Nil), and the gain on disposal of HK$19,705,000 (2018: Nil), net of professional expenses of HK$439,000 (2018: Nil), was recognised in the consolidated income statement.

Details of the principal associates are set out in note 53 to the financial statements.

The eSun Group

During the year ended 31 July 2018, the eSun Group was accounted for using the equity method in these consolidated financial statements.

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

During the year ended 31 July 2019, the Group further acquired additional interest in eSun in August 2018 and eSun has become a subsidiary of the Group since then. Details of the acquisition are set out in note 55(a) to the financial statements.

The following summarised financial information is extracted from the published consolidated financial statements of the eSun Group when it was an associate of the Group during the year ended 31 July 2018. The consolidated financial statements of the eSun Group are prepared in accordance with HKFRSs and comply with the Group's accounting policies.

	31 July 2018 HK$'000
Current assets	6,937,701
Non-current assets	25,112,118
Total assets	32,049,819
Current liabilities	(3,311,059)
Non-current liabilities	(11,093,812)
Total liabilities	(14,404,871)
Equity attributable to owners of eSun	9,259,465
Non-controlling interests	8,385,483
Total equity	17,644,948

23. INVESTMENTS IN ASSOCIATES (CONTINUED)

The eSun Group (continued)

	Year ended 31 July 2018 HK$'000
Turnover	2,183,863
Other revenue (including other operating gains and share of profits and losses of associates)	233,373
Fair value gains on investment properties	857,297
Share of profits and losses of joint ventures	402,888
Expenses	(3,096,699)
Tax indemnity	92,695
Profit for the year	673,417
Other comprehensive expense for the year	(240,934)
Total comprehensive income for the year	432,483
Profit for the year attributable to owners of eSun	263,840
Total comprehensive income for the year attributable to owners of eSun	129,523

Reconciliation of the above summarised financial information of the eSun Group to the carrying amount of the investments in associates recognised in the consolidated financial statements as at 31 July 2018 is as follows:

	31 July 2018 HK$'000
Net assets attributable to owners of eSun	9,259,465
The Group's 36.94% interest in the eSun Group as at 31 July 2018	3,420,446
The Group's share of net assets of the remaining associates not individually material	9,396
The Group's share of net assets of associates	3,429,842

23. Investments in Associates (continued)

Aggregate financial information of associates that are not individually material:

	Year ended 31 July 2019 HK$'000	Year ended 31 July 2018 HK$'000
The Group's share of profits/(losses)	**26,948**	(11,483)
The Group's share of other comprehensive income	**9,258**	—
The Group's share of total comprehensive income/(loss)	**36,206**	(11,483)

24. Investments in Joint Ventures

	2019 HK$'000	2018 HK$'000
Share of net assets	**6,195,230**	7,126,729
Amounts due from joint ventures	**1,220,722**	1,622,663
Provision for impairment#	**(4,597)**	—
	7,411,355	8,749,392
Less: Assets classified as held for sale	**—**	(1,476,533)
	7,411,355	7,272,859

As at 31 July 2019, impairment of HK$4,597,000 (2018: Nil) was recognised for amounts due from joint ventures with carrying amounts of HK$4,597,000 (2018: Nil) (before deducting the impairment loss) because these joint ventures have been loss-making for some time.

The amounts due from joint ventures are unsecured, interest-free and repayable on demand but are not expected to be repayable within the next 12 months from the end of the reporting period, except for an amount of HK$11,349,000 as at 31 July 2019 due from a joint venture which bears interest at The People's Bank of China Benchmark Loan Interest Rate. In the opinion of the directors, these amounts due from joint ventures are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

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

All the joint ventures are accounted for using the equity method in these consolidated financial statements. During the year ended 31 July 2019, the Group received dividend income amounting to HK$1,774,100,000 from the joint ventures (2018: HK$150,000,000 from a joint venture).

Details of the principal joint ventures are set out in note 54 to the financial statements.

24. Investments in Joint Ventures (continued)

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

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

As at 31 July 2018, the Best Value Group, a 50%-owned joint venture, principally held a property for rental in Hong Kong. The property, "8 Observatory Road", is located at 8 Observatory Road, Tsim Sha Tsui, Hong Kong.

	31 July 2018 HK$'000
Current assets	184,759
Non-current assets	4,100,000
Total assets	4,284,759
Current liabilities	(34,392)
Non-current liabilities	(1,297,301)
Total liabilities	(1,331,693)
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	173,965
Non-current financial liabilities (excluding trade and other payables)	(1,290,469)

24. Investments in Joint Ventures (continued)

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

	Year ended 31 July 2019 HK$'000	Year ended 31 July 2018 HK$'000
Turnover	**65,519**	104,822
(Loss)/profit and total comprehensive (expense)/income for the year	**(1,933)**	653,665
The above (loss)/profit and total comprehensive (expense)/income for the year include the following:		
Interest expense	**(32,611)**	(34,748)

Reconciliation of the above summarised financial information of the Best Value Group to the carrying amount of the interest in the Best Value Group recognised in the consolidated financial statements as at 31 July 2018 is as follows:

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

On 27 July 2018, the Group entered into a sale and purchase agreement to sell its entire equity interest in the Best Value Group held by the Group to an independent third party. Therefore, the interest in the Best Value Group was classified as an asset held for sale with an amount of HK$1,476,533,000 as at 31 July 2018.

Such disposal was completed on 11 March 2019 and the Best Value Group was no longer a joint venture of the Group since then. A gain of approximately HK$8,158,000 was recognised in "other revenue" on the face of the consolidated income statement for the year ended 31 July 2019.

24. Investments in Joint Ventures (continued)

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

The Diamond Path Group, a 50%-owned joint venture, was principally engaged in the development of a residential/commercial project in Hong Kong. The project, "Alto Residences", is located at Area 68A2, Tseung Kwan O, Hong Kong.

	31 July 2019 HK$'000	31 July 2018 HK$'000
Current assets	**1,678,742**	6,341,535
Non-current assets	**1,517,939**	278,681
Total assets	**3,196,681**	6,620,216
Current liabilities	**(394,747)**	(4,139,737)
Non-current liabilities	**(1,672,884)**	(2,542,027)
Total liabilities	**(2,067,631)**	(6,681,764)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**130,495**	205,355
Non-current financial liabilities (excluding creditors, other payables and accruals)	**(1,524,230)**	(2,450,230)
Interest expense (capitalised as non-current assets)	**—**	18,022

	Year ended 31 July 2019 HK$'000	Year ended 31 July 2018 HK$'000
Turnover	**5,368,864**	7,138
Profit and total comprehensive income for the year	**1,190,599**	6,142
The above profit and total comprehensive income for the year include the following:		
Interest income	**4,934**	5,377

24. Investments in Joint Ventures (continued)

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

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

	31 July 2019 HK$'000	31 July 2018 HK$'000
Net assets/(liabilities) of the Diamond Path Group	**1,129,050**	(61,548)
The Group's 50% ownership interest in the Diamond Path Group	**564,525**	(30,774)
Amount due from the Diamond Path Group	**762,147**	1,225,141
Carrying amount of the Group's interest in the Diamond Path Group	**1,326,672**	1,194,367

Diamond String Limited ("**Diamond String**")

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

	31 July 2019 HK$'000	31 July 2018 HK$'000
Current assets	**190,405**	200,967
Non-current assets	**12,961,314**	12,979,805
Total assets	**13,151,719**	13,180,772
Current liabilities	**(32,448)**	(32,350)
Non-current liabilities	**(1,781,567)**	(1,783,514)
Total liabilities	**(1,814,015)**	(1,815,864)

24. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	31 July 2019 HK$'000	31 July 2018 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**237,495**	230,822
Non-current financial liabilities (excluding creditors, other payables and accruals)	**(1,680,961)**	(1,679,161)

	Year ended 31 July 2019 HK$'000	Year ended 31 July 2018 HK$'000
Turnover	**279,031**	270,437
Profit and total comprehensive income for the year	**172,797**	2,478,458
The above profit and total comprehensive income for the year include the following:		
Interest income	**2,953**	1,387
Interest expense	**(47,618)**	(29,716)

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

	31 July 2019 HK$'000	31 July 2018 HK$'000
Net assets of Diamond String	**11,337,702**	11,364,908
The Group's 50% ownership interest in Diamond String	**5,668,851**	5,682,453
Amount due from Diamond String	**393,522**	393,522
Carrying amount of the Group's interest in Diamond String	**6,062,373**	6,075,975

24. Investments in Joint Ventures (continued)

Aggregate financial information of joint ventures that are not individually material:

	Year ended 31 July 2019 HK$'000	Year ended 31 July 2018 HK$'000
The Group's share of losses	**(31,410)**	(4,772)
The Group's share of other comprehensive expense	**(6,894)**	—
The Group's share of total comprehensive expense	**(38,304)**	(4,772)

	2019 HK$'000	2018 HK$'000
Aggregate carrying amount of the Group's investments in joint ventures	**22,310**	2,517

25. Financial Assets at Fair Value Through Other Comprehensive Income/ Available-For-Sale Financial Assets

	Notes	2019 HK$'000	2018 HK$'000
Financial assets at fair value through other comprehensive income			
Listed equity investment, at fair value	(i)	**44,298**	—
Unlisted equity investments, at fair value	(ii)	**1,863,437**	—
		1,907,735	—
Available-for-sale financial assets	(iii)		
Unlisted equity investments, at fair value		**—**	2,136,170
Unlisted equity investments, at cost		**—**	51,292
Provision for impairment		**—**	(25,208)
		—	2,162,254

During the year ended 31 July 2019, the Group disposed of certain financial assets at fair value through other comprehensive income, of which the aggregate amounts of fair values on the dates of sale and the accumulated losses recognised in other comprehensive income of HK$35,120,000 was transferred to retained profits.

25. Financial Assets at Fair Value Through Other Comprehensive Income/ Available-For-Sale Financial Assets (continued)

Notes:

(i) The above equity investments is an investment in a company listed on the Stock Exchange and was irrevocably designated at fair value through other comprehensive income as the Group considers such investment to be strategic in nature.

(ii) As at 31 July 2019, included in unlisted equity investments was an equity interest in Bayshore Development Group Limited ("**Bayshore**") of approximately HK$1,695,920,000. The principal activity of Bayshore is property investment.

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

As at 31 July 2018, included in available-for-sale financial assets at fair value was an equity interest in Bayshore of approximately HK$1,664,323,000.

26. Financial Assets at Fair Value Through Profit or Loss

	Notes	**2019** **HK$'000**	2018 HK$'000
Listed equity investments	(i)	**34,106**	—
Unlisted debt investments	(ii)	**93,341**	—
Unlisted fund investments	(ii)	**748,457**	—
		875,904	—
Less: Portion classified as current		**(230,273)**	—
Non-current portion		**645,631**	—

Notes:

(i) The above equity investments at 31 July 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

(ii) The above unlisted debt investments and unlisted fund investments at 31 July 2019 were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

27. Derivative Financial Instruments

	Notes	2019 HK$'000	2018 HK$'000
Financial assets — Cross currency swap agreements (the "**CCSs**")			
— For LSD 2017 Guaranteed Notes (the "**CCS — LSD 2017 Notes**")	(a)	**33,203**	6,171
— For LF 2018 Guaranteed Notes (the "**CCS — LF 2018 Notes**")	(b)	**20,581**	—
Carrying amount as at 31 July		**53,784**	6,171

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

2019

	CCS — LSD 2017 Notes HK$'000	CCS — LF 2018 Notes HK$'000	Total HK$'000
Carrying amount as at 1 August 2018	**6,171**	**—**	**6,171**
Acquisition of subsidiaries (note 55(a))	**—**	**2,531**	**2,531**
Fair value gains credited to the consolidated income statement (note 7(a))	**27,032**	**18,050**	**45,082**
Carrying amount as at 31 July 2019	**33,203**	**20,581**	**53,784**

2018

	CCS — LSD 2017 Notes HK$'000
Carrying amount as at 1 August 2017	—
Fair value gains credited to the consolidated income statement (note 7(a))	6,171
Carrying amount as at 31 July 2018	6,171

27. Derivative Financial Instruments (continued)

(a) CCS — LSD 2017 Notes

During the year ended 31 July 2018, the Group has entered into the CCS — LSD 2017 Notes with financial institutions with an aggregate nominal amount of US$400,000,000 in connection with the guaranteed notes as detailed in note 37(a) to the financial statements.

Pursuant to the terms of the CCS — LSD 2017 Notes, the Group receives an amount semi-annually in arrears calculated based on a fixed rate of 4.6% per annum on the aggregate notional amount of US$400,000,000 during the term of five years, and pays an amount semi-annually in arrears calculated based on a fixed rate of 4.28% per annum on the aggregate notional amount of HK$3,121,400,000 (being the HK$ equivalent amount of US$400,000,000 translated at a contracted exchange rate of US$1 to HK$7.8035) during the term of five years. Upon maturity, the Group will receive the aggregate notional amount of US$400,000,000 and will pay the aggregate notional amount of HK$3,121,400,000.

The CCS — LSD 2017 Notes are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the CCS — LSD 2017 Notes amounting to HK$27,032,000 (2018: HK$6,171,000) were credited to the consolidated income statement during the year.

(b) CCS — LF 2018 Notes

During the year ended 31 July 2018, the Lai Fung Group (as defined in note 34) has entered into the CCS — LF 2018 Notes with financial institutions with an aggregate nominal amount of US$350,000,000 in connection with the guaranteed notes as detailed in note 37(b) to the financial statements.

