eSun Holdings Limited
豐德麗控股有限公司

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

Stock Code 股份代號: 571

ANNUAL REPORT
年度報告

Year ended 31 July 2020
二零二零年七月三十一日止

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CORPORATE INFORMATION

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Executive Directors

Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Chew Fook Aun
Lam Hau Yin, Lester
(also alternate director to U Po Chu)
Yip Chai Tuck

Non-executive Director

U Po Chu

Independent Non-executive Directors

Low Chee Keong *(Chairman)*
Lo Kwok Kwei, David
Ng Lai Man, Carmen
Alfred Donald Yap

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Chew Fook Aun
Lui Siu Tsuen, Richard

COMPANY SECRETARY

Wong Lai Chun

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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

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

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

LISTING INFORMATION

Shares

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

Stock Code/Board Lot

571/2,000 shares

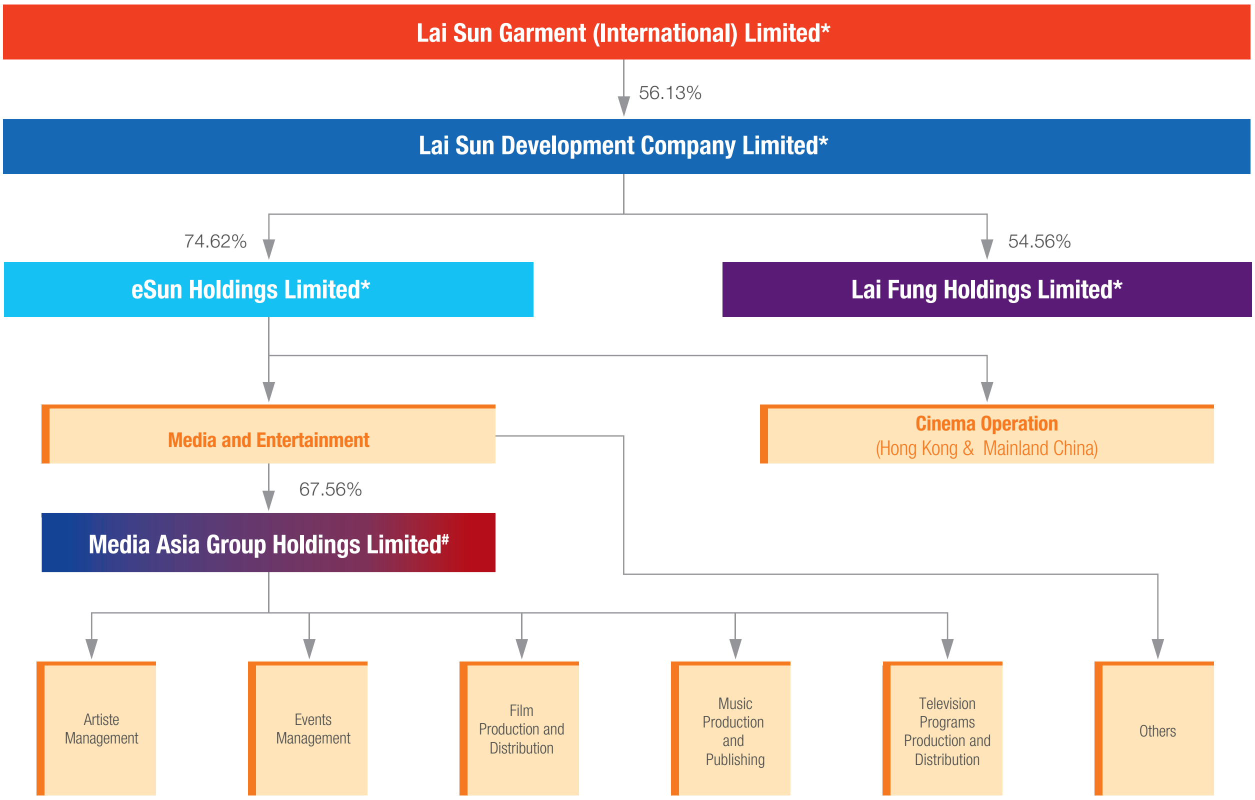
WEBSITE

www.esun.com

INVESTOR RELATIONS

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

CORPORATE PROFILE



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

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

Corporate Structure as at 20 October 2020

eSun Holdings Limited ("**Company**") is a member of the Lai Sun Group which was established in Hong Kong in 1947. The Company acted as an investment holding company and the principal activities of its subsidiaries include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products and cinema operation.

Since 9 June 2011, Media Asia Group Holdings Limited ("**MAGHL**", formerly known as "Rojam Entertainment Holdings Limited") has become a subsidiary of the Company, the issued shares of which are traded and listed on GEM of The Stock Exchange of Hong Kong Limited (Stock Code: 8075). The Company currently holds about 67.56% of the total issued shares in MAGHL and the principal activities of MAGHL and its subsidiaries include 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.

Since November 2018, Intercontinental Group Holdings Limited ("**IGHL**", formerly known as "Kadokawa Intercontinental Group Holdings Limited") has become a 95%-owned subsidiary of the Company. IGHL is one of the leading film and video distribution companies in Hong Kong, releasing around 30 films every year and distributing a variety of video products. IGHL is also one of the leading multiplex cinema operators in Hong Kong, operating a total of 14 cinemas in Hong Kong and Mainland China.

CHAIRMAN'S STATEMENT

Low Chee Keong
Chairman

I am pleased to present the audited consolidated results of eSun Holdings Limited ("**Company**") and its subsidiaries (together, "**Group**") for the year ended 31 July 2020.

OVERVIEW OF ANNUAL RESULTS

Upon completion of the LF Disposal (as defined below) in May 2020, the Group no longer held any interest in Lai Fung Holdings Limited ("**Lai Fung**") and its subsidiaries (together, "**Lai Fung Group**") which is principally engaged in property investment and property development for sale as well as the development and operation of and investment in cultural, leisure, entertainment and related facilities in Mainland China. Accordingly, financial results of Lai Fung Group ceased to be consolidated into the consolidated financial statements of the Group. The Group's continuing operations include development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products and cinema operation in Hong Kong and Mainland China.

For the year ended 31 July 2020, the continuing operations of the Group recorded a turnover of HK$929.2 million, representing a decrease of approximately 35.9% from the restated figure of HK$1,450.2 million for last year. The gross profit dropped by approximately 37.0% to HK$301.9 million (2019 (restated): HK$478.9 million).

The net loss attributable to owners of the Company from continuing operations of the Group for the year ended 31 July 2020 was approximately HK$926.4 million (2019 (restated): net loss of HK$293.9 million). Net loss per share attributable to owners of the Company from continuing operations of the Group was HK$0.621 (2019: HK$0.197 per share). The substantial increase in consolidated loss from continuing operations of the Group is primarily due to the increase in other operating expenses as a result of (i) an impairment of right-of-use assets in relation to leases of certain cinemas of the Group and (ii) an impairment of certain property, plant and equipment during the year under review.

The Group recorded an aggregated net loss of HK$7,259.0 million from the LF Disposal (as defined below) during the year under review. In respect of the discontinued operations, net loss for the year amounted to HK$8,150.4 million (2019: net profit of HK$365.8 million).

Net loss attributable to owners of the Company for the year ended 31 July 2020 was approximately HK$8,585.4 million (2019: HK$77.6 million). Net loss per share attributable to owners of the Company was HK$5.755 per share (2019: HK$0.052 per share).

Equity attributable to owners of the Company as at 31 July 2020 amounted to HK$1,597.4 million (2019: HK$9,098.6 million). Net asset value per share attributable to owners of the Company as at 31 July 2020 was HK$1.071 per share (2019: HK$6.099 per share).

FINAL DIVIDEND

The board of directors of the Company ("**Board**" and "**Directors**", respectively) does not recommend the payment of a dividend for the year ended 31 July 2020 (2019: Nil).

BUSINESS REVIEW AND OUTLOOK

Upon completion of the conditional voluntary general cash offers ("**LF Offers**") made by Holy Unicorn Limited ("**Offeror**"), a wholly-owned subsidiary of Lai Sun Development Company Limited ("**LSD**", the intermediate holding company of the Company), to acquire all issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of Lai Fung in May 2020, Lai Fung has ceased to become a subsidiary of the Company. The disposal of all Lai Fung shares owned by the Company ("**LF Disposal**") as a result of its acceptance of the LF Offers as approved by the independent shareholders of the Company has not only generated net proceeds of approximately HK$1,515.9 million, but also enabled the remaining group to become a pure-play cinema, media and entertainment group.

CHAIRMAN'S STATEMENT

The year ended 31 July 2020 has been one of the toughest years in the history of the Hong Kong entertainment industry marked by the social unrest in the city emerging in mid-2019 and the outbreak of the novel coronavirus (COVID-19) since early 2020.

The Group's cinema operation was disrupted as certain cinemas had to shut down temporarily amid the prolonged social unrest in Hong Kong. The outbreak of COVID-19 since early 2020 is compounding the challenges as admissions had been affected by the delay in releases of certain high profile movies during the year under review. Hong Kong's cinemas were requested to close between 28 March 2020 and 8 May 2020 during the second wave of COVID-19 and then closed for a second time from 15 July 2020 to 27 August 2020 when the third wave emerged. Cinemas in Mainland China had been closed for over 5 months before their re-opening in late July 2020. Subject to certain social distancing and disease control measures, all cinemas of the Group have resumed businesses as at the date of this Annual Report, with limited seating capacities. While the Group's box office performance for the year under review has been inevitably impacted, the Group remains cautiously optimistic about the fundamental demand for entertainment. Renovation of STAR Cinema was completed in the second quarter of 2020 and the new features included Buttkicker® vibration system, 4K projection system and Bowers & Wilkins Hi-Fi grade speakers and genuine leather seats. The new cinema at Cyberport opened in June 2020 and the new cinema in Kai Tak is expected to commence business in 2022. The Group is closely monitoring the market conditions in Hong Kong and Mainland China and will continue to improve its overall operating efficiency and take a prudent approach in evaluating opportunities for further expansion of its footprint.

Film production and movie launches were generally delayed and several concerts of the Group have been postponed due to the health concerns. In light of the unstable business environment in the near term, the Group will focus on producing high quality projects with proven track record as well as commercial viability and tightening the cost control procedures.

The Group continues to invest in original production of quality films with Chinese themes. The most recent release "*I'm Living It*", a feature film produced by Cheang Pou Soi with Miriam Yeung and Aaron Kwok, has achieved satisfactory box office and earned good public praises amid this pandemic environment. The film has received 10 nominations in the 39th Hong Kong Film Awards and congratulations to Cheung Tat Ming who just won the Best Supporting Actor in the 39th Hong Kong Film Awards for his performance in this movie.

The current production pipeline of the Group includes "*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.

A 52 episode romance drama series "*New Horizon*" starring Zheng Kai and Chen Chiao-en, is in the post production stage. Projects under development include "*Modern Dynasty*", a 30 episode modern day drama series tailor-made for Alibaba's Youku platforms. The Group is in discussion with various Chinese portals and video web sites for new project development in TV drama production.

The exclusive distribution licence of the Group's music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continues to provide stable income contribution to the Group. The Group is actively looking for new talent in Greater China and further co-operation with Asian artistes with an aim to build up a strong artiste roster. The Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Tsai Chin, Yoga Lin and Leon Lai are expected to be held next year in the event of a recovery from the pandemic situation.

It is believed that the Group's integrated media platform comprising movies, TV programs, music, new media, artiste management and live entertainment put us in a strong position to capture the opportunities of the China entertainment market with a balanced and synergistic approach. The Group is monitoring market conditions closely and will take a prudent approach to explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income stream.

The disposal of the Group's 20% equity interest in Phase I of the Novotown project ("**Novotown Phase I**") in Hengqin to LSD that was completed in September 2019 enabled the Group to crystalise the value in its investment in Novotown Phase I and recycle the capital to reduce its borrowings so as to improve its working capital position for future opportunities that may arise.

On 16 September 2019, the Company was made aware that Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (together, "**YUs**") had purchased additional shares of the Company in the open market such that YUs became substantial shareholders of the Company as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), which in turn had caused a shortfall in the public float of the Company. The public float was eventually restored on 25 September 2019 upon completion of YUs' disposal of 1,000,000 shares of the Company to an independent third party, and the trading in the shares of the Company on the Stock Exchange resumed on 26 September 2019.

Net proceeds received by the Group from the LF Disposal, after deducting direct transaction costs, were approximately HK$1,515.9 million. During the year under review, approximately HK$276.2 million have been used for repayment of shareholder loans granted by LSD and through its subsidiaries to the Group for general corporate purposes. The unutilised net proceeds have been placed with licensed banks in Hong Kong as at the date of this Annual Report. In light of the growing uncertainties around the COVID-19 pandemic on the media and entertainment industry as a whole, the Company will continue to adopt a cautious approach in pursuing its business plans for developing itself and its subsidiaries into a pure-play cinema and media and entertainment group subject to the overriding principle that use of such proceeds being in the interests of the Company and the shareholders of the Company ("**Shareholders**") as a whole at the relevant time of utilisation. The Directors shall evaluate the Company's business objectives from time to time and may make modifications against the changing market conditions.

As at 31 July 2020, the Group's consolidated cash position of HK$1,819.1 million (HK$1,501.4 million excluding Media Asia Group Holdings Limited ("**MAGHL**", a non-wholly-owned subsidiary of the Company) together with its subsidiaries (together, "**MAGHL Group**")) (2019: HK$3,771.9 million (HK$339.7 million excluding Lai Fung Group and MAGHL Group)) and the debt to equity ratio as at 31 July 2020 amounted to approximately 24.7%. The Group will continue its prudent and flexible approach in managing its financial position.

APPRECIATION

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

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

Low Chee Keong
Chairman
Hong Kong
20 October 2020

FINANCIAL SUMMARY AND HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 July				
	2020 HK$'000	2019 HK$'000 *(Restated)*	2018 HK$'000	2017 HK$'000	2016 HK$'000
CONTINUING OPERATIONS:					
TURNOVER	**929,156**	1,450,189	2,183,863	2,677,388	3,369,275
PROFIT/(LOSS) BEFORE TAX AND TAX INDEMNITY	**(922,949)**	(344,634)	915,651	1,106,540	718,532
Tax and tax indemnity	**(79,262)**	(3,077)	(242,234)	(79,326)	(405,526)
PROFIT/(LOSS) FOR THE YEAR	**(1,002,211)**	(347,711)	673,417	1,027,214	313,006
DISCONTINUED OPERATIONS:					
Profit/(loss) for the year from discontinued operations	**(8,150,401)**	365,816	–	–	–
	(9,152,612)	18,105	673,417	1,027,214	313,006
Attributable to:					
Owners of the Company	**(8,585,404)**	(77,645)	263,840	514,233	80,825
Non-controlling interests	**(567,208)**	95,750	409,577	512,981	232,181
	(9,152,612)	18,105	673,417	1,027,214	313,006

Note: The results of discontinued operations prior to 2019 have not been restated or reclassified. Therefore, the results prior to 2019 may not be comparable to 2019 and 2020.

Assets, Liabilities and Non-Controlling Interests

	As at 31 July				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Property, plant and equipment	**257,425**	4,931,149	3,790,965	3,041,562	2,768,546
Right-of-use assets	**786,397**	–	–	–	–
Properties under development (classified as non-current assets)	**–**	713,590	410,157	1,346,220	1,188,387
Investment properties	**–**	20,424,800	18,601,100	16,903,419	15,065,759
Film rights	**7,055**	24,608	11,205	20,960	23,682
Film and TV program products	**65,121**	75,022	80,217	125,921	123,768
Music catalogs	**8,584**	15,629	9,657	11,438	14,918
Goodwill	**10,000**	82,440	82,440	82,440	123,440
Other intangible assets	**–**	–	586	16,557	28,605
Investments in joint ventures	**15,979**	22,993	1,868,316	1,438,287	1,161,752
Investments in associates	**–**	5,804	16,278	28,587	26,894
Financial assets at fair value through profit or loss (classified as non-current assets)	**37,793**	75,815	–	–	–
Available-for-sale investments	**–**	–	114,361	123,435	138,592
Long-term deposits, prepayments, other receivables and other assets	**98,663**	96,237	120,116	124,362	323,905
Deferred tax assets	**2,121**	9,108	4,189	6,050	6,101
Derivative financial instruments	**–**	20,581	2,531	–	–
Current assets	**2,580,584**	8,115,601	6,937,701	5,973,510	7,407,402
TOTAL ASSETS	**3,869,722**	34,613,377	32,049,819	29,242,748	28,401,751
Current liabilities	**(1,026,294)**	(5,100,557)	(3,311,059)	(4,968,225)	(3,175,552)
Non-current liabilities – Long-term deposits received, lease liabilities, bank and other borrowings, derivative financial instruments, loans from a joint venture, loans from a fellow subsidiary, loans from a related company, convertible notes, guaranteed notes and fixed rate senior notes	**(1,273,094)**	(8,735,777)	(7,774,859)	(3,947,369)	(6,152,509)
Deferred tax liabilities	**(101)**	(3,351,747)	(3,318,953)	(3,104,284)	(2,808,906)
TOTAL LIABILITIES	**(2,299,489)**	(17,188,081)	(14,404,871)	(12,019,878)	(12,136,967)
NON-CONTROLLING INTERESTS	**27,200**	(8,326,675)	(8,385,483)	(8,104,670)	(7,665,526)
Equity attributable to owners of the Company	**1,597,433**	9,098,621	9,259,465	9,118,200	8,599,258

FINANCIAL HIGHLIGHTS

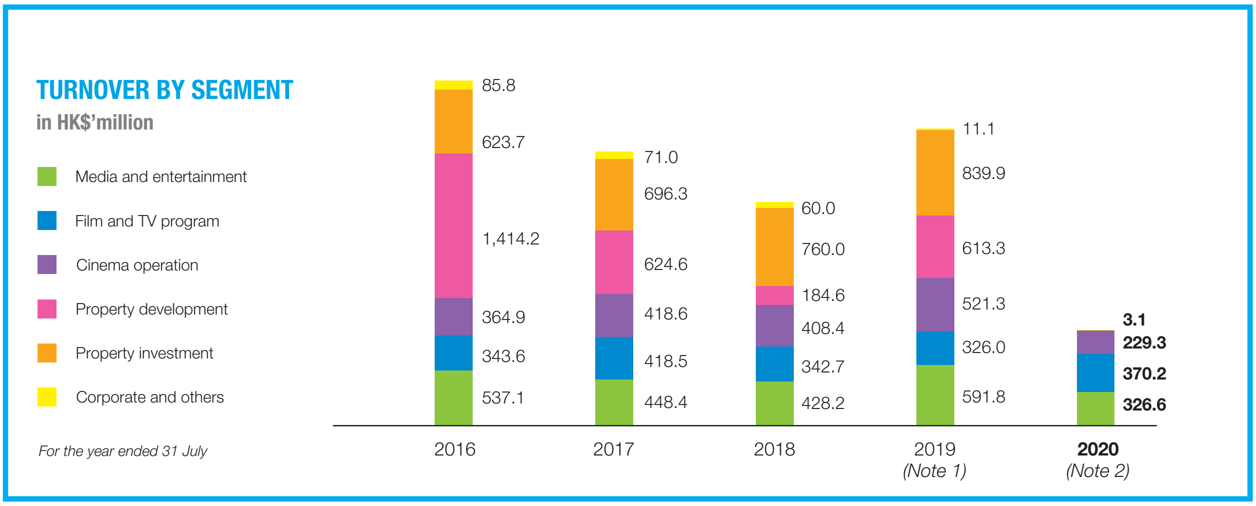
Financial Highlights on Continuing Operations

		Year ended 31 July 2020	Year ended 31 July 2019 (Restated)
Turnover	(HK$'M)	**929.2**	1,450.2
Gross profit	(HK$'M)	**301.9**	478.9
Gross profit margin	(%)	**32.5%**	33.0%
Operating loss	(HK$'M)	**(840.7)**	(288.4)
Loss attributable to owners of the Company	(HK$'M)	**(926.4)**	(293.9)
Basic loss per share *(Note 1)*	(HK$)	**(0.621)**	(0.197)
Net assets attributable to owners of the Company	(HK$'M)	**1,597.4**	9,098.6
Net borrowings	(HK$'M)	**net cash**	6,293.4
Net asset value per share *(Note 2)*	(HK$)	**1.071**	6.099
Gearing - net debt to equity	(%)	**net cash**	69.2%
Current ratio	(times)	**2.5**	1.6
Discount to net asset value	(%)	**24.4%**	82.3%

Notes:

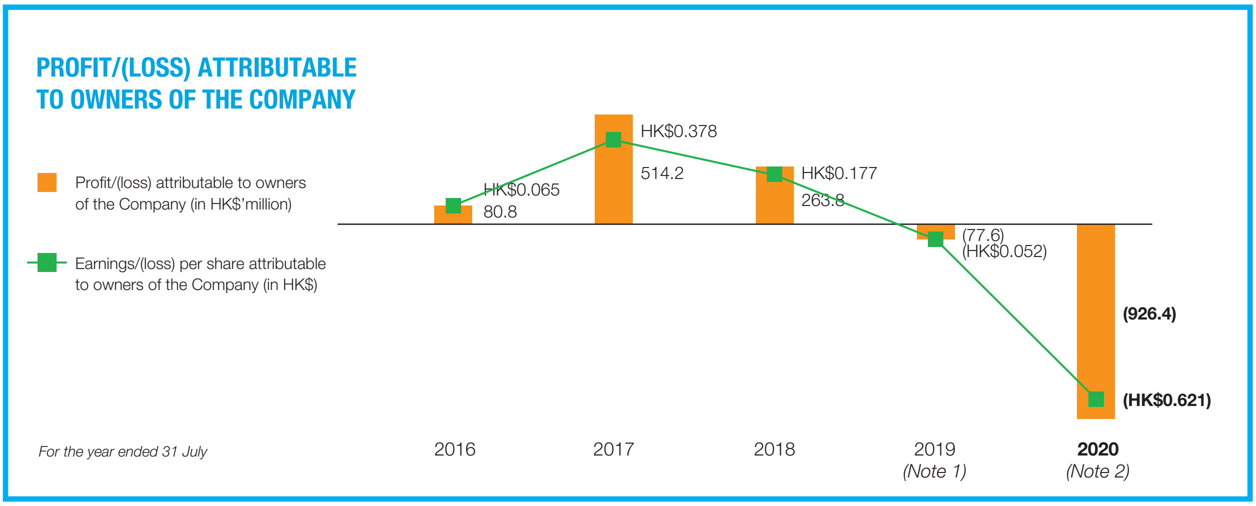
1. *Calculated based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year*

2. *Calculated based on the number of ordinary shares in issue as at the end of respective financial years*



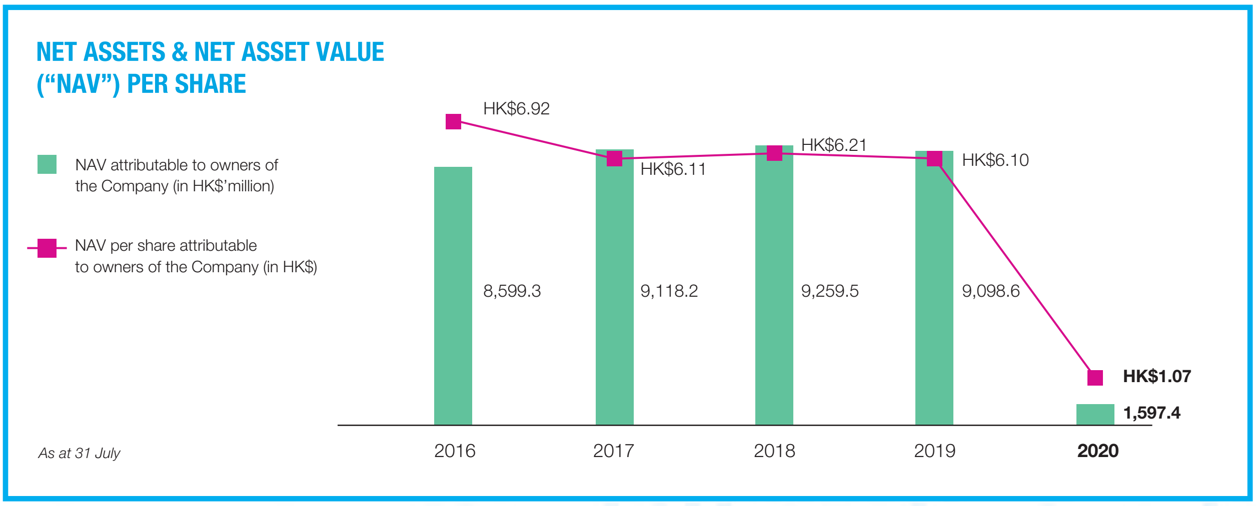
Notes:

1. As reported. Turnover from continuing operations of the Group amounted to HK$1,450.2 million.
2. For continuing operations of the Group



Notes:

1. As reported. Loss attributable to owners of the Company from continuing operations of the Group amounted to HK$293.9 million.
2. For continuing operations of the Group



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Cinema Operation

For the year ended 31 July 2020, this segment recorded a turnover of HK$229.3 million (2019: HK$521.3 million) and segment results of a loss of HK$535.0 million (2019 (restated): a loss of HK$100.8 million). The substantial increase in segmental losses of the cinema operation of the Group is primarily due to (i) a decrease in box office performance; and (ii) the impairment of right-of-use assets and property, plant and equipment of certain cinemas, of which the performance was not as expected, during the year under review.

The Group owns a 95% equity interest in Intercontinental Group Holdings Limited and is one of the leading multiplex cinema operators in Hong Kong. As at the date of this Annual Report, the Group operates 11 cinemas in Hong Kong and 3 cinemas in Mainland China. Details on the number of screens and seats of each existing cinema are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens *(Note)*	No. of seats *(Note)*
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
MCL Cyberport Cinema	100	4	818
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema	95	6	690
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		**55**	**8,027**
Total		**77**	**10,978**

Note: On 100% basis

Media and Entertainment

For the year ended 31 July 2020, this segment recorded a turnover of HK$326.6 million (2019: HK$591.8 million) and segment results decreased to a loss of HK$5.8 million from a profit of HK$65.1 million last year.

Live Entertainment

During the year under review, the Group organised and invested in 39 (2019: 118) shows by popular local, Asian and internationally renowned artistes, including EXO, Ivana Wong, Miriam Yeung and Jan Lamb.

Music Production and Distribution and Publishing

During the year under review, the Group released 15 (2019: 49) albums, including titles by Sammi Cheng, Tang Siu Hau, Jay Fung, Chan Kin On and Nowhere Boys. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Program Production and Distribution

For the year ended 31 July 2020, this segment recorded a turnover of HK$370.2 million (2019: HK$326.0 million) and segment results improved slightly to a loss of HK$80.1 million (2019 (restated): a loss of HK$119.4 million).

During the year under review, a total of 5 films produced/invested by the Group were theatrically released, namely "*Bodies at Rest*", "*Fagara*", "*The Climbers*", "*A Witness Out of the Blue*" and "*Knockout*". The Group also distributed 25 (2019: 33) films and 468 (2019: 482) videos with high profile titles including "*1917*", "*Doraemon: Nobita's Chronicle of the Moon Exploration*", "*Enter The Fat Dragon*", "*DoLittle*", "*Frozen 2*", "*Sonic The Hedgehog*" and "*Star Wars: Episode IX – The Rise of Skywalker*".

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2020, cash and bank balances held by the Group amounted to HK$1,819.1 million (31 July 2019: HK$3,771.9 million) of which around 82.8% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**"), and around 16.7% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group as at 31 July 2020 was HK$1,501.4 million (31 July 2019 (excluding MAGHL Group and Lai Fung Group): HK$339.7 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. The Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2020, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$395.2 million. The borrowings of the Group (other than MAGHL) and MAGHL, are as follows:

Group (other than MAGHL)

As at 31 July 2020, the Group had guaranteed general banking facilities granted by a bank. As at 31 July 2020, the Group had outstanding bank loans of HK$179.6 million and utilised letter of credit and letter of guarantee facilities of HK$2.9 million. The maturity profile of the Group's bank loans is spread with HK$107.9 million repayable within one year, HK$17.9 million repayable in the second year and HK$53.8 million repayable in the third year. All bank loans are on floating rate basis and are denominated in HKD. The Group has the undrawn facilities of HK$22.1 million as at 31 July 2020.

In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$102.6 million for the said unsecured other borrowings as at 31 July 2020. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2020.

MAGHL

As at 31 July 2020, MAGHL has unsecured and interest-bearing loans from the Company of HK$350.0 million. The loans are repayable in the third year. The loans are on floating rate basis and are denominated in HKD.

Charge on Assets and Gearing

Time deposits and bank balances of approximately HK$0.1 million of the Group have been pledged to secure a banking facility of the Group.

As at 31 July 2020, the consolidated net assets attributable to the owners of the Company amounted to HK$1,597.4 million (31 July 2019: HK$9,098.6 million). As at 31 July 2020, the gearing ratio of the Group, being the total borrowings to net assets attributable to the owners of the Company, was approximately 24.7%.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities, expected renewal of bank loans and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity for its present requirements to finance its existing operations and projects underway.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 July 2020 are set out in Note 50 to the Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2020, the Group employed a total of around 540 (excluding Lai Fung Group) (2019: 2,570 (including Lai Fung Group)) 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 programs are offered to eligible employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is delighted to publish its annual Environmental, Social and Governance ("**ESG**") report, summarising the ESG management approach, strategies and performance of the Company and its subsidiaries (together, "**Group**") in accordance with the ESG Reporting Guide contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Unless otherwise specified, this report covers the ESG management and performance of the Group from 1 August 2019 to 31 July 2020.

