LAI FUNG HOLDINGS

(Stock Code: 1125)

LAI FUNG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report

Year ended 31 July 2020

Cover Photo
Palm Spring Phase III, Zhongshan, China

Contents

Corporate Information

Place of Incorporation

Cayman Islands

Board of Directors

Executive Directors

Chew Fook Aun *(Chairman)*
Lam Kin Ming *(Deputy Chairman)*
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*
Lam Hau Yin, Lester *(Chief Executive Officer)*
(also alternate director to U Po Chu)
Cheng Shin How
Lee Tze Yan, Ernest
Tham Seng Yum, Ronald
U Po Chu

Non-executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Authorised Representatives

Chew Fook Aun
Lam Kin Ming

Company Secretary

Yim Lai Wa

Registered Office

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

Principal Place of Business

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

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

Share Registrar and Transfer Office in Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Independent Auditor

Ernst & Young
Certified Public Accountants

Principal Bankers

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

Listing Information

Shares

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

Stock Code/Board Lot

1125/400 shares

Notes

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

American Depositary Receipt

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

Website

www.laifung.com

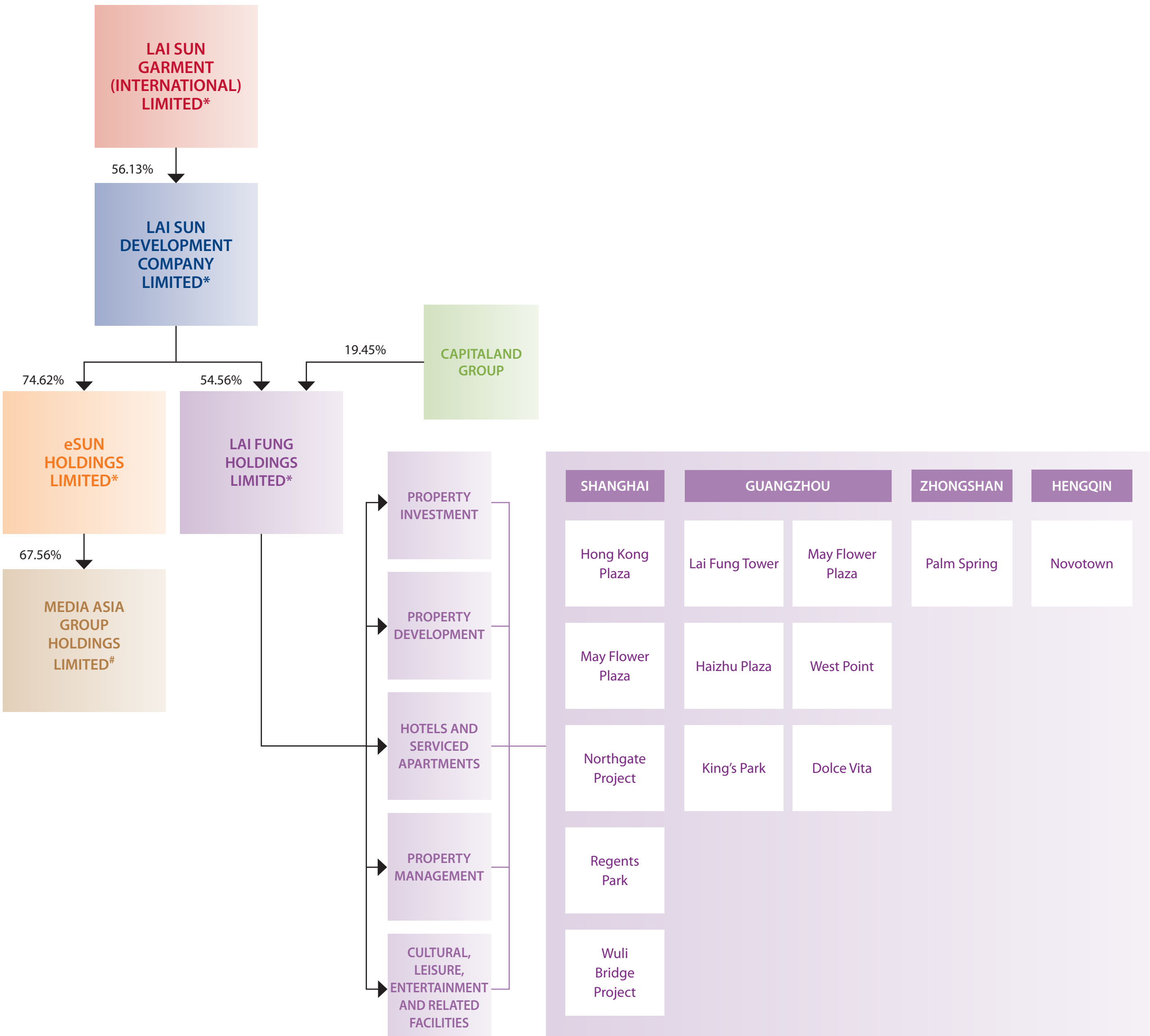
Investor Relations

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

Corporate Profile

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

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



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

Corporate structure as at 20 October 2020

Chairman's Statement

Mr. Chew Fook Aun
Chairman

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

Overview of Final Results

For the year ended 31 July 2020, the Group recorded a turnover of HK$1,201.8 million (2019: HK$1,461.2 million), representing a decrease of approximately 17.8% over last year. The decrease was primarily due to (i) less rental income, in particular decrease in the revenue from the Group's hotel and serviced apartment in Shanghai due to the outbreak of COVID-19 in Mainland China and (ii) lower turnover from property sales during the year under review as compared to last year. The gross profit decreased by 34.9% to HK$597.3 million from that of HK$917.5 million last year. The average Renminbi exchange rate for the year under review depreciated by approximately 3.7% over last year. Excluding the effect of currency translation, the decrease in Renminbi denominated turnover was 14.6%.

Overview of Final Results (continued)

Set out below is the turnover by segment:

	For the year ended 31 July			For the year ended 31 July		
	2020 [1]	2019 [1]		**2020**	2019	
	(HK$ million)	(HK$ million)	% change	**(RMB million)**	(RMB million)	% change
Rental income [2]	**758.1**	847.6	-10.6%	**686.5**	739.2	-7.1%
Sale of properties	**424.6**	613.3	-30.8%	**384.5**	534.8	-28.1%
Theme park operation	**19.1**	0.3	6266.7%	**17.3**	0.2	8550.0%
Total:	**1,201.8**	1,461.2	-17.8%	**1,088.3**	1,274.2	-14.6%

1. *The exchange rates adopted for the year ended 31 July 2020 and 2019 are 0.9056 and 0.8721, respectively*