Pursuant to the terms of the CCS — LF 2018 Notes, the Lai Fung Group 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 — LF 2018 Notes (as defined in note 37(b)), 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 — LF 2018 Notes. Before 18 January 2023, the Lai Fung 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 — LF 2018 Notes are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the CCS — LF 2018 Notes amounting to HK$18,050,000 were credited to the consolidated income statement during the year.

28. Deposits, Prepayments And Other Receivables

	2019 HK$'000	2018 HK$'000
Loan receivables:		
Variable-rate mortgage loan receivables	**61,636**	71,355
Fixed-rate other loan receivables	**45,775**	152,226
	107,411	223,581
Other deposits, prepayments and receivables	**1,286,503**	612,554
	1,393,914	836,135
Less: Portion classified as current	**(1,082,648)**	(494,931)
Non-current portion	**311,266**	341,204

Movements in the loss allowance for impairment of advances and other receivables are as follows:

	2019 HK$'000	2018 HK$'000
At the beginning of the reporting period	**—**	—
Impairment (note 7(a))	**22,209**	—
Write-back of impairment losses recognised (note 7(a))	**(567)**	—
Write-off	**(350)**	—
Exchange realignment	**(114)**	—
At the end of the reporting period	**21,178**	—

As at 31 July 2019, the ECLs were estimated by applying a credit risk approach with reference to the historical loss record of the Group as at 31 July 2019. The loss allowance for impairment of advances and other receivables is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 July 2018, none of the above assets was either past due or impaired and there was no recent history of default.

29. Loans to Related Companies

On 10 May 2018, Hibright Limited ("**Hibright**"), a wholly-owned subsidiary of the Company, and Media Asia Group Holdings Limited ("**MAGHL**"), a subsidiary of eSun, entered into a loan agreement, whereby Hibright agreed to make available to MAGHL an unsecured term loan facility in the principal amount of up to HK$200 million for the exclusive purposes of financing the redemption of the 3-year zero coupon convertible notes issued by MAGHL to TFN Media Co. Ltd. in an aggregate principal amount of HK$130 million in full and financing the general working capital requirements of MAGHL. At 31 July 2018, the outstanding loan balance of HK$200 million bore interest at the Hong Kong Interbank Offered Rate ("**HIBOR**") plus 3.3% per annum and would mature in May 2020.

On 27 July 2018, Hibright and eSun entered into a loan agreement, whereby Hibright agreed to make available to eSun an unsecured term loan facility in the principal amount of up to HK$700 million for the exclusive purposes of refinancing existing bank loan facilities and financing the general corporate requirements of eSun. At 31 July 2018, the outstanding loan balance of HK$450 million bore interest at the HIBOR plus 3.3% per annum and would mature in July 2020.

The Company was a substantial shareholder of eSun as at 31 July 2018 and therefore the loans from Hibright were disclosed as loans to related companies as at 31 July 2018. eSun became a subsidiary of the Group during the year ended 31 July 2019 and the loans from Hibright to MAGHL and eSun were eliminated at the consolidated level as at 31 July 2019.

30. PLEDGED AND RESTRICTED BANK BALANCES AND TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**3,914,848**	4,039,601
Time deposits	**1,340,760**	300,233
	5,255,608	4,339,834
Less: Non-current portion of pledged balances for bank borrowings:		
Bank balances	**(25,232)**	(26,345)
Time deposits	**(56,113)**	(56,564)
	(81,345)	(82,909)
Less: Current portion of pledged balances for bank borrowings or banking facilities:		
Bank balances Δ	**(914,185)**	(205,909)
Time deposits	**(423,633)**	(92,600)
	(1,337,818)	(298,509)
Less: Current portion of restricted balances*:		
Bank balances	**(98,954)**	—
Time deposits	**(15,384)**	—
	(114,338)	—
	(1,452,156)	(298,509)
Cash and cash equivalents	**3,722,107**	3,958,416

Δ Included in the balance was an amount of HK$86,480,000, which 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: Nil).

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: Nil).

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: Nil).

In accordance with the relevant laws and regulations imposed by the government authorities concerned, certain bank balances and deposits are required to be placed into designated bank accounts restricted as to use. As at 31 July 2019, the balances amounted to HK$15,479,000 (2018: Nil).

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

The conversion of Vietnamese Dong ("**VND**")/Renminbi ("**RMB**") denominated cash and bank balances and time deposits into foreign currencies and the remittance of such foreign currencies denominated balances out of Vietnam/the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the respective government authorities concerned. As at 31 July 2019, such VND and RMB denominated cash and bank balances and time deposits of the Group amounted to approximately HK$107,995,000 (2018: HK$175,063,000) and approximately HK$2,571,931,000 (2018: HK$2,460,000), respectively.

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

31. Completed Properties For Sale

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

32. Films Under Production and Film Investments

	Notes	**2019** **HK$'000**	2018 HK$'000
Films under production	(i)	**408,776**	—
Film investments, at fair value	(ii)	**8,466**	—
		417,242	—

Notes:

(i) Films under production

	Notes	**2019** **HK$'000**	2018 HK$'000
At the beginning of the reporting period		**—**	—
Acquisition of subsidiaries	55(a)	**469,585**	—
Additions (including the capitalisation of staff costs of HK$7,964,000 (2018: Nil)		**236,994**	—
Transfer to film products	19	**(214,870)**	—
Impairment #	7(a)	**(64,310)**	—
Disposal of subsidiaries	56	**(14,813)**	—
Exchange realignment		**(3,810)**	—
At the end of the reporting period		**408,776**	—

\# The impairment of films under production was made based on the management's estimation of recoverable amount against the carrying amount.

32. FILMS UNDER PRODUCTION AND FILM INVESTMENTS (CONTINUED)

Notes: (continued)

(ii) Film investments, at fair value

	2019 HK$'000	2018 HK$'000
Film investments classified as financial assets at fair value through profit or loss:		
At the beginning of the reporting period	**—**	—
Additions	**8,591**	—
Exchange realignment	**(125)**	—
At the end of the reporting period	**8,466**	—

33. ASSETS CLASSIFIED AS HELD FOR SALE

Balance as at 31 July 2018 represented an interest in a joint venture and its subsidiaries of which the Group entered into a sale and purchase agreement during the year ended 31 July 2018 to sell its entire equity interest held by the Group to an independent third party. The disposal was completed during the year ended 31 July 2019. Further details are disclosed in note 24 to the financial statements.

Balance as at 31 July 2019 represented two blocks of serviced apartments located in Zhongshan (namely, STARR Resort Residence Zhongshan) which were offered for sale. The serviced apartments were previously classified as property, plant and equipment. The 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 approximately HK$142,883,000 were transferred to assets classified as held for sale.

34. DEBTORS

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. Hotel and restaurant charges are mainly settled by customers on a cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

34. Debtors (continued)

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

Other than rental deposits received, the Group does not hold any collateral or other credit enhancements over these balances.

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

	2019 HK$'000	2018 HK$'000
Debtors:		
Not yet due or less than 30 days past due	**239,202**	41,528
31 - 60 days past due	**28,133**	1,991
61 - 90 days past due	**7,390**	773
Over 90 days past due	**25,743**	8,455
	300,468	52,747

The movements in loss allowance for the impairment of debtors are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	**—**	—
Impairment losses, net (note 7(a))	**693**	—
At end of year	**693**	—

34. DEBTORS (CONTINUED)

Impairment under HKFRS 9 for the year ended 31 July 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for group of various customer segments with shared risk characteristics. The provision matrix reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's debtors using a provision matrix analysed by payment due date:

As at 31 July 2019

		Past due		
	Current to 30 days	30 to 90 days	Over 90 days	Total
Expected credit loss rate	**0%**	**0%**	**3%**	**0.2%**
Gross carrying amount (HK$'000)	**239,202**	**35,523**	**26,436**	**301,161**
Expected credit losses (HK$'000)	**—**	**—**	**693**	**693**

Impairment under HKAS 39 for the year ended 31 July 2018

Debtors that were past due but not impaired mainly related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and rental deposits were received by the Group in advance from its customers, and accordingly, the balances were still considered fully recoverable.

35. Creditors, Other Payables and Accruals

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

	2019 HK$'000	2018 HK$'000
Creditors:		
Not yet due or less than 30 days past due	**995,612**	23,759
31 - 60 days past due	**7,644**	4,368
61 - 90 days past due	**6,376**	366
Over 90 days past due	**10,261**	2,914
	1,019,893	31,407
Other payables and accruals	**1,975,368**	684,629
Put option liabilities (note)	**279,720**	—
	3,274,981	716,036
Less: Portion classified as current	**(3,187,571)**	(596,770)
Non-current portion	**87,410**	119,266

The creditors and other creditors are non-interest-bearing and normally with an average credit term of one to three months.

Note:

On 31 December 2018, Rosy Commerce Holdings Limited ("**Rosy Commerce**", a company indirectly owned by Lai Fung and 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 and Cinda became a holder of 30% equity interests in HRL and GSL.

On 25 January 2019, 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) were recorded as put option liabilities under "creditors, other payables and accruals" 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, LSG, eSun and Lai Fung dated 2 January 2019.

36. Deposits Received, Deferred Income and Contract Liabilities

An analysis of the deposits received, deferred income and contract liabilities is as follows:

	2019 HK$'000	2018 HK$'000
Deposits received and deferred income	**774,409**	2,064,461
Contract liabilities (Note)	**1,141,572**	—
	1,915,981	2,064,461
Less: Portion classified as current	**(1,674,695)**	(1,549,718)
Non-current portion	**241,286**	514,743

Note:

Details of contract liabilities as at 31 July 2019 and 1 August 2018 are as follows:

	31 July 2019 HK$'000	1 August 2018 HK$'000
Contract liabilities arising from:		
Sale of properties	**873,478**	1,666,869
Other operations	**268,094**	—
	1,141,572	1,666,869

Contract liabilities mainly include sales proceeds received in advance from buyers in connection with the Group's sale and pre-sale of properties and interest on the sales proceeds received. The decrease in contract liabilities during the year was mainly due to the decrease in the sales proceeds received in advance from buyers as the properties are delivered to the buyers and the related sales proceeds are recognised as revenue.

As at 1 August 2018, sales receipts in advance from buyers in connection with the sale and pre-sale of properties amounting to approximately HK$1,175,171,000 and HK$423,528,000 were included in deposits received, deferred income and contract liabilities under current liabilities and non-current liabilities, respectively.

37. Guaranteed Notes

	Notes	2019 HK$'000	2018 HK$'000
US$400,000,000 4.6% guaranteed notes ("**LSD 2017 Notes**")	(a)	**3,113,376**	3,118,594
US$350,000,000 5.65% guaranteed notes ("**LF 2018 Notes**")	(b)	**2,623,278**	—
		5,736,654	3,118,594
Analysed into:			
Guaranteed notes repayable:			
In the third to fifth years, inclusive		**5,736,654**	3,118,594

37. Guaranteed Notes (continued)

Notes:

(a) LSD 2017 Notes

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

The net proceeds from the offering of the LSD 2017 Notes were approximately US$396,000,000 and were used for refinancing the guaranteed notes issued in 2013 and general corporate purposes.

	2019 HK$'000	2018 HK$'000
Guaranteed notes	**3,129,600**	3,139,600
Issue expenses	**(16,224)**	(21,006)
Carrying amount at the end of the reporting period	**3,113,376**	3,118,594
Fair value of the LSD 2017 Notes	**3,018,750**	2,991,788

The fair value was determined by reference to the closing price of the LSD 2017 Notes published by a leading global financial market data provider as at 31 July 2019.

In connection with the LSD 2017 Notes, the Group entered into the CCS — LSD 2017 Notes with financial institutions, which have effectively converted the LSD 2017 Notes into fixed rate HK$ denominated debts. Taking into account of the CCS — LSD 2017 Notes, the effective interest rate of the LSD 2017 Notes is 4.28% per annum. Details of the CCS — LSD 2017 Notes are set out in note 27(a) to the financial statements.

(b) LF 2018 Notes

On 18 January 2018, Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of Lai Fung, issued US$350,000,000 of 5.65% fixed rate guaranteed notes ("**LF 2018 Notes**"), which will mature on 18 January 2023 for bullet repayment. The LF 2018 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 — LF 2018 Notes**"). The LF 2018 Notes are listed on the Stock Exchange.

The LF 2018 Notes are guaranteed by Lai Fung and also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from the Company.

The LF 2018 Notes were issued for the refinancing of the fixed rate senior notes which matured on 25 April 2018 and for general corporate purposes. The net proceeds from the LF 2018 Notes after deducting issue expenses amounted to approximately HK$2,712,758,000.

The LF 2018 Notes recognised in the consolidated statement of financial position are calculated as follows:

	2019 HK$'000
Acquisition of subsidiaries (note 55(a))	**2,602,991**
Amortisation during the year	**28,453**
Exchange realignment	**(8,166)**
Carrying amount at the end of the reporting period	**2,623,278**
Fair value of the LF 2018 Notes	**2,667,667**

The fair value was determined by reference to the closing price of the LF 2018 Notes published by a leading global financial market data provider as at 31 July 2019.

37. Guaranteed Notes (continued)

Notes: (continued)

(b) **LF 2018 Notes** (continued)

The effective interest rate of the LF 2018 Notes is 5.86% per annum.

In connection with the LF 2018 Notes, Lai Fung entered into the CCS — LF 2018 Notes with financial institutions, which have effectively converted the LF 2018 Notes into fixed rate HK$ denominated debts. Taking into account the CCS — LF 2018 Notes, the effective interest rate of the LF 2018 Notes is 5.58% per annum. Details of the CCS — LF 2018 Notes are set out in note 27(b) to the financial statements.