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

ESG GOVERNANCE

The Group recognises the importance of responsible business practices to its long-term success. The Board is responsible for overseeing the management of ESG risks in business operations and endorsing the ESG report. In addition to directing the overall ESG work, regular briefings are arranged to keep them abreast of the latest ESG trend.

With the diverse business portfolio, the management of the Company with corresponding expertise in ESG issues assists the Board in monitoring progress and implementation of ESG policies, procedures and initiatives.

STAKEHOLDER ENGAGEMENT

The Group maintains regular communication channels with stakeholders in its daily operations to listen to their views on issues of concern. To identify the ESG topics and risks that are potentially material to the Group, we have previously engaged an independent consultant to invite feedbacks from stakeholders via online surveys. The responses received serve as important insights for the Group to continuously refine its ESG management practices.

MATERIALITY ANALYSIS

With reference to the results of the stakeholder engagement survey, ESG issues were ranked and prioritised in terms of their importance to stakeholders and to the Group's business development. Annual review on the relevance of the issues is also conducted to reflect the latest development in ESG management and industry practices. The list of material issues is validated by the management and the Board, and provides guidance on the preparation of this ESG report. Issues that are considered material to our stakeholders and the Group are indicated in the following table:

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

ENVIRONMENT

Integrating Environmental Sustainability into Operations

The Group strives to strike a balance between its business development and the environmental impacts of its operations. With the commitment of minimising the Group's potential negative impact to the environment, the Group seeks to manage its performance in emissions, energy and water consumption, waste management and resources use.

Under the Group's environmental management approach, we adhere to all relevant laws and regulations on environmental protection. During the reporting year, the Group did not identify any non-compliance cases with environmental laws and regulations.

Emissions to the Environment

The Group recognises the potential environmental pollution that can arise from its business operations. The Group is committed to minimising the amount of air and greenhouse gas emissions, wastewater discharges and waste generations in its business operations. In this regard, the Group adopts a proactive approach in managing its emissions. A range of abatement procedures and control measures are implemented at both Group level and business units.

The Group advocates the reduction, reuse, sorting and recycling of waste as core principles to waste management. For instance, waste is classified as recyclables or non-recyclables. Whenever practicable, recyclable waste is collected through recycling bins in Group's office areas and properties. The Group also strives to manage electronic waste and other hazardous waste in a responsible manner. The Group has appointed qualified waste management companies or, when available, participated in relevant recycling schemes, to handle the waste disposal according to relevant laws and regulations.

Use of Resources

Conscious management of energy and water use is well advocated across the Group. All business units are encouraged to implement measures as relevant to their operations to lower energy and water consumption, and hence greenhouse gases ("**GHG**") emissions.

Cinema Operation

Energy is the major natural resource consumed in the cinema business. The Group has established various guiding principles to manage the electricity use. Regular review on the electricity usage is conducted to reinforce the adoption of these principles among its cinemas. When individual cinema house is idle, the air conditioning and other energy intensive equipment are maintained at minimal functioning. In order to minimise its energy consumption, energy-efficient lighting and automatic induction devices have also been introduced in some of the Group's cinemas.

PEOPLE

Employment Practices

The Group recognises the value of its employees to its success. It is determined to attract and retain talent, and offer an equal, appealing and harmonious working environment. The Group observes and complies with the applicable employment laws and regulations in Hong Kong and Mainland China. Relevant terms and conditions of employment have been outlined in its staff handbook. Employee benefits, compensation and dismissal, working hours, leave entitlement and the Group's expectations on employees' conduct and behaviour are also stipulated in the staff handbook.

To maintain and expand the pool of talents, the Group has signed the Good Employer Charter of the Labour Department as a commitment to go beyond legal requirements in aspects such as employee care, benefits, communications and work-life balance. A range of employee benefits including mandatory provident fund, enrolment to medical or commercial insurance scheme, social security and housing fund are offered in respective regions.

The Group actively promotes equal opportunities and non-discrimination in the workplace, and has established policy and grievance mechanisms accordingly to affirm the Group's commitment. Employees who encounter or observe any unfair employment practices can report the issues with the procedures set out in the Code of Conduct and staff handbook. All complaints regarding workplace harassment will be addressed and handled in a confidential and professional manner to protect the rights of the victim.

There were no non-compliance cases with employment laws and regulations during the reporting year.

Employee Welfare

The Group recognises the importance of maintaining good employee relations and strives to offer value-added staff benefits and well-being programs to its employees. For example, the Group organises "Lunch Talk" on health awareness, interest classes, work-out exercise program and film screening for employees in Hong Kong. The Group also arranges large-scale annual events including group annual dinner staff party and one-day leisure tour are organised for employees and their family and friends to participate. During the reporting year, the Group invited staff to join the pre-view day visits to the Group's project in Hengqin Novotown. Through these activities, the Group hopes to promote work-life balance and to foster team bonding for synergy.

Besides, for staff who participate in relevant employee relations activities, they are offered the benefits such as free admission tickets to Ocean Park and Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin, as well as "LS Club" cash coupons.

Health and Safety

Safeguarding the health and safety of our employees is the Group's top priority and the Group is dedicated to minimising potential occupational health and safety risks in its operations. The management teams of various business units are responsible for managing and controlling their respective health and safety risk exposure with effective measures, and ensuring the implementation of all necessary safety precautionary steps are taken. Appropriate trainings, reminders and protective equipment are provided to protect employees in the Group's premises from health and safety hazards.

To reduce the risks of COVID-19 infections at workplace, the Group provides masks to staff at all premises. RNA testing is also arranged for all employees who resided in buildings with confirmed cases of COVID-19 infection to encourage early detection and contain virus transmission.

Furthermore, the Group believes that mental wellness and physical health of employees are directly related to their work productivity. In this regard, the Group is dedicated to promoting healthy living among employees and has organised a variety of wellness activities such as health lunch talks and work-out class.

There were no non-compliance cases with health and safety laws and regulations during the reporting year.

Development and Training

Competency of employees is an important contribution to the Group's business growth. To this end, the Group provides a wide array of internal and external development programs along with career development opportunities to both managerial and general employees. Regardless of their business unit, all employees with over twelve months of services with the Group are entitled to apply for the tuition scheme, which the Group will sponsor them to pursue further training and development courses in relation to their positions and scope of work. Various subsidised courses are also offered to further support our employees to achieve personal and professional goals.

Labour Standards

The Group is committed to safeguard the labour rights of its employees. In Hong Kong, the Group observes and complies with relevant laws and regulations. The use of child labour and forced labour is strictly prohibited in all business operations of the Group. In Mainland China, the Group is also in full compliance with the relevant laws and regulations, forbidding the use of child labour of ages under 16, any unlawful way of forced labour, and forced overtime work. Workers will be paid according to relevant legal requirements in case of required overtime work. The above stringent requirements also apply to contractors of the Group across all regions. There were no non-compliance cases with relevant laws and regulations listed in List of Significant Laws and Regulations section during the reporting year.

OPERATING PRACTICES

The Group builds the foundation of its success on offering high quality services and products. The Group works closely with its suppliers and puts great emphasis on maintaining the product delivery standards to its customers, including the quality of its films, television programs and music productions, as well as the food offered at its cinema outlets.

Service Excellence

Ensuring Customer Experience for Cinema Operation

The Group collects feedbacks of cinema customers via hotline and email. Its customer service representatives are responsible for handling all comments and complaints and are required to respond to customers' concern within a service target time. All communications with customers are overseen by the management team to ensure timely and appropriate responses.

In Hong Kong, the Group has formulated Standard Operating Procedure ("**SOP**") to guide employees on providing quality customer services. Regular monthly customer service training is provided to both full-time and part-time staff. Apart from centralised hotline, on-site customer feedback will be handled by our operation manager promptly, and when needed, be diverted to head office for further follow-up. To monitor the daily service quality, the Group also arranges mystery shoppers to assess our frontline staff's performance twice a month in all cinemas. The inspection covers ticketing, food and beverage, and venue management, and the 'inspector' will provide both scores and qualitative feedback in a report for the Group's continuous improvement. Upon receiving the "inspection" report, the operation team will discuss the findings with all managers and staff at monthly meeting to improve the overall customer service quality.

Customer Health and Safety

The recent COVID-19 outbreak has brought challenges to both the Group's operations and customers. As such, the Group has implemented a number of measures across business units to safeguard the health of customers and employees. The Group operated in strict accordance with the crowd control and social distancing rules issued by the Government, and proactively took additional disinfection steps to maintain a safe and hygienic environment.

Preventive Measures against COVID-19 at Cinemas

During the outbreak of COVID-19, cinemas were closed for a period in accordance with the social distancing measures. Upon the relaxation of the government instruction, and despite the decreasing coronavirus cases, we continued to adopt infection prevention and control measures to protect customers' health. For instance, customers and staff are required to take body temperature and wear mask before entering the cinema. Antiseptic coatings were applied to different places within the cinema area and longer time between each scheduled show was arranged to allow more frequent disinfection of individual theatres. Number of seats to be sold were also limited to 50% of the normal seating capacity to maximise physical distancing.

Safety and Hygiene in Cinema Operation

Maintaining of food safety is important to the Group's cinema operation. The Group has appointed management staff as hygiene supervisors as per the Hygiene Manager and Hygiene Supervisor Scheme by the Food and Environmental Hygiene Department. To maintain a high standard of food hygiene, we have provided staff with checklists on proper food handling practices. The Group also conducts regular internal audits to keep track of the quality of food being sold to customers. For better food source traceability and control, the Group only purchases food from authorised suppliers. During the reporting year, there were no non-compliance cases related to food safety and hygiene.

Data Protection and Privacy

Protecting customer privacy is critical to maintaining customer relationship and confidence. The Group strictly complies with Chapter 486 Personal Data (Privacy) Ordinance while handling the personal and confidential data of our clients. We only collect personal data from employees, suppliers and artists when deemed necessary, and carefully manage the access to personal data. Personal Information Collection Statement will be provided to data providers to obtain their consent when or before personal particulars are collected. We have communicated with business partners and clients to ensure they are aware of the measures as well.

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

Cinema Operation

While providing tailored and high-quality services to customers, the Group is also committed to maintaining information security. The Group collects customers' personal data and information only for necessary use to manage customer memberships, including members' name, birthday, email and telephone number. When customers enrol in the loyalty program, the Group has included the Personal Information Collection Statement and Privacy Policy Statement in the application form. All data are handled in accordance with statement, which clearly lays out the appropriate steps and procedures of data collection and disposal for all relevant staff to protect personal data privacy. Any marketing materials will not be sent to unsubscribed individuals without consents.

In our online ticketing system, we have also applied a strict control on access right. Regular reviews are conducted to ensure only authorised personnel have access to the database. The online ticket data is stored in our head office's database to minimise the spots of access. Whenever possible, the Group only collects basic personal information of customers for potential refund and redemption of tickets. Any personal identifiable information collected will be securely destroyed soon after the service is completed.

Integrity and Discipline

The Group is committed to maintaining a high standard of integrity, fairness and discipline in the business operations. Employees are required to demonstrate ethics and integrity in their daily duties and adhere to rules and procedures in accordance with relevant laws and regulations. The Group is determined to prevent any business segment from involving in fraud and corruption cases.

In the staff handbook, the Group has clearly defined "advantages" and outlines relevant procedures to guide employees to prevent the possible violation of bribery, corruption and conflicts of interest. When handling any presents or gifts involved in business setting, employees should make declarations on any potential "advantages". For violation of any policy and procedure, employees shall be subject to penalties, while those who violate relevant government ordinances will also be subject to legal consequences.

To maintain integrity and discipline in all levels of the Group, a whistleblowing procedure is in place as a monitoring and control system. Personnel who discover any inappropriate act are encouraged to report to our management level for an immediate investigation into the case. During the reporting year, there were no non-compliance cases in relation to bribery, extortion, fraud and money laundering in Hong Kong and Mainland China.

Intellectual Property Rights

The Group respects all intellectual property rights and has adopted appropriate security measures and confidentiality agreements accordingly. To minimise the chance of infringement, the Group's legal team is responsible for reviewing the agreements on collaboration with third parties in all business segments and within the Group.

Respecting Creations in Entertainment Business

Protecting the intellectual property rights of all creative work is a crucial matter to our entertainment business. The Group 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 production process, the Group ensures producers and their teams of the films, television programs, and music productions are familiar with the steps to understand and clarify the rights of any creative works prior to using or referencing. In case there is any perceived infringement, the Group will take immediate action to clear the rights or address relevant issues.

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

COMMUNITY

The Group endeavours to fulfil its social responsibility by utilising its resources to give back to the society. During the reporting year, the Group continued to channel support to local employment, youth education, aided family and the disabled. The Group is committed to help those communities in need through collaborations with local charities. For instance, the Group purchases festive food products such as fair-trade mooncake from local social enterprises for its employees in Hong Kong, demonstrating its dedication to promote environmental conservation, create local employment opportunities and appreciate local craftsmanship.

Besides, the Group continues to support exercise for good initiatives. During the reporting year, the Group supported Konica Minolta Green Concert, with the objectives to advocate environmental awareness through cycling with power generation and raise funds for charitable organisation "Sheen Hok Charitable Foundation". The Group organised a team of staff to join and support the event.

The Group also mobilises resources to support youth in career planning and development. Through participation in the Online Mentorship program organised by Hong Kong Council of Social Service, employees participating as mentors were connected with students and provided valuable support and advice on their growth.

SUMMARY OF ENVIRONMENTAL PERFORMANCE

Cinema *Notes 1 & 2 & 3*	**Unit**	**2020**	**2019**
A1.2 Greenhouse gas emissions in total and intensity *Note 4*			
Indirect GHG emissions (Scope 2)	tonnes CO_2e	1,773	2,440
GHG emissions intensity	**tonnes CO_2e/m^2**	**0.08**	**0.11**
A1.3 Total hazardous waste produced and intensity			
Fluorescent lamp waste	kg	95.07	150.63
Hazardous waste disposed intensity	**kg/m^2**	**0.0041**	**0.0069**
A1.4 Total non-hazardous waste produced and intensity			
General waste	kg	38,058	78,367
Non-hazardous waste disposed intensity	**kg/m^2**	**1.62**	**3.61**
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity consumption	kWh	3,095,432	4,213,435
Energy consumption intensity	**kWh/m^2**	**131.93**	**193.98**
A2.2 Water consumption in total and intensity *Notes 5 & 6*			
Water consumption	m^3	N/A	6,402
Water consumption intensity	**m^3/m^2**	**N/A**	**0.33**

Note 1: *The reporting scope of the summary of environmental performance includes the cinemas in Hong Kong held by the Group (namely Festival Grand Cinema, MCL Cheung Sha Wan 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). Compared with the year ended 31 July 2019, MCL Cheung Sha Wan Cinema was newly added.*

Note 2: *Packaging material used for finished products is not a material issue for the cinema business and thus not reported.*

Note 3: *Closure of cinemas due to the COVID-19 outbreak and social unrest during the year ended 31 July 2020 led to lower environmental footprint.*

Note 4: *GHG (Scope 2) are calculated based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition)".*

Note 5: *Grand Kornhill Cinema is excluded from the scope of year ended 31 July 2019 as its water consumption is managed by the central management of the property.*

Note 6: *Water consumption data is not reported for the year ended 31 July 2020 due to the unavailability of data from the Hong Kong Water Services Department.*

Entertainment *Notes 7 & 8*	**Unit**	**2020**	**2019**
A1.2 Greenhouse gas emissions in total and intensity *Note 9*			
Direct GHG emissions (Scope 1)	tonnes CO_2e	23.86	26.18
Indirect GHG emissions (Scope 2)	tonnes CO_2e	138.57	159.78
Total GHG emissions	**tonnes CO_2e**	**162.42**	**185.96**
Total GHG emissions intensity *Note 10*	**tonnes CO_2e/m^2**	**0.07**	**0.11**
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity Consumption	kWh	277,130	313,290
Gasoline consumption for transportation	L	8,810	9,670
Total energy consumption *Note 11*	**kWh**	**362,512**	**407,001**
Total energy consumption intensity *Note 10*	**kWh/m^2**	**152.30**	**241.64** *Note 12*

Note 7: *The reporting scope of the summary of environmental performance includes the Group's major office of the entertainment business in Wyler Centre Kwai Chung, New Territories.*

Note 8: *Hazardous waste, non-hazardous waste and water consumption are managed by the central property management of the office building, and thus they are not available for this report. Packaging material used for finished products is not a material issue for the entertainment business and thus not reported.*

Note 9: *GHG (Scopes 1 and 2) are calculated based on 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 10: *Data for the year ended 31 July 2019 was restated after data review.*

Note 11: *Energy consumption from gasoline for transportation is calculated according to the conversion factors stated in the "How to Prepare an ESG Report: a Step-by-Step Guide to ESG Reporting" by The Stock Exchange of Hong Kong Limited and the Energy Statistics Manual issued by the International Energy Agency. For data comparability, respective data for the year ended 31 July 2019 was also restated.*

Note 12: *The Group's major office in Wyler Centre was renovated and expanded in late 2018, resulting in an increase in electricity consumption in the reporting year ended 31 July 2019.*

LIST OF SIGNIFICANT LAWS AND REGULATIONS

Environment

Aspect A1-A3: Environmental

Hong Kong:
- Cap 311 Air Pollution Control Ordinance
- Cap 358 Water Pollution Control Ordinance
- Cap 354 Waste Disposal Ordinance
- Cap 400 Noise Control Ordinance

Mainland China:
- 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
- Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes

Employee

Aspect B1: Employment

Hong Kong:
- Cap 57 Employment Ordinance
- Cap 282 Employees' Compensation Ordinance
- Cap 608 Minimum Wage Ordinance
- Cap 480 Sex Discrimination Ordinance
- Cap 487 Disability Discrimination Ordinance
- Cap 527 Family Status Discrimination Ordinance
- Cap 602 Race Discrimination Ordinance

Mainland China:
- Labour Law of the PRC
- Labour Contract Law of the PRC

Aspect B2: Health and Safety

Hong Kong:
- Cap 509 Occupational Safety and Health Ordinance

Mainland China:
- Work Safety Law of the PRC
- Law of the PRC on the Prevention and Control of Occupational Diseases

Aspect B4: Labour Standards

Hong Kong:
- Cap 57B Employment of Children Regulations
- Cap 57C Employment of Young Persons (Industry) Regulations

Mainland China:
- Labour Laws of the PRC
- Provisions on the Prohibition of Using Child Labour

Operating Practices

Aspect B6: Product Responsibility

Hong Kong:

- Chapter 362 Trade Descriptions Ordinance
- Chapter 392 Film Censorship Ordinance
- Chapter 486 Personal Data (Privacy) Ordinance
- Chapter 612 Food Safety Ordinance
- Chapter 528 Copyright Ordinance
- Chapter 544 Prevention of Copyright Piracy Ordinance
- Chapter 559 Trade Marks Ordinance
- Food Hygiene Code

Mainland China:

- Food Safety Law of the PRC
- Food Hygiene Law of the PRC
- Law of PRC on Protection of Consumer Rights and Interests

Aspect B7: Anti-corruption

Hong Kong:

- Chapter 201 Prevention of Bribery Ordinance

Mainland China:

- Criminal Law of the PRC
- Law of the PRC on Anti-Corruption and Bribery

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.	Emissions to the Environment
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Integrating Environmental Sustainability into Operations
B. Social		
Employment and Labour Practices		
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment Practices; Employee Welfare
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards

<table>
<tr><th colspan="2">Subject Areas, Aspects, and General Disclosure</th><th>Sections</th></tr>
<tr><td colspan="3">Operating Practices</td></tr>
<tr><td>Aspect B5:
Supply Chain Management</td><td>General Disclosure
Policies on managing environmental and social risks of the supply chain.</td><td>Operating Practices</td></tr>
<tr><td>Aspect B6:
Product Responsibility</td><td>General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</td><td>Service Excellence; Customer Health and Safety; Data Protection and Privacy; Intellectual Property Rights</td></tr>
<tr><td>Aspect B7:
Anti-corruption</td><td>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.</td><td>Integrity and Discipline</td></tr>
<tr><td colspan="3">Community</td></tr>
<tr><td>Aspect B8:
Community Investment</td><td>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.</td><td>Community</td></tr>
</table>

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2020 ("**Year**") save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**Executive Directors**"). Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its Board meeting held on 22 January 2019 ("**Nomination Policy**") for improving transparency around the nomination process. As the Nomination Policy has already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

(2) BOARD OF DIRECTORS

(2.1) Responsibilities and Delegation

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

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

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

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

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

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

Executive Directors
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Mr. Chew Fook Aun
Mr. Lam Hau Yin, Lester *(appointed as alternate director to Madam U Po Chu on 19 June 2020)*
Mr. Yip Chai Tuck

Non-executive Director
Madam U Po Chu

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

An update list of Directors and their respective roles and functions can also be found on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.esun.com. The brief biographical particulars of the existing Directors are set out in the section headed "*Biographical Details of Directors*" of this Annual Report.

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

(2.3) Attendance Record at Board Meetings

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

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

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*	5/5
Mr. Chew Fook Aun	5/5
Mr. Lam Hau Yin, Lester	5/5
(appointed as alternate director to Madam U Po Chu on 19 June 2020)	
Mr. Yip Chai Tuck	4/5
Non-executive Director	
Madam U Po Chu	5/5
Independent Non-executive Directors	
Mr. Low Chee Keong *(Chairman)*	5/5
Mr. Lo Kwok Kwei, David	4/5
Dr. Ng Lai Man, Carmen	5/5
Mr. Alfred Donald Yap	5/5

For the Year, apart from the Board meetings, consents and/or approvals of the Board were also obtained by way of written resolutions on a number of matters/transactions. The Chairman met all INEDs without the presence of the Executive Directors after the Board meeting held on 17 January 2020 in compliance with code provision A.2.7 of the CG Code.

(2.4) Independent Non-executive Directors

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

Mr. Low Chee Keong ("**Mr. Low**") and Mr. Alfred Donald Yap ("**Mr. Yap**") (both INEDs) will retire by rotation as Directors at the forthcoming AGM and, being eligible, offer themselves for re-election. Mr. Low has served on the Board over 21 years since August 1999 and Mr. Yap has served on the Board over 23 years since December 1996. Being long-serving Directors, both of them have developed an in-depth understanding of the Company's operations and business, and have expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long services of Mr. Low and Mr. Yap would impair their independent judgements. The Board is satisfied that each of Mr. Low and Mr. Yap will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of each of Mr. Low and Mr. Yap as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

(2.5) Directors' and Officers' Liabilities Insurance

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

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, Directors and senior executives are encouraged 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. Directors are requested to provide records of training they received to the Company Secretary of the Company ("**Company Secretary**") for records. During the Year, the Company has arranged for the INEDs/Directors to attend the seminars organised by the Company's independent auditor ("**Independent Auditor**")/other organisations and professional bodies.

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

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Directors	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*	✓	✓	✓	✓
Mr. Chew Fook Aun	✓	✓	✓	✓
Mr. Lam Hau Yin, Lester *(appointed as alternate director to Madam U Po Chu on 19 June 2020)*	✓	✓	✓	✓
Mr. Yip Chai Tuck	✓	✓	✓	✓
Non-executive Director				
Madam U Po Chu	✓	✓	✓	–
Independent Non-executive Directors				
Mr. Low Chee Keong *(Chairman)*	✓	✓	✓	✓
Mr. Lo Kwok Kwei, David	✓	✓	✓	✓
Dr. Ng Lai Man, Carmen	✓	✓	✓	✓
Mr. Alfred Donald Yap	✓	✓	✓	✓

(4) BOARD COMMITTEES

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

(4.1) Remuneration Committee

On 16 September 2005, the Board established a Remuneration Committee which currently comprises five members, including three INEDs, namely Mr. Low (Chairman), Dr. Ng Lai Man, Carmen ("**Dr. Ng**") and Mr. Yap, and two Executive Directors, namely Mr. Chew Fook Aun and Mr. Lui Siu Tsuen, Richard ("**Mr. Lui**") (also the Chief Executive Officer of the Company).

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

(a) Duties of the Remuneration Committee

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

(b) Work Performed by the Remuneration Committee

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

(c) Attendance Record at Remuneration Committee Meeting

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

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

(4.2) Audit Committee

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

(a) Duties of the Audit Committee

The Audit Committee is principally responsible for, among other things, monitoring the integrity of periodical financial statements of the Company, reviewing significant financial reporting judgements contained in them before submission to the Board for approval, reviewing and monitoring the external auditor's independence and objectivity as well as the effectiveness of the audit process in accordance with applicable standards. The Audit Committee is also responsible for performing the corporate governance functions and to oversight the Company's risk management and internal control systems.

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

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

In compliance with code provision C.3.2 of the CG Code which came into effect on 1 January 2019, the terms of reference of the Audit Committee were revised by the Board on 22 January 2019 by extending the cooling-off period from one year to two years for appointing a former partner of the issuer's existing external auditor as a member of its audit committee. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Stock Exchange and the Company.

(b) Work Performed by the Audit Committee

The Audit Committee held three meetings during the Year and has reviewed, among other things, the audited consolidated financial statements of the Company for the year ended 31 July 2019; the unaudited interim results of the Company for the six months ended 31 January 2020; the Group's budget for the ensuing year; the Company's internal control review reports and enterprise risk management report prepared by Deloitte Advisory (Hong Kong) Limited (an independent advisor of the Company ("**Independent Advisor**")); and put forward relevant recommendations to the Board for approval.

On 19 October 2020, the Audit Committee reviewed the draft 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 (i.e. Ernst & Young, Certified Public Accountants ("**Ernst & Young**")). It also reviewed this Corporate Governance Report, the Company's internal control review report and enterprise risk management report prepared by the Independent Advisor.

(c) Attendance Record at Audit Committee Meetings

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

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

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

(4.3) Independent Board Committee

Reference is made to the joint announcement dated 23 July 2019 issued by the Company, Lai Sun Garment (International) Limited ("**LSG**") and Lai Sun Development Company Limited ("**LSD**") in connection with a major disposal and a connected transaction in respect of a share sale and purchase agreement dated 23 July 2019 ("**Sale and Purchase Agreement**") entered into between LSD as buyer and Sunny Horizon Investments Limited, an indirect wholly-owned subsidiary of the Company, as seller, in relation to the proposed disposal of 20% of the total issued share capital of Rosy Commerce Holdings Limited and the transactions contemplated thereunder (collectively, "**Transaction**"). The Board had established the Independent Board Committee ("**IBC**"), comprising Dr. Ng (Chairwoman), Mr. Lo, Mr. Yap and Mr. Low (all INEDs) to advise and provide to the independent shareholders of the Company ("**Independent Shareholders**") in respect of the Sale and Purchase Agreement and the Transaction. Details of which are set out in the circular of the Company dated 30 August 2019.

Further, reference is made to the joint announcement dated 21 February 2020 issued by the Company, LSG, LSD, Holy Unicorn Limited ("**Offeror**", an indirect wholly-owned subsidiary of LSD) and Lai Fung Holdings Limited ("**Lai Fung**"), in respect of, among others, (1) the conditional voluntary general cash offers to be made by The Hongkong and Shanghai Banking Corporation Limited on behalf of the Offeror to acquire all of the issued shares of Lai Fung ("**LF Shares**") (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) ("**LF Share Offer**") and to cancel all the outstanding share options of Lai Fung (collectively, "**LF Offers**"); and (2) the Company's possible very substantial disposal and connected transaction of the Company regarding the possible disposal of all the LF Shares owned by it pursuant to the potential acceptance of the LF Share Offer ("**LF Disposal**"). The Board had established the IBC, also comprising Dr. Ng (Chairwoman), Mr. Lo, Mr. Yap and Mr. Low (all INEDs) to advise and provide a recommendation to the Independent Shareholders and the non-connected Shareholders in respect of LF Disposal. Details of which are set out in the circular of the Company dated 24 April 2020.

(5) CHAIRMAN AND CHIEF EXECUTIVE

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

During the Year and up to the date of this Annual Report, Mr. Low (an INED) is the Chairman of the Board and Mr. Lui (an Executive Director) is the Chief Executive Officer of the Company. This segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's businesses. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

(6) NON-EXECUTIVE DIRECTORS

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

(7) NOMINATION OF DIRECTORS

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The Board adopted the Nomination Policy to set out the procedures and criteria for identifying and selecting potential candidates for the appointment of new Director(s) as well as for considering the renewal of director appointment. The Executive Directors will conduct the relevant selection process against the proposed candidate, make recommendations and furnish with the terms and conditions of the appointment for Board's consideration. The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the reputation for integrity, accomplishment and experience in the industry(ies) which may be relevant to the businesses of the Company, commitment for responsibilities of the Board in respect of available time and relevant interests, potential contributions to the Board with reference to the Board Diversity Policy (as defined below), and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED, etc.

The Shareholders may also propose a person for election as a Director, details of which are set out in "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" which is available on the Company's website at www.esun.com. No candidate has been proposed for appointment as a Director during the Year.

(8) BOARD DIVERSITY POLICY

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

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

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

A copy of the Board Diversity Policy is available on the Company's website for public information.

In compliance with code provision A.5.2(a) of the CG Code, the Board had, at its Board meeting held in July 2020, reviewed the structure, size and composition of the Board with reference to the Board Diversity Policy. The Company considers that the current composition of the Board, two out of its nine members being women, is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills. The current Directors have extensive experience and skills in, including but not limited to, property development and investment, hospitality as well as media and entertainment businesses, corporate advisory, business development and investment banking, laws, accounting and auditing services and corporate finance, etc.

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(10) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

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

(11) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

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

(12) INDEPENDENT AUDITOR'S REMUNERATION

At the AGM held on 20 December 2019, Ernst & Young was re-appointed by the Shareholders as the Independent Auditor at a fee to be agreed by the Board. The fees in respect of the audit and non-audit services provided to the Group by Ernst & Young for the Year amounted to approximately HK$10,784,000 and HK$9,597,000, respectively. The non-audit services mainly consisted of certain agreed-upon procedures, tax advisory and other reporting services. An analysis of such fees is set out below:

	Audit service HK$'000	**Non-audit service** HK$'000
The Group (excluding Lai Fung and Media Asia Group Holdings Limited ("**MAGHL**") and their respective subsidiaries)	4,868	6,261
Lai Fung and its subsidiaries	3,694	2,738
MAGHL and its subsidiaries	2,222	598
Total	**10,784**	**9,597**

(13) RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

In addition, the Group has engaged the Independent Advisor to assist the Board and the Audit Committee in on-going monitoring of the risk management and internal control systems of the Group. The Independent 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.

The Company's enterprise risk management report and internal control review report are prepared by the Independent Advisor and submitted to the Audit Committee and the Board at least once a year. The Board performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers that 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 the requirements of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**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 that 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 ensuring that information contained in the Company's announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

(14) COMPANY SECRETARY

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

(15) SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(16) COMMUNICATION WITH SHAREHOLDERS

(16.1) Shareholders' Communication Policy

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

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

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

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

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

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

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

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

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

(16.2) Directors' Attendance at General Meetings

The Company held its AGM on 20 December 2019 and two SGMs on 20 September 2019 and 13 May 2020, respectively, and the attendance record of each Director at these meetings is set out below:

Directors	Number of Meetings Attended/ Number of Meetings Held	
	Annual General Meeting	Special General Meetings
Executive Directors		
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*	1/1	2/2
Mr. Chew Fook Aun	1/1	2/2
Mr. Lam Hau Yin, Lester *(appointed as alternate director to Madam U Po Chu on 19 June 2020)*	0/1	0/2
Mr. Yip Chai Tuck	1/1	2/2
Non-executive Director		
Madam U Po Chu	0/1	0/2
Independent Non-executive Directors		
Mr. Low Chee Keong *(Chairman)*	1/1	0/2
Mr. Lo Kwok Kwei, David	1/1	2/2
Dr. Ng Lai Man, Carmen	0/1	2/2
Mr. Alfred Donald Yap	1/1	1/2

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being the SGM, was held on Wednesday, 13 May 2020 at 9:00 a.m., at the Meeting Rooms, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong. At the SGM, Shareholders approved the LF Disposal as a very substantial disposal and a connected transaction of the Company.

Further details of the LF Disposal and the notice of the SGM are contained in the Company's circular dated 24 April 2020; and the poll results of the above SGM are set out in the Company's announcement dated 13 May 2020, both published on the respective websites of the Stock Exchange and the Company.

(17) DIVIDEND POLICY

In compliance with code provision E.1.5 of the CG Code, the Board adopted a dividend policy ("**Dividend Policy**") on 22 January 2019 setting out the criteria and forms of dividend payout of the Company.

The Dividend Policy does not have any pre-determined dividend payout ratio. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account of factors such as (i) the Group's actual and expected underlying financial performance; (ii) the shareholders' interests; (iii) business condition and strategies; (iv) expected working capital requirements and future business growth plans; and (v) any other factors that the Board may consider appropriate.

There is no assurance that a dividend will be proposed or declared in any particular amount for any specific periods. Any declaration and payment of future dividends under the Dividend Policy will be subject to, among others, the Bye-laws and the Board's determination that the same would be in the best interests of the Group and the Shareholders as a whole. The Board will review the Dividend Policy from time to time and may adopt changes as appropriate at the relevant time to ensure the effectiveness of the Dividend Policy.

(18) INVESTOR RELATIONS

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

During the Year, in addition to site visits conducted prior to the outbreak of COVID-19, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organiser	Location
September 2019	HSBC 3rd Annual Asia Credit Conference	HSBC	Hong Kong
October 2019	J.P. Morgan Asia Credit Conference	J.P. Morgan	Hong Kong
November 2019	Post results non-deal roadshow	DBS	Hong Kong
November 2019	Post results non-deal roadshow	DBS	Singapore
November 2019	Post results non-deal roadshow	DBS	New York/ Philadelphia/ Los Angeles/ San Francisco
November 2019	Post results non-deal roadshow	DBS	London
January 2020	Daiwa Hong Kong Expert Series – Hengqin & its position in the Greater Bay Area	Daiwa	Hong Kong
June 2020	HSBC 4th 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, by fax at (852) 2853 6651 or by e-mail at ir@esun.com.

(19) CONSTITUTIONAL DOCUMENTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

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

Mr. Lui Siu Tsuen, Richard, aged 64, was appointed the Chief Executive Officer of the Company in January 2011 and is presently a member of both the Executive Committee and the Remuneration Committee of the Company ("**Executive Committee**" and "**Remuneration Committee**", respectively). He joined the Company in April 2010 as the chief operating officer of its Media and Entertainment Division and became an Executive Director with effect from 1 July 2010. Mr. Lui is also an executive director of MAGHL and he was an executive director of LSG, LSD and Lai Fung respectively from 1 January 2011 to 31 October 2012. In addition, Mr. Lui has been appointed the Convenor of Multi-media and Cultural Creation Industrial Committee of The Chinese Manufacturers' Association of Hong Kong for a term of three years from 1 January 2018 to 31 December 2020.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange). Prior to joining the Company, Mr. Lui had held senior executive positions in a few Hong Kong and overseas listed companies.

Mr. Lui has over 34 years of experience in property investment, corporate finance and media and entertainment businesses. He is a fellow member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Chartered Institute of Management Accountants, United Kingdom ("**UK**") and holds a Master of Business Administration Degree from The University of Adelaide in Australia.

Mr. Chew Fook Aun, aged 58, was appointed an Executive Director on 5 June 2012 and is presently a member of both the Executive Committee and Remuneration Committee. He is also the deputy chairman and an executive director of LSG and LSD as well as the chairman and an executive director of Lai Fung.

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

Mr. Chew has over 30 years of experience in accounting, auditing and finance in the 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 HKICPA and The Institute of Chartered Accountants in England and Wales ("**ICAEW**"). He was a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of the operations review committee of the Independent Commission Against Corruption ("**ICAC**"). In addition, he was re-appointed as 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 re-appointed as a member of the Barristers Disciplinary Tribunal Panel for a further term of five years with effect from 1 September 2020. He was a member of the Advisory Committee of the Securities and Futures Commission, the Corruption Prevention Advisory Committee of the ICAC and the Standing Committee on Company Law Reform of the Companies Registry, and a council member of the Financial Reporting Council.

Mr. Lam Hau Yin, Lester, aged 39, was appointed an Executive Director on 1 November 2012 and is currently a member of the Executive Committee. He is also an executive director of both LSG and LSD, as well as an executive director and the chief executive officer of Lai Fung. Further, Mr. Lam is also the alternate director to Madam U Po Chu ("**Madam U**") in her capacity as an executive director of each of LSG and Lai Fung and a non-executive director of LSD and the Company.

Mr. Lam is a grandson of Madam U and a son of Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**", a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")).

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

Mr. Yip Chai Tuck, aged 46, was appointed an Executive Director on 14 February 2014 and is currently a member of the Executive Committee. He is also the chief executive officer of LSG and an executive director of MAGHL. Mr. Yip has extensive experience in corporate advisory, business development and investment banking. Prior to joining the Company, he was a managing director and head of Mergers and Acquisitions ("**M&A**") for China of Goldman Sachs. He had also worked for PCCW Limited, a Hong Kong listed company, as Vice President of Ventures and M&A, responsible for strategic investments and M&A transactions.

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

NON-EXECUTIVE DIRECTOR

Madam U Po Chu, aged 95, is a non-executive director of the Company ("**NED**") and was first appointed as Director in October 1996. She is also an executive director of LSG and Lai Fung as well as a non-executive director of LSD.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Low Chee Keong, aged 60, has been the Chairman of the board of Directors ("**Board**") since June 2010 and is currently an independent non-executive director of the Company ("**INED**"), a member of the Audit Committee of the Company ("**Audit Committee**") and the chairman of the Remuneration Committee. Mr. Low first joined the Board in August 1999 as an INED, was re-designated as a NED in June 2010, and was further re-designated as an INED on 1 September 2011. Serving as a member of the Remuneration Committee since October 2009, he was the chairman of the Remuneration Committee from October 2009 to late March 2011 and re-assumed the Remuneration Committee chairmanship on 1 September 2011.

Mr. Low graduated from the Chartered Institute of Marketing in the UK in 1986. He has over 25 years' experience in the property development and maintenance industry in Singapore.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Lo Kwok Kwei, David, aged 60, joined the Board as a NED in March 2009 and has been re-designated from a NED to an INED with effect from 1 September 2011. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984 and has been a member of The Law Society of Hong Kong since 1987. Mr. Lo has been practicing as a solicitor in Hong Kong for over 31 years and is a partner of a law firm David Lo & Partners. In addition, he is currently an independent non-executive director of Man Yue Technology Holdings Limited and Futong Technology Development Holdings Limited (the issued shares of both companies are listed and traded on the Main Board of the Stock Exchange).

Dr. Ng Lai Man, Carmen, aged 56, was appointed an INED in March 2009 and is presently the chairwoman of the Audit Committee and a member of the Remuneration Committee. She has over 30 years of experience in professional accounting services and corporate finance in Hong Kong, Mainland China, Singapore, the United States, Canada and Europe.

Dr. Ng is a practising certified public accountant in Hong Kong and is currently a director of Cosmos CPA Limited in Hong Kong. She is a fellow member of the HKICPA and The Association of Certified Chartered Accountants in the UK, and an associate member of the ICAEW. Dr. Ng received her Doctor of Business Administration from The Hong Kong Polytechnic University, Degree of Juris Doctor from The Chinese University of Hong Kong, Master of Laws in Corporate and Financial Laws from The University of Hong Kong, Master of Business Administration from The Chinese University of Hong Kong, Master of Professional Accounting from The Hong Kong Polytechnic University as well as Master of Science in Global Finance jointly offered by Leonard N. Stern Business School of New York University and The Hong Kong University of Science & Technology.

In addition, Dr. Ng is currently an independent non-executive director of Lion Rock Group Limited (formerly known as "1010 Printing Group Limited") and Global International Credit Group Limited (the issued shares of both companies are listed and traded on the Main Board of the Stock Exchange).

Mr. Alfred Donald Yap, J.P., aged 81, is an INED and a member of both the Audit Committee and the Remuneration Committee. He was first appointed to the Board in December 1996. Mr. Yap is presently a common consultant for both K. C. Ho & Fong, Solicitors and Notaries, and Yap & Lam, Solicitors. He was a former president of both The Law Society of Hong Kong and The Law Association for Asia and the Pacific (LAWASIA). Mr. Yap was also a former Hong Kong Affairs Adviser appointed by the Chinese Government and has served on various public and community organisations. In addition, he is currently an independent non-executive director of Hung Hing Printing Group Limited and Wong's International Holdings Limited (the issued shares of both companies are listed and traded on the Main Board of the Stock Exchange).

REPORT OF THE DIRECTORS

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2020 ("**Financial Statements**" and "**Year**", respectively).

PRINCIPAL ACTIVITIES

During the Year, the Company acted as an investment holding company. After the Group has completed the disposal of its entire equity interest in Lai Fung Holdings Limited ("**Lai Fung**") on 14 May 2020 ("**LF Disposal**"), 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 programs, films and video format products and cinema operation.

Particulars of the Company's principal subsidiaries as at 31 July 2020 are set out in note 52 to the Financial Statements. Other than the LF Disposal, there were no significant changes in the nature of the Group's principal activities during the Year and up to the date of this Report.

BUSINESS REVIEW

A review of the Group's businesses during the Year and a discussion and analysis of the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the "*Chairman's Statement*" and "*Management Discussion and Analysis*" on pages 4 to 9 and pages 14 to 16 of this Annual Report, respectively. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the "*Financial Summary and Highlights*" on pages 10 to 13 of this Annual Report. The financial risk management objectives and policies of the Group are set out in note 49 to the Financial Statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the "*Environmental, Social and Governance Report*" and "*Corporate Governance Report*" on pages 17 to 28 and pages 29 to 43 of this Annual Report, respectively. These discussion form part of this Report.

RESULTS AND DIVIDENDS

Details of the consolidated loss of the Group for the Year and the Group's financial position as at 31 July 2020 are set out in the Financial Statements and their accompanying notes on pages 74 to 200.

The board of Directors ("**Board**") does not recommend the payment of a final dividend in respect of the Year (2019: Nil). No interim dividend was paid or declared in respect of the Year (2019: Nil).

DIRECTORS

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

Executive Directors ("Executive Directors")
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Mr. Chew Fook Aun
Mr. Lam Hau Yin, Lester (appointed as alternate director to Madam U Po Chu on 19 June 2020)
Mr. Yip Chai Tuck

Non-executive Director ("NED")
Madam U Po Chu

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

In accordance with Bye-law 87 of the Bye-laws of the Company ("**Bye-laws**"), Directors shall retire from office by rotation once every three years since their last election. Mr. Yip Chai Tuck ("**Mr. CT Yip**") (an Executive Director) and Mr. Low Chee Keong and Mr. Alfred Donald Yap (both INEDs) (collectively, "**Retiring Directors**") will retire from office as Directors by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election.

Details of the Retiring Directors proposed for re-election at the forthcoming AGM, required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**" and "**Stock Exchange**", respectively) are set out in the "*Biographical Details of Directors*" of this Annual Report, the section headed "*Directors' and Chief Executive's Interests*" in this Report and the Company's circular dated 19 November 2020.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the existing Directors are set out on pages 44 to 46 of this Annual Report. Directors' other particulars are contained elsewhere in this Report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the 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 10 to the Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 5 to the Financial Statements, no Director nor a connected entity of a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors' and Chief Executive's Interests*" in this Report below, in note 40 to the Financial Statements, and the share option schemes adopted by Lai Sun Garment (International) Limited ("**LSG**") and Lai Sun Development Company Limited ("**LSD**"), at no time during the Year was the Company or any of its holding companies, subsidiaries and fellow subsidiaries, where applicable, a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Four Executive Directors, namely Messrs. Lui Siu Tsuen, Richard, Chew Fook Aun ("**Mr. FA Chew**"), Lam Hau Yin, Lester ("**Mr. Lester Lam**") (also alternate to Madam U Po Chu ("**Madam U**")) and Mr. CT Yip as well as Madam U, a NED, held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of media and entertainment and/or (up to 14 May 2020 only as the Group has completed the LF Disposal) property development and investment and/or development and operation of and investment in cultural, leisure, entertainment and related facilities in Hong Kong and/or Mainland China.

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

SHARE OPTION SCHEMES

1. The Company

On 11 December 2015, the Company adopted a new share option scheme ("**2015 Scheme**") and terminated the share option scheme previously adopted on 23 December 2005 ("**2005 Scheme**"). The 2015 Scheme which became effective on 23 December 2015 remains in force for a period of 10 years commencing on its adoption date. The details of the 2015 Scheme are set out in the circular of the Company dated 12 November 2015. The maximum number of the Company's ordinary shares ("**Shares**") issuable pursuant to the 2015 Scheme is 124,321,216, being 10% of the total issued Shares on the date of the approval of the 2015 Scheme.

Upon the closing of the Company's offers on 22 August 2018, all outstanding share options under the 2005 Scheme and the 2015 Scheme had lapsed or had been cancelled. Since then and as at 31 July 2020, no share options have been granted under the 2015 Scheme. Further details of the said Schemes are disclosed in note 40(a) to the Financial Statements.

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

On 18 December 2012, MAGHL, a company listed on GEM of the Stock Exchange and a non-wholly-owned subsidiary of the Company since 9 June 2011, adopted a share option scheme ("**MAGHL Scheme**") which was also approved by the Shareholders at a special general meeting of the Company ("**SGM**") 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 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. Further details of the MAGHL Scheme are disclosed in note 40(b) to the Financial Statements.

3. Lai Fung

On 18 December 2012, Lai Fung, a non-wholly-owned subsidiary of the Company (became a fellow subsidiary after completion of the LF Disposal) listed on the Main Board of the Stock Exchange, adopted a new share option scheme ("**2012 Lai Fung Scheme**") and terminated its share option scheme adopted on 21 August 2003 ("**2003 Lai Fung Scheme**"). Upon the termination of the 2003 Lai Fung Scheme, no more share options will be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable. The adoption of the 2012 Lai Fung Scheme and the termination of the 2003 Lai Fung Scheme were also approved by the Shareholders at a SGM held on 18 December 2012.

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 ("**Share Consolidation**"). As a result of Share Consolidation, the exercise price of the outstanding share options and number of shares comprised in the outstanding share options had been adjusted.

On 8 August 2018, the shareholders of Lai Fung at its extraordinary general meeting and the Shareholders at the SGM approved certain amendments to the 2003 Lai Fung Scheme and the affirmation of the continuing effectiveness of the share options granted pursuant to the 2003 Lai Fung Scheme. Details of the amendments are set out in the Company's circular dated 23 July 2018.

As at 31 July 2020, share options comprising a total of 9,684,526 underlying Lai Fung Shares granted under the 2012 Lai Fung Scheme were outstanding (representing about 2.93% of total issued Lai Fung Shares as at the date of this Report (i.e. 331,033,443)).

The movements of the share options granted under the 2003 Lai Fung Scheme (as amended on 8 August 2018) and the 2012 Lai Fung Scheme during the Year are as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) (Note 1)	Number of underlying Lai Fung Shares comprised in share options: As at 1 August 2019	Granted during the Year	Exercised during the Year	Lapsed/ cancelled during the Year	As at 31 July 2020	Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share (HK$) (Note 2)
Directors of Lai Fung								
Chew Fook Aun	12/06/2012	1,009,591	–	(109,591) (Note 3)	(900,000) (Note 3)	–	12/06/2012 – 11/06/2020	6.65
Lam Hau Yin, Lester	18/01/2013	3,219,182	–	–	–	3,219,182	18/01/2013 – 17/01/2023	11.40
Cheng Shin How	18/01/2013	643,836	–	–	–	643,836	18/01/2013 – 17/01/2023	11.40
Lee Tze Yan, Ernest	18/01/2013	640,000	–	–	–	640,000	18/01/2013 – 17/01/2023	11.40
Tham Seng Yum, Ronald	19/08/2019	–	500,000 (Note 4)	–	–	500,000	19/08/2019 – 18/08/2029	6.784
Subtotal		**5,512,609**	**500,000**	**(109,591)**	**(900,000)**	**5,003,018**		
Employees and other eligible participants (in aggregate)								
Batch 1	18/01/2013	3,871,508 (Note 5)	–	–	(240,000)	3,631,508	18/01/2013 – 17/01/2023	11.40
Batch 2	26/07/2013	220,000	–	–	–	220,000	26/07/2013 – 25/07/2023	9.50
Batch 3	16/01/2015	180,000	–	–	–	180,000	16/01/2015 – 15/01/2025	8.00
Batch 4	19/01/2018	450,000	–	–	(260,000)	190,000	19/01/2018 – 18/01/2028	13.52
Batch 5	22/01/2019	580,000	–	–	(120,000)	460,000	22/01/2019 – 21/01/2029	10.18
Subtotal		**5,301,508**	**–**	**–**	**(620,000)**	**4,681,508**		
Total		**10,814,117**	**500,000**	**(109,591)**	**(1,520,000)**	**9,684,526**		

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 similar changes in Lai Fung's share capital.*

3. *The closing price of each Lai Fung Share immediately before the exercise date of the share option was HK$7.04.*

   *Mr. FA Chew tendered acceptance to the Lai Fung's offer by Holy Unicorn Limited ("**Holy Unicorn**", a wholly-owned subsidiary of LSD) to cancel all the outstanding share options of Lai Fung ("**LF Options**") in respect of his option relating to 900,000 underlying Lai Fung Shares on 18 May 2020.*

4. *The closing price of each Lai Fung Share immediately before the date on which the share option was granted (19 August 2019) was HK$6.76.*

5. *Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**"), a substantial shareholder of Lai Fung within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("**SFO**"), was granted a share option to subscribe for a total of 321,918 Lai Fung Shares (after the effect of the Share Consolidation) on 18 January 2013.*

Save as disclosed above, no share options had been granted, exercised, cancelled or lapsed in accordance with the terms of the 2003 Lai Fung Scheme (as amended on 8 August 2018) and the 2012 Lai Fung Scheme during the Year. Further details of the said Lai Fung Schemes are disclosed in note 40(c) to the Financial Statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2020 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as otherwise known by the Directors:

(I) Interests in the Company

		Long positions in the Shares and underlying Shares				
		Number of Shares		Number of underlying Share		
Name of Director	Capacity	Personal interests	Corporate interests	Personal interests	Total	Approximate percentage of total issued Shares *(Note)*
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	2,794,443	0.19%

Note: *The total number of issued Shares as at 31 July 2020 (1,491,854,598 Shares) has been used in the calculation of the approximate percentage.*

(II) Interests in Associated Corporations

(a) LSG

Name of Directors	Capacity	Long positions in ordinary shares of LSG ("LSG Shares") and underlying LSG Shares — Number of LSG Shares: Personal interests	Corporate interests	Number of underlying LSG Shares: Personal interests (Note 1)	Total	Approximate percentage of total issued LSG Shares (Note 2)
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	Nil (Note 3)	3,819,204	3,819,204	0.97%
Lam Hau Yin, Lester	Beneficial owner	12,459,208	Nil	3,819,204	16,278,412 (Note 4)	4.15%
Lui Siu Tsuen, Richard	Beneficial owner	185,600	Nil	Nil	185,600	0.05%
U Po Chu	Beneficial owner	825,525	Nil	Nil	825,525	0.21%

Notes:

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

Name of Directors	***Date of grant*** *(dd/mm/yyyy)*	***Number of underlying LSG Shares comprised in share options***	***Option period*** *(dd/mm/yyyy)*	***Exercise price per LSG Share*** *(HK$)*
Chew Fook Aun	*19/06/2017*	*3,819,204*	*19/06/2017 – 18/06/2027*	*15.00*
Lam Hau Yin, Lester	*19/06/2017*	*3,819,204*	*19/06/2017 – 18/06/2027*	*15.00*

2. *The total number of issued LSG Shares as at 31 July 2020 (392,610,623 LSG Shares) has been used in the calculation of the approximate percentage.*

3. *The Orchid Growers Association Limited ("**Orchid**"), which is wholly owned by Mr. FA Chew, completed a sale of 202,422 LSG Shares on 17 July 2020.*

4. *On 13 February 2020, Mr. Lester Lam has elected to receive a total of 92,271 LSG's scrip shares in lieu of a cash dividend pursuant to the scrip dividend scheme of LSG in relation to the final dividend for the year ended 31 July 2019, increasing his interests in LSG Shares from 12,366,937 to 12,459,208.*

   On 24 June 2020, Mr. Lester Lam exercised a share option granted to him by LSG to subscribe for 3,752,422 LSG Shares and then sold the same on 17 July 2020.

(b) LSD

Name of Directors	Capacity	Long positions in ordinary shares of LSD ("LSD Shares") and underlying LSD Shares — Number of LSD Shares: Personal interests	Number of LSD Shares: Corporate interests	Number of underlying LSD Shares: Personal interests (Note 1)	Total	Approximate percentage of total issued LSD Shares (Note 2)
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	888,300	2,867,081	3,755,381 (Note 3)	0.61%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	4,173,081	4,173,081	0.68%
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	104,000	104,000	0.02%
U Po Chu	Beneficial owner	26,919	Nil	Nil	26,919	0.004%

Notes:

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

Name of Directors	***Date of grant*** *(dd/mm/yyyy)*	***Number of underlying LSD Shares comprised in share options***	***Option period*** *(dd/mm/yyyy)*	***Exercise price per LSD Share*** *(HK$)*
Chew Fook Aun	*05/06/2012*	*2,867,081*	*05/06/2012 – 04/06/2022*	*5.35*
Lam Hau Yin, Lester	*18/01/2013*	*4,173,081*	*18/01/2013 – 17/01/2023*	*16.10*
Lui Siu Tsuen, Richard	*18/01/2013*	*104,000*	*18/01/2013 – 17/01/2023*	*16.10*

2. *The total number of issued LSD Shares as at 31 July 2020 (611,174,025 LSD Shares) has been used in the calculation of the approximate percentage. The total issued LSD Shares increased to 612,089,025 as at the date of this Report.*

3. *Mr. FA Chew was deemed to be interested in the 888,300 LSD Shares owned by Orchid as at 31 July 2020 after the disposal of a total of 417,700 LSD Shares during the Year and after the exercises of share options to subscribe for 600,000 and 306,000 LSD Shares by Mr. FA Chew on 3 and 20 July 2020, respectively.*

   As at the date of this Report, Mr. FA Chew was deemed to be interested in the 1,221,000 LSD Shares owned by Orchid after its disposal of a total of 582,300 LSD Shares in August 2020 and after the exercise of share option to subscribe for 915,000 LSD Shares by Mr. FA Chew on 7 August 2020.

(c) Lai Fung

Name of Directors	Capacity	Long positions in Lai Fung Shares and underlying Lai Fung Shares: Number of Lai Fung Shares – Personal interests	Number of Lai Fung Shares – Corporate interests	Number of underlying Lai Fung Shares – Personal interests (Note 1)	Total	Approximate percentage of total issued Lai Fung Shares (Note 2)
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	Nil	Nil	Nil (Note 3)	Nil
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	3,219,182	3,219,182	0.97%

Notes:

1. *These interests in underlying Lai Fung Shares represent the interests in share options granted to the Directors under the share option schemes of Lai Fung, particulars of which are shown in the section headed "Share Option Schemes" of this Report.*

2. *The total number of issued Lai Fung Shares as at 31 July 2020 (331,033,443 Lai Fung Shares) has been used in the calculation of the approximate percentage.*

3. *On 6 August 2019, Mr. FA Chew exercised a part of his share option granted by Lai Fung to subscribe for 109,591 Lai Fung Shares.*

   On 18 May 2020, Orchid has instructed its brokers to tender its acceptance to the general offer by Holy Unicorn for all of the shares in Lai Fung in respect of 709,591 Lai Fung Shares; and Mr. FA Chew tendered his acceptance to the LF Options in respect of his LF Options relating to 900,000 underlying shares in Lai Fung. Since then, no Lai Fung Shares are held by Mr. FA Chew and Orchid.

Save as disclosed above, as at 31 July 2020, none of the Directors and the chief executive of the Company and their respective close associates had, or was deemed to have, any interest in the long or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which was required to be notified to the Company and the Stock Exchange pursuant to the SFO, or recorded in the Register of Directors and Chief Executive, or notified to the Company and the Stock Exchange under the Securities Code or otherwise known by the Directors.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2020, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals, who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

	Long positions in the Shares and underlying Shares		
Name	**Capacity**	**Number of Shares and underlying Shares held**	**Approximate percentage of total issued Shares** *(Note 1)*
Substantial Shareholders			
Lai Sun Development Company Limited *(Note 2)*	Owner of controlled corporation	1,113,260,072	74.62% *(Note 4)*
Lai Sun Garment (International) Limited *(Note 3)*	Owner of controlled corporations	1,113,260,072	74.62% *(Note 4)*
Dr. Lam Kin Ngok, Peter	Beneficial owner and owner of controlled corporations	1,116,054,515	74.81% *(Note 4)*
Other Persons			
Mr. Yu Cheuk Yi	Beneficial Owner	148,982,000	9.99% *(Note 5)*
Ms. Yu Siu Yuk	Beneficial Owner	148,982,000	9.99% *(Note 5)*

Notes:

1. *The total number of issued Shares as at 31 July 2020 (1,491,854,598 Shares) has been used in the calculation of the approximate percentage.*

2. *As at 31 July 2020, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, were also executive directors of LSD. Madam U, a NED, was also a non-executive director of LSD.*

3. *As at 31 July 2020, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, and Madam U, a NED, were also executive directors of LSG. Mr. CT Yip, an Executive Director, was also the chief executive officer of LSG.*

4. *These interests in the Company represented all the Shares beneficially owned by Transtrend Holdings Limited, an indirect wholly-owned subsidiary of LSD. As at 31 July 2020, LSG and Dr. Peter Lam were deemed to be interested in the same 1,113,260,072 Shares (approximately 74.62% of the total issued Shares) indirectly owned by LSD by virtue of his personal and deemed interests of approximately 41.66% (excluding share option) of the total issued LSG Shares; and LSD was approximately 56.22% directly and indirectly owned by LSG; and LSG was approximately 12.43% (excluding share option) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman Limited, which in turn 100% beneficially owned by Dr. Peter Lam. As at the date of this Report, LSD was approximately 56.13% directly and indirectly owned by LSG.*

   As at 31 July 2020, Dr. Peter Lam also holds 2,794,443 Shares as beneficial owner.

5. *Based on the disclosure of interests notices received by the Company, as at 31 July 2020, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (together, "**YUs**") were both taken to be interested in the same 148,982,000 Shares (approximately 9.99% of the total issued Shares), which were held jointly by them.*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) which/who, as at 31 July 2020, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 5 to the Financial Statements and the sections headed "*Connected Transactions*" and "*Continuing Connected Transactions*" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined 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.