38. Bank Borrowings

	Effective annual interest rate (%)	**2019 HK$'000**	2018 HK$'000
Current			
Bank borrowings — secured	2.9 - 6.1 (2018: 2.9 - 3.4)	**4,178,465**	1,186,279
Bank borrowings — unsecured	3.9 - 6.8 (2018: N/A)	**104,458**	—
		4,282,923	1,186,279
Non-current			
Bank borrowings — secured	2.9 - 6.1 (2018: 2.9 - 3.4)	**7,790,957**	7,698,454
Bank borrowings — unsecured	5.3 - 6.8 (2018: N/A)	**1,197,335**	—
		8,988,292	7,698,454
		13,271,215	8,884,733
Analysed into:			
Bank borrowings repayable:			
Within one year		**4,282,923**	1,186,279
In the second year		**3,806,435**	4,392,474
In the third to fifth years, inclusive		**4,041,828**	3,305,980
Beyond five years		**1,140,029**	—
		13,271,215	8,884,733

38. BANK BORROWINGS (CONTINUED)

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

(i) fixed charges over certain items of property, plant and equipment, certain prepaid land lease payments, certain investment properties and certain properties under development of the Group with carrying amounts of approximately HK$3,299,243,000 (2018: HK$4,706,783,000) (note 14), HK$1,605,623,000 (2018: Nil) (note 15), HK$18,340,650,000 (2018: HK$18,090,250,000) (note 16) and HK$861,573,000 (2018: HK$667,695,000) (note 17), respectively;

(ii) floating charges over all assets of certain subsidiaries of the Group with an aggregate carrying amount of approximately HK$14,442,962,000 (2018: HK$13,867,278,000), of which the carrying amounts of the items of property, plant and equipment, prepaid land lease payments, investment properties and properties under development of approximately HK$3,299,243,000 (2018: HK$4,706,783,000), HK$1,605,623,000 (2018: Nil), HK$8,325,650,000 (2018: HK$8,165,250,000) and HK$861,573,000 (2018: HK$667,695,000), respectively, are also included in note (i) above;

(iii) mortgages over certain serviced apartments under hotel properties (including related leasehold improvements) of the Group with an aggregate carrying amount of HK$1,937,198,000 (2018: Nil) (note 14);

(iv) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$1,085,322,000 (2018: Nil) (note 17);

(v) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$10,890,290,000 (2018: Nil) (note 16);

(vi) charges over certain bank balances and time deposits of the Group with an aggregate carrying amount of approximately HK$1,419,163,000 (2018: HK$381,418,000) (note 30); and

(vii) charges over the shares of certain subsidiaries held by the Group (note 52).

39. Other Borrowings

	Notes	Effective annual interest rate (%)	2019 HK$'000	2018 HK$'000
Current:				
Other borrowing – unsecured	(i)	—	**41,440**	—
Non-current:				
Interest-bearing borrowings – unsecured	(ii), (iv)	5.1	**209,888**	—
Other borrowing – unsecured	(iii), (iv)	—	**53,006**	—
			262,894	—
			304,334	—
Maturity profile:				
Within one year			**41,440**	—
In the second year			**262,894**	—
			304,334	—

Notes:

(i) Rosy Commerce and Cinda entered into two shareholders' loan agreements on 25 January 2019, pursuant to which, Cinda provided non-interest-bearing initial shareholder loans of an aggregate amount of US$ 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 in note 35 to the financial statements.

(ii) The unsecured other borrowings represented amounts due to the late Mr. Lim Por Yen which bear interest at The Hongkong and Shanghai Banking Corporation Limited prime rate per annum except for the accrued interest portion with an amount of HK$96,950,000 which is interest-free.

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

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

40. Deferred Tax

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**39,371**	34,534
Deferred tax liabilities	**(5,470,430)**	(176,044)
	(5,431,059)	(141,510)

40. Deferred Tax (continued)

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

	Notes	Accelerated tax depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 August 2017		(150,971)	—	—	—	9,336	344	(141,291)
Deferred tax (charged)/credited to the consolidated income statement during the year	11	(537)	—	—	—	25,585	(2)	25,046
Acquisition of subsidiaries	55(c)	—	—	—	—	—	(24,939)	(24,939)
Exchange realignment		(1)	—	—	—	—	(325)	(326)
At 31 July 2018 and 1 August 2018		(151,509)	—	—	—	34,921	(24,922)	(141,510)
Deferred tax (charged)/credited to the consolidated income statement during the year	11	**(60,654)**	**239,114**	**(52,875)**	**10,959**	**(14,785)**	**2,239**	**123,998**
Deferred tax utilised during the year		**—**	**—**	**—**	**20,927**	**—**	**—**	**20,927**
Acquisition of subsidiaries	55(a)	**(594,132)**	**(2,731,003)**	**(2,074,939)**	**(124,844)**	**21,714**	**—**	**(5,503,204)**
Exchange realignment		**9,127**	**28,232**	**30,104**	**—**	**(68)**	**1,335**	**68,730**
At 31 July 2019		**(797,168)**	**(2,463,657)**	**(2,097,710)**	**(92,958)**	**41,782**	**(21,348)**	**(5,431,059)**

At 31 July 2019, the Group had tax losses arising in Hong Kong of approximately HK$3.8 billion (2018: HK$1.3 billion) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

As at 31 July 2019, the Group had tax losses arising in Mainland China of HK$0.4 billion (2018: Nil) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

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

For the investment properties that are located in Mainland China, they are held by certain subsidiaries with a business model to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale, the presumption is rebutted and related deferred tax are determined based on recovery of use. For the remaining investment properties, the tax consequence is on the presumption that they are recovered entirely by sale.

40. Deferred Tax (continued)

At 31 July 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$13 million as at 31 July 2019 (2018: Nil).

41. Share Capital

	2019		2018	
	Number of shares	**Total amount HK$'000**	Number of shares	Total amount HK$'000
Issued and fully paid ordinary shares	**606,464,125**	**4,081,774**	606,076,614	4,076,816

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

	Notes	**Number of shares in issue**	**Total amount** HK$'000
At 1 August 2017		30,251,304,984	4,063,736
Share Consolidation	a	(29,646,278,885)	—
Shares issued in lieu of cash dividend	b	990,515	12,683
Share options exercised	c	60,000	397
At 31 July 2018 and 1 August 2018		**606,076,614**	**4,076,816**
Shares issued in lieu of cash dividend	d	**387,511**	**4,958**
At 31 July 2019		**606,464,125**	**4,081,774**

Notes:

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

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

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

41. Share Capital (continued)

Notes: (continued)

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

d. On 21 December 2018, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.108 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, 387,511 new shares were issued by the Company at a deemed price of HK$12.796 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$4,958,000 of the 2018 Final Dividend. The remaining balance of the 2018 Final Dividend of HK$60,498,000 was satisfied by cash.

   Further details of the 2018 Scrip Dividend Scheme are set out in the Company's circular dated 10 January 2019.

42. Share Option Schemes

(a) The Company

2006 Share Option Scheme

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

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

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

42. Share Option Schemes (continued)

(a) The Company (continued)

2006 Share Option Scheme (continued)

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

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

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

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

2015 Share Option Scheme

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

The maximum number of shares which may be issued upon the exercise of all options to be granted under the 2015 Share Option Scheme (i) shall not exceed 10% of the shares of the Company in issue at the date of adopting the 2015 Share Option Scheme; (ii) shall not exceed 30% of the shares of the Company in issue from time to time; and (iii) to each eligible participant and within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval of shareholders of the Company and the shareholders of LSG (so long as the Company is a subsidiary of LSG under the Listing Rules) in the respective general meetings.

42. Share Option Schemes (continued)

(a) The Company (continued)

2015 Share Option Scheme (continued)

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

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

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

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

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

	2019		2018	
	Number of the Company's underlying shares comprised in share options	**Weighted average exercise price per the Company's share HK$**	Number of the Company's underlying shares comprised in share options*	Weighted average exercise price per the Company's share* HK$
Outstanding at beginning of year	**14,359,534**	**13.043**	720,976,857	0.260
Adjustment for the Share Consolidation (Note)	**—**	**—**	(706,557,323)	—
	14,359,534	**13.043**	14,419,534	13.008
Exercised during the year	**—**	**—**	(60,000)	4.700
Outstanding at end of year	**14,359,534**	**13.043**	14,359,534	13.043

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

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

42. Share Option Schemes (continued)

(a) The Company (continued)

2015 Share Option Scheme (continued)

The weighted average closing price of the Company's shares immediately before and at the dates of exercise of share options during the year ended 31 July 2018 were HK$14.54 and HK$14.58 per share, respectively.

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

As at 31 July 2019, a total of 14,359,534 underlying shares comprised in share options were outstanding, of which 14,239,534 underlying shares relate to share options granted under the 2006 Share Option Scheme and 120,000 underlying shares relate to share options granted under the 2015 Share Option Scheme, representing approximately 2.35% and 0.02% of the Company's shares in issue, respectively, as at that date.

(b) eSun

2005 eSun Share Option Scheme

On 23 December 2005, eSun adopted the share option scheme (the "**2005 eSun Share Option Scheme**") for the purpose of giving any eligible employee, director of eSun or any of its subsidiaries, agent or consultant of any member of the eSun Group, and employee of the shareholder or any member of the eSun Group or any holder of any securities issued by any member of the eSun Group (the "**Participants**") an opportunity to have a personal stake in eSun and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of eSun. The 2005 eSun Share Option Scheme was adopted by eSun on 23 December 2005 and became effective on 5 January 2006 and unless otherwise cancelled or amended, the 2005 eSun Share Option Scheme will remain in force for 10 years from latter date. The 2005 eSun Share Option Scheme was terminated upon the adoption of the 2015 eSun Share Option Scheme (as defined below) on 11 December 2015.

The principal terms of the 2005 eSun Share Option Scheme are:

(i) The total number of shares in respect of which options may be granted under the 2005 eSun Share Option Scheme and any other share option schemes of eSun shall not exceed 10% of the total number of eSun's shares in issue unless the 10% limit has been refreshed on approval of shareholders of eSun. The 10% limit was refreshed on shareholders' approval at a special general meeting of eSun held on 27 May 2011. The maximum number of shares issuable under share options granted to each Participant in the 2005 eSun Share Option Scheme within any 12-month period must not exceed 1% of the shares of eSun in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of eSun.

42. Share Option Schemes (continued)

(b) eSun (continued)

2005 eSun Share Option Scheme (continued)

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

(iii) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors of eSun in its absolute discretion.

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

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

2015 eSun Share Option Scheme

On 11 December 2015 (the "**2015 eSun Adoption Date**"), eSun adopted a new share option scheme (the "**2015 eSun Share Option Scheme**") and terminated the 2005 eSun Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2015 eSun Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to the eSun Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of the eSun Group. Unless otherwise cancelled or amended, the 2015 eSun Share Option Scheme will remain in force for 10 years from the 2015 eSun Adoption Date.

42. Share Option Schemes (continued)

(b) eSun (continued)

2015 eSun Share Option Scheme (continued)

The principal terms of the 2015 eSun Share Option Scheme are:

(i) The maximum number of shares in respect of which options may be granted under the 2015 eSun Share Option Scheme and any other share option schemes of eSun (i) shall not exceed 10% of the total number of eSun's shares in issue on the 2015 eSun Adoption Date; (ii) shall not exceed 30% of the shares of eSun in issue from time to time; and (iii) to each Eligible Participant in the 2015 eSun Share Option Scheme and within any 12-month period, is limited to 1% of the shares of eSun 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 the shareholders of eSun and the shareholders of the Company (so long as eSun is a subsidiary of the Company under the Listing Rules) in the respective general meetings.

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

(iii) The offer of a grant of share options may be accepted within 30 days from the date of offer, to be accompanied by payment of a consideration of HK$1 per share option by the grantee. The exercise period of the share options granted is determined by the board of directors of eSun in its absolute discretion.

(iv) The subscription (or exercise) price of any share options is determinable by the directors, and shall be at least the highest of (i) the closing price of eSun's shares in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of eSun's shares in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a eSun's share on the date of the offer of grant.

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

42. Share Option Schemes (continued)

(b) eSun (continued)

2015 eSun Share Option Scheme (continued)

Details of the share options outstanding granted under the 2005 eSun Share Option Scheme and the 2015 eSun Share Option Scheme during the year are as follows:

	2019	
	Number of eSun's underlying shares comprised in share options '000	Weighted average exercise price per eSun's share HK$
Outstanding at the beginning of the year	**32,851**	**1.43**
Lapsed during the year	**(19,705)**	**1.61**
Cancelled during the year	**(13,146)**	**1.16**
Outstanding at the end of the year	**—**	—

As a result of the eSun Option Offer (as defined in note 55(a)) closed in August 2018, eSun's share options in respect of 13,145,696 and 19,704,969 underlying shares of eSun have been cancelled and lapsed.

No share options have been granted under the 2015 eSun Share Option Scheme during the year ended 31 July 2019.