CONNECTED TRANSACTIONS

The Company had the following connected transactions during the Year:

1. Disposal of 20% Interest in Rosy Commerce Holdings Limited

On 23 July 2019, a share sale and purchase agreement ("**Agreement**") entered into between Sunny Horizon Investments Limited (an indirect wholly-owned subsidiary of the Company) as seller and LSD (or its nominee) as buyer, pursuant to which LSD purchased 20 shares of US$1.00 each in the share capital of Rosy Commerce Holdings Limited ("**Rosy Commerce**", an indirectly non-wholly-owned subsidiary held as to 80% by Lai Fung and 20% by the Company as at the date of signing the Agreement) at a total consideration of HK$557.25 million subject to the terms and conditions set out in the Agreement ("**RC Disposal**"). To facilitate the RC Disposal, the Company and LSD agreed that the guarantees in relation to the existing banking facilities would continue to take effect after the completion of RC Disposal in order to maintain the facilities. In order to protect the interest of the Group, LSD has given its undertaking and the counter guarantee in favour of the Company. Upon the completion of RC Disposal, Rosy Commerce would be held as to 80% by Lai Fung and 20% by LSD.

The RC Disposal constituted a major transaction for the Company under the Listing Rules and was subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, LSD is the intermediate holding company of the Company and hence a connected person of the Company under the Listing Rules, the RC Disposal and the transactions contemplated thereunder ("**RC Transactions**") constituted a connected transaction for the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the RC Disposal and the RC Transactions are set out in the joint announcement published by LSG, LSD and the Company dated 23 July 2019, and the circular of the Company dated 30 August 2019.

The Agreement and RC Transactions had been approved, confirmed and ratified by the independent shareholders of the Company ("**Independent Shareholders**") at its SGM held on 20 September 2019 and the completion of the RC Transaction took place on 24 September 2019 after the satisfaction of all conditions set out in the Agreement on 20 September 2019.

2. Disposal of 50.99% Interest in Lai Fung

Reference is made to the joint announcement dated 21 February 2020 published by the Company, LSG, LSD, Holy Unicorn ("**Offeror**") and Lai Fung, in respect of, among others, (1) the conditional voluntary general cash offers to be made by The Hongkong and Shanghai Banking Corporation Limited, on behalf of the Offeror to acquire all of issued shares of Lai Fung (other than those already owned or agreed be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) at the Lai Fung's share offer price of HK$8.99 per Lai Fung offer share ("**LF Share Offer**") and to cancel all the outstanding share options of Lai Fung (collectively, "**LF Offers**") and (2) the possible very substantial disposal and connected transaction of the Company regarding the possible disposal of all the Lai Fung Shares owned by the Company pursuant to the potential acceptance of LF Share Offer ("**LF Disposal**"). Upon completion, the Group would no longer hold any interest in Lai Fung. Lai Fung has ceased to be an indirect non-wholly-owned subsidiary of the Company and the financial results of Lai Fung would no longer be consolidated into the financial statements of the Group with effect from the date of completion (i.e. 14 May 2020).

The LF Disposal constituted a very substantial disposal transaction for the Company under the Listing Rules and was subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, LSD is the intermediate holding company of the Company and hence a connected person of the Company under the Listing Rules, the LF Disposal and the transactions contemplated thereunder ("**LF Transactions**") constituted a connected transaction for the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the LF Disposal and LF Transactions are set out in the circular of the Company dated 23 April 2020.

The LF Offers were approved by the shareholders of LSG and LSD at their respective general meetings held on 13 May 2020, the LF Disposal and LF Transactions were approved by the Independent Shareholders and the non-connected shareholders of the Company at its SGM held on 13 May 2020 and the completion of the LF Disposal took place on 14 May 2020 after the satisfaction of all conditions set out in the composite offer and response document issued by LSD, the Offeror and Lai Fung dated 24 April 2020.

CONTINUING CONNECTED TRANSACTIONS

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

1. Letting and/or Licensing of Premises – Memorandum of Agreement of the Lai Sun Group

On 31 July 2017, members of the Lai Sun Group, namely LSG (LSG and its subsidiaries, "**LSG Group**"), LSD (LSD and its subsidiaries, "**LSD Group**"), Lai Fung (Lai Fung and its subsidiaries, "**Lai Fung Group**"), MAGHL (MAGHL and its subsidiaries, "**MAGHL Group**") and the Company entered into a new memorandum of agreement ("**Renewal Agreement**") to renew the memorandum of agreement dated 14 February 2014 ("**Memorandum of Agreement**") in relation to all existing or future transactions with regard to the letting and/or licensing of various premises owned or held by other members of the Lai Sun Group ("**Lease Transactions**").

The Renewal Agreement is for a period of three years commenced on 1 August 2017 and expired on 31 July 2020. In summary, the terms and conditions of the Renewal Agreement are:

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

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

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

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

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

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

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

As at the date of signing the Renewal Agreement, LSG was the ultimate holding company of LSD, which in turn was the controlling shareholder of the Company while Lai Fung and MAGHL were the subsidiaries of the Company. Therefore, the transactions contemplated under the Renewal Agreement constitute CCTs for each of the Company, Lai Fung and MAGHL. The Company has adopted an annual cap amount of HK$25,700,000, HK$26,400,000 and HK$28,600,000 for the financial years ended 31 July 2018, 2019 and 2020 in respect of its Lease Transactions with the LSG Group and the LSD Group. Details of the Renewal Agreement and the Lease Transactions are set out in the joint announcement dated 31 July 2017 published by the Company, LSG, LSD, Lai Fung and MAGHL.

For the Year, rental and management fee income received or receivable from the LSG Group and the LSD Group amounted to HK$1,198,000.

For the Year, rent paid or payable to the LSG Group and the LSD Group and management fee paid or payable to the LSG Group and the LSD Group amounted to HK$10,125,000 and HK$2,029,000, respectively.

2. Ascott Management Agreement

The Company and Lai Fung jointly announced on 24 May 2013 that two pre-existing agreements entered into by Lai Fung on 5 May 2009 relating to Ascott Management Agreement (as defined below) and on 16 April 2010 regarding the Breakfast Agreement (already expired on 31 August 2013), respectively had subsequently become CCTs of the Company from 30 October 2012 under Chapter 14A of the Listing Rules, as Lai Fung had been consolidated as a subsidiary of the Company from 11 June 2012 due to the adoption of Hong Kong Financial Reporting Standard 10 "*Consolidated Financial Statements*" by the Company during the year ended 31 July 2012.

On 5 May 2009, Shanghai Li Xing Real Estate Development Co., Ltd. ("**Li Xing**", a company established in Mainland China and a 95%-owned subsidiary of Lai Fung as at the date of the announcement) and Ascott Property Management (Shanghai) Co., Ltd. ("**Ascott**", a company established in Mainland China and a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**", a company established in Singapore, a substantial shareholder and therefore a connected person of Lai Fung under the Listing Rules)) entered into an agreement ("**Ascott Management Agreement**") in relation to Ascott's provision of management services to Li Xing for certain units of a serviced apartment tower owned by the Lai Fung Group and situated at 282 Huaihaizhong Road, Huangpu District, Shanghai, the People's Republic of China. Transactions contemplated under the Ascott Management Agreement constitute CCTs of Lai Fung and (from 11 June 2012) CCTs of the Company (as the ultimate holding company of Lai Fung). The Ascott Management Agreement covers an initial term of ten years from 1 May 2010 and is renewable for two successive terms of five years at the option of Ascott and subject to the agreement of Li Xing. Further details of the said agreement can be found in Lai Fung's announcement dated 5 May 2009.

The Ascott Management Agreement expired on 30 April 2020. On 23 January 2020, Li Xing entered into the serviced residence management agreement with Ascott to renew the Ascott Management Agreement ("**2020 Management Agreement**"). The 2020 Management Agreement covers a term of ten years from 1 May 2020 and will be renewable for two successive terms of five years at the option of Ascott and subject to the agreement of Li Xing.

As at the date of signing the 2020 Management Agreement, Lai Fung was a 50.53%-owned subsidiary of the Company, the Company was a 74.62%-owned subsidiary of LSD and LSD was a 56.07%-owned subsidiary of LSG. Accordingly, Ascott was a connected person of each of LSG, LSD, the Company and Lai Fung, and the transaction contemplated under the 2020 Management Agreement constituted a CCT for each of LSG, LSD, the Company and Lai Fung under the Listing Rules.

The LF Board expected that the maximum amount of total fees payable by Li Xing to Ascott during the term of the 2020 Management Agreement would not exceed RMB15 million per annum. Further details of the 2020 Management Agreement are set out in the joint announcement dated 23 January 2020 published by the Company, LSG, LSD and Lai Fung.

For the period from 1 August 2019 to 14 May 2020 (i.e. the completion date of the LF Disposal), the management and other service fees paid or payable by the Group to Ascott amounted to RMB5,206,000 (approximately to HK$5,754,000).

After the completion of the LF Disposal in May 2020, Ascott ceased to be a connected person of the Company, and therefore the 2020 Management Agreement has no longer been a CCT of the Company.

3. Licence Arrangement – The Receipt of Service Fee

On 6 December 2017, Marvel Day Ventures Limited ("**Marvel Day**", an indirect non-wholly-owned subsidiary of the Company) and Cosmic Dragon Limited ("**Cosmic Dragon**", an indirect non-wholly-owned subsidiary of LSD) entered into the shareholders agreement ("**Shareholders Agreement**"), pursuant to which the parties agreed to form Love Grubers Limited ("**Love Grubers**", currently known as Hazelway Holding Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned as to 50% by Marvel Day and 50% by Cosmic Dragon), to incorporate a wholly-owned subsidiary, Grubers Telford Limited ("**GTL**", currently known as Hazelway Limited, a company incorporated in Hong Kong with limited liability), for the purpose of operating a cafe ("**Cafe**") within the premises of MCL Telford Cinema located at Level 2 (Portion) and Level 3, Telford Gardens, No. 33 Wai Yip Street, Kowloon Bay, (New Kowloon Inland Lot No. 5744), Kowloon, Hong Kong ("**Telford Premises**"). Details of the Shareholders Agreement are set out in the Company's announcement dated 6 December 2017 ("**CT Announcement**").

The Shareholders Agreement contemplates Love Grubers entering into a licence arrangement concerning the space for the Cafe from Multiplex Cinema Limited ("**MCL**", an indirect non-wholly-owned subsidiary of the Company).

Love Grubers is an investment holding company which owns all the shares of GTL, and GTL is operating the Cafe within the Telford Premises. Marvel Day had obtained consent from MCL to use a space of approximately 1,250 square feet exclusively for the Cafe plus additional space to be shared with, and at the discretion of, MCL for a term commenced on 6 December 2017 and expiring on 30 September 2024 ("**Licence Arrangement**").

Pursuant to the Shareholders Agreement, GTL shall pay to MCL a monthly service fee of the higher of (i) HK$138,000 per month or (ii) 10% of the Cafe's monthly gross revenue from 6 December 2017 to 30 September 2019 and 12% of the Cafe's monthly gross revenue from 1 October 2019 to 30 September 2024 ("**Service Fee**"), but the Service Fee from 6 December 2017 to 31 December 2017 had been waived.

As the Licence Arrangement contemplated under the Shareholders Agreement was a new CCT with LSD Group, no historical data was available for reference as far as the determination of the proposed annual caps for each of the financial years ending 31 July 2025 in respect of the Licence Arrangement contemplated under the Shareholders Agreement is concerned.

Based on the Service Fee in respect of the Licence Arrangement, the Company expected the amount payable by GTL to MCL for each of the financial years of the Company ending 31 July 2025 to be no more than HK$2,400,000.

GTL is a wholly-owned subsidiary of Love Grubers which is an associate of LSD. GTL is therefore deemed as an associate (as defined in Chapter 14A of the Listing Rules) of the controlling shareholder of the Company as at the date of the CT Announcement, and hence a connected person of the Company. MCL is an indirect non-wholly-owned subsidiary of the Company. Accordingly, the Licence Arrangement contemplated under the Shareholders Agreement between GTL and MCL constituted a CCT of the Company under Chapter 14A of the Listing Rules.

For the Year, total Service Fee received or receivable by MCL amounted to HK$1,159,000.

4. Property Management Services Agreements and Cost-sharing Agreements

Reference is made to the announcements of Lai Fung dated 16 July 2019 ("**Lai Fung Announcement**") and 23 July 2019 regarding Lai Fung's continuing connected transactions under the Property Management Services Agreements and the Cost-sharing Agreements and the Company's announcement dated 23 July 2019 regarding the RC Disposal.

The Property Management Services Agreements include the following:

(i) 珠海横琴創新方商業管理有限公司 (Zhuhai Hengqin Novotown Business Management Co., Ltd.*) ("**Novotown Business Management**") and 珠海横琴創新方文化創意有限公司 (Zhuhai Hengqin Novotown Creative Culture Co., Ltd.*) ("**Novotown Creative Culture**") entered into an agreement on 16 July 2019, pursuant to which Novotown Business Management would provide property management services to Novotown Creative Culture from 1 September 2019 to 31 August 2022, subject to the annual caps not exceeding HK$4.8 million for the financial year ended 31 July 2020 and HK$5.2 million for each of the financial years ending 31 July 2021 and 2022;

(ii) Novotown Business Management and 珠海横琴創新方娛樂有限公司 (Zhuhai Hengqin Novotown Entertainment Co., Ltd.*) ("**Novotown Entertainment**") entered into an agreement on 16 July 2019, pursuant to which Novotown Business Management would provide property management services to Novotown Entertainment from 1 August 2019 to 31 July 2022, subject to the annual caps not exceeding HK$23.8 million for the financial year ended 31 July 2020 and each of the financial years ending 31 July 2021 and 2022; and

(iii) Novotown Business Management and 珠海横琴麗新文創天地有限公司 (Zhuhai Hengqin Laisun Creative Culture City Co., Ltd.*) ("**Laisun Creative Culture**") entered into an agreement on 23 July 2019, pursuant to which Novotown Business Management would provide property management services to Laisun Creative Culture from 1 October 2019 to 30 September 2022, subject to the annual caps not exceeding HK$59.1 million for the financial year ended 31 July 2020 and HK$70.9 million for each of the financial years ending 31 July 2021 and 2022.

The Cost-sharing Agreements include the following:

(i) Novotown Business Management and Novotown Creative Culture entered into an agreement on 16 July 2019, pursuant to which Novotown Business Management and Novotown Creative Culture would share the costs and expenses in connection with the use of the Head Lease Premises (as defined in Lai Fung Announcement) as staff quarter on a cost basis from 1 September 2019 to 30 April 2021, subject to the annual caps not exceeding HK$0.5 million for each of the financial year ended 31 July 2020 and the financial year ending 31 July 2021;

(ii) Novotown Business Management and Novotown Entertainment entered into an agreement on 16 July 2019, pursuant to which Novotown Business Management and Novotown Entertainment would share the costs and expenses in connection with the use of the Head Lease Premises (as defined in Lai Fung Announcement) as staff quarter on a cost basis from 1 September 2019 to 30 April 2021, subject to the annual caps not exceeding HK$2.5 million and HK$2.8 million for each of the financial year ended 31 July 2020 and the financial year ending 31 July 2021; and

(iii) Novotown Business Management and Laisun Creative Culture entered into an agreement on 16 July 2019, pursuant to which Novotown Business Management and Laisun Creative Culture would share the costs and expenses in connection with the use of the Head Lease Premises (as defined in Lai Fung Announcement) as staff quarter on a cost basis from 1 September 2019 to 30 April 2021, subject to the annual caps not exceeding HK$3.1 million and HK$3.3 million for each of the financial year ended 31 July 2020 and the financial year ending 31 July 2021.

** For identification purposes only*

LSD is the intermediate holding company of the Company and hence a connected person of the Company under the Listing Rules. Upon completion of the RC Disposal on 24 September 2019, each of Laisun Creative Culture, Novotown Creative Culture and Novotown Entertainment became a connected subsidiary of the Company pursuant to Rule 14A.16(2) of the Listing Rules by virtue of being an indirect subsidiary of Rosy Commerce, which would in turn be a connected subsidiary of the Company controlled as to 20% by LSD (or its nominee) directly. As such Laisun Creative Culture, Novotown Creative Culture and Novotown Entertainment became connected persons of the Company. Novotown Business Management is the indirect non-wholly-owned subsidiary of the Company. Accordingly, whilst the terms of the Property Management Services Agreements and the Cost-sharing Agreements remain unchanged, each of the Property Management Services Agreements and the Cost-sharing Agreements have become a CCT of the Company under Chapter 14A of the Listing Rules.

After completion of the LF Disposal in May 2020, each of Laisun Creative Culture, Novotown Creative Culture and Novotown Entertainment ceased to be a subsidiary of the Group, and therefore each of the Property Management Services Agreements and the Cost-sharing Agreement has no longer been a CCT of the Company.

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

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

(b) on normal commercial terms or better; and

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

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

(i) have not been approved by the Board;

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

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

In respect of the Property Management Services Agreements and Cost-sharing Agreements between the Group and Rosy Commerce under pre-existing agreements entered into prior to Rosy Commerce and its subsidiaries becoming connected persons, no annual caps were set for such transactions.

A copy of their letter has been provided by the Company to the Stock Exchange.

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

RELATED PARTY TRANSACTIONS

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

SHARE CAPITAL

Details of the Company's share capital are set out in note 39 to the Financial Statements.

GUARANTEED NOTES

Details of the guaranteed notes issued by the Group are set out in note 36 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2020, the Company's contributed surplus of HK$845,455,000 is available for distribution in accordance with the Companies Act 1981 of Bermuda (as amended) ("**Companies Act**").

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

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

(ii) the realisable value of the Company's assets would thereby be less than its liabilities.

In addition, the Company's share premium account, in the amount of HK$4,257,351,000 may be applied to pay up in full unissued shares to be issued to the Shareholders as fully paid bonus shares.

SUFFICIENCY OF PUBLIC FLOAT

During the period from 16 September 2019 to 25 September 2019, the public float of the Company was below 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules.

As disclosed in the Company's announcement dated 17 September 2019, the shortfall in the public float of the Company was due to the purchase of 902,000 Shares by YUs on 16 September 2019. As YUs held an aggregate of 149,982,000 Shares (representing approximately 10.05% of the total issued Shares), YUs have become substantial shareholders of the Company and the Shares held by YUs were excluded from the public float of the Company.

Upon completion of YUs' disposal of an aggregate of 1,000,000 Shares to an independent third party on 25 September 2019, a total of 373,005,640 Shares, representing approximately 25.003% of the total issued Shares were held by the public. Accordingly, the minimum public float as required under Rule 8.08(1)(a) of the Listing Rules has been restored. Details of which are set out in the announcements of the Company dated 17 September 2019 and 26 September 2019.

Save as disclosed above, based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this Annual Report, the Company has maintained sufficient public float exceeding 25% of its issued share capital.

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

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

PRE-EMPTIVE RIGHTS

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

DONATIONS FOR CHARITABLE AND OTHER PURPOSES

During the Year, the Group made contributions for charitable or other purposes totalling HK$1,490,000 (2019: HK$4,675,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's five largest customers accounted for approximately 35% of the Group's total revenue from continuing operations and revenue from the largest customer included therein amounted to approximately 13%. Purchases from the Group's five largest suppliers accounted for approximately 32% of the Group's total purchases for continuing operations, the largest supplier accounted for approximately 14% of the Group's total purchases for the Year.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom to the best knowledge and belief of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the Year.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

BANK LOANS AND OTHER BORROWINGS

Details of the Company's bank loans and other borrowings as at 31 July 2020 are set out in notes 33 and 34 to the Financial Statements, respectively.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out in the section headed "*Financial Summary and Highlights*" on pages 10 to 13 of this Annual Report. This summary does not form part of the Financial Statements.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 29 to 43.

EQUITY-LINKED AGREEMENT

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

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

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

On behalf of the Board

Low Chee Keong
Chairman
Hong Kong
20 October 2020

SHAREHOLDERS' INFORMATION

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

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

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

(b) Bermuda

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

(c) Consultation with professional advisers

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

KEY DATES

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

	For Financial Year 2019/2020
Annual results announcement for the year ended 31 July 2020	20 October 2020
Latest time and date to lodge transfer documents with the branch share registrar in Hong Kong for entitlement to attending and voting at the 2020 annual general meeting ("**AGM**")	4:30 p.m. on 14 December 2020
2020 AGM	10:00 a.m. on 18 December 2020

	For Financial Year 2020/2021
Interim results announcement for the six months ending 31 January 2021	on or before 31 March 2021
Annual results announcement for the year ending 31 July 2021	on or before 31 October 2021
2021 AGM	December 2021

EY 安永

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

OPINION

We have audited the consolidated financial statements of eSun Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 74 to 200, which comprise the consolidated statement of financial position as at 31 July 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill, property, plant and equipment and right-of-use assets	
As at 31 July 2020, the Group had goodwill, property, plant and equipment ("**PPE**") and right-of-use assets ("**ROU assets**") of approximately HK$10 million, HK$257 million and HK$786 million, respectively. Management performs impairment assessments on (i) the Group's goodwill on an annual basis as at 31 July; and (ii) the Group's PPE and ROU assets where an indicator of impairment of these assets exists. Impairment losses of approximately HK$72 million, HK$97 million and HK$309 million have been recognised during the year to reduce the carrying amounts of goodwill, certain PPE and ROU assets, respectively, to their recoverable amounts. Management determined the recoverable amounts of the relevant cash-generating units ("**CGUs**") or groups of CGUs as at 31 July 2020 based on the value in use calculations using the discounted cash flow method. Significant judgements and estimates were involved in the assessments of the recoverable amounts of CGUs or groups of CGUs, including assumptions on the growth rate and the discount rate. The outcome was sensitive to expected future market conditions, e.g. the impact of Covid-19, recovery of economy, etc., and the actual performance of the CGUs or groups of CGUs. The related disclosures are included in notes 2, 3, 14, 15 and 21 to the financial statements.	Our audit procedures included, among others, evaluating the Group's policies and procedures in identifying impairment indicators and determining the relevant CGUs or groups of CGUs. In evaluating management's impairment assessments, we also assessed (i) the value in use calculation methodologies adopted by management in determining the recoverable amounts of CGUs or groups of CGUs, and (ii) the key assumptions used in the value in use calculations, including the growth rates and the discount rates, by: — evaluating the growth rates with reference to the historical results and economic environment; — comparing the discount rates used with the relevant industry's weighted average cost of capital. We involved our internal valuation specialists to assist us in evaluating the appropriateness of the methodology, the key assumptions and discount rates used in the value in use calculation. We also assessed the disclosures relating to the assumptions used in the impairment assessments of goodwill, PPE and ROU assets.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of film rights, film and TV program products and films and TV programs under production	
As at 31 July 2020, the Group had films and TV programs under production, film rights and film and TV program products of approximately HK$297 million, HK$7 million and HK$65 million, respectively. Management makes significant judgements and estimates in assessing whether there is any impairment or reversal of impairment for these assets. In making such assessments, management considers both internal and external information available on the films and TV programs under production, film rights and film and TV program products, and reviews the estimated costs to be incurred to complete production, projected revenues and related future cash flows of the relevant assets, as appropriate. Further details are included in note 3 to the consolidated financial statements. The related disclosures are included in notes 2, 3, 18, 19 and 26 to the financial statements.	We have evaluated management's impairment assessments of films and TV programs under production, film rights and film and TV program products by performing, among others, the following procedures: — Understood and evaluated the procedures used by management to perform the impairment assessments on films and TV programs under production, film rights and film and TV program products. — Assessed the internal and external sources of information used by management in identifying impairment indicators on films and TV programs under production, film rights and film and TV program products which included, among others, by (i) performing inquiries with management about the main artistes and directors involved in the films and TV programs, the production plan, the progress of the production, the target market and the distribution plan of the respective films and TV programs, and expected market development; and (ii) performing a search through external sources for relevant media coverage on the related popularity and past performance of the main artistes and directors, and the tentative release schedule of the respective films and TV programs to corroborate management's production and distribution plans. — Evaluated the assumptions used by management in the discounted cash flow projections for films and TV programs under production, film rights and film and TV program products, which included, among others, the projected revenues from films and TV programs, estimated costs to be incurred to complete the production, distribution expenses and other related cash flows by comparing with the production plan, agreements for future sales, licensing and other exploitations, historical cash flows and other similar transactions in relation to the films and TV programs and other relevant information of the film and TV industry. — Involved our internal valuation specialists to assist us in evaluating the assumptions, discount rates and methodologies used by the Group in the discounted cash flow projections.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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 Chung Yuk Man.

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

20 October 2020

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
CONTINUING OPERATIONS			
TURNOVER	6	**929,156**	1,450,189
Cost of sales		**(627,262)**	(971,334)
Gross profit		**301,894**	478,855
Other revenue	7	**94,987**	41,966
Selling and marketing expenses		**(31,686)**	(31,368)
Administrative expenses		**(328,689)**	(347,095)
Other operating expenses, net		**(877,234)**	(430,754)
LOSS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		**(840,728)**	(288,396)
Finance costs	9	**(79,984)**	(53,643)
Share of profits and losses of joint ventures		**(2,237)**	(3,422)
Share of profits and losses of associates		**–**	827
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	8	**(922,949)**	(344,634)
Tax	11	**(79,262)**	(3,077)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,002,211)**	(347,711)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	12	**(8,150,401)**	365,816
PROFIT/(LOSS) FOR THE YEAR		**(9,152,612)**	18,105
Attributable to:			
Owners of the Company		**(8,585,404)**	(77,645)
Non-controlling interests		**(567,208)**	95,750
		(9,152,612)	18,105
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic			
– For loss for the year		**(HK$5.755)**	(HK$0.052)
– For loss for the year from continuing operations		**(HK$0.621)**	(HK$0.197)
Diluted			
– For loss for the year		**(HK$5.755)**	(HK$0.052)
– For loss for the year from continuing operations		**(HK$0.621)**	(HK$0.197)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2020

	2020 HK$'000	2019 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**(9,152,612)**	18,105
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
Items that may be subsequently reclassified to the income statement:		
Exchange realignment on translation of foreign operations	**(764,209)**	(277,434)
Share of other comprehensive income/(loss) of joint ventures	**(41)**	10,912
Share of other comprehensive loss of associates	**(13)**	(20)
Release of exchange reserve upon disposal and winding-up of subsidiaries	**1,150,216**	(10,636)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**385,953**	(277,178)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(8,766,659)**	(259,073)
Attributable to:		
Owners of the Company	**(7,832,163)**	(222,600)
Non-controlling interests	**(934,496)**	(36,473)
	(8,766,659)	(259,073)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**257,425**	4,931,149
Right-of-use assets	15(a)	**786,397**	–
Properties under development	16	**–**	713,590
Investment properties	17	**–**	20,424,800
Film rights	18	**7,055**	24,608
Film and TV program products	19	**65,121**	75,022
Music catalogs	20	**8,584**	15,629
Goodwill	21	**10,000**	82,440
Investments in joint ventures	22	**15,979**	22,993
Investments in associates	23	**–**	5,804
Financial assets at fair value through profit or loss	24	**37,793**	75,815
Deposits, prepayments, other receivables and other assets	25	**98,663**	96,237
Deferred tax assets	37	**2,121**	9,108
Derivative financial instruments	38	**–**	20,581
Total non-current assets		**1,289,138**	26,497,776
CURRENT ASSETS			
Properties under development	16	**–**	1,815,822
Completed properties for sale		**–**	966,132
Films and TV programs under production and film investments	26	**313,384**	417,242
Inventories	27	**14,280**	19,031
Debtors	28	**94,682**	232,507
Financial assets at fair value through profit or loss	24	**153,083**	144,936
Deposits, prepayments, other receivables and other assets	25	**177,922**	637,799
Prepaid tax		**77**	42,031
Pledged and restricted time deposits and bank balances	29	**205,120**	1,173,895
Cash and cash equivalents	29	**1,613,979**	2,598,020
		2,572,527	8,047,415
Assets classified as held for sale	30	**8,057**	68,186
Total current assets		**2,580,584**	8,115,601
CURRENT LIABILITIES			
Creditors and accruals	31	**351,919**	2,577,378
Deposits received and contract liabilities	32	**261,044**	875,415
Lease liabilities	15(b)	**192,576**	–
Tax payable		**112,845**	170,344
Interest-bearing bank loans	33	**107,910**	535,980
Other borrowings	34	**–**	41,440
Loans from a fellow subsidiary	35	**–**	900,000
Total current liabilities		**1,026,294**	5,100,557
NET CURRENT ASSETS		**1,554,290**	3,015,044
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,843,428**	29,512,820

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	15(b)	**985,821**	–
Long-term deposits received	32	**–**	147,876
Interest-bearing bank loans	33	**71,696**	5,554,150
Other borrowings	34	**215,577**	262,894
Loans from a fellow subsidiary	35	**–**	50,000
Guaranteed notes	36	**–**	2,720,857
Deferred tax liabilities	37	**101**	3,351,747
Total non-current liabilities		**1,273,195**	12,087,524
Net assets		**1,570,233**	17,425,296
EQUITY			
Equity attributable to owners of the Company			
Issued capital	39	**745,927**	745,927
Reserves	41	**851,506**	8,352,694
		1,597,433	9,098,621
Non-controlling interests		**(27,200)**	8,326,675
Total equity		**1,570,233**	17,425,296