42. Share Option Schemes (continued)

(c) MAGHL

MAGHL Share Option Scheme

On 18 December 2012, MAGHL adopted a share option scheme (the "**MAGHL Share Option Scheme**") which will remain in force for 10 years and terminated the share option scheme which was adopted by MAGHL on 19 November 2009 and became effective on 24 November 2009 as (i) MAGHL has become a subsidiary of eSun in June 2011 and Rule 23.01(4) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") requires the relevant provisions of the MAGHL Share Option Scheme which are required to be approved by the shareholders/independent non-executive directors of MAGHL to be simultaneously approved by the shareholders/independent non-executive directors of eSun; and (ii) eSun would like to have a unified set of share option scheme rules for its subsidiaries. The purpose of the MAGHL Share Option Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to MAGHL and its subsidiaries (the "**MAGHL Group**") by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of the MAGHL Group or the affiliated companies. Eligible participants include any employee, director, officer or consultant of the MAGHL Group and the affiliated companies, and any other group or classes of participants which the board of the directors of MAGHL, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangements, to the development and growth of the MAGHL Group.

The principal terms of the MAGHL Share Option Scheme are:

(a) The total number of MAGHL's shares which may be issued upon exercise of all share options to be granted under the MAGHL Share Option Scheme and all options to be granted under any other share option schemes of any member of MAGHL (the "**Other Schemes**") must not in aggregate exceed 10% of the total number of MAGHL's shares in issue as at 18 December 2012 (the "**MAGHL Scheme Limit**").

(b) Subject to (a) above and the approval of the shareholders of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules) at the respective general meetings, MAGHL may refresh the MAGHL Scheme Limit at any time, provided that such limit as refreshed must not exceed 10% of the total number of shares of MAGHL in issue as at the date of approval of such refreshed limit.

(c) Subject to (a) above and the approval of the shareholders of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules) at the respective general meetings, MAGHL may grant the options beyond the 10% limit, provided that the options in excess of such limit are granted only to the eligible participants specifically identified by MAGHL before such shareholders' approval is sought.

(d) The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the MAGHL Share Option Scheme and the Other Schemes must not in aggregate exceed 30% of the issued share capital of MAGHL from time to time. The refreshment of the MAGHL Scheme Limit was approved by MAGHL's and the eSun's shareholders at the respective annual general meetings held on 11 December 2015.

42. Share Option Schemes (continued)

(c) MAGHL (continued)

MAGHL Share Option Scheme (continued)

The principal terms of the MAGHL Share Option Scheme are: (continued)

(e) The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the MAGHL Share Option Scheme and the Other Schemes (including both exercised and outstanding share options) in any 12-month period up to and including the date of grant must not exceed 1% of the total number of shares of MAGHL in issue at any time. Any further grant of share options in excess of this limit must be separately approved by the shareholders of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules) at the respective general meetings with such eligible participant and his associates abstaining from voting.

(f) Any grant of share options to a director, chief executive or substantial shareholder of MAGHL, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors of each of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules).

(g) Any grant of share options to a substantial shareholder or an independent non-executive director of MAGHL, or to any of their respective associates, in excess of 0.1% of the shares of MAGHL in issue at any time and with an aggregate value (based on the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, must be approved by the shareholders of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules) in advance at the respective general meetings.

(h) The offer of a grant of share options may be accepted within 30 days from the date of offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

(i) The exercise period of the share options granted is determined by the directors of MAGHL provided that such period must not be longer than 10 years from the date upon which any share option is granted in accordance with the MAGHL Share Option Scheme.

(j) The exercise price of the share options is determined by the directors of MAGHL, but shall be at least the highest of (i) the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of a MAGHL's share.

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

No share options have been granted by MAGHL under the MAGHL Share Option Scheme since its adoption.

42. Share Option Schemes (continued)

(d) Lai Fung

2003 Lai Fung Share Option Scheme

On 21 August 2003, Lai Fung adopted a share option scheme (as amended on 8 August 2018) (the "**2003 Lai Fung 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 Lai Fung Group's operations. Eligible Participants of the 2003 Lai Fung Share Option Scheme include the directors and any employees of the Lai Fung Group. Unless otherwise cancelled or amended, the 2003 Lai Fung Share Option Scheme will remain in force for 10 years from that date. The 2003 Lai Fung Share Option Scheme was terminated upon the adoption of the 2012 Lai Fung Share Option Scheme (as defined below) on 18 December 2012.

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

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

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

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

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

42. Share Option Schemes (continued)

(d) Lai Fung (continued)

2012 Lai Fung Share Option Scheme

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

The maximum number of shares of Lai Fung which may be issued upon the exercise of all options to be granted under the 2012 Lai Fung Share Option Scheme (i) shall not exceed 10% of the shares of Lai Fung in issue on the 2012 Adoption Date; (ii) shall not exceed 30% of the shares of Lai Fung in issue from time to time; and (iii) to each Eligible Participant and within any 12-month period, is limited to 1% of the shares of Lai Fung in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval of shareholders of Lai Fung and the shareholders of eSun (so long as Lai Fung 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 Lai Fung, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of each of Lai Fung and eSun (so long as Lai Fung 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 Lai Fung, or to any of their respective associates, in excess of 0.1% of the shares of Lai Fung in issue at any time and with an aggregate value (based on the closing price of Lai Fung's shares on the date of grant) in excess of HK$5 million, within any 12-month period, up to and including the date of grant are subject to the approval of shareholders of Lai Fung and the shareholders of eSun (so long as Lai Fung 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 Lai Fung, save that such period shall not be longer than 10 years from the date of grant of share options.

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

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

42. Share Option Schemes (continued)

(d) Lai Fung (continued)

2012 Lai Fung Share Option Scheme (continued)

On 14 August 2017, the shareholders of Lai Fung at its extraordinary general meeting approved that every fifty issued and unissued ordinary shares of HK$0.10 each in the share capital of Lai Fung be consolidated into one ordinary share of HK$5.00 each in the share capital of Lai Fung ("**Lai Fung Shares**") which became effective on 15 August 2017 ("**Lai Fung Share Consolidation**"). As a result of Lai Fung Share Consolidation, the exercise price of the outstanding share options and number of shares of Lai Fung comprised in the outstanding share options had been adjusted.

Details of the share options outstanding granted under the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme during the year are as follows:

	2019	
	Number of Lai Fung's underlying shares comprised in share options '000	Weighted average exercise price per Lai Fung Share HK$
Outstanding at the beginning of the year	10,234	10.92
Granted during the year	580	10.18
Outstanding at the end of the year	10,814	10.88

42. Share Option Schemes (continued)

(d) Lai Fung (continued)

2012 Lai Fung Share Option Scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019

Number of Lai Fung's underlying shares comprised in share options '000	Exercise price* per Lai Fung Share HK$	Exercise period (dd/mm/yyyy)
1,010	6.65	12-06-2012 to 11-06-2020
8,374	11.40	18-01-2013 to 17-01-2023
220	9.50	26-07-2013 to 25-07-2023
180	8.00	16-01-2015 to 15-01-2025
450	13.52	19-01-2018 to 18-01-2028
580	10.18	22-01-2019 to 21-01-2029
10,814		

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

Other than the grant of share options comprising 580,000 underlying Lai Fung Shares, no share options were granted, exercised or cancelled, or lapsed in accordance with the terms of the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme during the year. The closing price of Lai Fung Shares immediately before the date of grant of share options was HK$10.12. The fair value of share options granted during the year was approximately HK$2,322,000 (HK$4.0033 each) which was recognised as a share option expense of approximately HK$2,322,000 and HK$743,000 (before and after capitalisation to properties under development/investment properties under construction/construction in progress, respectively) during the year ended 31 July 2019.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Binomial Model, taking into account the terms and conditions upon which the share options were granted.

As at 31 July 2019, 1,009,591 and 9,804,526 underlying shares of Lai Fung comprised in share options were outstanding under the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme, respectively, which represented approximately 0.3% and 3.0% of Lai Fung Shares in issue, respectively as at that date.

43. Reserves

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2019 and 2018 are presented in the consolidated statement of changes in equity.

Statutory reserve

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

44. Partly-Owned Subsidiaries with Material Non-Controlling Interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts after fair value adjustments and before intragroup eliminations.

(a) Porchester Assets Limited ("**Porchester**")

	2019 HK$'000	2018 HK$'000
Current assets	**205,285**	266,462
Non-current assets	**361,024**	283,413
Total assets	**566,309**	549,875
Current liabilities	**(61,805)**	(60,767)
Non-current liabilities	**(48,452)**	(43,507)
Total liabilities	**(110,257)**	(104,274)
Equity attributable to owners of Porchester	**230,105**	225,235
Non-controlling interests	**225,947**	220,366
Total equity	**456,052**	445,601
Turnover	**306,970**	418,729
Cost of sales and operating expenses	**(300,866)**	(342,922)
Other revenue	**7,213**	5,951
Tax	**(2,866)**	(15,767)
Profit and total comprehensive income for the year	**10,451**	65,991
Profit and total comprehensive income attributable to the non-controlling interests of Porchester	**5,581**	32,798
Dividends paid to the non-controlling interests of Porchester	**—**	38,220

44. Partly-Owned Subsidiaries with Material Non-Controlling Interests (continued)

(b) eSun

	2019 HK$'000
Current assets	9,949,961
Non-current assets	28,925,467
Total assets	38,875,428
Current liabilities	5,100,557
Non-current liabilities	13,928,321
Total liabilities	19,028,878
Equity attributable to owners of the Company	7,654,172
Non-controlling interests	12,192,378
Total equity	19,846,550

	Year ended 31 July 2019 HK$'000
Turnover	2,903,362
Cost of sales	(1,887,289)
Gross profit	1,016,073
Other revenue	174,459
Selling and marketing expenses	(91,837)
Administrative expenses	(588,348)
Other operating expenses, net	(709,558)
Fair value gains on investments properties	211,500
Profit from operating activities	12,289
Finance costs	(191,943)
Share of profits and losses of joint ventures	(33,101)
Share of profits and losses of associates	787
Loss before tax	(211,968)
Income tax expense	(88,290)
Loss for the year	(300,258)
Loss attributable to owners of the Company	(258,202)
Loss attributable to non-controlling interests	(42,056)
Loss for the year	(300,258)
Other comprehensive expense attributable to owners of the Company	(159,974)
Other comprehensive expense attributable to non-controlling interests	(145,273)
Other comprehensive expense for the year	(305,247)
Total comprehensive expense attributable to owners of the Company	(418,176)
Total comprehensive expense attributable to non-controlling interests	(187,329)
Total comprehensive expense for the year	(605,505)
Net cash flows used in operating activities	(28,876)
Net cash flows used in investing activities	(1,135,676)
Net cash flows from financing activities	1,625,501
Net increase in cash and cash equivalents	460,949

45. Capital Commitments

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

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for		
Purchase of items of property, plant and equipment	**11,460**	34,571
Development and operation of a hotel project	**—**	79,942
Additions to investment properties	**9,773**	16,868
Construction, development and resettlement costs	**1,288,365**	—
	1,309,598	131,381

46. Contingent Liabilities

Save as disclosed elsewhere in the financial statements, the Group also had the following contingent liabilities at the end of the reporting period:

(a) Contingent liabilities not provided for in the financial statements:

	2019 HK$'000	2018 HK$'000
Guarantees given to a bank in connection with facilities granted to and utilised by a joint venture	**—**	650,000

(b) 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 for repaying 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: Nil).

(c) The Group has provided corporate guarantees to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK$4,856,000 (2018: Nil) were utilised.

47. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms mainly ranging from one to twenty years (2018: one to five years). Certain leases in the United Kingdom are negotiated for terms up to twenty-five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Certain leases include contingent rentals calculated with reference to the turnover of the tenants.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**935,916**	493,993
In the second to fifth years, inclusive	**1,403,877**	514,644
After five years	**181,247**	1,761
	2,521,040	1,010,398

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.

(b) As lessee

The Group leases certain properties under operating lease arrangements. One of these leases has an original lease term of eight years with an option to terminate the leases upon expiry of three years, six years or eight years. The remaining operating lease arrangements are with leases negotiated for terms ranging from one to fifteen years (2018: one to six years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**313,281**	95,347
In the second to fifth years, inclusive	**955,140**	233,167
After five years	**359,394**	49,512
	1,627,815	378,026

48. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

31 July 2019

	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets at fair value through other comprehensive income	—	1,907,735	—	1,907,735
Financial assets at fair value through profit or loss	875,904	—	—	875,904
Derivative financial instruments	53,784	—	—	53,784
Film investments	8,466	—	—	8,466
Debtors	—	—	300,468	300,468
Financial assets included in deposits, prepayments and other receivables	17,899	—	566,020	583,919
Pledged and restricted bank balances and time deposits	—	—	1,533,501	1,533,501
Cash and cash equivalents	—	—	3,722,107	3,722,107
	956,053	1,907,735	6,122,096	8,985,884

31 July 2018

	Financial assets at fair value through profit or loss HK$'000	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Total HK$'000
Available-for-sale financial assets	—	2,162,254	—	2,162,254
Derivative financial instruments	6,171	—	—	6,171
Debtors	—	—	52,747	52,747
Financial assets included in deposits, prepayments and other receivables	—	—	577,449	577,449
Loans to related companies	—	—	650,000	650,000
Pledged and restricted bank balances and time deposits	—	—	381,418	381,418
Cash and cash equivalents	—	—	3,958,416	3,958,416
	6,171	2,162,254	5,620,030	7,788,455

48. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial liabilities

31 July 2019

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in creditors, other payables and accruals	**3,166,386**
Financial liabilities included in deposits received, deferred income and contract liabilities	**609,803**
Bank borrowings	**13,271,215**
Other borrowings	**304,334**
Guaranteed notes	**5,736,654**
	23,088,392

31 July 2018

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in creditors, other payables and accruals	596,770
Bank borrowings	8,884,733
Guaranteed notes	3,118,594
	12,600,097

49. Fair Value Hierarchy of Financial Instruments

Financial instruments for which fair value is disclosed

Except for the guaranteed notes with fair values in aggregate of approximately HK$5,686,417,000 (2018: HK$2,991,788,000) as detailed in note 37, the directors consider the carrying amounts of all other financial assets and financial liabilities measured at amortised cost approximated to their fair values as at the end of the reporting period.