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2020

		Attributable to owners of the Company									
	Note	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(Note (i))*	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2019		745,927	4,257,351	891,289	(822,077)	503,457	71,824	3,450,850	9,098,621	8,326,675	17,425,296
Loss for the year		–	–	–	–	–	–	(8,585,404)	(8,585,404)	(567,208)	(9,152,612)
Other comprehensive income/(loss) for the year, net of tax:											
Exchange realignment on translation of foreign operations		–	–	–	(396,940)	–	–	–	(396,940)	(367,269)	(764,209)
Share of other comprehensive loss of joint ventures		–	–	–	(28)	–	–	–	(28)	(13)	(41)
Share of other comprehensive loss of associates		–	–	–	(7)	–	–	–	(7)	(6)	(13)
Release of exchange reserve upon disposal of subsidiaries	12	–	–	–	1,150,216	–	–	–	1,150,216	–	1,150,216
Total comprehensive income/(loss) for the year		–	–	–	753,241	–	–	(8,585,404)	(7,832,163)	(934,496)	(8,766,659)
Capital contributions from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	5,423	5,423
Shares issued by a subsidiary in lieu of cash dividend *(note (ii))*		–	–	–	–	56,530	–	–	56,530	(54,230)	2,300
Shares issued by a subsidiary upon exercise of share options		–	–	–	–	(3,298)	–	–	(3,298)	4,027	729
Release of reserve upon lapse of share options of a subsidiary		–	–	–	–	–	–	115	115	(115)	–
Equity-settled share option arrangements of a subsidiary		–	–	–	–	–	–	–	–	674	674
Transfer to statutory reserve		–	–	–	–	–	6,416	(6,416)	–	–	–
Disposal of partial interest in a subsidiary without losing control *(note (iii))*		–	–	–	58,576	219,052	–	–	277,628	247,532	525,160
Disposal of subsidiaries	12	–	–	–	–	(648,005)	(77,870)	725,875	–	(7,590,288)	(7,590,288)
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	(32,402)	(32,402)
At 31 July 2020		**745,927**	**4,257,351***	**891,289***	**(10,260)***	**127,736***	**370***	**(4,414,980)***	**1,597,433**	**(27,200)**	**1,570,233**

* *These reserve accounts comprise the consolidated reserves of HK$851,506,000 (2019: HK$8,352,694,000) in the consolidated statement of financial position.*

Notes:

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

*(ii) During the year ended 31 July 2020, Lai Fung Holdings Limited ("**Lai Fung**") issued new shares to certain non-controlling shareholders and certain wholly-owned subsidiaries of the Company who had elected to receive scrip shares in lieu of a cash dividend under the scrip dividend scheme. The change in the Group's shareholding interest in Lai Fung resulted in an increase in other reserve of HK$56,530,000 (2019: decrease of HK$8,257,000) and a decrease in the non-controlling interests of HK$54,230,000 (2019: increase of HK$11,482,000) in the consolidated statement of changes in equity.*

*(iii) The amounts arose from the disposal of a 20% equity interest in Rosy Commerce Holdings Limited to Bravo Heart Limited, a wholly-owned subsidiary of Lai Sun Development Company Limited ("**LSD**"), during the year. Net proceeds after deducting the transaction costs and related tax were HK$525,160,000 and tax of HK$30,847,000 was charged to other reserve.*

(iv) No dividend was paid or proposed during the year ended 31 July 2020 (2019: Nil), nor has any dividend been proposed since the end of the reporting period.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2020

		Attributable to owners of the Company										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(Note (i))*	Share option reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2018		745,927	4,257,351	891,289	15,054	(677,122)	540,566	137,840	3,447,425	9,358,330	8,385,483	17,743,813
Profit/(loss) for the year		–	–	–	–	–	–	–	(77,645)	(77,645)	95,750	18,105
Other comprehensive income/(loss) for the year, net of tax:												
Exchange realignment on translation of foreign operations		–	–	–	–	(145,130)	–	–	–	(145,130)	(132,304)	(277,434)
Share of other comprehensive income of joint ventures		–	–	–	–	5,570	–	–	–	5,570	5,342	10,912
Share of other comprehensive loss of associates		–	–	–	–	(10)	–	–	–	(10)	(10)	(20)
Release of exchange reserve upon disposal and winding-up of subsidiaries		–	–	–	–	(5,385)	–	–	–	(5,385)	(5,251)	(10,636)
Total comprehensive loss for the year		–	–	–	–	(144,955)	–	–	(77,645)	(222,600)	(36,473)	(259,073)
Capital contributions from a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	858	858
Shares issued by a subsidiary in lieu of cash dividend *(note (ii))*		–	–	–	–	–	(8,257)	–	–	(8,257)	11,482	3,225
Release of reserve upon cancellation and lapse of share options		–	–	–	(15,054)	–	–	–	15,054	–	–	–
Equity-settled share option arrangements of a subsidiary		–	–	–	–	–	–	–	–	–	2,322	2,322
Acquisition of additional interest in a subsidiary	52(a)	–	–	–	–	–	(28,852)	–	–	(28,852)	(8,648)	(37,500)
Disposal of subsidiaries	43	–	–	–	–	–	–	–	–	–	3,963	3,963
Transfer to statutory reserve		–	–	–	–	–	–	3,098	(3,098)	–	–	–
Reserve realised upon winding-up of a joint venture		–	–	–	–	–	–	(69,114)	69,114	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	(32,312)	(32,312)
At 31 July 2019		745,927	4,257,351*	891,289*	–*	(822,077)*	503,457*	71,824*	3,450,850*	9,098,621	8,326,675	17,425,296

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
– from continuing operations		**(922,949)**	(344,634)
– from discontinued operations		**(8,036,425)**	675,706
		(8,959,374)	331,072
Adjustments for:			
Fair value losses/(gains) on investment properties	17	**564,880**	(211,500)
Fair value losses/(gains) on cross currency swaps	38	**2,688**	(18,050)
Fair value losses on a foreign currency forward contract	38	**5,156**	–
Fair value losses on financial assets at fair value through profit or loss	8	**19,177**	12,758
Finance costs		**264,711**	160,617
Rent concessions related to COVID-19	7	**(40,857)**	–
Other rent concessions	7	**(8,324)**	–
Share of profits and losses of joint ventures		**2,382**	25,424
Share of profits and losses of associates		**317**	(787)
Interest income		**(23,774)**	(29,586)
Loss on disposal of items of property, plant and equipment		**785**	817
Gain on disposal of assets classified as held for sale		**(54,309)**	–
Loss/(gain) on disposal of subsidiaries	12, 43	**7,259,028**	(4,720)
Gain on disposal of an associate	8	**–**	(19,705)
Depreciation of property, plant and equipment	14	**237,142**	164,807
Depreciation of right-of-use assets	15	**218,095**	–
Amortisation of film rights	8	**29,689**	6,357
Amortisation of film and TV program products	8	**128,011**	69,019
Amortisation of music catalogs	8	**7,045**	2,870
Amortisation of other intangible assets	8	**–**	586
Write-off of items of property, plant and equipment	8	**267**	653
Write-down of completed properties for sale to net realisable value		**99,548**	–
Impairment of goodwill	8	**72,440**	–
Impairment of property, plant and equipment	8	**97,250**	40,850
Impairment of right-of-use assets	8	**309,280**	–
Impairment of films and TV programs under production	8	**12,439**	64,310
Write-back of impairment of music catalogs	8	**–**	(8,842)
Write-back of impairment of film rights	8	**(12,000)**	(18,000)
Impairment of debtors	8	**7,544**	693
Impairment of advances and other receivables	8	**22,370**	22,209
Write-back of impairment of advances and other receivables	8	**(297)**	(567)
Impairment of amounts due from joint ventures	8	**1,468**	1,763
Impairment of amounts due from associates	23	**99**	–
Impairment of inventories	8	**2,545**	2,480
Equity-settled share option expenses		**674**	2,322
Foreign exchange differences, net		**(10,459)**	5,812
		255,636	603,662

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Increase in properties under development		**(565,830)**	(703,012)
Decrease in completed properties for sale		**67,478**	256,700
Decrease/(increase) in inventories		**(4,304)**	363
Additions of films and TV programs under production	26	**(141,825)**	(236,994)
Increase in film investments	26	**(8,458)**	(8,591)
Additions of film and TV program products	19	**(1,655)**	(2)
Decrease in film and TV program products	19	**117,535**	150,913
Additions of film rights	18	**(136)**	(1,760)
Increase in debtors		**(17,415)**	(51,601)
Increase in deposits, prepayments, other receivables and other assets		**(75,976)**	(213,803)
Proceeds from disposal of assets classified as held for sale		**108,469**	–
Increase/(decrease) in creditors and accruals		**(132,238)**	151,693
Increase in deposits received and contract liabilities		**58,830**	216,928
Decrease/(increase) in long-term deposits received		**(21,347)**	4,996
Cash generated from/(used in) operations		**(361,236)**	169,492
Hong Kong profits tax paid, net		**(1,350)**	(872)
Mainland China taxes paid, net		**(57,174)**	(197,496)
Net cash flows used in operating activities		**(419,760)**	(28,876)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**23,774**	29,586
Additions of investment properties		**(727,659)**	(1,621,322)
Dividend income from joint ventures		**–**	1,604,755
Dividend income from an associate		**–**	3,300
Proceeds from disposal of items of property, plant and equipment		**32**	56
Purchases of items of property, plant and equipment		**(448,606)**	(1,232,875)
Capital contributions to joint ventures		**–**	(2,500)
Advances to joint ventures		**(3,903)**	(8,026)
Advances to associates		**(128)**	(68)
Repayment from joint ventures		**5,854**	217,013
Repayment from associates		**4,666**	4,353
Disposal of an associate		**–**	23,800
Disposal of subsidiaries	12, 43	**348,179**	(5,372)
Decrease in financial assets at fair value through profit or loss		**10,698**	492
Purchase of financial assets at fair value through profit or loss		**–**	(9,426)
Increase in pledged and restricted time deposits and bank balances		**(395,227)**	(100,133)
Decrease/(increase) in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired		**39,309**	(39,309)
Net cash flows used in investing activities		**(1,143,011)**	(1,135,676)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options of a subsidiary		**729**	–
New bank loans, net of direct costs		**1,531,103**	4,410,207
Repayment of bank loans		**(556,501)**	(2,236,895)
Loans from a joint venture		**–**	462,834
Repayments of loans from a joint venture		**–**	(1,095,915)
Loans from fellow subsidiaries		**389,909**	300,000
Repayment of loans from a fellow subsidiary		**(950,000)**	–
Increase in other borrowings		**–**	41,560
Increase in put option liabilities		**–**	280,532
Interest and bank financing charges paid		**(344,219)**	(430,153)
Interest paid to a fellow subsidiary		**(19,747)**	(40,940)
Capital contributions from non-controlling shareholders of subsidiaries		**5,423**	858
Acquisition of additional interest in a subsidiary		**–**	(37,500)
Proceeds from disposal of partial interest in a subsidiary		**557,250**	–
Dividend paid to non-controlling shareholders of subsidiaries		**(30,102)**	(29,087)
Principal portion of lease payments		**(126,394)**	–
Amount received from a potential non-controlling shareholder of a subsidiary		**221,508**	–
Net cash flows generated from financing activities		**678,959**	1,625,501
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(883,812)**	460,949
Cash and cash equivalents at beginning of year		**2,558,711**	2,136,039
Effect of foreign exchange rate changes, net		**(60,920)**	(38,277)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,613,979**	2,558,711
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	29	**1,155,051**	1,887,447
Non-pledged and non-restricted time deposits	29	**458,928**	710,573
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,613,979**	2,598,020
Less: 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		**1,613,979**	2,558,711

1. CORPORATE AND GROUP INFORMATION

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

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

Continuing operations:

- development and operation of and investment in media, entertainment, music production and distribution;
- investment in and production and distribution of television programs, films and video format products;
- cinema operation; and
- investment holding.

Discontinued operations:

- property development for sale and property investment; and
- development and operation of and investment in cultural, leisure, entertainment and related facilities.

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

During the year, the Group's operations of property development for sale and property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities were discontinued upon disposal of an entire equity interest in Lai Fung and its subsidiaries (the "**Lai Fung Group**"). The disposal of the Lai Fung Group is classified as discontinued operations and the details were disclosed in note 12.

The ultimate holding company of the Company as at 31 July 2020 was Lai Sun Garment (International) Limited ("**LSG**"), which was incorporated in Hong Kong and whose shares are listed and traded on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2.1 BASIS OF PREPARATION

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

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 2020. 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/accumulated losses, 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.

HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The Group has applied HKFRS 16 and Amendments to HKAS 28 for the first time and early adopted the amendment to HKFRS 16 in the current year's financial statements. Except for HKFRS 16, the amendment to HKFRS 16 and Amendments to HKAS 28, the application of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

HKFRS 16 Leases

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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 August 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 August 2019, and the comparative information for prior periods was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 Leases (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of cinema related properties, other properties and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 August 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the incremental borrowing rate at 1 August 2019. The weighted average incremental borrowing rate applied at 1 August 2019 was about 4.0%. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

The right-of-use assets were 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 consolidated statement of financial position immediately before 1 August 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. In addition, leasehold land previously included in property, plant and equipment on the consolidated statement of financial position as at 31 July 2019 were reclassified to the right-of-use assets on 1 August 2019. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 August 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 August 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before the date of initial application as an alternative to performing an impairment review
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 Leases (continued)

Financial impact at 1 August 2019

The impacts arising from the adoption of HKFRS 16 as at 1 August 2019 are as follows:

	Increase/(decrease) HK$'000
Assets	
Property, plant and equipment	(1,382,376)
Right-of-use assets	2,376,976
Deposits, prepayments, other receivables and other assets	(860)
Total assets	993,740
Liabilities	
Creditors and accruals	(39,361)
Lease liabilities	1,033,101
Total liabilities	993,740

The lease liabilities as at 1 August 2019 reconciled to the operating lease commitments as at 31 July 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 July 2019	1,113,092
Add: Payments for optional extension periods not recognised as at 31 July 2019	118,660
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 July 2020 and commitments relating to leases of low-value assets	(3,496)
Less: Total future interest expenses	(195,155)
Lease liabilities as at 1 August 2019	1,033,101

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has early adopted amendment to HKFRS 16 *Covid-19-Related Rent Concessions* which provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the year ended 31 July 2020, certain lease payments for the leases of the Group's cinema related properties have been waived by the lessors as a result of the COVID-19 pandemic. The Group has early adopted the amendment on 1 August 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 July 2020. Accordingly, a reduction in lease payments arising from the rent concessions of HK$40,857,000 has been accounted for as other revenue and credited to the consolidated income statement for the year ended 31 July 2020.

Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 August 2019 based on the facts and circumstances that existed on that date using the transitional requirements in the amendments. The adoption of the amendments on 1 August 2019 resulted in reclassification of HK$15,529,000 from share of net liabilities of associates to provision for impairment losses and HK$41,138,000 from share of net liabilities of joint ventures to provision for impairment losses. There is no impact on the net balances of the investments in associates and investments in joint ventures. The Group applies the relief from restating comparative information for prior periods upon adoption of the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[3]
Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 3	*Reference to the Conceptual Framwork*[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9 and HKAS 41 and Illustrative Examples accompanying HKFRS 16[3]

1 *Effective for annual periods beginning on or after 1 January 2020*
2 *Effective for annual periods beginning on or after 1 January 2021*
3 *Effective for annual periods beginning on or after 1 January 2022*
4 *Effective for annual periods beginning on or after 1 January 2023*
5 *No mandatory effective date yet determined but available for adoption*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application 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 asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises in relation to its interest in a joint operation:
- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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

Business combinations and goodwill

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than completed properties for sale, properties under development, inventories, assets classified as held for sale, deferred tax assets, financial assets and investment properties), 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.

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 including owner-operated serviced apartments and theme parks, other than investment properties, properties under development and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets (or disposal groups) held for sale and discontinued operations". 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:

Buildings	2.5% – 5.0%
Serviced apartments	Over the remaining lease terms of the land
Leasehold improvements	Over the terms of the related leases
Theme parks, excluding buildings	10% – 20%
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	10% – 30%
Computers	18% – 30%

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

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2019: leasehold property under an operating lease) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

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

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

Properties under development

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

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

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

Intangible assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

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 rights, film and TV program products and films and TV programs under production

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

Film rights are stated at cost less accumulated amortisation and any impairment losses. Film rights, less accumulated impairment loss, 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. 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.

Film and TV program products are stated at cost less accumulated amortisation and any impairment losses. The portion of film and TV program products to be recovered through use, less estimated residual value and 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 and TV program 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 or TV program.

Films and TV programs under production include production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of films or TV programs. Upon completion and available for commercial exploitation, these films and TV programs under production are reclassified as film and TV programs products. Films and TV programs 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

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" 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 ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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 the respective agreements. All film investments and investments in entertainment events which give rise to cash flows that are not SPPI 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)

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 at fair value through profit or loss

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 income 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)

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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 with policies as described above.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Put option liabilities

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

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

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories comprise video products, gaming products and merchandise, food, beverages and supplies used in theme park 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.

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 August 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid land lease payments	Over the unexpired lease terms
Cinema related properties	2 to 16 years
Other properties	2 to 3 years
Equipment	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Completed properties for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 August 2019) (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 August 2019)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) Revenue from hotel and serviced apartment operation and building management operation
Revenue from hotel and serviced apartment operation and building management operation 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) 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.

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

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

(f) Film licence fee
Licence income from films and TV programs 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 and TV programs 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 and TV programs are available for showing or telecast.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(g) 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.

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

(i) Album licensing and music publishing
Album licence income and music publishing income are recognised when the licence 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.

(j) 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.

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

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs

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.

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes model and binomial option pricing model ("**Binomial 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 are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

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

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

Retirement benefit schemes

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

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

Borrowing costs

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

Dividends

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

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

Income tax

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

Current tax assets and liabilities 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, and 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

(i) 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 37 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements (continued)

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

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

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

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

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

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

(iv) Put option liabilities

As explained in note 31(a) to the financial statements, put option liabilities arising from the buy-back upon the occurrence of certain triggering events during the six-year investment period are recognised as financial liabilities. When determining the classification and measurement of the put option liabilities, judgements are exercised, including determining whether the Group has the present ownership interest in the shares subject to the put options, the timing that the triggering events would occur and the possibility that the buy-back would be exercised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

(i) Impairment assessment of film rights, film and TV program products, and films and TV programs under production

Films and TV programs under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Film rights and film and TV program products are stated at cost less accumulated amortisation and any impairment losses. Management estimates the costs to be incurred to complete production and the total projected revenues and the related future cash flows, as appropriate, of each film and TV program under production and each film right, film and TV program product based on the historical cost, performance and cash flows of similar films and TV programs, incorporating factors such as the production plans, target markets and distribution plans of respective films and TV programs, the past box office or similar records and/or other relevant information of the main artistes and directors of the films and TV programs, the genre of the films and TV programs, their anticipated performance in relevant theatrical, home entertainment, television and other ancillary markets, with reference to agreements for future sales, licensing and other exploitations, as appropriate.

The 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 information available on the films and TV programs under production, film rights and film and TV program products, management reviews the estimated costs to be incurred to complete production, the projected revenues and the related future cash flows of the relevant assets, as appropriate, to assess whether there is any impairment or reversal of impairment. Any change in estimates may have a significant impact on the Group's financial performance. The carrying amounts of film rights, film and TV program products and films and TV programs under production are disclosed in notes 18, 19 and 26 to the financial statements, respectively.

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

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

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill is disclosed in note 21 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

In determining whether an asset is impaired or the events previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (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.

(v) Provision for expected credit losses on debtors and other receivables

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 a customer's actual default in the future. The information about the ECLs on the Group's debtors is disclosed in note 28 to the financial statements.

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 25 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

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

(vii) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(viii) Estimation of fair value of investment properties

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

Further details, including the key assumptions used for fair value measurement, a sensitivity analysis and the carrying amount of investment properties, are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ix) 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.

4. OPERATING SEGMENT INFORMATION

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

(a) the 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;

(b) the film and TV program segment engages in the investment in, production of, sale, distribution and licence of films and TV programs, 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;

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

(d) the corporate and others segment comprises business segments not constituting a reportable segment individually, together with corporate income and expense items.

During the year ended 31 July 2020, operating segments of property development and property investment were classified as discontinued operations because of the Group's disposal of the Lai Fung Group. The segment information reported does not include any amounts for the discontinued operations during the years ended 31 July 2019 and 2020, which were described in more details in note 12.

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

Segment assets exclude financial assets at fair value through profit or loss, deferred tax assets, prepaid tax, assets classified as held for sale, assets related to discontinued operations, derivative financial instruments and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, loans from a fellow subsidiary, guaranteed notes, deferred tax liabilities, put option liabilities, liabilities related to discontinued operations and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue/results:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2020 HK$'000	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)
Continuing operations										
Segment revenue:										
Sales to external customers (note 6)	**326,604**	591,795	**370,215**	325,996	**229,274**	521,259	**3,063**	11,139	**929,156**	1,450,189
Intersegment sales	**128**	100	**6,231**	14,524	**516**	1,551	**1,949**	2,381	**8,824**	18,556
Other revenue	**2,563**	8,827	**3,935**	2,988	**76,942**	25,083	**5,091**	1,172	**88,531**	38,070
Total	**329,295**	600,722	**380,381**	343,508	**306,732**	547,893	**10,103**	14,692	**1,026,511**	1,506,815
Elimination of intersegment sales									**(8,824)**	(18,556)
Total revenue									**1,017,687**	1,488,259
Segment results	**(5,770)**	65,068	**(80,068)**	(119,439)	**(534,984)**	(100,789)	**(153,922)**	(137,132)	**(774,744)**	(292,292)
Unallocated interest income									**6,456**	3,896
Impairment of goodwill	**-**	–	**-**	–	**(72,440)**	–	**-**	–	**(72,440)**	–
Loss from operating activities from continuing operations									**(840,728)**	(288,396)
Finance costs									**(79,984)**	(53,643)
Share of profits and losses of joint ventures	**(155)**	(144)	**243**	(1,586)	**-**	–	**(2,325)**	(1,692)	**(2,237)**	(3,422)
Share of profits and losses of associates	**-**	(68)	**-**	432	**-**	463	**-**	–	**-**	827
Loss before tax from continuing operations									**(922,949)**	(344,634)
Tax									**(79,262)**	(3,077)
Loss for the year from continuing operations									**(1,002,211)**	(347,711)

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)
Segment assets	**337,944**	433,816	**763,534**	877,035	**1,168,707**	647,469	**1,382,427**	134,607	**3,652,612**	2,092,927
Investments in joint ventures	**11,599**	17,804	**1,947**	2,071	**-**	–	**2,433**	1,801	**15,979**	21,676
Unallocated assets									**193,074**	229,859
Assets classified as held for sale									**8,057**	–
Assets related to discontinued operations									**-**	32,268,915
Total assets									**3,869,722**	34,613,377
Segment liabilities	**119,289**	181,195	**382,044**	417,061	**1,234,088**	205,151	**55,939**	46,022	**1,791,360**	849,429
Unallocated liabilities									**508,129**	1,277,037
Liabilities related to discontinued operations									**-**	15,061,615
Total liabilities									**2,299,489**	17,188,081

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information:

	Media and entertainment		Film and TV program		Cinema operation		Corporate and others		Consolidated	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000 (Restated)	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operations										
Gain on disposal of subsidiaries	–	–	–	(4,720)	–	–	–	–	–	(4,720)
Gain on disposal of an associate	–	–	–	–	–	(19,705)	–	–	–	(19,705)
Depreciation of property, plant and equipment	1,340	1,587	508	1,508	56,259	64,699	1,210	3,341	59,317	71,135
Depreciation of right-of-use assets	4,656	–	6,501	–	157,844	–	6,743	–	175,744	–
Loss/(gain) on disposal of items of property, plant and equipment	30	28	4	–	(24)	39	–	(15)	10	52
Impairment of property, plant and equipment	638	–	273	–	94,832	40,850	1,507	–	97,250	40,850
Impairment of right-of-use assets	2,954	–	5,292	–	294,703	–	6,331	–	309,280	–
Impairment of films and TV programs under production	–	–	12,439	64,310	–	–	–	–	12,439	64,310
Amortisation of film rights	–	–	29,689	6,357	–	–	–	–	29,689	6,357
Amortisation of film and TV program products	–	–	128,011	69,019	–	–	–	–	128,011	69,019
Amortisation of music catalogs	7,045	2,870	–	–	–	–	–	–	7,045	2,870
Write-back of impairment of music catalogs	–	(8,842)	–	–	–	–	–	–	–	(8,842)
Write-back of impairment of film rights	–	–	(12,000)	(18,000)	–	–	–	–	(12,000)	(18,000)
Amortisation of other intangible assets	–	–	–	586	–	–	–	–	–	586
Impairment of advances and other receivables	5,530	3,184	16,065	18,486	–	539	775	–	22,370	22,209
Impairment of debtors	7,416	693	128	–	–	–	–	–	7,544	693
Write-back of impairment of advances and other receivables	(297)	(251)	–	(316)	–	–	–	–	(297)	(567)
Impairment of amounts due from joint ventures	703	1,763	765	–	–	–	–	–	1,468	1,763
Impairment of inventories	59	2,319	2,466	161	20	–	–	–	2,545	2,480
Additions of property, plant and equipment	491	4,798	142	725	59,723	65,368	359	2,399	60,715	73,290
Additions of film rights	–	–	136	1,760	–	–	–	–	136	1,760
Additions of film and TV program products	–	–	1,655	2	–	–	–	–	1,655	2
Additions of films and TV programs under production and film investments	–	–	155,297	245,585	–	–	–	–	155,297	245,585
Additions of right-of-use assets	1,656	–	2,563	–	123,180	–	10,297	–	137,696	–

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information:

	Hong Kong		Mainland China and Macau		Others		Consolidated	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000 (Restated)	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000 (Restated)
Revenue:								
Sales to external customers from continuing operations	**479,224**	1,020,704	**402,731**	352,928	**47,201**	76,557	**929,156**	1,450,189
Assets:								
Segment assets:								
– non-current assets	**1,210,533**	581,132	**38,039**	101,937	**652**	9,817	**1,249,224**	692,886
– current assets	**1,884,411**	1,107,954	**524,559**	294,455	**10,397**	19,308	**2,419,367**	1,421,717
Unallocated assets							**193,074**	229,859
Assets classified as held for sale							**8,057**	–
Assets related to discontinued operations							**–**	32,268,915
Total assets							**3,869,722**	34,613,377
Other information:								
Additions of property, plant and equipment	**60,084**	65,178	**539**	7,833	**92**	279	**60,715**	73,290
Additions of film rights	**136**	1,760	**–**	–	**–**	–	**136**	1,760
Additions of film and TV program products	**1,655**	2	**–**	–	**–**	–	**1,655**	2
Additions of films and TV programs under production and film investments	**13,694**	70,766	**141,603**	174,819	**–**	–	**155,297**	245,585

Information about major customers:

Revenue from one (2019: one) customer which accounted for revenue exceeding 10% of the Group's total revenue from continuing operations amounted to approximately HK$116,690,000 for the year ended 31 July 2020 (2019: HK$159,945,000).

5. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	2020 HK$'000	2019 HK$'000
LSG and its subsidiaries, excluding the Group:			
Rental expense/lease payments and building management fee paid or payable	(i)	**5,628**	18,761
Rental income and management fee income received or receivable	(ii)	**1,114**	369
Interest expense	9, 35, (iii)	**17,305**	41,436
Sharing of corporate salaries on a cost basis allocated from		**45,969**	53,416
Sharing of administrative expenses on a cost basis allocated from		**10,034**	9,911
Sharing of corporate salaries on a cost basis allocated to		**8,988**	8,972
Sharing of administrative expenses on a cost basis allocated to		**2,302**	3,480
Joint ventures:			
Production fee	(iv)	**1,170**	2,770
Interest income	(iv)	**276**	688
Interest expense	(v)	**–**	7,125
Management and other service fees paid or payable to a related company	(vi)	**5,754**	9,039

5. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The Group leased properties from fellow subsidiaries for office and cinema use. The monthly lease payables were charged with reference to market rates. In addition to the lease payments for short term lease to the related parties, right-of-use assets of HK$100,384,000 and lease liabilities of HK$107,829,000 upon adoption of HKFRS 16 related to the leases were recognised in consolidated statement of financial position as at 31 July 2020. During the year ended 31 July 2020, depreciation of right-of-use assets of HK$14,953,000 and finance costs on lease liabilities of HK$3,435,000 were recognised in consolidated income statement.

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

(iii) The terms of loans were determined based on agreements entered into between the Group and a fellow subsidiary set out in note 35 to the financial statements.

(iv) The production fee and interest income were charged in accordance with contractual terms with respective parties.

(v) The joint ventures of the Group were Guangzhou Beautiwin Real Estate Development Company Limited and Beautiwin Limited. The terms of the loans were determined based on agreements entered into between the Group and the joint ventures. During the year ended 31 July 2019, interest expenses were charged at fixed interest rates of 3.05%-4.20% per annum for the interest bearing loans advanced from the joint ventures of the Group.

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

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

(b) Compensation of key management personnel of the Group

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	**35,264**	39,472
Post-employment benefits	**95**	104
Total compensation paid to key management personnel	**35,359**	39,576

Further details of directors' emoluments are included in note 10 to the financial statements.