Financial instruments measured at fair value

	Notes	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
As at 31 July 2019					
Financial assets					
Financial assets at fair value through other comprehensive income	25	**44,298**	**—**	**1,863,437**	**1,907,735**
Financial assets at fair value through profit or loss	26	**34,106**	**748,457**	**93,341**	**875,904**
Derivative financial instruments	27	**—**	**—**	**53,784**	**53,784**
Financial assets included in deposits, prepayments and other receivables	28	**—**	**—**	**17,899**	**17,899**
Film investments	32	**—**	**—**	**8,466**	**8,466**
		78,404	**748,457**	**2,036,927**	**2,863,788**

	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 July 2018					
Financial assets					
Available-for-sale financial assets, at fair value	25	—	352,511	1,783,659	2,136,170
Derivative financial instruments	27	—	—	6,171	6,171
		—	352,511	1,789,830	2,142,341

During the year ended 31 July 2019, there was no transfer of fair value measurement between Level 1 and Level 2 (2018: Nil).

During the year ended 31 July 2019, fair value measurement of a financial asset at fair value through other comprehensive income has been transferred out of Level 3 to Level 1 because there is a quoted market price in an active market (2018: Nil).

49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value (continued)

The movements in fair value measurements in Level 3 during the year are as follows:

(i) Financial assets at fair value through other comprehensive income/available-for-sale financial assets:

	2019 HK$'000	2018 HK$'000
At beginning of year	**1,783,659**	1,394,371
Effect of adoption of HKFRS 9	**26,085**	—
At beginning of year (restated)	**1,809,744**	1,394,371
Total gains recognised in other comprehensive income	**71,140**	264,998
Additions	**101,890**	124,290
Transfer to Level 1	**(119,337)**	—
At end of year	**1,863,437**	1,783,659

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

	2019 HK$'000
At beginning of year	**—**
Effect of adoption of HKFRS 9	**95,162**
At beginning of year (restated)	**95,162**
Exchange realignment	**(1,821)**
At end of year	**93,341**

The movements in the financial assets arising from the CCSs and film investments are disclosed in notes 27 and 32, respectively to the financial statements.

49. Fair Value Hierarchy of Financial Instruments (continued)

Valuation techniques

Fair value measurement using significant unobservable inputs (Level 2)

The fair values of certain financial assets at fair value through profit or loss and available-for-sale financial assets are based on the fair values of the underlying investment portfolio provided by the fund managers.

Fair value measurement using significant unobservable inputs (Level 3)

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used to estimate the fair values of the principal financial instruments are stated as follows:

(i) Fair value of the equity interest in Bayshore, classified as financial assets at fair value through other comprehensive income (2018: available-for-sale financial assets), has been estimated using the fair value of investment properties held by Bayshore, which is determined by the market approach and income approach. The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analysing such sales, which qualify as "arms-length" transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available. The income approach is an approach to valuation that provides an indication of value by converting future cash flows to a single current capital value. The current capital value is projected based on discounted cash flow method. It is a process of valuing an investment property or asset by undertaking an estimation of future cash flows and taking into account the time value of money.

(ii) Fair value of the equity interest in another investee company classified as available-for-sale financial assets as at 31 July 2018 had been determined by market approach. Under the market approach, the value of the equity interest had been determined based on the recently published financial data of the investee company. Market expectation on the industry was also reflected in the valuation of the comparable companies.

(iii) Derivative financial instruments, being the CCSs, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amounts of the derivative financial instruments are the same as their fair values.

49. Fair Value Hierarchy of Financial Instruments (continued)

Valuation techniques (continued)

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

31 July 2019

	Valuation technique	Significant unobservable inputs	Value of unobservable inputs	Notes
Financial assets at fair value through other comprehensive income	Income approach	Average monthly market rent per square foot	HK$158	1
		Capitalisation rate	2.85%	2
Derivative financial instruments — CCSs	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$1.58 million to HK$37.93 million	5
		Expected exposure at default — the Group	HK$0.33 million to HK$33.13 million	6
		Credit spread — counterparty	9.07 basis points to 106.44 basis points	7
		Credit spread — the Group	18.59 basis points to 517.02 basis points	8
		Loss given default ratio — counterparty non-performance risk	80%	9
		Loss given default ratio — own credit risk	60%	10

49. Fair Value Hierarchy of Financial Instruments (continued)

Valuation techniques (continued)

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

31 July 2018

	Valuation technique	Significant unobservable inputs	Value of unobservable inputs	Notes
Available-for-sale financial assets	Income approach	Average monthly market rent per square foot	HK$158	1
		Capitalisation rate	2.85%	2
	Market approach	Enterprise value ("**EV**")/ operating income or losses plus depreciation and amortisation ("**EBITDA**") for the guideline public companies	26.70 times	3
		Discount for lack of marketability ("**DLOM**")	5%	4
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$3.85 million to HK$38.00 million	5
		Expected exposure at default — the Group	HK$2.56 million to HK$56.88 million	6
		Credit spread — counterparty	17.36 basis points to 127.87 basis points	7
		Credit spread — the Group	28.92 basis points to 152.26 basis points	8
		Loss given default ratio — counterparty non-performance risk	80%	9
		Loss given default ratio — own credit risk	60%	10

Notes:

1. The higher the market rent, the higher the fair value
2. The higher the capitalisation rate, the lower the fair value
3. The higher the EV/EBITDA ratio for the guideline public companies, the higher the fair value
4. The higher the DLOM, the lower the fair value
5. The higher the expected exposure at default — counterparty, the lower the fair value of CCS
6. The higher the expected exposure at default — the Group, the higher the fair value of CCS
7. The higher the credit spread — counterparty, the lower the fair value of CCS
8. The higher the credit spread — the Group, the higher the fair value of CCS
9. The higher the loss given default ratio — counterparty, the lower the fair value of CCS
10. The higher the loss given default ratio — the Group, the higher the fair value of CCS

50. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group comprise financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income/available-for-sale financial assets, pledged and restricted bank balances and time deposits, and cash and cash equivalents. Management would, based on the Group's projected cash flow requirements, determine the types and levels of these financial instruments with a view to maintaining an appropriate level of funding for the Group's operations and to enhancing the returns generated from these financial instruments. The Group's principal financial liabilities comprise bank borrowings and guaranteed notes. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient funding for the Group's daily operations and to cope with expenditures incurred for various properties under development or investment projects. In addition, the Group has various other financial assets and liabilities such as long-term loan receivables, debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are interest rate risks, foreign currency risk, credit risk and liquidity risk. The management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group has adopted relatively conservative strategies on its risk management and the Group has not used any derivatives and other instruments for hedging purposes during the year. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and determine policies for managing each of these risks and they are summarised as follows:

(i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument fluctuates because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's pledged and restricted bank balances and time deposits, cash and cash equivalents and bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group constantly reviews the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant and before any impact on tax, of the Group's income statement (through the impact on variable-rate mortgage loan receivables, loans to related companies, pledged and restricted bank balances and time deposits, cash and cash equivalents, bank borrowings, net of amounts capitalised to properties under development, investment properties under construction, construction in progress and other borrowings at the prime rate) and the equity of the Group.

50. Financial Risk Management Objectives and Policies (continued)

(i) Fair value and cash flow interest rate risks (continued)

	Increase in interest rate (in percentage)	Decrease in profit and equity HK$'000
2019	**0.5**	**40,335**
2018	0.5	19,106

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of changes in foreign exchange rates.

US$

The Group's major assets and liabilities and transactions are denominated in HK$ or US$. As HK$ is pegged against US$, the Group believes that the corresponding exposure to exchange rate risk arising from US$ is nominal and does not expect any significant movements in the exchange rate in the foreseeable future.

RMB

Certain subsidiaries (mainly the Lai Fung Group) of the Group have transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against HK$.

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.

Pounds Sterling

The Group had made investments in the United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investments were financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure.

Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Malaysian Ringgit and VND which were insignificant as compared with the Group's total assets and liabilities. The Group manages its foreign currency risk by closely reviewing the movement of foreign currency rate and considers hedging significant foreign currency exposure should the additional need arise.

50. Financial Risk Management Objectives and Policies (continued)

(iii) Credit risk

The Group maintains various credit policies for different business operations as described in note 34 to the financial statements. In addition, debtor balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The eSun Group (other than the Lai Fung Group) trades only with recognised and creditworthy third parties. It is the eSun Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the eSun Group exposure to bad debts is not significant.

In respect of loan and interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and the current ability to pay, and take into account information specific to the borrowers. Certain of these loan and interest receivables are secured by share charges in respect of the equity interest of certain subsidiaries and unlisted equity investments of the respective borrowers.

50. Financial Risk Management Objectives and Policies (continued)

(iii) Credit risk (continued)

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. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Debtors*	–	–	–	309,878	309,878
Financial assets included in deposits, prepayments and other receivables					
Normal**	560,865	–	–	–	560,865
Doubtful**	–	–	69,804	–	69,804
Pledged and restricted bank balances and time deposits	1,533,501	–	–	–	1,533,501
Cash and cash equivalents	3,722,107	–	–	–	3,722,107
	5,816,473	–	69,804	309,878	6,196,155

* For debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 34 to the financial statements.

** The credit quality of the financial assets included in deposits, prepayments and other receivables is considered to be "normal" when 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. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 July 2018

The credit risk of the financial assets, which comprise debtors, financial assets included in deposits prepayments and other receivables, pledged and restricted bank balances and time deposits, cash and cash equivalents, derivative financial instruments, loans to related companies and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

50. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its capital expenditure and financial liabilities. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019			
	Less than 1 year HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Financial liabilities included in creditors, other payables and accruals	**3,078,976**	**87,410**	**—**	**3,166,386**
Financial liabilities included in deposits received, deferred income and contract liabilities	**376,703**	**233,100**	**—**	**609,803**
Bank borrowings	**4,770,897**	**8,885,813**	**1,285,665**	**14,942,375**
Other borrowings	**41,440**	**268,682**	**—**	**310,122**
Guaranteed notes	**293,133**	**6,497,411**	**—**	**6,790,544**
Inflow of derivative financial instruments	**(293,133)**	**(6,497,411)**	**—**	**(6,790,544)**
Outflow of derivative financial instruments	**275,365**	**6,444,883**	**—**	**6,720,248**
	8,543,381	**15,919,888**	**1,285,665**	**25,748,934**

	2018		
	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Financial liablities included in creditors, other payables and accruals	596,770	—	596,770
Bank borrowings	1,444,377	7,950,755	9,395,132
Guaranteed notes	144,422	3,645,075	3,789,497
Inflow of derivative financial instruments	(144,422)	(3,645,075)	(3,789,497)
Outflow of derivative financial instruments	133,596	3,588,986	3,722,582
Bank guarantee to a joint venture (note 46(a))	650,000	—	650,000
	2,824,743	11,539,741	14,364,484

50. Financial Risk Management Objectives and Policies (continued)

(v) Capital management

The Group manages its capital structure to ensure that entities in the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group mainly consists of bank borrowings, other borrowings, guaranteed notes and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on the recommendation of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintenance of appropriate types and levels of debts.

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by equity attributable to owners of the Company. Net debt includes bank borrowings, other borrowings, and guaranteed notes, less pledged and restricted bank balances and time deposits, 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
Bank borrowings	**13,271,215**	8,884,733
Other borrowings	**304,334**	—
Guaranteed notes	**5,736,654**	3,118,594
Less: Pledged and restricted bank balances and time deposits	**(1,533,501)**	(381,418)
Cash and cash equivalents	**(3,722,107)**	(3,958,416)
Net debt	**14,056,595**	7,663,493
Equity attributable to owners of the Company	**35,827,701**	31,158,693
Gearing ratio	**39%**	25%

51. 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		
Property, plant and equipment	**1,750**	3,025
Investment properties	**10,052,900**	9,961,200
Investments in subsidiaries	**6,932,661**	8,394,647
Investments in associates	**1,579**	1,687
Investments in joint ventures	**393,522**	393,522
Financial assets at fair value through other comprehensive income	**36,309**	—
Financial assets at fair value through profit or loss	**36,463**	—
Available-for-sale financial assets	**—**	47,691
Pledged bank balances and time deposits	**56,113**	56,564
Deposits, prepayments and other receivables	**4,386**	11,501
Total non-current assets	**17,515,683**	18,869,837
CURRENT ASSETS		
Financial assets at fair value through profit or loss	**34,106**	—
Debtors	**5,239**	2,412
Deposits, prepayments and other receivables	**67,152**	64,191
Pledged bank balances and time deposits	**193,425**	185,976
Cash and cash equivalents	**296,084**	661,875
Total current assets	**596,006**	914,454
CURRENT LIABILITIES		
Creditors, other payables and accruals	**62,852**	38,599
Deposits received	**44,575**	41,179
Tax payable	**47,326**	96,984
Bank borrowings	**183,580**	1,148,580
Total current liabilities	**338,333**	1,325,342
NET CURRENT ASSETS/(LIABILITIES)	**257,673**	(410,888)
TOTAL ASSETS LESS CURRENT LIABILITIES	**17,773,356**	18,458,949

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2019 **HK$'000**	2018 HK$'000
NON-CURRENT LIABILITIES		
Bank borrowings	**2,353,443**	3,237,043
Deferred tax	**74,513**	70,991
Long-term deposits received	**56,113**	56,564
Total non-current liabilities	**2,484,069**	3,364,598
	15,289,287	15,094,351
EQUITY		
Share capital	**4,081,774**	4,076,816
Reserves (Note)	**11,207,513**	11,017,535
	15,289,287	15,094,351

Chew Fook Aun
Director

Lau Shu Yan, Julius
Director

51. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Investment revaluation/ fair value reserve HK$'000	Share option reserve HK$'000	Capital reduction reserve HK$'000	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2017	8,854	58,875	4,692	646,700	9,151,366	9,870,487
Profit for the year	—	—	—	—	1,226,954	1,226,954
Other comprehensive income for the year:						
Change in fair values of available-for-sale financial assets	(19,282)	—	—	—	—	(19,282)
Total comprehensive income for the year	(19,282)	—	—	—	1,226,954	1,207,672
Final 2017 dividend declared (note 12)	—	—	—	—	(60,509)	(60,509)
Share options exercised	—	(115)	—	—	—	(115)
At 31 July 2018 (audited)	(10,428)	58,760	4,692	646,700	10,317,811	11,017,535
Effect of adoption of HKFRS 9	10,428	—	—	—	(10,428)	—
At 1 August 2018 (restated)	**—**	**58,760**	**4,692**	**646,700**	**10,307,383**	**11,017,535**
Profit for the year and total comprehensive income for the year	**—**	**—**	**—**	**—**	**255,434**	**255,434**
Final 2018 dividend declared (note 12)	**—**	**—**	**—**	**—**	**(65,456)**	**(65,456)**
At 31 July 2019	**—**	**58,760**	**4,692**	**646,700**	**10,497,361**	**11,207,513**

52. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2019 were as follows:

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Bushell Limited	Hong Kong	HK$2	—	100.00	Property development and sale
Camper & Nicholsons International S.A. ("**CNI**") *	Luxembourg	EUR941,625	—	98.27	Brokerage, charter, marketing, management and crew placement of luxury yachts
Cape Nga Holding Company Limited *	Thailand	THB1,225,000	—	100.00	Investment holding
Capital Court Limited	Hong Kong	HK$1	—	100.00	Hotel development and operation
Chains Caravelle Hotel Joint Venture Company Limited ("**CCHJV**") @ ####	Vietnam	US$23,175,577	—	26.01	Hotel operation
Frontier Dragon Limited	British Virgin Islands/ United Kingdom	US$1	—	100.00	Property investment
Furama Hotel Enterprises Limited	Hong Kong	HK$102,880,454	—	100.00	Investment holding
Furama Hotels and Resorts International Limited	British Virgin Islands/ Hong Kong	US$1,000,000	—	100.00	Provision of management services
Fusion Century Limited ^^^^	Hong Kong	HK$100	—	50.28	Restaurant operation
Gainplace Limited	Hong Kong	HK$1	—	100.00	Property development
Gilroy Company Limited	Hong Kong	HK$10,000	100.00	—	Property investment

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Glynhill Hotels and Resorts (Vietnam) Pte Ltd	Singapore/ Vietnam	S$2	—	100.00	Provision of management and consultancy services to hotel owners
Glynhill Investments (Vietnam) Pte Ltd ("**GIV**") @	Singapore	S$2	—	51.00	Investment holding
Gold Fusion Limited	Hong Kong	HK$1	—	100.00	Property development
Greatful Limited ^^^^	Hong Kong	HK$100	—	67.04	Central kitchen
Hazelway Limited	Hong Kong	HK$1	—	69.00	Restaurant operation
Hibright	Hong Kong	HK$1	100.00	—	Provision of finance
Intercontinental Development and Services Limited	Hong Kong	HK$300,000	—	100.00	Property investment
KiKi International (HK) Limited ^^^^	Hong Kong	HK$1	—	67.04	Restaurant operation
King Faithful Limited ^^^^	Hong Kong	HK$100	—	61.68	Restaurant Operation
Kingland Century Limited	Hong Kong	HK$1	—	100.00	Property development
Kingright International Limited	Hong Kong	HK$1	—	100.00	Golf apparel retailing
Kolot Property Services Limited	Hong Kong	HK$780,002	100.00	—	Property management
Lai Sun Dining Limited ^^^^	Hong Kong	HK$1	—	67.04	Provision of management and consultancy services to restaurants

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Lai Sun F&B Holding Company Limited ("**LSF&B**")	British Virgin Islands/ Hong Kong	US$1	—	67.04	Investment holding
Lai Sun International Finance (2012) Limited	British Virgin Islands/ Hong Kong	US$1	100.00	—	Treasury operation
Lai Sun Real Estate Agency Limited	Hong Kong	HK$2	100.00	—	Property management and real estate agency
Laurel Coast Limited ^^^^	Hong Kong	HK$1,000,000	—	67.04	Restaurant operation
LSD Bonds (2017) Limited	British Virgin Islands/ Hong Kong	US$1	100.00	—	Treasury operation
Mazy Charm Limited ^^^^	Hong Kong	HK$4,200	—	61.68	Restaurant operation
Mazy Lamp Limited ^^^^	Hong Kong	HK$3,300	—	49.61	Restaurant operation
Milirich Investment Limited	Hong Kong	HK$2	100.00	—	Property development
Modern Charm Limited ^^^^	Hong Kong	HK$10,000	—	67.04	Restaurant operation
Oriental Style Limited	Hong Kong	HK$1	—	100.00	Property development and sale
Peakflow Profits Limited	British Virgin Islands/ Hong Kong	US$1	100.00	—	Investment holding
Porchester @ *	British Virgin Islands/ Hong Kong	US$100	—	51.00	Investment holding

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Really Star Limited ^^^^	Hong Kong	HK$4,600	—	62.71	Restaurant operation
Rife World Limited	Hong Kong	HK$1	—	100.00	Provision of finance
Rolling Star Limited	Hong Kong	HK$1	—	100.00	Provision of finance
Royal Team Limited ^^^^	Hong Kong	HK$10,000	—	59.00	Restaurant operation
Silver Fusion Limited ^^^^	Hong Kong	HK$500,000	—	67.04	Restaurant operation
Skyway Century Limited ^^^^	Hong Kong	HK$1,000,000	—	67.04	Restaurant operation
Superise Limited ^^^^	Hong Kong	HK$400	—	37.48	Restaurant operation
Top Winsome Limited ^^^^	Hong Kong	HK$300,000	—	59.67	Restaurant operation
Transformation International Limited *	British Virgin Islands/ Hong Kong	US$1	100.00	—	Investment holding
Transtrend Holdings Limited	Hong Kong	HK$20	—	100.00	Investment holding
Winstead Limited	Hong Kong	HK$1	—	100.00	Property development and sale
北京好酒好蔡餐飲管理有限公司 ^^^^ *	PRC/ Mainland China	RMB23,000,000#	—	67.04	Restaurant operation
櫳翠閣(上海)餐飲管理有限公司 ^^^^ *	PRC/ Mainland China	RMB10,407,795#	—	67.04	Restaurant operation

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
eSun (Listed on the Stock Exchange)	Bermuda/ Hong Kong	HK$745,927,299	—	74.62	Investment holding
Capital Artists Limited ^^^	Hong Kong	HK$44,394,500	—	74.62	Music production and distribution
East Asia Films Distribution Limited ^^^	British Virgin Islands/ Hong Kong	US$1	—	74.62	Investment in and licensing of film rights
East Asia Music (Holdings) Limited ^^^	Hong Kong	HK$10,000	—	74.62	Music production and distribution
eSun High-Tech Limited ^^^	Hong Kong	HK$2	—	74.62	Investment in and licensing of film rights
eSun.Com Limited ^^^	Hong Kong	HK$2	—	74.62	Investment in and licensing of film rights
Fortune Spark Limited ^^^	Hong Kong	HK$10,000,000	—	74.62	Cinema operation
Glynhill International Limited ^^^	Hong Kong	HK$915,631,997	—	74.62	Investment holding
Grandeur Limited ^^^	Hong Kong/ Macau	HK$1	—	74.62	Property holding
Intercontinental Film Distributors (H.K.) Limited ^^^	Hong Kong	HK$700,400	—	70.89	Film distribution
Intercontinental Group Holdings Limited ("**IGHL**") (Note b) ^^^	Cayman Islands/ Hong Kong	US$50,000	—	70.89	Investment holding
Intercontinental Video Limited ^^^	Hong Kong	HK$100	—	70.89	Distribution of movie video compact discs, digital video discs and blu-ray discs

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Kaleidoscope International Limited ^^^	British Virgin Islands/ Hong Kong	US$1	—	74.62	Property holding
Lauro Game Entertainment Limited ^^^	Hong Kong	HK$100,000	—	70.89	Trading of gaming products
Media Asia Distribution Ltd. ^^^	British Virgin Islands/ Hong Kong	US$80	—	74.62	Film distribution, licensing of film rights and film investment
Media Asia Distribution (HK) Limited ^^^	Hong Kong	HK$2	—	74.62	Film distribution and film library management
Media Asia Entertainment Group Limited ^^^ *	Bermuda/ Hong Kong	HK$100	—	74.62	Investment holding
Media Asia Films (BVI) Ltd. ^^^	British Virgin Islands/ Hong Kong	US$7	—	74.62	Film production, licensing of films and investment holding
Media Asia Group Limited ^^^	Hong Kong	HK$2	—	74.62	Investment holding and provision of management services
Media Asia Holdings Ltd. ^^^ *	British Virgin Islands/ Hong Kong	US$6,831	—	74.62	Investment holding
Mega Star Video Distribution (HK) Limited ^^^	Hong Kong	HK$2	—	74.62	Licensing of film products and film rights and sale of video products

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Merit Worth Limited ^^^	British Virgin Islands/ Hong Kong	US$1	—	74.62	Investment holding
Multiplex Cinema Limited ^^^	Hong Kong	HK$71,000,000	—	70.89	Operation of cinemas
Perfect Advertising & Production Company Limited ^^^	Hong Kong	HK$10,000	—	70.89	Provision of advertising services, video duplication services, and translating and subtitling of television programmes
Perfect Sky Holdings Limited ^^^	British Virgin Islands/ Hong Kong	US$1	—	74.62	Investment holding
Rich & Famous Talent Management Group Limited ^^^	Hong Kong	HK$100	—	55.97	Provision of artiste management services
Silver Glory Securities Limited ^^^ *	British Virgin Islands/ Hong Kong	US$1	—	74.62	Investment holding
Style International Management Group Limited ^^^	Hong Kong	HK$1	—	43.43	Provision of artiste management services
Sunny Horizon Investments Limited ^^^	British Virgin Islands/ Hong Kong	US$1	—	74.62	Investment holding

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
寰亞風尚演藝經紀(上海)有限公司 ^^^ ## *	PRC/ Mainland China	RMB2,000,000#	—	43.43	Provision of artiste management services
洲立影藝(深圳)有限公司 ^^^ ## *	PRC/ Mainland China	HK$10,000,000#	—	70.89	Operation of cinemas
廣東五月花電影城有限公司 ("**廣東五月花**") ^^^ ## *	PRC/ Mainland China	RMB100,000,000#	—	74.62	Operation of cinemas
東亞豐麗演出經紀(北京)有限公司 ^^^ ## *	PRC/ Mainland China	RMB25,000,000#	—	74.62	Provision of artiste management and performance agency services
MAGHL (Listed on the GEM of the Stock Exchange)	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK$21,360,568	—	50.41	Investment holding
Champ Universe Limited ^	Hong Kong	HK$1	—	50.41	Provision of management services
Media Asia Distribution (Beijing) Co. Ltd. ^ ## *	PRC/ Mainland China	RMB50,000,000#	—	50.41	Film distribution
Media Asia Entertainment Limited ^	Hong Kong	HK$100	—	50.41	Entertainment activity production, and event and film investments
Media Asia Film International Limited ^	British Virgin Islands	US$100	—	50.41	Film investment and production and event investment
Media Asia Film Production Limited ^	Hong Kong	HK$100	—	50.41	Investment holding and film production

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
寰亞文化傳播(中國)有限公司 ^ ## *	PRC/ Mainland China	HK$38,000,000#	—	50.41	Entertainment activity production
Lai Fung (Listed on the Stock Exchange) (Note a) ^^^	Cayman Islands/ Hong Kong	HK$1,636,934,825	—	37.72	Investment holding
Canvex Limited ^^	Hong Kong	HK$2	—	37.72	Property Investment
Eastern Power Limited ^^	Hong Kong	HK$1	—	37.72	Investment holding
Eternal Medal Limited ^^	Hong Kong	HK$1	—	37.72	Investment holding
Fore Bright Limited ^^	Hong Kong	HK$1	—	37.72	Investment holding
Frank Light Development Limited ^^	Hong Kong	HK$19,999,999	—	37.72	Investment holding
Gentle Code Limited ^^	Hong Kong	HK$1	—	37.72	Investment holding
Gentle Holdings Limited ^^	Hong Kong	HK$1	—	37.72	Investment holding
Goldthorpe Limited ^^ *	British Virgin Islands/ Hong Kong	US$1	—	37.72	Investment holding
Good Strategy Limited ^^	British Virgin Islands/ Mainland China	US$1	—	37.72	Property investment
Grand Wealth Limited ^^	Hong Kong	HK$2	—	37.72	Investment holding
Grosslink Investment Limited ^^	Hong Kong	HK$2	—	37.72	Investment holding