6. TURNOVER

An analysis of the Group's turnover from continuing operations is as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Turnover from contracts with customers		
Entertainment event income	**68,922**	309,321
Distribution commission income, licence fee income and sales of film and TV program products and film rights	**368,548**	320,965
Album sales, licence income and distribution commission income from music publishing and licensing	**89,197**	86,609
Box-office takings, concessionary income and related income from cinemas	**229,274**	521,259
Artiste management fee income	**11,965**	18,900
Advertising income	**1,667**	5,031
Sale of game products	**156,520**	176,965
Sale of merchandising products	**3,063**	11,139
	929,156	1,450,189

(a) Disaggregated revenue information

For the year ended 31 July 2020

	Media and entertainment HK$'000	Film and TV program HK$'000	Cinema operation HK$'000	Corporate and others HK$'000	Total HK$'000
Geographical markets					
Hong Kong	205,370	57,778	213,013	3,063	479,224
Mainland China and Macau	87,916	298,554	16,261	–	402,731
Others	33,318	13,883	–	–	47,201
Total turnover from contracts with customers	326,604	370,215	229,274	3,063	929,156
Timing of revenue recognition					
At a point in time	256,004	370,215	229,274	3,063	858,556
Over time	70,600	–	–	–	70,600
Total turnover from contracts with customers	326,604	370,215	229,274	3,063	929,156

6. TURNOVER (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 July 2019

	Media and entertainment HK$'000	Film and TV program HK$'000	Cinema operation HK$'000	Corporate and others HK$'000	Total HK$'000 (Restated)
Geographical markets					
Hong Kong	433,761	90,436	485,368	11,139	1,020,704
Mainland China and Macau	116,106	200,931	35,891	–	352,928
Others	41,928	34,629	–	–	76,557
Total turnover from contracts with customers	591,795	325,996	521,259	11,139	1,450,189
Timing of revenue recognition					
At a point in time	535,061	325,996	521,259	11,139	1,393,455
Over time	56,734	–	–	–	56,734
Total turnover from contracts with customers	591,795	325,996	521,259	11,139	1,450,189

The revenue from contracts with customers recognised in the current reporting period that was included in contract liabilities at the beginning of the reporting period was HK$186,214,000 (2019 (restated): HK$211,324,000).

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

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 and TV program licence fee income

The performance obligation is satisfied at a point in time (i) when the films or TV programs 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 licensee, or (iii) when the films or TV programs are available for showing or telecast. Partial payment in advance for licence income is normally required and the remaining balance is billed according to the payment schedule as stipulated in agreements or upon completion of exhibition of the films or TV programs which is generally due within 30 to 60 days from the date of billing.

Distribution commission

Distribution commission income is recognised at a point in time when the albums or film materials or TV program materials have been delivered to the wholesalers, distributors and licensees. Payment in advance is normally required.

6. TURNOVER (continued)

(b) Performance obligations (continued)

Information about the Group's performance obligations is summarised below: (continued)

Box-office takings income

Revenue from cinema admission tickets sold is recognised at a point in time when tickets are accepted and consumed by the customer. Payment in advance is normally required.

Sale of products

Revenue from sale of products is recognised at a point in time when the products are delivered to customers, being at the point that the customers obtain the control of the products, and payment is generally due within 30 to 90 days from the date of billing.

(c) Transaction price allocated to the remaining performance obligations

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.

7. OTHER REVENUE

An analysis of the Group's other revenue from continuing operations is as follows:

	Note	2020 HK$'000	2019 HK$'000 (Restated)
Bank interest income		**4,926**	2,202
Other interest income		**1,254**	1,007
Rent concessions related to COVID-19	15(c)	**40,857**	–
Other rent concessions	15(c)	**8,324**	–
Interest income from an amount due from a joint venture, net		**276**	687
Government grants *		**13,299**	1,969
Others		**26,051**	36,101
		94,987	41,966

* *During the year ended 31 July 2020, government grants mainly represented the amount received under the "Anti-epidemic Fund" of the Government of Hong Kong Special Administrative Region. Government grants received for which related expenditure has not yet been incurred are included in "Deposits received and contract liabilities" of the consolidated statement of financial position as at 31 July 2020. There are no unfulfilled conditions or contingencies related to these grants.*

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Cost of film rights, licence rights and film and TV program products		**324,814**	347,347
Cost of artiste management services and services for entertainment events provided		**77,353**	268,671
Cost of theatrical releasing and concessionary sales		**83,250**	187,365
Cost of inventories sold		**141,845**	167,951
Total cost of sales		**627,262**	971,334
Employee benefit expense (including directors' remuneration (note 10)):			
Wages and salaries		**249,390**	284,787
Pension scheme contributions ##		**6,139**	7,635
		255,529	292,422
Capitalised in films and TV programs under production		**–**	(7,964)
		255,529	284,458
Auditor's remuneration		**7,090**	6,630
Depreciation of property, plant and equipment ^		**59,317**	71,135
Depreciation of right-of-use assets ^		**175,744**	–
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		**–**	6,159
Cinemas *		**–**	183,983
Others		**–**	30,113
		–	220,255
Contingent rents incurred for:			
Entertainment events #		**–**	40,631
Cinemas *		**–**	11,812
Total		**–**	272,698
Lease payments not included in the measurement of lease liabilities:			
Entertainment events #		**1,347**	–
Cinemas *		**1,466**	–
Others		**10,376**	–
		13,189	–
Contingent rents incurred for:			
Entertainment events #		**2,821**	–
Cinemas *		**1,115**	–
Total		**17,125**	–

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS (continued)

The Group's loss before tax from continuing operations is arrived at after charging/(crediting): (continued)

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Impairment of goodwill *	21	**72,440**	–
Impairment of property, plant and equipment *	14	**97,250**	40,850
Impairment of right-of-use assets *	15	**309,280**	–
Write-off of items of property, plant and equipment *		**267**	653
Impairment of films and TV programs under production #	26	**12,439**	64,310
Fair value change from film investments *	26	**5,014**	–
Fair value change from entertainment events organised by co-investors *		**(2,962)**	(9,109)
Amortisation of film rights #	18	**29,689**	6,357
Amortisation of film and TV program products #	19	**128,011**	69,019
Amortisation of music catalogs #	20	**7,045**	2,870
Amortisation of other intangible assets #		**–**	586
Impairment of debtors *	28	**7,544**	693
Impairment of advances and other receivables *	25	**22,370**	22,209
Write-back of impairment of advances and other receivables *	25	**(297)**	(567)
Impairment of amounts due from joint ventures *		**1,468**	1,763
Write-back of impairment of music catalogs *	20	**–**	(8,842)
Write-back of impairment of film rights *	18	**(12,000)**	(18,000)
Gain on disposal of subsidiaries *	43	**–**	(4,720)
Gain on disposal of an associate *	23	**–**	(19,705)
Fair value losses on financial assets at fair value through profit or loss *		**19,177**	12,758
Loss on disposal of items of property, plant and equipment *		**10**	52
Impairment of inventories #		**2,545**	2,480
Foreign exchange differences, net *		**8,261**	9,900

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

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

\## *As at 31 July 2020 and 31 July 2019, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.*

^ *Depreciation charge of HK$214,103,000 (2019: HK$64,699,000) related to cinema operation is included in "Other operating expenses, net" on the face of the consolidated income statement.*

9. FINANCE COSTS

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

	Note	2020 HK$'000	2019 HK$'000 (Restated)
Interest on:			
Lease liabilities		**50,978**	–
Bank loans		**4,538**	4,573
Other borrowings		**5,689**	5,766
Loans from a fellow subsidiary	5	**17,305**	41,436
Amortisation of transaction fee for bank loans		**187**	223
Other finance costs		**1,287**	1,645
Total finance costs		**79,984**	53,643

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

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

	2020 HK$'000	2019 HK$'000
Fees	**2,055**	1,941
Other emoluments:		
Salaries, allowances and benefits in kind	**19,055**	21,933
Pension scheme contributions	**95**	104
	19,150	22,037
	21,205	23,978
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(4,261)**	(7,495)
	16,944	16,483

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2020				
Executive directors:				
Lui Siu Tsuen, Richard^	180	3,724	13	3,917*
Chew Fook Aun	–	7,827	32	7,859**
Lam Hau Yin, Lester (also alternate to U Po Chu)	–	1,320	14	1,334#
Yip Chai Tuck	180	2,498	36	2,714##
	360	15,369	95	15,824
Non-executive director:				
U Po Chu	–	3,346	–	3,346#
Independent non-executive directors:				
Low Chee Keong	725	85	–	810
Alfred Donald Yap	290	90	–	380
Ng Lai Man, Carmen	390	90	–	480
Lo Kwok Kwei, David	290	75	–	365
	1,695	340	–	2,035
	2,055	19,055	95	21,205

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

* *The amounts included fees of HK$180,000 paid by Media Asia Group Holdings Limited ("**MAGHL**", together with its subsidiaries, "**MAGHL Group**").*

** *The amounts included salaries and pension scheme contributions of HK$3,503,000 paid by Lai Fung for the period from 1 August 2019 to 14 May 2020 (i.e. Date of Disposal, as defined in note 12).*

The amounts were paid by Lai Fung for the period from 1 August 2019 to Date of Disposal.

The amounts included fees, salaries and pension scheme contributions of HK$1,447,000 paid by MAGHL.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2019				
Executive directors:				
Lui Siu Tsuen, Richard^	120	3,932	14	4,066*
Chew Fook Aun	–	9,187	36	9,223**
Lam Hau Yin, Lester	–	1,734	18	1,752#
Yip Chai Tuck	–	2,550	36	2,586##
	120	17,403	104	17,627
Non-executive directors:				
U Po Chu	–	4,280	–	4,280#
Andrew Y. Yan (resigned on 8 January 2019)	126	10	–	136
	126	4,290	–	4,416
Independent non-executive directors:				
Low Chee Keong	725	60	–	785
Alfred Donald Yap	290	65	–	355
Ng Lai Man, Carmen	390	65	–	455
Lo Kwok Kwei, David	290	50	–	340
	1,695	240	–	1,935
	1,941	21,933	104	23,978

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

* *The amounts included fees of HK$120,000 paid by MAGHL.*

** *The amounts included salaries and pension scheme contributions of HK$4,611,000 paid by Lai Fung.*

The amounts were paid by Lai Fung.

The amounts included salaries and pension scheme contributions of HK$1,293,000 paid by MAGHL.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 July 2020 and 2019.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(b) Employees' remuneration

The five highest paid employees during the year included one (2019: one) director, details of whose emoluments are set out above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	**29,016**	33,900
Pension scheme contributions	**32**	36
	29,048	33,936
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(4,070)**	(7,450)
	24,978	26,486

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

	Number of employees	
	2020	2019
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**1**	1
HK$5,500,001 – HK$6,000,000	**1**	–
HK$6,000,001 – HK$6,500,000	**–**	1
HK$7,500,001 – HK$8,000,000	**–**	1
HK$14,000,001 – HK$14,500,000	**1**	–
HK$15,500,001 – HK$16,000,000	**–**	1
	4	4

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2020 HK$'000	2019 HK$'000 (Restated)
Current		
– Hong Kong		
Charge for the year	**2,083**	4,533
Overprovision in prior years	**(504)**	(22)
	1,579	4,511
– Mainland China		
CIT		
Charge for the year	**70,656**	3,234
Underprovision/(overprovision) in prior years	**(57)**	380
	70,599	3,614
	72,178	8,125
Deferred tax	**7,084**	(5,048)
Total tax charge for the year from continuing operations	**79,262**	3,077
Total tax charge for the year from discontinued operations	**113,976**	309,890
	193,238	312,967

11. TAX (continued)

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

	2020 HK$'000	2019 HK$'000 (Restated)
Loss before tax from continuing operations	**(922,949)**	(344,634)
Profit/(loss) before tax from discontinued operations	**(8,036,425)**	675,706
	(8,959,374)	331,072
Tax at the applicable tax rates	**(1,537,773)**	103,748
Provision for LAT	**62,283**	118,898
Tax effect of provision for LAT	**(15,571)**	(34,800)
Profits and losses attributable to joint ventures and associates	**484**	5,928
Income not subject to tax	**(16,861)**	(20,098)
Expenses and losses not deductible for tax	**173,805**	53,028
Disposal of subsidiaries, net	**1,265,085**	(1,180)
Other temporary differences	**(801)**	(3,946)
Estimated tax losses from prior years utilised	**(2,417)**	(6,414)
Estimated tax losses not recognised	**148,148**	88,103
Adjustments in respect of current tax of prior years	**(561)**	20,659
Withholding tax on the distributable earnings of the subsidiaries established in Mainland China	**9,854**	(10,959)
Withholding tax on the interest income received from the subsidiaries established in Mainland China	**1,355**	–
Effect on deferred tax to reflect tax consequence of recovering the carrying amount of the relevant properties through sales	**106,208**	–
Tax charge at the Group's effective rate	**193,238**	312,967

12. DISCONTINUED OPERATIONS

On 21 February 2020, Holy Unicorn Limited, ("**Offeror**", a wholly-owned subsidiary of LSD) made a conditional voluntary general cash offer ("**Offer**") to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD), including the Lai Fung shares owned by the Company, and to cancel all the outstanding share options of Lai Fung. The offer price for each Lai Fung share is HK$8.99 in cash. Details are set out in a joint announcement of the Company, LSD, LSG, Lai Fung and the Offeror dated 21 February 2020.

On 14 May 2020 ("**Date of Disposal**"), all conditions to the Offer have been fulfilled or waived by the Offeror and the Offer has been declared unconditional in all respects. The Group disposed of its entire equity interest in Lai Fung Group ("**Disposal**") and since then, the Lai Fung Group is no longer consolidated into the Group.

The principal business and activities of the Lai Fung Group consisted of property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities in Mainland China. With the Lai Fung Group being classified as discontinued operations, the operating segment information of property development and property investment business are no longer included in note 4 to the financial statements.

12. DISCONTINUED OPERATIONS (continued)

The results of the Lai Fung Group after fair value adjustments and intragroup eliminations for the period from 1 August 2019 to 14 May 2020 and the year ended 31 July 2019 and the effect of the Disposal are presented below:

	Period from 1 August 2019 to 14 May 2020 HK$'000	Year ended 31 July 2019 HK$'000
Turnover	**820,042**	1,453,173
Cost of sales	**(399,243)**	(557,084)
Gross profit	**420,799**	896,089
Other revenue	**42,042**	58,966
Selling and marketing expenses	**(46,819)**	(60,469)
Administrative expenses	**(203,497)**	(241,253)
Other operating expenses, net	**(239,853)**	(60,111)
Fair value gains/(losses) on investment properties	**(564,880)**	211,500
Finance costs	**(184,727)**	(106,974)
Share of profits and losses of joint ventures	**(145)**	(22,002)
Share of profits and losses of associates	**(317)**	(40)
Profit/(loss) before tax	**(777,397)**	675,706
Tax	**(113,976)**	(309,890)
Profit/(loss) for the period/year	**(891,373)**	365,816
Loss on disposal of subsidiaries	**(7,259,028)**	–
Profit/(loss) for the period/year from the discontinued operations	**(8,150,401)**	365,816
Attributable to:		
Owners of the Company	**(7,658,961)**	216,236
Non-controlling interests	**(491,440)**	149,580
	(8,150,401)	365,816

12. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities of the Lai Fung Group disposed of as at the Date of Disposal are as follows:

	Notes	HK$'000
Assets		
Property, plant and equipment	14	3,498,528
Right-of-use assets	15(a)	1,308,460
Properties under development	16	2,632,673
Investment properties	17	18,469,056
Investments in joint ventures		1,172
Investments in associates		837
Derivate financial instruments	38	17,893
Completed properties for sale		2,743,065
Inventories		6,510
Debtors		147,696
Deposits, prepayments and other receivables		508,426
Prepaid tax		24,939
Pledged and restricted time deposits and bank balances		1,310,991
Cash and cash equivalents		1,167,728
Assets classified as held for sale		11,552
		31,849,526
Liabilities		
Creditors and accruals		2,419,357
Deposits received and contract liabilities		799,730
Lease liabilities	15(b)	7,562
Interest-bearing bank loans		6,788,307
Loans from a fellow subsidiary		389,909
Tax payable		202,190
Other borrowings		92,156
Guaranteed notes	36	2,698,745
Deferred tax liabilities	37	3,231,407
Derivative financial instruments	38	5,156
		16,634,519
Net assets disposed of		15,215,007
Non-controlling interests		(7,590,288)
Release of foreign exchange reserve		1,150,216
		8,774,935
Loss on disposal of subsidiaries		(7,259,028)
Consideration		1,515,907
Satisfied by:		
Cash		1,515,907

12. DISCONTINUED OPERATIONS (continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2020 HK$'000	2019 HK$'000
Cash consideration	**1,515,907**	–
Cash and cash equivalents disposed of	**(1,167,728)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**348,179**	–

The net cash flows incurred by the discontinued operations are as follows:

	Period from 1 August 2019 to 14 May 2020 HK$'000	Year ended 31 July 2019 HK$'000
Net cash flows from/(used in) operating activities	**(242,877)**	127,335
Net cash flows used in investing activities	**(1,235,528)**	(1,083,186)
Net cash flows from financing activities	**817,269**	1,490,323
Net cash inflow/(outflow)	**(661,136)**	534,472

	2020	2019
Earnings/(loss) per share from the discontinued operations:		
Basic	**(HK$5.134)**	HK$0.145
Diluted	**(HK$5.134)**	HK$0.145

The calculations of basic and diluted earnings/(loss) per share from the discontinued operations are based on:

	2020 HK$'000	2019 HK$'000
Profits/(loss) attributable to owners of the Company from the discontinued operations (note 13)		
Basic	**(7,658,961)**	216,236
Diluted	**(7,658,961)**	216,069

	2020	2019
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings/(loss) per share calculation (note 13)	**1,491,854,598**	1,491,854,598

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (2019: 1,491,854,598) in issue during the year.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to the owners of the Company, adjusted for the effect of dilutive potential ordinary shares arising from adjustment to the share of profit of Lai Fung based on dilution of its earnings per share. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year as used in the basic loss per share calculation.

The impact of share options of Lai Fung has an anti-dilutive effect on the basic loss per share amount presented during the year ended 31 July 2020.

The impact of the share options of the Company had an anti-dilutive effect on the basic loss per share amounts presented during the year ended 31 July 2019.

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

	2020 HK$'000	2019 HK$'000 (Restated)
Profit/(loss) attributable to owners of the Company, used in the basic loss per share calculation:		
From continuing operations	**(926,443)**	(293,881)
From discontinued operations	**(7,658,961)**	216,236
Loss for the purpose of basic loss per share	**(8,585,404)**	(77,645)
Profit/(loss) attributable to owners of the Company, used in the diluted loss per share calculation:		
From continuing operations	**(926,443)**	(293,881)
From discontinued operations used in the basic loss per share calculation	**(7,658,961)**	216,236
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of discontinued operations based on dilution of its earnings per share *	**–**	(167)
From discontinued operations	**(7,658,961)**	216,069
Loss for the purpose of diluted loss per share	**(8,585,404)**	(77,812)

* *Balance for the year ended 31 July 2019 represented the decrease in the Group's proportionate interest in the profit of Lai Fung of HK$167,000 assuming all dilutive outstanding share options of Lai Fung were exercised to subscribe for ordinary shares of Lai Fung at the beginning of the year.*

14. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Theme parks HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:										
At 1 August 2018		320,985	2,276,427	672,206	234,721	32,082	29,189	–	1,506,148	5,071,758
Finance costs capitalised		–	–	–	–	–	–	–	90,575	90,575
Additions		–	–	57,764	26,000	5,359	5,955	–	1,261,026	1,356,104
Transfers in/(out)		–	–	–	–	–	–	1,540,002	(1,540,002)	–
Write-off		–	–	(52,139)	(6,005)	–	(1,097)	–	–	(59,241)
Disposals		–	(9)	–	(2,911)	(1,911)	(702)	–	–	(5,533)
Transfer to assets classified as held for sale		–	(75,181)	–	–	–	–	–	–	(75,181)
Disposal of subsidiaries	43	–	–	–	(8)	–	(409)	–	–	(417)
Exchange realignment		(1,393)	(13,987)	(4,991)	(1,068)	(204)	(210)	–	(18,644)	(40,497)
At 31 July 2019		319,592	2,187,250	672,840	250,729	35,326	32,726	1,540,002	1,299,103	6,337,568
Effect of adoption of HKFRS 16	2.2	(143,769)	(1,565,162)	–	–	–	–	(51,681)	(137,261)	(1,897,873)
At 1 August 2019 (restated)		175,823	622,088	672,840	250,729	35,326	32,726	1,488,321	1,161,842	4,439,695
Finance cost capitalised		–	–	–	–	–	–	–	32,858	32,858
Additions		–	–	45,870	22,241	2,333	9,080	48,855	484,335	612,714
Transfers in/(out)		–	1,468,093	–	–	–	–	173,549	(1,641,642)	–
Write-off		–	–	(24,100)	(10,413)	–	(1)	–	–	(34,514)
Disposals		(4,778)	–	(97)	(1,293)	(735)	(2,029)	–	–	(8,932)
Transfer to assets classified as held for sale		(4,979)	–	–	–	–	–	–	–	(4,979)
Disposal of subsidiaries	12	(91,746)	(2,078,214)	(254,335)	(59,561)	(23,134)	(28,628)	(1,659,870)	–	(4,195,488)
Exchange realignment		(3,469)	(11,967)	(12,087)	(2,739)	(528)	(689)	(50,855)	(37,393)	(119,727)
At 31 July 2020		**70,851**	**-**	**428,091**	**198,964**	**13,262**	**10,459**	**-**	**-**	**721,627**
Accumulated depreciation and impairment:										
At 1 August 2018		106,958	588,958	416,752	120,387	26,529	21,209	–	–	1,280,793
Depreciation provided during the year		8,608	61,172	62,597	27,180	2,136	3,114	–	–	164,807
Impairment provided during the year		–	–	40,850	–	–	–	–	–	40,850
Write-off		–	–	(51,626)	(5,865)	–	(1,097)	–	–	(58,588)
Disposals		–	–	–	(2,309)	(1,783)	(568)	–	–	(4,660)
Transfer to assets classified as held for sale		–	(7,072)	–	–	–	–	–	–	(7,072)
Disposal of subsidiaries	43	–	–	–	(8)	–	(375)	–	–	(383)
Exchange realignment		(658)	(2,955)	(4,710)	(746)	(101)	(158)	–	–	(9,328)
At 31 July 2019		114,908	640,103	463,863	138,639	26,781	22,125	–	–	1,406,419
Effect of adoption of HKFRS 16	2.2	(44,910)	(470,587)	–	–	–	–	–	–	(515,497)
At 1 August 2019 (restated)		69,998	169,516	463,863	138,639	26,781	22,125	–	–	890,922
Depreciation provided during the year		4,546	40,410	41,935	18,164	2,023	3,729	126,335	–	237,142
Impairment provided during the year		–	–	84,513	11,966	97	674	–	–	97,250
Write-off		–	–	(24,100)	(10,146)	–	(1)	–	–	(34,247)
Disposals		(4,300)	–	(75)	(1,242)	(661)	(1,837)	–	–	(8,115)
Transfer to assets classified as held for sale		(2,117)	–	–	–	–	–	–	–	(2,117)
Disposal of subsidiaries	12	(38,255)	(206,934)	(249,347)	(45,726)	(17,195)	(14,651)	(124,852)	–	(696,960)
Exchange realignment		(1,665)	(2,992)	(11,101)	(1,734)	(307)	(391)	(1,483)	–	(19,673)
At 31 July 2020		**28,207**	**-**	**305,688**	**109,921**	**10,738**	**9,648**	**-**	**-**	**464,202**
Net carrying amount:										
At 31 July 2020		**42,644**	**-**	**122,403**	**89,043**	**2,524**	**811**	**-**	**-**	**257,425**
At 31 July 2019		204,684	1,547,147	208,977	112,090	8,545	10,601	1,540,002	1,299,103	4,931,149

14. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 July 2020, the impairment loss of HK$97,250,000 (2019: HK$40,850,000) represented the write-down of the carrying amounts of certain leasehold improvements, furniture, fixtures, equipment, motor vehicles and computers to their recoverable amounts because the market conditions and the impact after the outbreak of COVID-19 were out of the management's expectation. The estimated recoverable amounts as at 31 July 2020 were determined based on their value in use amounts estimated by using discount rates ranging from 8.55% to 11% (2019: 12.0% to 14.5%).

As at 31 July 2019, certain serviced apartments (including related leasehold improvements) with an aggregate carrying amount of HK$1,208,645,000 were pledged to banks to secure certain bank borrowings of the Group. Details were further set out in note 33(a) to the financial statements.

15. LEASES

The Group as a lessee

The Group has lease contracts for certain cinema related properties, other properties and equipment. Leases of cinema properties generally have lease terms between 2 and 16 years, while other properties generally have lease terms between 2 and 3 years. Leases of equipment generally have lease terms of 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Notes	Prepaid land lease payments HK$'000	Cinema related properties HK$'000	Other properties HK$'000	Equipment HK$'000	Total HK$'000
At 1 August 2019	2.2	1,382,376	951,632	42,789	179	2,376,976
Additions		–	123,180	17,050	653	140,883
Lease modification		–	137,657	(2,308)	–	135,349
Termination		–	–	(701)	–	(701)
Depreciation charged		(39,179)	(157,178)	(21,545)	(193)	(218,095)
Disposal of subsidiaries	12	(1,301,023)	–	(7,437)	–	(1,308,460)
Impairment loss charged		–	(294,703)	(13,938)	(639)	(309,280)
Transfer to assets classified as held for sale		(5,195)	–	–	–	(5,195)
Exchange realignment		(23,884)	(670)	(526)	–	(25,080)
At 31 July 2020		**13,095**	**759,918**	**13,384**	**–**	**786,397**

During the year ended 31 July 2020, the impairment loss of HK$309,280,000 represented the write-down of the carrying amounts of right-of-use assets of certain cinema related properties, other properties and equipment to their recoverable amounts because the market conditions and the impact after the outbreak of COVID-19 were out of the management's expectation. The estimated recoverable amounts as at 31 July 2020 were determined based on their value in use amounts estimated by using discount rates ranging from 8.55% to 11%.

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Notes	HK$'000
Carrying amount at 1 August 2019	2.2	**1,033,101**
Additions		**143,562**
Accretion of interest recognised during the year		**51,325**
Termination		**(701)**
Lease modification		**135,349**
Disposal of subsidiaries	12	**(7,562)**
Payments		**(126,394)**
Rent concessions related to COVID-19		**(40,857)**
Other rent concessions		**(8,324)**
Exchange adjustments		**(1,102)**
Carrying amount at 31 July 2020		**1,178,397**
Less: Portion classified as current		**(192,576)**
Non-current portion		**985,821**

The maturity analysis of lease liabilities is as follows:

	2020 HK$'000
Maturity profile:	
Within one year	**192,576**
In the second year	**172,875**
In the third to fifth years, inclusive	**422,996**
Beyond five years	**389,950**
	1,178,397

15. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts charged/(credited) in income statement in relation to leases are as follows:

	2020 HK$'000
Interest on lease liabilities	51,325
Depreciation charge of right-of-use assets	218,095
Impairment of right-of-use assets	309,280
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 July 2020 and leases of low-value assets	13,961
Variable lease payments not included in the measure of lease liabilities	3,936
Rent concessions related to COVID-19	(40,857)
Other rent concessions	(8,324)
Total	547,416

(d) The future cash outflows relating to leases that have not yet commenced are disclosed in note 45(d) to the financial statements.

The total cash outflow for leases included in the statement of cash flows was HK$144,291,000 during the year ended 31 July 2020.

16. PROPERTIES UNDER DEVELOPMENT

	Notes	2020 HK$'000	2019 HK$'000
At the beginning of the reporting period		**2,529,412**	2,133,029
Finance costs capitalised		**43,715**	105,774
Additions (including capitalisation of prepaid land lease payments of HK$3,626,000 (2019: HK$14,463,000))		**569,456**	717,475
Amortisation of prepaid land lease payments		**(3,626)**	(14,463)
Transfer from investment properties	17	**1,585,700**	–
Transfer to completed properties for sale		**(2,001,508)**	(382,847)
Disposal of subsidiaries	12	**(2,632,673)**	–
Exchange realignment		**(90,476)**	(29,556)
At the end of the reporting period		**–**	2,529,412
Amount classified as current assets		**–**	(1,815,822)
Non-current portion		**–**	713,590

As at 31 July 2019, certain properties under development with an aggregate carrying amount of HK$1,085,322,000 were pledged to banks to secure certain bank borrowings of the Group as further set out in note 33(b) to the financial statements.

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

	2020 HK$'000	2019 HK$'000
At the beginning of the reporting period	**810,802**	873,257
Amortised during the year	**(3,626)**	(14,463)
Transfer to completed properties for sale	**(665,849)**	(36,546)
Disposal of subsidiaries	**(112,273)**	–
Exchange realignment	**(29,054)**	(11,446)
At the end of the reporting period	**–**	810,802

17. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
Completed investment properties	–	12,825,100
Investment properties under construction, at fair value	–	6,597,099
Investment properties under construction, at cost*	–	1,002,601
	–	20,424,800

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

	Notes	2020 HK$'000	2019 HK$'000
At the beginning of the reporting period		**20,424,800**	18,601,100
Finance costs capitalised		**136,043**	147,771
Other additions		**783,930**	1,722,074
Transfer to properties under development	16	**(1,585,700)**	–
Net gain/(loss) from fair value adjustments		**(564,880)**	211,500
Disposal of subsidiaries	12	**(18,469,056)**	–
Exchange realignment		**(725,137)**	(257,645)
At the end of the reporting period		**–**	20,424,800

The completed investment properties were leased to third parties under operating leases, further summary details of which are included in note 45(b) to the financial statements.

As at 31 July 2019, certain investment properties with an aggregate carrying amount of HK$10,890,290,000 were pledged to banks to secure certain bank borrowings of the Group as further set out in note 33(c) to the financial statements.

Valuation processes of the Group

In prior years, the Group's management appointed an external valuer to be responsible for the external valuations of the Group's properties (the "**Property Valuers**"). Selection criteria of an external valuer included market knowledge, reputation, independence and whether professional standards were maintained. The Group's management had discussions with the Property Valuers on the valuation assumptions and valuation results twice a year when the valuation was performed for interim and annual financial reporting.

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

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

17. INVESTMENT PROPERTIES (continued)

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

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

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

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

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

2019

Description	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Commercial properties	Income approach	Average unit market rent per month (HK$/sq.m.)	44 – 354	Note 1
		Capitalisation rate	4.25% – 7.50%	Note 2
Residential properties	Market approach	Average market unit rate (HK$/sq.m.)	157,000	Note 3
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m.)	14,200 – 79,000	Note 4
		Developer's profit margin	2% – 4.5%	Note 5
		Budgeted costs to completion (HK$)	283,700,000 – 985,200,000	Note 6

Notes:

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

18. FILM RIGHTS

	HK$'000
Cost:	
At 1 August 2018	276,336
Additions	1,760
Disposal	(109)
At 31 July 2019 and 1 August 2019	277,987
Additions	136
Disposal	(620)
At 31 July 2020	**277,503**
Accumulated amortisation and impairment:	
At 1 August 2018	265,131
Amortisation provided during the year	6,357
Write-back of impairment during the year	(18,000)
Disposal	(109)
At 31 July 2019 and 1 August 2019	253,379
Amortisation provided during the year	29,689
Write-back of impairment during the year	(12,000)
Disposal	(620)
At 31 July 2020	**270,448**
Net carrying amount:	
At 31 July 2020	**7,055**
At 31 July 2019	24,608

In light of the specific circumstances of the film industry, 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 amounts as at 31 July 2020 and 31 July 2019 were determined based on the present value of expected future revenues and related cash flows arising from the distribution and sublicensing of the film rights, which were derived from discounting the projected cash flows using a discount rate of approximately 15% (2019: 15%) for the relevant assets.

19. FILM AND TV PROGRAM PRODUCTS

	Note	HK$'000
Cost:		
At 1 August 2018		1,569,233
Additions		2
Disposal of subsidiaries		(24)
Transfer from films and TV programs under production	26	214,870
Sale of film products		(150,913)
Exchange realignment		(1,346)
At 31 July 2019 and 1 August 2019		1,631,822
Additions		1,655
Transfer from films and TV programs under production	26	234,266
Sale of film and TV program products		(117,535)
Exchange realignment		(2,388)
At 31 July 2020		**1,747,820**
Accumulated amortisation and impairment:		
At 1 August 2018		1,489,016
Amortisation provided during the year		69,019
Disposal of subsidiaries		(24)
Exchange realignment		(1,211)
At 31 July 2019 and 1 August 2019		1,556,800
Amortisation provided during the year		128,011
Exchange realignment		(2,112)
At 31 July 2020		**1,682,699**
Net carrying amount:		
At 31 July 2020		**65,121**
At 31 July 2019		75,022

In light of the specific circumstances of the film and TV industry, the Group regularly reviews its film and TV program products to assess marketability/future economic benefits of film and TV program products and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2020 and 31 July 2019 were determined based on the present value of expected future revenues and related cash flows arising from the distribution and sublicensing of the film and TV program products, which were derived from discounting the projected cash flows using a discount rate of 15% (2019: 15%) for the relevant assets.

20. MUSIC CATALOGS

	HK$'000
Cost:	
At 1 August 2018, 31 July 2019, 1 August 2019 and 31 July 2020	**150,834**
Accumulated amortisation and impairment:	
At 1 August 2018	141,177
Amortisation provided during the year	2,870
Write-back of impairment during the year	(8,842)
At 31 July 2019 and 1 August 2019	135,205
Amortisation provided during the year	7,045
At 31 July 2020	**142,250**
Net carrying amount:	
At 31 July 2020	**8,584**
At 31 July 2019	15,629

In light of the specific circumstances of the music licensing industry, 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 amounts as at 31 July 2020 and 31 July 2019 were 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% (2019: 13%).

21. GOODWILL

	HK$'000
Cost:	
At 1 August 2018, 31 July 2019, 1 August 2019 and 31 July 2020	**126,917**
Accumulated impairment:	
At 1 August 2018, 31 July 2019 and 1 August 2019	44,477
Provided during the year	72,440
At 31 July 2020	**116,917**
Net carrying amount:	
At 31 July 2020	**10,000**
At 31 July 2019	82,440

21. GOODWILL (continued)

Impairment testing of goodwill

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

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

As at 31 July 2020, the recoverable amount of the IGHL CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which is based on past experience and the management's expectation for market development. The discount rates applied to the cash flow projections ranges from 8.55% to 14.5% (2019: 14.5%). The growth rates used to extrapolate the cash flows of the IGHL CGU beyond the five-year period ranges from 1.8% to 3% (2019: 3%).

Assumptions were used in the value in use calculation of the IGHL CGU for 31 July 2020 and 31 July 2019. 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.

As at 31 July 2020, the estimated recoverable amount of the IGHL CGU was below its carrying amount by HK$72,440,000 because the market conditions and the impact after the outbreak of COVID-19 were out of the management's expectation and an impairment loss of HK$72,440,000 was recognised in the consolidated income statement.

22. INVESTMENTS IN JOINT VENTURES

	2020 **HK$'000**	2019 HK$'000
Share of net assets/(liabilities)	**4,080**	(33,463)
Amounts due from joint ventures	**58,531**	61,053
Provision for impairment#	**(46,632)**	(4,597)
	11,899	56,456
Total investments in joint ventures	**15,979**	22,993

As at 31 July 2020, impairment of HK$46,632,000 (2019: HK$4,597,000) was recognised for amounts due from joint ventures with carrying amounts of HK$46,632,000 (2019: HK$4,597,000) (before deducting the impairment loss) because these joint ventures have been loss-making for some time.

22. INVESTMENTS IN JOINT VENTURES (continued)

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 due from a joint venture which bore interest at The People's Bank of China Benchmark Loan Interest Rate as at 31 July 2019. 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 investment in the joint ventures.

Movements in the loss allowance for impairment of amounts due from joint ventures are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the reporting period	**4,597**	2,834
Adoption of Amendments to HKAS 28	**41,138**	–
At beginning of the reporting period (restated)	**45,735**	2,834
Impairment loss recognised	**1,468**	1,763
Exchange realignment	**(571)**	–
At end of the reporting period	**46,632**	4,597

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$1,604,755,000 from the joint ventures.

Aggregate financial information of the joint ventures that are not individually material is as follows:

	2020 HK$'000	2019 HK$'000
The Group's share of losses	**(2,382)**	(25,424)
The Group's share of other comprehensive losses	**(41)**	(6,894)
The Group's share of total comprehensive loss	**(2,423)**	(32,318)
Aggregate carrying amount of the Group's investments in joint ventures	**15,979**	22,993

23. INVESTMENTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Share of net liabilities	–	(15,199)
Amounts due from associates	15,628	21,003
Provision for impairment	(15,628)	–
	–	21,003
Total investments in associates	–	5,804

Balances with the associates are unsecured, interest-free and repayable on demand but are not expected to be repayable in the next 12 months from the end of the reporting period. In the opinion of the directors, these amounts due from associates are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investment in the associates.

Movements in the loss allowance for impairment of amounts due from associates are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the reporting period	–	–
Adoption of Amendments to HKAS 28	15,529	–
At beginning of the reporting period (restated)	15,529	–
Impairment loss recognised	99	–
At end of the reporting period	15,628	–

The associates 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$3,300,000 from an associate.

During the year ended 31 July 2019, the Group disposed of an associate for a cash consideration of HK$23,800,000. Gain on disposal of the associate of HK$19,705,000, net of professional expenses of HK$439,000, was recognised in the consolidated income statement.

As at 31 July 2020 and 31 July 2019, there were no material associates which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

23. INVESTMENTS IN ASSOCIATES (continued)

Aggregate financial information of associates that are not individually material is as follows:

	2020 HK$'000	2019 HK$'000
The Group's share of profits and losses	**(317)**	787
The Group's share of other comprehensive loss	**(13)**	(20)
The Group's share of total comprehensive income/(loss)	**(330)**	767

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Unlisted investments, at fair value	**190,876**	220,751
Less: Portion classified as current	**(153,083)**	(144,936)
Non-current portion	**37,793**	75,815

Included in above unlisted investments were mainly fund investments and securities.

25. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 HK$'000	2019 HK$'000
Deposits, prepayments and advances for artiste management, music production and film and TV program production	**157,077**	184,440
Other deposits, prepayments, other receivables and other assets	**119,508**	549,596
	276,585	734,036
Less: Portion classified as current	**(177,922)**	(637,799)
Non-current portion	**98,663**	96,237

Included in deposits, prepayments, other receivables and other assets as at 31 July 2020 were advances of HK$7,201,000 (2019: HK$7,377,000) due from film owners for the Group's investments in film projects. The advances are unsecured, repayable within next 12 months and have a fixed guarantee return of 16.5% (2019: 16.5%) on the principal amount.

25. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Included in deposits, prepayments, other receivables and other assets as at 31 July 2020 were investments in entertainment events of HK$22,223,000 (2019: HK$17,899,000) and club debentures of HK$9,858,000 (2019: HK$9,858,000), which are classified as financial assets at fair value through profit or loss and intangible assets, respectively. The intangible assets are regarded to have indefinite useful lives and are stated at cost less any impairment losses.

Movements in the loss allowance for impairment of deposits, prepayments and other receivables are as follows:

	2020 **HK$'000**	2019 HK$'000
At the beginning of the reporting period	**74,207**	53,568
Impairment losses	**22,370**	22,209
Write-back of impairment losses	**(297)**	(567)
Write-off	**(3,241)**	(889)
Exchange realignment	**(232)**	(114)
At the end of the reporting period	**92,807**	74,207

The ECLs as at 31 July 2020 and 2019 are estimated by applying a credit risk approach with reference to the historical loss record of the Group as at 31 July 2020 and 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.

26. FILMS AND TV PROGRAMS UNDER PRODUCTION AND FILM INVESTMENTS

	Notes	**2020** **HK$'000**	2019 HK$'000
Films and TV programs under production	(a)	**296,668**	408,776
Film investments, at fair value	(b)	**16,716**	8,466
		313,384	417,242

26. FILMS AND TV PROGRAMS UNDER PRODUCTION AND FILM INVESTMENTS (continued)

Notes:

(a) *Films and TV programs under production*

	Notes	2020 HK$'000	2019 HK$'000
At the beginning of the reporting period		**408,776**	469,585
Additions (including the capitalisation of employee benefit expense of nil (2019: HK$7,964,000))		**141,825**	236,994
Transfer to film and TV program products	19	**(234,266)**	(214,870)
Impairment #		**(12,439)**	(64,310)
Disposal of subsidiaries	43	**–**	(14,813)
Exchange realignment		**(7,228)**	(3,810)
At the end of the reporting period		**296,668**	408,776

\# *The impairment of films and TV programs under production was made based on the management's estimation of recoverable amount against the carrying amount.*

(b) *Film investments, at fair value*

	2020 HK$'000	2019 HK$'000
Film investments classified as financial assets at fair value through profit or loss:		
At the beginning of the reporting period	**8,466**	–
Additions	**13,472**	8,591
Changes in fair value	**(5,014)**	–
Exchange realignment	**(208)**	(125)
At the end of the reporting period	**16,716**	8,466

27. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	–	331
Work in progress	**198**	461
Finished goods	**14,082**	18,239
	14,280	19,031

28. DEBTORS

	2020 HK$'000	2019 HK$'000
Trade debtors	**111,288**	241,917
Impairment	**(16,606)**	(9,410)
	94,682	232,507

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

The Lai Fung Group maintained 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 were settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties were receivable from tenants, and were normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced apartment charges were mainly settled by customers on a cash basis except for those corporate clients who maintained credit accounts with the Lai Fung Group, the settlement of which was in accordance with the respective agreements. Debtors of the Lai Fung Group were interest-free.

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

28. DEBTORS (continued)

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

	2020 HK$'000	2019 HK$'000
Trade debtors:		
Unbilled or neither past due nor impaired	**59,979**	133,404
1 to 90 days past due	**25,133**	84,424
Over 90 days past due	**9,570**	14,679
	94,682	232,507

As at 31 July 2020, unbilled trade debtors amounted to HK$42,438,000 (2019: HK$11,244,000).

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

	2020 HK$'000	2019 HK$'000
At the beginning of the reporting period	**9,410**	9,585
Impairment losses (note 8)	**7,544**	693
Write-off	**(348)**	(868)
At the end of the reporting period	**16,606**	9,410

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 grouping 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 trade debtors using a provision matrix analysed by payment due date:

As at 31 July 2020

		Past due		
	Current	1 to 90 days	Over 90 days	Total
Expected credit loss rate	**0.3%**	**0%**	**63%**	**15%**
Gross carrying amount (HK$'000)	**60,179**	**25,142**	**25,967**	**111,288**
Expected credit losses (HK$'000)	**200**	**9**	**16,397**	**16,606**

28. DEBTORS (continued)

Set out below is the information about the credit risk exposure on the Group's trade debtors using a provision matrix analysed by payment due date: (continued)

As at 31 July 2019

		Past due		
	Current	1 to 90 days	Over 90 days	Total
Expected credit loss rate	0%	0%	39%	4%
Gross carrying amount (HK$'000)	133,404	84,424	24,089	241,917
Expected credit losses (HK$'000)	–	–	9,410	9,410

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

	Note	**2020 HK$'000**	2019 HK$'000
Cash and bank balances		**1,155,051**	2,678,188
Less: Pledged and restricted bank balances			
– Pledged for bank loans	33(e)	**–**	(605,307)
– Pledged for banking facilities Δ		**–**	(86,480)
– Restricted *		**–**	(98,954)
		–	(790,741)
Non-pledged and non-restricted cash and bank balances		**1,155,051**	1,887,447
Time deposits		**664,048**	1,093,727
Less: Pledged and restricted time deposits			
– Pledged for bank loans	33(e)	**–**	(367,650)
– Pledged for banking facilities		**(120)**	(120)
– Restricted *		**(205,000)**	(15,384)
		(205,120)	(383,154)
Non-pledged and non-restricted time deposits		**458,928**	710,573
Cash and cash equivalents		**1,613,979**	2,598,020

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

Δ *The balance was pledged to a bank in respect of guarantee letters issued by the bank in favor of a government authority.*

* *As at 31 July 2020, a cash balance of HK$205,000,000 (2019: Nil) was held by a bank for certain banking facilities of the Group. Such cash balance is restricted to be used by the Group and such restriction will be uplifted upon the renewal or repayment of the banking facilities.*

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 were required to be deposited into designated bank accounts and restricted to be used for the relevant projects. Such restriction would 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 in aggregate.

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 were restricted to be used for the resettlement and such restriction would be uplifted upon completion of the resettlement. As at 31 July 2019, the balance amounted to HK$24,311,000 in aggregate.

In accordance with the relevant clauses of certain bank loan facilities, proceeds from the drawdown of bank loans were required to be deposited into designated bank accounts and restricted to be used for the relevant projects. As at 31 July 2019, the balance amounted to HK$2,441,000 in aggregate.

In accordance with the relevant laws and regulations imposed by the government authority concerned, certain deposits were required to be placed into designated bank accounts restricted as to use. As at 31 July 2019, the balance amounted to HK$15,479,000 in aggregate.

The conversion of Renminbi ("**RMB**") denominated time deposits and cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. As at 31 July 2020, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK$246,930,000 (2019: HK$2,555,007,000).

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

30. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 July 2020, a provisional sale and purchase agreement was entered into between the Group and an independent third party in relation to disposal of a property located in Macau for a cash consideration of HK$31,000,000. The disposal was completed subsequent to the end of the reporting period. As a result, the property with an aggregate carrying amount of HK$8,057,000 previously classified as property, plant and equipment and right-of-use assets was transferred to assets classified as held for sale.

During the year ended 31 July 2019, two blocks of serviced apartments located in Zhongshan (namely, STARR Resort Residence Zhongshan) were offered for sale. The serviced apartments were previously classified as property, plant and equipment. The management has committed to a plan to sell with an active program to locate buyers already initiated and the disposal was expected to be completed in the ensuing year. As a result, the serviced apartments with a carrying amount of HK$68,186,000 were transferred to assets classified as held for sale.

31. CREDITORS AND ACCRUALS

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

	Note	2020 HK$'000	2019 HK$'000
Trade creditors:			
Less than 30 days		**12,493**	959,287
31 to 60 days		**434**	4,390
61 to 90 days		**248**	5,734
Over 90 days		**1,488**	8,456
		14,663	977,867
Other creditors and accruals		**337,256**	1,319,791
Put option liabilities	(a)	**–**	279,720
		351,919	2,577,378

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

31. CREDITORS AND ACCRUALS (continued)

Note:

(a) *On 31 December 2018, Rosy Commerce Holdings Limited ("***Rosy Commerce***", a company indirectly owned by Lai Fung and the Company as to 80% and 20%, respectively) and China Cinda (HK) Asset Management Co., Limited ("***Cinda***"), an independent third party, entered into two investment agreements (the "***Agreements***"). Pursuant to the Agreements, Cinda agrees to invest, by way of share subscription and/or share sale, in two wholly-owned subsidiaries of Rosy Commerce, namely Harmonic Run Limited ("***HRL***") and Glorious Stand Limited ("***GSL***") at a total consideration (the "***Consideration***") of approximately US$35,752,000 (the "***Transaction***"). The Transaction was completed on 25 January 2019 (the "***Completion Date***") and Cinda became a holder of 30% equity interests in HRL and GSL.*

On the Completion Date, Rosy Commerce and Cinda further entered into two shareholders' agreements, pursuant to the buy-back clause contained therein, upon the occurrence of certain triggering events during the six-year investment period, Rosy Commerce has a contractual obligation to buy-back the 30% equity interests in each of HRL and GSL from Cinda at an aggregate amount equal to the Consideration. Accordingly, financial liabilities of approximately US$35,752,000 (equivalent to approximately HK$279,720,000) were recorded as put option liabilities under "Creditors 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 Lai Fung, LSD, LSG and the Company dated 2 January 2019.

32. DEPOSITS RECEIVED AND CONTRACT LIABILITIES

An analysis of the deposits received and contract liabilities is as follows:

	2020 **HK$'000**	2019 HK$'000
Deposits received	**52,746**	488,054
Contract liabilities	**208,298**	535,237
	261,044	1,023,291
Amount classified as current	**(261,044)**	(875,415)
Non-current portion	**–**	147,876

As at 1 August 2018, 31 July 2019 and 31 July 2020, the Group's total contract liabilities of HK$555,740,000, HK$535,237,000 and HK$208,298,000, respectively, mainly represented consideration received in advance from customers and deferred revenue. The decrease in total contract liabilities during the year ended 31 July 2019 was mainly due to recognition of revenue. The decrease in total contract liabilities during the year ended 31 July 2020 was mainly due to disposal of subsidiaries as detailed in note 12.

33. INTEREST-BEARING BANK LOANS

	2020		2019	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Current:				
Secured	**–**	**–**	4.75 – 6.14	431,522
Unsecured	**2.19**	**107,910**	3.92 – 6.81	104,458
		107,910		535,980
Non-current:				
Secured	**–**	**–**	4.75 – 6.14	4,356,815
Unsecured	**2.39 – 2.43**	**71,696**	5.28 – 6.81	1,197,335
		71,696		5,554,150
		179,606		6,090,130
Maturity profile:				
Within one year		**107,910**		535,980
In the second year		**17,877**		2,966,309
In the third to fifth years, inclusive		**53,819**		1,447,812
Beyond five years		**–**		1,140,029
		179,606		6,090,130

33. INTEREST-BEARING BANK LOANS (continued)

Certain bank loans of the Group as at 31 July 2019 were secured by:

(a) mortgages over certain serviced apartments (including related leasehold improvements) of the Group with an aggregate carrying amount of HK$1,208,645,000 as at 31 July 2019 (note 14);

(b) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$1,085,322,000 as at 31 July 2019 (note 16);

(c) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$10,890,290,000 as at 31 July 2019 (note 17);

(d) charges over the entire equity interests in certain subsidiaries of the Company as at 31 July 2019; and

(e) charges over bank balances and time deposits of the Group with an aggregate carrying amount of HK$972,957,000 as at 31 July 2019 (note 29).

As at 31 July 2020, save as disclosed elsewhere in these financial statements, the banking facilities of the Group were also supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

34. OTHER BORROWINGS

	Notes	2020 Effective interest rate (%)	2020 HK$'000	2019 Effective interest rate (%)	2019 HK$'000
Current:					
Other borrowing – unsecured	(i)	–	–	–	41,440
Non-current:					
Interest-bearing other borrowings – unsecured	(ii)	5.00	215,577	5.13	209,888
Other borrowing – unsecured	(iii)	–	–	–	53,006
			215,577		262,894
			215,577		304,334
Maturity profile:					
Within one year			–		41,440
In the second year			215,577		262,894
			215,577		304,334

Notes:

(i) *Rosy Commerce and Cinda entered into two shareholders' agreements on 25 January 2019, pursuant to which, Cinda provided non-interest-bearing initial shareholder loans of an aggregate amount of USD equivalent of RMB36,000,000 (equivalent to approximately HK$41,440,000) to HRL and GSL. Such shareholders' loans were 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 31(a) 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$102,639,000 (2019: HK$96,950,000) which is interest-free.*

(iii) *As at 31 July 2019, the unsecured other borrowing represented an amount due to the late Mr. Lim Por Yen which was interest-free.*

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

35. LOANS FROM A FELLOW SUBSIDIARY

The balances represented loans from Hibright Limited ("**Hibright**"), a wholly-owned subsidiary of LSD. As at 31 July 2019, except for loans from Hibright of HK$50,000,000 which were unsecured, interest-bearing at 5.04% per annum and were repayable in the second year from the year ended 31 July 2019, the other loans from Hibright were unsecured, interest-bearing at 5.36% to 5.58% per annum and were repayable within one year. During the year, the balances were fully repaid.

36. GUARANTEED NOTES

US$350,000,000 5.65% Guaranteed Notes due 2023

On 18 January 2018, Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of Lai Fung, issued US$350,000,000 of 5.65% fixed rate guaranteed notes, which would mature on 18 January 2023 for bullet repayment. The guaranteed notes bore interest from 18 January 2018 and were payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2018 (each, an "**Interest Payment Date – Guaranteed Notes**"). The guaranteed notes were listed on the Stock Exchange.

The guaranteed notes were guaranteed by Lai Fung and also had the benefit of a keepwell deed and a deed of equity interest purchase undertaking from LSD.

The guaranteed notes were issued for the refinancing of the fixed rate senior notes which was matured on 25 April 2018 and for general corporate purposes. The net proceeds from the guaranteed notes after deducting issue expenses amounted to approximately HK$2,712,758,000.

No guaranteed notes were repurchased during the year (2019: Nil).

The guaranteed notes recognised in the consolidated statement of financial position are calculated as follows:

	2020 **HK$'000**	2019 HK$'000
Carrying amount at the beginning of the reporting period	**2,720,857**	2,725,518
Amortisation during the year	**3,508**	4,440
Disposal of subsidiaries (note 12)	**(2,698,745)**	–
Exchange realignment	**(25,620)**	(9,101)
Carrying amount at the end of the reporting period	**–**	2,720,857

The effective interest rate of the guaranteed notes was 5.86% per annum.

In connection with the guaranteed notes, Lai Fung entered into the CCS – Guaranteed Notes (as defined in note 38) with financial institutions, which had effectively converted the guaranteed notes into fixed rate HK$ denominated debts. Taking into account the CCS – Guaranteed Notes, the effective interest rate of the guaranteed notes is 5.58% per annum. Details of the CCS – Guaranteed Notes are set out in note 38 to the financial statements.

37. 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:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**2,121**	9,108
Deferred tax liabilities	**(101)**	(3,351,747)
	2,020	(3,342,639)

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

	Note	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 2018		(594,132)	(542,563)	(2,074,939)	(124,844)	21,714	–	(3,314,764)
Deferred tax credited/(charged) to the income statement during the year		(52,417)	14,437	(52,875)	10,959	(10,440)	206	(90,130)
Deferred tax utilised during the year		–	–	–	20,927	–	–	20,927
Exchange realignment		8,446	2,845	30,104	–	(68)	1	41,328
At 31 July 2019 and 1 August 2019		(638,103)	(525,281)	(2,097,710)	(92,958)	11,206	207	(3,342,639)
Deferred tax credited/(charged) to the income statement during the year		(36,660)	7,880	91,332	(9,854)	14,460	(70,028)	(2,870)
Deferred tax utilised during the year		–	–	–	3,489	–	–	3,489
Disposal of subsidiaries	12	650,546	509,920	1,924,999	99,323	(23,202)	69,821	3,231,407
Exchange realignment		23,484	7,481	81,379	–	289	–	112,633
At 31 July 2020		**(733)**	**-**	**-**	**-**	**2,753**	**-**	**2,020**

At 31 July 2020, the Group had tax losses arising in Hong Kong of HK$2,049,996,000 (2019: HK$1,768,159,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

37. DEFERRED TAX (continued)

As at 31 July 2020, the Group had tax losses arising in Mainland China of HK$259,716,000 (2019: HK$410,253,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is either 5% or 10%. The Group is therefore liable for withholding taxes on dividends to be distributed by those subsidiaries and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 July 2020, 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 established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$20,536,000 as at 31 July 2020 (2019: HK$13,094,000).

38. DERIVATIVE FINANCIAL INSTRUMENTS

The movements in the financial assets/(liabilities) arising from the derivative financial instruments during the year are as follows:

2020

	Note	**CCS** HK$'000	**Foreign currency forward contract** HK$'000	**Total** HK$'000
Carrying amount as at 1 August 2019		**20,581**	**–**	**20,581**
Fair value losses charged to the consolidated income statement		**(2,688)**	**(5,156)**	**(7,844)**
Disposal of subsidiaries	12	**(17,893)**	**5,156**	**(12,737)**
Carrying amount as at 31 July 2020		**–**	**–**	**–**

2019

	CCS HK$'000
Carrying amount as at 1 August 2018	2,531
Fair value gains credited to the consolidated income statement	18,050
Carrying amount as at 31 July 2019	20,581

38. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The carrying amounts of the cross currency swap agreement (the "**CCS**") for guaranteed notes (the "**CCS – Guaranteed Notes**") were the same as their fair values.

During the year ended 31 July 2018, the Lai Fung Group had entered into the CCS – Guaranteed Notes with the financial institutions with an aggregate nominal amount of US$350,000,000 in connection with the guaranteed notes as detailed in note 36 to the financial statements.

Pursuant to the terms of the CCS – Guaranteed Notes, the Lai Fung Group received an amount semi-annually calculated based on a fixed rate of 5.65% per annum on the aggregate notional amount of US$350,000,000 during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date – Guaranteed Notes (as defined in note 36), and paid an amount semi-annually calculated based on a fixed rate of 5.37% per annum on the aggregate notional amount of HK$2,738,225,000 (being the HK$ equivalent amount of US$350,000,000 translated at a contracted exchange rate of US$1 to HK$7.8235) during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date – Guaranteed Notes. Before 18 January 2023, the Lai Fung Group would receive the aggregate notional amount of US$350,000,000 and would pay the aggregate notional amount of HK$2,738,225,000.

The CCS – Guaranteed Notes were not designated for hedging purposes and were measured at fair value through profit or loss. Fair value losses of the CCS – Guaranteed Notes amounting to HK$2,688,000 were charged (2019: fair value gains of HK$18,050,000 were credited) to the consolidated income statement during the year.

39. SHARE CAPITAL

Shares

	2020		2019	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,500,000**	**1,250,000**	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,491,855**	**745,927**	1,491,855	745,927

Share options

Details of the share option schemes of the Company, MAGHL and Lai Fung and the share options issued under the respective schemes are included in note 40 to the financial statements.

40. SHARE OPTION SCHEMES

(a) The Company

2005 Share Option Scheme

On 23 December 2005, the Company adopted the share option scheme (the "**2005 Share Option Scheme**") for the purpose of giving any eligible employee, director of the Company or any of its subsidiaries, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "**Participants**") an opportunity to have a personal stake in the Company and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Company. The 2005 Share Option Scheme was adopted by the Company on 23 December 2005 and became effective on 5 January 2006 and unless otherwise cancelled or amended, the 2005 Share Option Scheme will remain in force for 10 years from latter date. The 2005 Share Option Scheme was terminated upon the adoption of the 2015 Share Option Scheme (as defined below) on 11 December 2015.

The principal terms of the 2005 Share Option Scheme are:

(i) The total number of shares in respect of which options may be granted under the 2005 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Company's shares in issue unless the 10% limit has been refreshed on shareholders' approval. The 10% limit was refreshed on shareholders' approval at a special general meeting of the Company held on 27 May 2011. The maximum number of shares issuable under share options granted to each Participant in the 2005 Share Option Scheme within any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

(ii) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company'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 the Company.

(iii) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors in its absolute discretion.

(iv) The exercise price of the share options is determinable by the directors, but shall be at least the highest of (i) the closing price of the Company'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 the Company's shares in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

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

40. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2015 Share Option Scheme

On 11 December 2015 (the "**2015 Adoption Date**"), the Company adopted a new share option scheme (the "**2015 Share Option Scheme**") and terminated the 2005 Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2015 Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to the Group by granting share options to them as incentives or rewards and to attract, retain and motivate Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of the Group. Unless otherwise cancelled or amended, the 2015 Share Option Scheme will remain in force for 10 years from the 2015 Adoption Date.

The principal terms of the 2015 Share Option Scheme are:

(i) The maximum number of shares in respect of which options may be granted under the 2015 Share Option Scheme and any other share option schemes of the Company (i) shall not in aggregate exceed 10% of the total number of Company's shares in issue on the 2015 Adoption Date; (ii) shall not exceed 30% of the shares of the Company in issue from time to time; and (iii) to each Eligible Participant in the 2015 Share Option Scheme and within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) must be subject to the approval of the shareholders of the Company and the shareholders of LSD (so long as the Company is a subsidiary of LSD under the Listing Rules) in the respective general meetings.