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Gentle Code Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$22,830,000#	—	37.72	Property investment
Guangzhou Gentle Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$17,080,000#	—	37.72	Property development
Guangzhou Grand Wealth Properties Limited ^^ ### *	PRC/ Mainland China	HK$280,000,000#	—	37.72	Property development and investment
Guangzhou Guang Bird Property Development Limited ("**Guangzhou Guang Bird**") ^^ ### *	PRC/ Mainland China	US$79,600,000#	—	37.72	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited ^^ ### *	PRC/ Mainland China	RMB79,733,004#	—	37.72	Property development and investment
Guangzhou Jieli Real Estate Company Limited ^^ ## *	PRC/ Mainland China	HK$168,000,000#	—	37.72	Property investment
Hankey Development Limited ^^	Hong Kong	HK$10,000	—	37.72	Investment holding
Kingscord Investment Limited ^^	Hong Kong	HK$2	—	37.72	Investment holding
Lai Fung Company Limited ^^	Hong Kong	HK$20	—	37.72	Investment holding
Manful Concept Limited ^^	Hong Kong	HK$2	—	37.72	Investment holding

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Nicebird Company Limited ^^	Hong Kong	HK$2	—	37.72	Investment holding
Pearl Merge Limited ^^	Hong Kong	HK$1	—	45.10	Investment holding
Rosy Commerce Holdings Limited ^^	British Virgin Islands/ Hong Kong	US$100	—	45.10	Investment holding
Shanghai Hankey Real Estate Development Company Limited ^^ ##	PRC/ Mainland China	US$47,600,000#	—	37.72	Property investment
Shanghai HKP Property Management Limited ^^ ## *	PRC/ Mainland China	US$150,000#	—	37.72	Property management
Shanghai Hu Xin Real Estate Development Company Limited ^^ ##	PRC/ Mainland China	US$40,000,000#	—	37.72	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited ^^ ## *	PRC/ Mainland China	US$36,000,000#	—	37.72	Property investment
Shanghai Wa Yee Real Estate Development Company Limited ^^ Δ *	PRC/ Mainland China	US$10,000,000#	—	35.83	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited ^^ ##	PRC/ Mainland China	US$79,800,000#	—	37.72	Property investment
Sunlite Investment Limited ^^	Hong Kong	HK$2	—	37.72	Investment holding
Wide Angle Development Limited ^^	Hong Kong	HK$2	—	37.72	Investment holding

52. Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Winfield Concept Limited ^^	Hong Kong	HK$1	—	45.10	Investment holding
Win Merge Limited ^^	Hong Kong	HK$1	—	45.10	Investment holding
Zhongshan Bao Li Properties Development Company Limited ("**Zhongshan Bao Li**") ^^ ## *	PRC/ Mainland China	HK$960,000,000#	—	37.72	Property development and investment
廣州高樂物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB1,100,000#	—	37.72	Property management
上海麗港物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB500,000#	—	37.72	Property management
上海麗星房地產發展有限公司 ^^ ## *	PRC/ Mainland China	RMB630,000,000#	—	37.72	Property development
中山高樂物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB500,000#	—	37.72	Property management
珠海橫琴麗新文創天地有限公司 ("**麗新文創**") ^^ ## *	PRC/ Mainland China	RMB1,900,000,000#	—	45.10	Property development and investment
珠海橫琴創新方娛樂有限公司 ^^ ## *	PRC/ Mainland China	RMB500,000,000#	—	45.10	Development and operation of and investment in cultural, leisure, entertainment and related facilities
珠海橫琴創新方文化創意有限公司 ^^ ## *	PRC/ Mainland China	RMB52,000,000#	—	45.10	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#	—	37.72	Property development and investment

52. Particulars of Principal Subsidiaries (continued)

* Subsidiaries whose statutory financial statements were not audited by Ernst & Young, Hong Kong or other member firm of Ernst & Young global network.

\# The registered capital of these subsidiaries were fully paid up, except for 廣東五月花, Guangzhou Guang Bird, 麗新文創, 創新方發展 and Zhongshan Bao Li of which the respective capital of RMB13,000,000 (equivalent to approximately HK$14,754,000), 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 were unpaid as at 31 July 2019. Subsequent to the reporting date, the respective 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 have been paid.

\## Registered as wholly-foreign-owned enterprises under the laws of the PRC

\### Registered as co-operative joint ventures under the laws of the PRC

\#### This subsidiary has registered capital rather than issued share capital.

Δ Registered as equity joint ventures under the laws of the PRC

ø Registered as domestic enterprises under the laws of the PRC

^ They are subsidiaries of MAGHL.

^^ They are subsidiaries of Lai Fung.

^^^ They are subsidiaries of eSun (other than the MAGHL Group and the Lai Fung Group).

^^^^ They are subsidiaries of LSF&B, a 67.04%-owned subsidiary of the Company.

@ The Group owns a 51% (2018: 51%) equity interests in Porchester, which in turn, through GIV, a wholly-owned subsidiary of Porchester, owns a 51% (2018: 51%) interest in CCHJV. By virtue of the 51% (2018: 51%) equity interest in CCHJV held by the Group through the 51%-owned Porchester, an effective equity interest of 26.01% (2018: 26.01%) in CCHJV was held by the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Shares of certain subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group (note 38(vii)).

As at 31 July 2019, the Group had unpaid capital contributions of approximately HK$161,001,000 (2018: Nil) to three (2018: Nil) non-wholly-owned subsidiaries and a wholly-owned subsidiary (2018: Nil) which are not included in the above table.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

(a) *Interests in Lai Fung*

During the year ended 31 July 2019, Lai Fung issued new shares to its shareholders who had elected to receive scrip shares in lieu of a cash dividend of HK$3,225,000 under the scrip dividend scheme. As a result, the equity interest of the eSun Group in Lai Fung decreased from 50.60% to 50.55% as at 31 July 2019. The change in the eSun Group's shareholding interest in Lai Fung resulted in a decrease in other reserve of HK$7,094,000 and an increase in the non-controlling interests of HK$10,319,000 in the consolidated statement of changes in equity of the Group.

(b) *Interests in IGHL*

During the year ended 31 July 2019, the eSun Group acquired a 10% equity interest in IGHL at a cash consideration of HK$37,500,000. As a result, the equity interest of the eSun Group in IGHL increased from 85% to 95% during the year. The change in the eSun Group's shareholding interest in IGHL resulted in a decrease in other reserve of HK$21,478,000 and a decrease in the non-controlling interests of HK$16,341,000 in the consolidated statement of changes in equity of the Group.

53. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates as at 31 July 2018 were as follows:

Name	Place of incorporation or registration and business	Class of shares held	Percentage of ownership interest attributable to the Group	Notes
eSun	Bermuda/ Hong Kong	Ordinary	36.94	a
Lai Fung	Cayman Islands/ PRC	Ordinary	18.69	b
MAGHL	Incorporated in the Cayman Islands and continued in Bermuda/Hong Kong	Ordinary	24.96	c

Notes:

a. eSun is listed on the Main Board of the Stock Exchange.

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

53. Particulars of Principal Associates (continued)

Notes: (continued)

b. Lai Fung is listed on the Main Board of the Stock Exchange. As at 31 July 2018, eSun owned a 50.60% interest in Lai Fung.

Lai Fung and its subsidiaries are principally engaged in property development for sale and property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities.

c. MAGHL is listed on the Growth Enterprise Market of the Stock Exchange. As at 31 July 2018, eSun owned a 67.56% interest in MAGHL.

MAGHL and its subsidiaries are principally engaged in film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programs; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

54. Particulars of Principal Joint Ventures

Particulars of the Group's principal joint ventures as at 31 July 2019 were as follows:

Name	Place of incorporation or registration and business	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Diamond Path Group *	British Virgin Islands/ Hong Kong	Ordinary	50.00	Property development and investment
Diamond String	Hong Kong	Ordinary	50.00	Property investment

* Joint venture whose statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the joint ventures of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors of the Company, result in particulars of excessive length.

55. Acquisition of Subsidiaries

(a) eSun Acquisition

Further to the joint announcement of the Company, LSG, eSun, Lai Fung and the Offeror as defined below dated 27 May 2018 and the Company's circular dated 23 July 2018 in respect of, among others, (1) the then conditional voluntary general cash offer by Transtrend Holdings Limited (the "**Offeror**"), a wholly-owned subsidiary of the Company, to acquire all of the issued shares of eSun (other than those already owned or agreed to be acquired by the Company, the Offeror or their respective subsidiaries) (the "**eSun Share Offer**") and to cancel all the outstanding share options of eSun (the "**eSun Option Offer**", and together with the eSun Share Offer, the "**eSun Offers**") and (2) the then possible unconditional mandatory general cash offer by the Offeror to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by the Company, the Offeror, eSun or their respective subsidiaries) and to cancel all the outstanding share options of Lai Fung, the Group acquired additional 40.44% interest in eSun for approximately HK$735 million. eSun became a subsidiary of the Group since 8 August 2018 (the "**Completion Date**") and upon completion of the eSun Offers, the Group held 77.38% equity interest in eSun. For details of the acquisition, please refer to the joint announcement of the Company, eSun, Lai Fung and the Offeror dated 8 August 2018, the joint announcement of the Company, Lai Fung and the Offeror dated 15 August 2018, the joint announcement of the Company, eSun and the Offeror dated 22 August 2018 and the joint announcement of the Company, Lai Fung and the Offeror dated 13 September 2018.

Prior to the eSun Offers, the Group held 36.94% equity interest in eSun (the "**Existing Shareholding**"). The fair value of the Existing Shareholding as at the Completion Date of approximately HK$705 million was calculated with reference to the quoted share price of eSun of HK$1.28 per share as at the Completion Date. The aggregate carrying amount of the Group's interests in eSun and related reserves (including investment revaluation reserve and exchange fluctuation reserve) retained by the Group for the Existing Shareholding immediately before the Completion Date was approximately HK$3,635 million.

Difference between the fair value of the Existing Shareholding and the aggregate carrying amount of the Group's interests in eSun and related reserves retained by the Group for the Existing Shareholding as at the Completion Date of approximately HK$2,930 million has been recognised in the consolidated income statement of the Company as a loss on remeasurement of the Existing Shareholding in eSun upon business combination.

The fair value of the Existing Shareholding at the Completion Date formed part of the acquisition cost and was included in the calculation of gain on bargain purchase in relation to the acquisition of 74.62% equity interest in eSun (the "**eSun Acquisition**") after taking into account the Disposal as set out in (b) below, in accordance with HKFRS 3 *Business Combinations*.

The Group has elected to measure the non-controlling interests in eSun at the non-controlling interests' proportionate share of the eSun Group's net identifiable assets and liabilities.

The consideration of the eSun Offers was determined after taking into account, among other things, the historical trading prices of eSun's shares, eSun's financial performance and the trading multiples of comparable companies, and represented a discount to the net asset value attributable to owners of eSun. Upon completion of the eSun Offers, the Group has recognised an overall net gain on bargain purchase of approximately HK$3,737 million for the year ended 31 July 2019, which was resulted from discount of trading prices to the net asset value.

55. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) eSun Acquisition (continued)

The fair values of the identifiable assets and liabilities of the eSun Group as at the Completion Date were as follows:

	Notes	HK$'000
Property, plant and equipment	14	**5,188,660**
Investment properties	16	**18,601,100**
Properties under development	17	**4,667,700**
Film rights		**11,205**
Film products	19	**80,217**
Music catalogs		**74,833**
Other intangible assets	22	**586**
Investments in associates		**16,278**
Investments in joint ventures		**1,877,476**
Financial assets at fair value through profit or loss		**213,226**
Derivative financial instruments	27	**2,531**
Debtors		**181,599**
Deposits, prepayments and other receivables		**561,642**
Deferred tax assets	40	**4,189**
Pledged and restricted bank balances and time deposits		**1,073,762**
Completed properties for sale		**1,758,600**
Films under production and film investments	32	**469,585**
Inventories		**21,874**
Prepaid tax		**37,856**
Cash and cash equivalents		**2,136,039**
Creditors, other payables and accruals		**(1,961,570)**
Deposits received, deferred income and contract liabilities		**(801,367)**
Tax payable		**(123,973)**
Bank borrowings	57	**(3,920,953)**
Loans from a joint venture	57	**(644,698)**
Loans from a related company		**(650,000)**
Other borrowings	57	**(257,841)**
Guaranteed notes	37(b), 57	**(2,602,991)**
Deferred tax liabilities	40	**(5,507,393)**
Non-controlling interests of eSun		**(9,643,570)**
		10,864,602
Non-controlling interests		**(2,757,158)**
Total identifiable net assets at fair value		**8,107,444**
Gain on bargain purchase on the eSun Acquisition		**(6,666,994)**
Total consideration		**1,440,450**

55. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) eSun Acquisition (continued)

The fair values of the identifiable assets and liabilities of the eSun Group as at the Completion Date were as follows: (continued)

	HK$'000
Satisfied by:	
Cash consideration of the eSun Offers	**735,119**
Fair value of the Existing Shareholding	**705,331**
	1,440,450
Net impact on the consolidated income statement	
Loss on remeasurement of the Existing Shareholding in eSun upon business combination	**2,930,325**
Gain on bargain purchase on the eSun Acquisition	**(6,666,994)**
Gain on bargain purchase, net	**(3,736,669)**

The Group incurred total transaction costs of approximately HK$45 million for the eSun Acquisition, of which approximately HK$31 million was incurred for the year ended 31 July 2018. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

Since the eSun Acquisition, the eSun Group contributed approximately HK$2,903 million to the Group's revenue and profit of approximately HK$18 million to the Group's consolidated profit for the year ended 31 July 2019.