(ii) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval by the independent non-executive directors of the Company and LSD (so long as the Company is a subsidiary of LSD 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 respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company'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 the approval by the shareholders of the Company and the shareholders of LSD (so long as the Company is a subsidiary of LSD 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 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 the Company's shares in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the Company'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 Company'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 the Company.

40. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2015 Share Option Scheme (continued)

Details of the share options outstanding granted under the 2005 Share Option Scheme and the 2015 Share Option Scheme during the year ended 31 July 2019 are as follows:

	2019	
	Number of underlying shares comprised in share options '000	Weighted average exercise price per 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	–	–

On 27 May 2018, Transtrend Holdings Limited ("**Offeror**", a wholly-owned subsidiary of LSD) made a conditional voluntary general cash offer ("**Offer**") to (i) acquire all of the issued shares of the Company (other than those already held or agreed to be acquired by LSD, the Offeror or their respective subsidiaries), and (ii) to cancel all the outstanding share options of the Company ("**eSun Option Offer**"). The Offer closed on 22 August 2018 and the Offeror had received valid acceptances of eSun Option Offer in respect of 13,145,696 underlying shares of the Company. 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 Share Option Scheme and the 2015 Share Option Scheme, all share options of the Company in respect of 19,704,969 underlying shares of the Company not exercised before the close of the Offer (i.e. 22 August 2018) have lapsed upon the close of the Offer. Details are set out in a joint announcement of the Company, LSD and the Offeror dated 22 August 2018.

No share options have been granted under the 2015 Share Option Scheme during the years ended 31 July 2019 and 2020.

40. SHARE OPTION SCHEMES (continued)

(b) 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 (the "**MAGHL Old Share Option Scheme**") as (i) MAGHL became a subsidiary of the Company 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 Old Share Option Scheme which are required to be approved by the shareholders/independent non-executive directors of MAGHL to be simultaneously approved by the shareholders/independent non-executive directors of the Company; and (ii) the Company would like to have a unified set of share option scheme rules for its subsidiaries. The purpose of the MAGHL Share Option Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to MAGHL Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of MAGHL Group or the affiliated companies. Eligible participants include any employee, director, officer or consultant of MAGHL Group and the affiliated companies, and any other group or classes of participants which the board of the directors of MAGHL, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangements, to the development and growth of MAGHL Group.

The principal terms of the MAGHL Share Option Scheme are as follows:

(i) 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**").

(ii) Subject to (i) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may refresh the MAGHL Scheme Limit at any time, provided that such limit as refreshed must not exceed 10% of the total number of shares of MAGHL in issue as at the date of approval of such refreshed limit.

(iii) Subject to (i) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may grant the options beyond the 10% limit, provided that the options in excess of such limit are granted only to the eligible participants specifically identified by MAGHL before such shareholders' approval is sought.

40. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

MAGHL Share Option Scheme (continued)

The principal terms of the MAGHL Share Option Scheme are as follows: (continued)

(iv) The maximum number of MAGHL's 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.

(v) The maximum number of MAGHL's shares issued and to be issued upon exercise of the share options granted to each eligible participant under the MAGHL Share Option Scheme and the Other Schemes (including both exercised and outstanding share options) in any 12-month period up to and including the date of grant must not exceed 1% of the total number of shares of MAGHL in issue at any time. Any further grant of share options in excess of this limit must be separately approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings with such eligible participant and his associates abstaining from voting.

(vi) 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 the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules).

(vii) 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 the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) in advance at the respective general meetings.

(viii) 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.

(ix) 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.

(x) The exercise price of the share options is determined by the directors of MAGHL, but must not be lower than the highest of (i) the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of 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.

40. SHARE OPTION SCHEMES (continued)

(c) 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 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 or with an aggregate value (based on the closing price of Lai Fung's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to 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 shareholders' meetings of Lai Fung.

40. SHARE OPTION SCHEMES (continued)

(c) 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 Lai Fung Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-caliber Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of Lai Fung Group. Unless otherwise cancelled or amended, the 2012 Lai Fung Share Option Scheme will remain in force for 10 years from the 2012 Adoption Date.

The maximum number of shares of Lai Fung which may be issued upon the exercise of all options to be granted under the 2012 Lai Fung Share Option Scheme (i) shall not exceed 10% of the shares of Lai Fung in issue on the 2012 Adoption Date; (ii) shall not exceed 30% of the shares of Lai Fung in issue from time to time; and (iii) to each Eligible Participant and within any 12-month period, is limited to 1% of the shares of Lai Fung in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval of shareholders of Lai Fung and the shareholders of the holding company of Lai Fung 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 the holding company 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 or with an aggregate value (based on the closing price of Lai Fung's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the approval of shareholders of Lai Fung and the shareholders of the holding company of Lai Fung 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 of the share options; (ii) the average Stock Exchange closing price of Lai Fung's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Lai Fung's share on the date of grant.

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

40. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

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/period are as follows:

	2020		2019	
	Number of Lai Fung's underlying shares comprised in share options	Weighted average exercise price per Lai Fung Share*	Number of Lai Fung's underlying shares comprised in share options	Weighted average exercise price per Lai Fung Share*
	'000	HK$	'000	HK$
Outstanding at the beginning of the year/period	**10,814**	**10.88**	10,234	10.92
Granted during the year/period	**500**	**6.78**	580	10.18
Exercised during the year/period	**(110)**	**6.65**	–	–
Lapsed during the year/period	**(80)**	**11.4**	–	–
Outstanding as at 14 May 2020/ 31 July 2019	**11,124**	**10.74**	10,814	10.88

* *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.*

40. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (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 shares 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 500,000 underlying Lai Fung shares, the exercise of share options comprising 109,591 underlying Lai Fung shares and the lapse of share options comprising 80,000 underlying Lai Fung shares, no share options were granted, exercised, 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 period from 1 August 2019 to Date of Disposal (the "**Period**"). The closing price of Lai Fung Shares immediately before the date of grant of share options granted was HK$6.76. The fair value of share options granted during the Period was approximately HK$674,000 (HK$1.348 each) (year ended 31 July 2019: HK$2,322,000 (HK$4.0033 each)) which was recognised as a share option expense of approximately HK$674,000 (year ended 31 July 2019: HK$2,322,000) and HK$303,000 (year ended 31 July 2019: HK$743,000) (before and after capitalisation to properties under development/investment properties under construction/construction in progress, respectively) for the Period.

The fair value of equity-settled share options granted during the Period was estimated as at the date of acceptance, 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.

41. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2020 and 2019 are presented in the consolidated statement of changes in equity.

Statutory reserve

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

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts after fair value adjustments and before intragroup eliminations.

Lai Fung

	2019 HK$'000
Current assets	6,543,297
Non-current assets	25,712,006
Total assets	32,255,303
Current liabilities	(3,550,243)
Non-current liabilities	(11,831,735)
Total liabilities	(15,381,978)
Equity attributable to non-controlling interests of the Group	8,283,417
Turnover	1,461,249
Other revenue	59,182
Fair value gains on investment properties	214,823
Share of profits and losses of joint ventures	(22,002)
Share of profits and losses of associates	(40)
Expenses	(1,344,005)
Profit for the year	369,207
Other comprehensive loss for the year	(276,879)
Total comprehensive income for the year	92,328
Profit attributable to the non-controlling interests	149,580
Other comprehensive loss attributable to the non-controlling interests	(132,949)
Total comprehensive income attributable to the non-controlling interests	16,631
Dividend paid to non-controlling interests	29,087
Net cash flows from operating activities	127,335
Net cash flows used in investing activities	(1,083,186)
Net cash flows from financing activities	1,490,323
Net cash inflows	534,472

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

MAGHL

	2020 HK$'000	2019 HK$'000
Current assets	**817,782**	988,797
Non-current assets	**61,555**	96,449
Total assets	**879,337**	1,085,246
Current liabilities	**(498,974)**	(878,087)
Non-current liabilities	**(355,357)**	–
Total liabilities	**(854,331)**	(878,087)
Equity/(deficit) attributable to non-controlling interests of the Group	**(2,497)**	59,026
Turnover	**364,773**	573,732
Other income	**9,542**	10,519
Share of profits and losses of joint ventures	**50**	(4,153)
Share of profit and loss of an associate	**–**	432
Expenses	**(561,636)**	(725,436)
Loss for the year	**(187,271)**	(144,906)
Other comprehensive income/(loss) for the year	**(305)**	1,478
Total comprehensive loss for the year	**(187,576)**	(143,428)
Loss attributable to the non-controlling interests	**(66,900)**	(45,555)
Other comprehensive income/(loss) attributable to the non-controlling interests	**(46)**	592
Total comprehensive loss attributable to the non-controlling interests	**(66,946)**	(44,963)
Net cash flows used in operating activities	**(47,417)**	(67,829)
Net cash flows from/(used in) investing activities	**6,299**	(11,312)
Net cash flows from/(used in) financing activities	**24,191**	(14,386)
Net cash outflows	**(16,927)**	(93,527)

43. DISPOSAL OF SUBSIDIARIES

In addition to the discontinued operations (as disclosed in note 12), an analysis of the Group's disposal of subsidiaries during the year ended 31 July 2019 was as follows:

	Notes	HK$'000
Net assets/(liabilities) disposed of:		
Property, plant and equipment	14	34
Films and TV programs under production	26	14,813
Deposits, prepayments and other receivables		6,416
Cash and cash equivalents		5,372
Creditors and accruals		(34,723)
		(8,088)
Non-controlling interests		3,963
Release of foreign exchange reserve		(15)
		(4,140)
Gain on disposal of subsidiaries	8	4,720
Consideration		580
Satisfied by:		
Consideration receivables		580
Cash		–

An analysis of cash flows in respect of the disposal of the subsidiaries is as follows:

	HK$'000
Cash consideration	–
Cash and cash equivalents disposed of	(5,372)
Net cash outflow in respect of the disposal of the subsidiaries	(5,372)

44. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest-bearing bank loans HK$'000	Lease liabilities HK$'000	Loans from a joint venture HK$'000	Loans from fellow subsidiaries HK$'000	Other borrowings HK$'000	Put option liabilities HK$'000	Amount received from a potential non-controlling shareholder HK$'000
At 1 August 2018	3,920,953	–	644,698	650,000	257,841	–	–
Changes from financing cash flows	2,173,312	–	(633,081)	300,000	41,560	280,532	–
Interest expense	26,309	–	–	–	5,766	–	–
Exchange realignment	(30,444)	–	(11,617)	–	(833)	(812)	–
At 31 July 2019	6,090,130	–	–	950,000	304,334	279,720	–
Effect of adoption of HKFRS 16	–	1,033,101	–	–	–	–	–
At 1 August 2019 (restated)	6,090,130	1,033,101	–	950,000	304,334	279,720	–
Changes from financing cash flows	974,602	(126,394)	–	(560,091)	–	–	221,508
Interest expense	16,714	51,325	–	–	5,689	–	–
Rent concessions related to COVID-19	–	(40,857)	–	–	–	–	–
Other rent concessions	–	(8,324)	–	–	–	–	–
Additions	–	143,562	–	–	–	–	–
Lease modification	–	135,349	–	–	–	–	–
Termination	–	(701)	–	–	–	–	–
Disposal of subsidiaries	(6,788,307)	(7,562)	–	(389,909)	(92,156)	(277,103)	(221,508)
Exchange realignment	(113,533)	(1,102)	–	–	(2,290)	(2,617)	–
At 31 July 2020	**179,606**	**1,178,397**	**–**	**–**	**215,577**	**–**	**–**

45. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Contracted but not provided for:		
Construction, development and resettlement costs	–	1,288,365
Acquisition of items of property, plant and equipment	2,150	635
	2,150	1,289,000

(b) As lessor

As at 31 July 2019, certain properties of the Group were leased under operating lease arrangements. The terms of the leases generally required the tenants to pay security deposits. Rental income recognised by the Group during the year was HK$435,829,000 (2019: HK$572,626,000).

As at 31 July 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	–	493,920
In the second to fifth years, inclusive	–	1,016,810
After five years	–	181,247
	–	1,691,977

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.

45. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS (continued)

(c) As lessee

Operating lease commitments as at 31 July 2019

The Group leased certain of its office premises and cinemas under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to fifteen years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	HK$'000
Within one year	189,856
In the second to fifth years, inclusive	614,347
After five years	308,889
	1,113,092

Certain non-cancellable operating leases included in the above are subject to contingent rent payments, which are charged at progressive rates from 10% to 40% of the excess of the annual gross box-office takings of the related cinema premises over certain levels of box-office income as determined in the respective lease agreements.

(d) The Group has a lease contract that have not yet commenced as at 31 July 2020. The future lease payments for this non-cancellable lease contract is HK$64,600,000 due in the second to fifth years, inclusive and HK$131,000,000 due after five years.

46. PLEDGE OF ASSETS

Details of the Group's bank loans secured by certain assets of the Group, are included in note 33 to the financial statements.

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 July 2020

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Due from joint ventures	–	11,899	11,899
Financial assets at fair value through profit or loss	190,876	–	190,876
Film investments	16,716	–	16,716
Debtors	–	94,682	94,682
Financial assets included in deposits, prepayments and other receivables	22,223	160,460	182,683
Pledged and restricted time deposits and bank balances	–	205,120	205,120
Cash and cash equivalents	–	1,613,979	1,613,979
	229,815	2,086,140	2,315,955

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade creditors	14,663
Financial liabilities included in other creditors and accruals	315,078
Financial liabilities included in deposits received	50,682
Lease liabilities	1,178,397
Interest-bearing bank loans	179,606
Other borrowings	215,577
	1,954,003

47. 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)

31 July 2019

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	220,751	–	220,751
Derivative financial instruments	20,581	–	20,581
Film investments	8,466	–	8,466
Debtors	–	232,507	232,507
Financial assets included in deposits, prepayments and other receivables	17,899	189,636	207,535
Pledged and restricted time deposits and bank balances	–	1,173,895	1,173,895
Cash and cash equivalents	–	2,598,020	2,598,020
	267,697	4,194,058	4,461,755

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade creditors	977,867
Financial liabilities included in other creditors and accruals	1,490,916
Financial liabilities included in deposits received	424,478
Interest-bearing bank loans	6,090,130
Other borrowings	304,334
Loans from a fellow subsidiary	950,000
Guaranteed notes	2,720,857
	12,958,582

48. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value:

	Carrying amounts		Fair values	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Financial assets				
Financial assets at fair value through profit or loss	**190,876**	220,751	**190,876**	220,751
Film investments	**16,716**	8,466	**16,716**	8,466
Financial assets included in deposits, prepayments and other receivables	**22,223**	17,899	**22,223**	17,899
Derivative financial instruments	**–**	20,581	**–**	20,581
	229,815	267,697	**229,815**	267,697

Liabilities for which fair values are disclosed:

	Carrying amounts		Fair values	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Financial liabilities				
Guaranteed notes	**–**	2,720,857	**–**	2,667,667

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

(i) the fair values of financial assets at fair value through profit or loss are based on quoted prices/values from the fund manager or using a discounted cash flow valuation model;

(ii) derivative financial instruments, being the cross currency swaps, were measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves as well as other unobservable inputs. The carrying amounts of the derivative financial instruments were the same as their fair values;

(iii) the fair value of guaranteed notes was based on quoted market prices.

48. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

2019	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments – CCS – Guaranteed Notes	Discounted cash flow with swaption approach	Expected exposure at default – counterparty	HK$1.58 million to HK$19.87 million	1
		Expected exposure at default – Lai Fung	HK$3.45 million to HK$20.96 million	2
		Credit spread – counterparty	9.07 basis point to 106.44 basis point	3
		Credit spread – Lai Fung	302.23 basis point to 517.02 basis point	4
		Loss given default ratio – counterparty non-performance risk	80%	5
		Loss given default ratio – Lai Fung's credit risk	60%	6

Notes:

1. *The higher the expected exposure at default – counterparty, the lower the fair value of CCSs*
2. *The higher the expected exposure at default – Lai Fung, the higher the fair value of CCSs*
3. *The higher the credit spread – counterparty, the lower the fair value of CCSs*
4. *The higher the credit spread – Lai Fung, the higher the fair value of CCSs*
5. *The higher the loss given default ratio – counterparty, the lower the fair value of CCSs*
6. *The higher the loss given default ratio – Lai Fung, the higher the fair value of CCSs*

Other than the above financial assets and liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 July 2020 and 31 July 2019.

48. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair value:

As at 31 July 2020	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	–	185,337	5,539	190,876
Film investments	–	–	16,716	16,716
Financial assets included in deposits, prepayments and other receivables	–	–	22,223	22,223

As at 31 July 2019	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	–	199,976	20,775	220,751
Film investments	–	–	8,466	8,466
Financial assets included in deposits, prepayments and other receivables	–	–	17,899	17,899
Derivative financial instruments	–	–	20,581	20,581

During the years ended 31 July 2020 and 2019, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair value are disclosed:

The Group's financial liabilities for which fair values are disclosed include guaranteed notes, fair values of which were based on quoted market prices and were categorised in Level 1 as at 31 July 2019.

48. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Other than the derivative financial instruments, the movements in fair value measurements within Level 3 during the year are as follows:

	2020 HK$'000	2019 HK$'000
At the beginning of the reporting period	**47,140**	29,033
Increase in investment amount, net	**30,592**	18,385
Change in fair value	**(13,450)**	–
Settlement	**(19,301)**	–
Exchange realignment	**(503)**	(278)
At the end of the reporting period	**44,478**	47,140

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, guaranteed notes, other borrowings, loans from a fellow subsidiary, derivative financial instruments, pledged and restricted time deposits and bank balances, and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations, and financial assets which are held by the Group for investment purpose.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces relatively conservative strategies on its risk management. During the year ended 31 July 2018, the Group entered into CCS – Guaranteed Notes with financial institutions, which would mature in 2023, and the Guaranteed Notes were effectively converted into the HK$ denominated debts. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by changes in market interest rates. The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings, net of amounts capitalised to properties under development, investment properties under construction, construction in progress and other borrowings at prime rate) and the equity of the Group.

	Change in interest rate %	Impact on post-tax profit HK$'000	Impact on equity* HK$'000
2020	**+0.25**	**(1,225)**	**(1,093)**
	-0.25	**1,211**	**1,080**
2019	+0.25	(9,113)	(5,557)
	-0.25	9,113	5,557

* *excluding amounts attributable to non-controlling interests*

(ii) Foreign currency risk

RMB

Certain subsidiaries of the Group have transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against HK$.

US$

Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of US$ against HK$.

The Group considered the impact on the equity from the change in US$ exchange rate was nominal at the end of the reporting period since HK$ is pegged to US$.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the post-tax profit and equity (due to changes in the fair value of monetary assets and liabilities) of the Group.

	Change in exchange rate %	Impact on post-tax profit HK$'000	Impact on equity* HK$'000
2020			
If US$/HK$ weakens against RMB	**5**	**2,793**	**2,667**
If US$/HK$ strengthens against RMB	**5**	**(2,786)**	**(2,662)**
2019			
If US$/HK$ weakens against RMB	5	8,717	2,644
If US$/HK$ strengthens against RMB	5	(8,137)	(2,539)

* *excluding amounts attributable to non-controlling interests*

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Credit risk

The Group, other than the Lai Fung Group, trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Lai Fung Group maintains various credit policies for different business operations as described in note 28 to the financial statements. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Lai Fung Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables 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. The amounts presented are gross carrying amounts for financial assets.

As at 31 July 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Due from joint ventures					
Normal**	**9,856**	**–**	**–**	**–**	**9,856**
Doubtful**	**–**	**–**	**48,675**	**–**	**48,675**
Due from associates					
Doubtful**	**–**	**–**	**15,628**	**–**	**15,628**
Debtors*	**–**	**–**	**–**	**111,288**	**111,288**
Financial assets included in deposits, prepayments and other receivables					
Normal**	**161,426**	**–**	**–**	**–**	**161,426**
Doubtful**	**–**	**–**	**83,908**	**–**	**83,908**
Pledged and restricted time deposits and bank balances	**205,120**	**–**	**–**	**–**	**205,120**
Cash and cash equivalents	**1,613,979**	**–**	**–**	**–**	**1,613,979**
	1,990,381	**–**	**148,211**	**111,288**	**2,249,880**

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 July 2019

	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*	–	–	–	241,917	241,917
Financial assets included in deposits, prepayments and other receivables					
Normal**	184,481	–	–	–	184,481
Doubtful**	–	–	69,804	–	69,804
Pledged and restricted time deposits and bank balances	1,173,895	–	–	–	1,173,895
Cash and cash equivalents	2,598,020	–	–	–	2,598,020
	3,956,396	–	69,804	241,917	4,268,117

* *For debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 28 to the financial statements.*

** *The credit quality of the financial assets included in 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".*

Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables and trade debtors are disclosed in notes 25 and 28 to the financial statements, respectively.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Less than 1 year HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
31 July 2020				
Trade creditors	**14,663**	**–**	**–**	**14,663**
Financial liabilities included in other creditors and accruals	**315,078**	**–**	**–**	**315,078**
Financial liabilities included in deposits received	**50,682**	**–**	**–**	**50,682**
Lease liabilities	**220,316**	**715,347**	**424,517**	**1,360,180**
Interest-bearing bank loans	**110,141**	**74,450**	**–**	**184,591**
Other borrowings	**–**	**221,224**	**–**	**221,224**
	710,880	**1,011,021**	**424,517**	**2,146,418**

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 July 2019				
Trade creditors	977,867	–	–	977,867
Financial liabilities included in other creditors and accruals	1,490,916	–	–	1,490,916
Financial liabilities included in deposits received	276,602	147,876	–	424,478
Interest-bearing bank loans	878,481	5,297,406	1,285,665	7,461,552
Other borrowings	41,440	268,682	–	310,122
Loans from a fellow subsidiary	949,775	52,464	–	1,002,239
Guaranteed notes	154,720	3,119,793	–	3,274,513
Inflow of derivative financial instruments	(154,720)	(3,119,793)	–	(3,274,513)
Outflow of derivative financial instruments	147,043	3,100,694	–	3,247,737
	4,762,124	8,867,122	1,285,665	14,914,911

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 50 to the financial statements. The earliest period in which the guarantees could be called is less than 12 months.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure.

The capital structure of the Group mainly consists of guaranteed notes, interest-bearing bank loans, other borrowings, cash and cash equivalents, pledged and restricted time deposits and bank balances and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on recommendations of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintaining appropriate types and levels of debts.

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by total equity. As at 31 July 2020, the consolidated net assets attributable to the owners of the Company amounted to approximately HK$1,597.4 million (2019: HK$9,098.6 million).

50. CONTINGENT LIABILITIES

(a) As at 31 July 2019, the Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group would be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees had been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation would also be relinquished when the property ownership certificates for the relevant properties were issued and/or the end-buyers had 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.

(b) The Group had provided corporate guarantees to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK$2,937,000 (2019: HK$4,856,000) were utilised.

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:

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**647,785**	6,179,818
Deposits, prepayments and other receivables	**9,858**	9,858
Total non-current assets	**657,643**	6,189,676
CURRENT ASSETS		
Deposits, prepayments and other receivables	**3,249**	642
Loans to subsidiaries	**–**	416,259
Restricted bank balance	**205,000**	–
Cash and cash equivalents	**1,043,556**	42,239
Total current assets	**1,251,805**	459,140
CURRENT LIABILITIES		
Creditors and accruals	**2,429**	2,478
Loans from a fellow subsidiary	**–**	700,000
Total current liabilities	**2,429**	702,478
NET CURRENT ASSETS/(LIABILITIES)	**1,249,376**	(243,338)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,907,019**	5,946,338
NON-CURRENT LIABILITIES		
Other borrowings	**215,577**	209,888
Financial guarantee contracts	**111,770**	–
Loans from a fellow subsidiary	**–**	50,000
Total non-current liabilities	**327,347**	259,888
Net assets	**1,579,672**	5,686,450
EQUITY		
Issued capital	**745,927**	745,927
Reserves (note)	**833,745**	4,940,523
Total equity	**1,579,672**	5,686,450

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profit/ (accumulated losses) HK$'000	Total HK$'000
At 1 August 2018	4,257,351	845,455	15,054	78,701	5,196,561
Loss for the year and total comprehensive loss for the year	–	–	–	(256,038)	(256,038)
Release of reserve upon cancellation and lapse of share options	–	–	(15,054)	15,054	–
At 31 July 2019 and 1 August 2019	4,257,351	845,455	–	(162,283)	4,940,523
Loss for the year and total comprehensive loss for the year	–	–	–	(4,106,778)	(4,106,778)
At 31 July 2020	**4,257,351**	**845,455**	**–**	**(4,269,061)**	**833,745**

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2020 are as follows:

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Capital Artists Limited	Hong Kong	HK$44,394,500	–	100	Music production and distribution
East Asia Films Distribution Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment in and licensing of film rights
East Asia Music (Holdings) Limited	Hong Kong	HK$10,000	–	100	Music production and distribution
eSun High-Tech Limited	Hong Kong	HK$2	–	100	Investment in and licensing of film rights
eSun.Com Limited	Hong Kong	HK$2	–	100	Investment in and licensing of film rights
Fortune Spark Limited	Hong Kong	HK$10,000,000	–	100	Cinema operation
Glynhill International Limited	Hong Kong	HK$915,631,997	100	–	Investment holding
Grandeur Limited	Hong Kong/ Macau	HK$1	–	100	Property holding
Intercontinental Film Distributors (H.K.) Limited	Hong Kong	HK$700,400	–	95	Film distribution
Intercontinental Group Holdings Limited ("**IGHL**") *(note a)*	Cayman Islands/ Hong Kong	US$50,000	–	95	Investment holding
Intercontinental Video Limited	Hong Kong	HK$100	–	95	Distribution of movie video compact discs, digital video discs and blu-ray discs
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Property holding
Lauro Game Entertainment Limited	Hong Kong	HK$100,000	–	95	Trading of gaming products

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 July 2020 are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Media Asia Distribution Ltd.	British Virgin Islands/ Hong Kong	US$80	–	100	Film distribution, licensing of film rights and film investment
Media Asia Distribution (HK) Limited	Hong Kong	HK$2	–	100	Film distribution and film library management
Media Asia Entertainment Group Limited	Bermuda/ Hong Kong	HK$100	–	100	Investment holding
Media Asia Films (BVI) Ltd.	British Virgin Islands/ Hong Kong	US$7	–	100	Film production, licensing of films and investment holding
Media Asia Group Limited	Hong Kong	HK$2	–	100	Investment holding and provision of management services
Media Asia Holdings Ltd.	British Virgin Islands/ Hong Kong	US$6,831	–	100	Investment holding
Mega Star Video Distribution (HK) Limited	Hong Kong	HK$2	–	100	Licensing of film products and film rights and sale of video products
Merit Worth Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Multiplex Cinema Limited	Hong Kong	HK$71,000,000	–	95	Operation of cinemas
Perfect Advertising & Production Company Limited	Hong Kong	HK$10,000	–	95	Provision of advertising services, video duplication services, and translating and subtitling of television programs

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 July 2020 are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Perfect Sky Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100	–	75	Provision of artiste management services
Silver Glory Securities Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Style International Management Group Limited	Hong Kong	HK$1	–	58.2	Provision of artiste management services
Sunny Horizon Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
寰亞風尚演藝經紀(上海)有限公司 ##	PRC/ Mainland China	RMB2,000,000#	–	58.2	Provision of artiste management services
洲立影藝(深圳)有限公司 ##	PRC/ Mainland China	HK$10,000,000#	–	95	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#	–	100	Operation of cinemas
東亞豐麗演出經紀(北京)有限公司 ##	PRC/ Mainland China	RMB25,000,000#	–	100	Provision of artiste management and performance agency services
MAGHL (Listed on the GEM of the Stock Exchange)	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK$21,360,568	–	67.56	Investment holding

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 July 2020 are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Champ Universe Limited ^	Hong Kong	HK$1	–	67.56	Provision of management services
Media Asia Distribution (Beijing) Co., Ltd. ^ ##	PRC/ Mainland China	RMB50,000,000#	–	67.56	Film distribution
Media Asia Entertainment Limited ^	Hong Kong	HK$100	–	67.56	Entertainment activity production, and event and film investments
Media Asia Film International Limited ^	British Virgin Islands	US$100	–	67.56	Film investment and production and event investments
Media Asia Film Production Limited ^	Hong Kong	HK$100	–	67.56	Investment holding and film production
寰亞文化傳播（中國）有限公司 ^ ##	PRC/ Mainland China	HK$38,000,000#	–	67.56	Entertainment activity production

\# *The registered capital of these subsidiaries were fully paid up, except for 廣東五月花 of which the capital of RMB13,000,000 (equivalent to approximately HK$14,401,000) was unpaid as at 31 July 2020.*

\## *Registered as wholly-foreign-owned enterprises under the laws of the PRC*

^ *They are subsidiaries of MAGHL.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 31 July 2020, the Group had unpaid capital contributions of approximately HK$157,702,000 (2019: HK$161,001,000) to three (2019: three) non-wholly-owned subsidiaries and a wholly-owned subsidiary (2019: one) which are not included in the above table.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Note:

(a) Interest in IGHL

During the year ended 31 July 2019, the Group acquired 10% equity interest in IGHL at a cash consideration of HK$37,500,000. As a result, the equity interest of the Group in IGHL increased from 85% to 95%. The change in the Group's shareholding interest in IGHL resulted in a decrease in other reserve of HK$28,852,000 and a decrease in the non-controlling interests of HK$8,648,000 in the consolidated statement of changes in equity.

53. COMPARATIVE FIGURES

The comparative income statement, related notes to the financial statements and operating segment information have been restated as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (note 12).

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 August 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 October 2020.

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

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