Had the eSun Acquisition taken place at the beginning of the year ended 31 July 2019, the revenue and the profit for the year ended 31 July 2019 of the Group would have been approximately HK$6,494 million and approximately HK$4,733 million, respectively.

An analysis of the cash flows in respect of the eSun Acquisition is as follows:

	HK$'000
Cash consideration paid	**(735,119)**
Cash and bank balances acquired	**2,136,039**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**1,400,920**
Transaction costs of the eSun Acquisition included in cash flows from operating activities	**(13,726)**
	1,387,194

55. Acquisition of Subsidiaries (continued)

(b) Disposal of shares in eSun

In order to restore the minimum percentage of shares in eSun held by the public as required under Rule 8.08(1)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Offeror entered into a legally binding and unconditional agreement on 25 January 2019 to sell an aggregate of 41,150,000 shares in eSun ("**Disposal Shares**"), representing approximately 2.76% of the then total issued share capital of eSun, to an independent third party (the "**Disposal**").

Following the completion of the Disposal on 11 February 2019, the minimum public float of 25% of the then total issued share capital of eSun as required under Rule 8.08(1)(a) of the Listing Rules has been restored and the Group held 74.62% equity interest in eSun since then.

(c) CNI Acquisition

On 28 June 2018, the Group acquired additional equity interest in joint ventures, CNI and its subsidiaries (the "**CNI Group**") (the "**CNI Acquisition**"), as follows:

Entities	Equity interest attributable to the Group prior to the CNI Acquisition	Interest acquired	Equity interest attributable to the Group upon the CNI Acquisition	Principal activities
CNI	49.96%	49.96%	99.92%	Brokerage, charter, marketing, management and crew placement of luxury yachts

For the year ended 31 July 2018, goodwill of approximately HK$230,617,000 was recognised upon the completion of the CNI Acquisition. The Group considers that the CNI Group would add immediate scale to its luxury yachting operation globally. None of the goodwill recognised is expected to be deductible for income tax purposes.

55. Acquisition of Subsidiaries (continued)

(c) CNI Acquisition (continued)

The fair values of identifiable assets and liabilities of the CNI Group as at the date of the CNI Acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	14	10,365
Other intangible assets	22	118,774
Debtors		10,388
Deposits, prepayments and other receivables		4,586
Cash and cash equivalents		283,245
Creditors, other payables and accruals		(34,003)
Deposits received		(268,526)
Bank borrowings	57	(29,076)
Deferred tax	40	(24,939)
		70,814
Non-controlling interests		(241)
Total identifiable net assets at fair value		70,573
Goodwill on the CNI Acquisition	21	230,617
		301,190
Satisfied by:		
Cash consideration paid		150,595
Fair value of equity interests of CNI prior to the CNI Acquisition		150,595
		301,190

For the year ended 31 July 2018, the Group incurred transaction costs of approximately HK$1,362,000 for the CNI Acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

Since the CNI Acquisition, the CNI Group contributed approximately HK$20,267,000 to the Group's revenue and profit of approximately HK$3,078,000 to the Group's consolidated profit for the year ended 31 July 2018.

Had the CNI Acquisition taken place at the beginning of the year ended 31 July 2018, the revenue and the profit for the year ended 31 July 2018 of the Group would have been approximately HK$1,851,673,000 and approximately HK$4,363,918,000, respectively.

Both the fair value and the gross contractual amounts of debtors, deposits paid and other receivables as at the date of the CNI Acquisition were HK$14,974,000.

55. Acquisition of Subsidiaries (continued)

An analysis of the cash flows in respect of the CNI Acquisition is as follows:

	HK$'000
Cash consideration paid	(150,595)
Cash and bank balances acquired	283,245
Net inflow of cash and cash equivalents included in cash flows from investing activities	132,650
Transaction costs of the CNI Acquisition included in cash flows from operating activities	(1,362)
	131,288

56. Disposal of Subsidiaries

For the year ended 31 July 2019

	Notes	**2019 HK$'000**
Net assets/(liabilities) disposed of:		
Property, plant and equipment	14	**34**
Films under production	32	**14,813**
Deposits, prepayments and other receivables		**6,416**
Cash and cash equivalents		**5,372**
Creditors, other payables and accruals		**(34,723)**
		(8,088)
Non-controlling interests		**3,963**
Release of exchange fluctuation reserve		**(15)**
		(4,140)
Gain on disposal of subsidiaries	6	**4,720**
Consideration		**580**
Satisfied by:		
Consideration receivables		**580**

56. Disposal of Subsidiaries (continued)

An analysis of cash flows in respect of the disposal of the subsidiaries is as follows:

	2019 HK$'000
Cash and cash equivalents disposed of and net cash outflow in respect of the disposal of the subsidiaries	**(5,372)**

57. Notes to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

	Notes	Bank borrowings HK$'000	Guaranteed notes HK$'000	Loans from a joint venture HK$'000	Other borrowings HK$'000	Put option liabilities HK$'000	Dividend payable HK$'000
At 1 August 2017		6,905,981	2,731,230	—	—	—	—
Changes from financing cash flows		1,904,821	365,389	—	—	—	(47,826)
Amortisation of bank financing charges		38,314	—	—	—	—	—
Amortisation of guaranteed note issue expenses		—	5,922	—	—	—	—
Final 2017 dividend declared	12	—	—	—	—	—	60,509
Final 2017 dividend settled with scrip dividend	41(b)	—	—	—	—	—	(12,683)
Arising from acquisition of subsidiaries	55(c)	29,076	—	—	—	—	—
Foreign exchange movement		6,541	16,053	—	—	—	—
At 31 July 2018 and 1 August 2018		**8,884,733**	**3,118,594**	**—**	**—**	**—**	**—**
Changes from financing cash flows		**513,831**	**—**	**(633,081)**	**41,560**	**280,532**	**(60,498)**
Amortisation of bank financing charges		**59,213**	**—**	**—**	**—**	**—**	**—**
Interest expense		**—**	**—**	**—**	**5,766**	**—**	**—**
Amortisation of guaranteed note issue expenses		**—**	**23,235**	**—**	**—**	**—**	**—**
Final 2018 dividend declared	12	**—**	**—**	**—**	**—**	**—**	**65,456**
Final 2018 dividend settled with scrip dividend	41(d)	**—**	**—**	**—**	**—**	**—**	**(4,958)**
Arising from acquisition of subsidiaries	55(a)	**3,920,953**	**2,602,991**	**644,698**	**257,841**	**—**	**—**
Foreign exchange movement		**(107,515)**	**(8,166)**	**(11,617)**	**(833)**	**(812)**	**—**
At 31 July 2019		**13,271,215**	**5,736,654**	**—**	**304,334**	**279,720**	**—**

58. Events After the Reporting Period

On 23 July 2019, the Company entered into the share sale and purchase agreement (the "**SPA Agreement**") with Sunny Horizon Investments Limited, an indirect wholly-owned subsidiary of eSun, to acquire 20% equity interest in Rosy Commerce, a non-wholly-owned subsidiary of the Group, for a consideration of HK$557,250,000 (the "**Rosy Commerce Acquisition**"). The completion of the Rosy Commerce Acquisition was conditional upon the satisfaction of certain conditions as set out in the SPA Agreement (the "**Conditions**") and was subject to the shareholders' approval of eSun. Details are set out in a joint announcement of the Company, LSG and eSun dated 23 July 2019 and eSun's circular dated 30 August 2019.

On 24 September 2019, the Rosy Commerce Acquisition was completed. As the Rosy Commerce Acquisition was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the Rosy Commerce Acquisition at this stage.

59. Comparative Figures

Certain comparative amounts have been reclassified to conform with the current year's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial performance of the Group.

60. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 October 2019.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("**AGM**") of the members ("**Members**") of Lai Sun Development Company Limited ("**Company**") will be held at 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 11:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 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 re-elect the retiring directors of the Company ("**Directors**") and to authorise the board of Directors ("**Board**") to fix the Directors' remuneration;

4. To re-appoint Ernst & Young, Certified Public Accountants ("**Ernst & Young**"), as the independent auditor of the Company for the ensuing year and to authorise the Board to fix their remuneration; and

5. As special businesses, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

   Ordinary Resolution (A)

   "**THAT**:

   (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares of the Company on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Code on Share Buy-backs for this purpose, subject to and in accordance with all applicable laws in Hong Kong and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

   (b) the aggregate number of the shares of the Company to be bought back by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the total number of the shares of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

   (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

      (i) the conclusion of the next Annual General Meeting of the Company;

      (ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or

      (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held."

Ordinary Resolution (B)

"**THAT**:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares in the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate number of the shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

    (i) a Rights Issue (as hereinafter defined); or

    (ii) an issue of shares in the Company upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company); or

    (iii) an issue of shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or

    (iv) an issue of shares in the Company under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares in the Company or rights to acquire shares in the Company,

    shall not exceed 20% of the total number of the shares of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or

(iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held; and

"Rights Issue" means an offer of shares in the Company open for a period fixed by the Directors to the holders of shares, whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

Ordinary Resolution (C)

"**THAT**:

subject to the passing of the Ordinary Resolution (A) and Ordinary Resolution (B) set out in agenda item 5 contained in the notice convening this meeting, the general mandate granted to the directors of the Company ("**Directors**") and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of such number of shares of the Company which has been bought back by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares, provided that such number of shares shall not exceed 10% of the total number of the shares of the Company in issue as at the date of passing of this Resolution."

By Order of the Board
Lai Sun Development Company Limited
Chow Kwok Wor
Company Secretary

Hong Kong, 21 November 2019

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

Notes:

1. *A Member entitled to attend and vote at the AGM convened by the above notice ("**Notice**") (or its adjourned meeting) is entitled to appoint one (or if he/she/it holds two or more shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association of the Company ("**Articles of Association**"). A proxy need not be a Member.*

2. *A form of proxy for use at the AGM is sent to the Members with the Annual Report of the Company for the Year and is also available at the websites of the Stock Exchange and the Company.*

3. *To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's share registrar, Tricor Tengis Limited ("**Registrar**"), at Level 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 form of proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or at its adjourned meeting should they so wish. In such case, the said form(s) of proxy shall be deemed to be revoked.*

   The contact phone number of the Registrar is (852) 2980 1333.

4. *To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar not later than 4:30 p.m. on Monday, 16 December 2019 for registration.*

5. *Where there are joint registered holders of any ordinary share of the Company ("**Share**"), any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the AGM or its adjourned meeting (as the case may be) personally or by proxy, that one of such holders so present whose name stands first in the Register of Members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.*

6. *The proposed final dividend of HK$0.108 per Share as recommended by the Board is subject to the approval of the Members at the AGM. The record date for the proposed final dividend is at the close of business on Friday, 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.*

7. *Concerning agenda item 3 of this Notice,*

   (i) *in accordance with Article 102 of the Articles of Association, Madam U Po Chu ("**Madam U**") and Mr. Ip Shu Kwan, Stephen ("**Mr. Stephen Ip**") will retire from office as Directors by rotation at the AGM. Being eligible, they offer themselves for re-election;*

   (ii) *in accordance with Article 93 of the Articles of Association, Mr. Tham Seng Yum, Ronald ("**Mr. Ronald Tham**") will retire from office as Director by rotation at the AGM. Being eligible, he offers himself for re-election; and*

   (iii) *in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the particulars of Madam U, Mr. Stephen Ip and Mr. Ronald Tham, are set out in the "Biographical Details of Directors" section of the Annual Report of the Company for the Year.*

8. *Concerning agenda item 4 of this Notice, the Board (which concurs with the Audit Committee) has recommended that subject to the approval of Members at the AGM, Ernst & Young be re-appointed independent auditor of the Company for the year ending 31 July 2020 ("**Year 2020**"). Members should note that in practice, independent auditor's remuneration for Year 2020 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of the audit and other works which the inde*pendent 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.

9. *The proposed Ordinary Resolution (A) under agenda item 5 of this Notice relates to the granting of a general mandate to the Directors to buy back shares of up to a maximum of 10% of the total number of the shares of the Company in issue as at the date of passing the said Resolution. Members' attention is also drawn to the explanatory statement on the proposed buy back mandate contained in the Appendix to the circular dated 21 November 2019.*

   The proposed Ordinary Resolution (B) under agenda item 5 of this Notice relates to the granting of a general mandate to the Directors to issue new Shares of up to a maximum of 20% of the total number of the shares of the Company in issue as at the date of passing the said Resolution. The Company has no immediate plan to issue any new Shares under the general mandate.

   The proposed Ordinary Resolution (C) under agenda item 5 of this Notice extends the general mandate to include the Shares bought back under the buy back mandate.

10. *Details regarding the Ordinary Resolutions (A), (B) and (C) under agenda item 5 of this Notice is set out in the circular of the Company dated 21 November 2019 in relation to, among others, the proposals involving general mandates to buy back shares and to issue shares.*

11. *In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice will be taken by poll.*

12. *If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time 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 Hong Kong Exchanges and Clearing Limited.*

    If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 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.

    Members should decide whether they would attend the AGM under a bad weather condition after considering their own situations and if they do so, they are advised to exercise care and caution.