2. *Including rental turnover of major properties of the Group and property management income*

Net loss attributable to owners of the Company was approximately HK$1,006.3 million, as compared to net profit attributable to owners of the Company of HK$668.6 million for last year. The decline in results was primarily due to (i) the decrease in fair value of the investment properties held by the Group, resulting in the recognition of a significant fair value loss arising from the revaluation of the Group's investment properties for the year under review; (ii) write-down of completed properties for sale to net realisable value; and (iii) increased other operating expenses primarily due to the increase in depreciation expenses of property, plant and equipment during the year under review.

Net loss per share was HK$3.049 (2019: net profit of HK$2.043 per share).

Excluding the effect of property revaluations, net loss attributable to owners of the Company was approximately HK$628.7 million (2019: net profit of HK$263.7 million). Net loss per share excluding the effect of property revaluations was approximately HK$1.905 (2019: net profit of HK$0.806 per share).

Profit/(loss) attributable to owners of the Company (HK$ million)	**For the year ended 31 July** **2020**	2019
Reported	**(1,006.3)**	668.6
Adjustments in respect of investment properties		
Revaluation of properties	**599.1**	(634.8)
Deferred tax on investment properties	**(149.8)**	158.7
Non-controlling interests' share of revaluation movements less deferred tax	**(71.7)**	71.2
Net profit/(loss) excluding revaluation gains/losses of investment properties	**(628.7)**	263.7

Overview of Final Results (continued)

Net assets attributable to owners of the Company as at 31 July 2020 amounted to HK$14,309.1 million (2019: HK$15,834.0 million). Net asset value per share attributable to owners of the Company decreased to HK$43.23 per share as at 31 July 2020 from HK$48.36 per share as at 31 July 2019.

Final Dividend

The board of directors of the Company ("**Board**") does not recommend the payment of a final dividend for the year ended 31 July 2020 (2019: HK$0.20 per share).

Business Review and Outlook

In addition to COVID-19, the heightening tensions with the United States during the year had added further uncertainties to the outlook of the Chinese economy. However, after a record contraction of 6.8% in the first quarter of 2020, official data released in July 2020 by China's National Bureau of Statistics indicated that China's economy had grown by 3.2% in the second quarter, which implied that China had successfully avoided a technical recession. There are reasons to believe that China could be amongst the first countries in the world to be on a path towards a post-pandemic recovery. We remain cautiously optimistic about the long term prospects of the cities in which the Group has exposure in, especially the Greater Bay Area in southern China, and continue to regard Hong Kong, where our headquarters is situated, as one of the major beneficiary cities. Through our regional focus and rental-led strategy, we strive to place the Group in the best position possible to weather any storms ahead.

Property investment segment continued to be the major contributor to the Group's results. The Group's rental portfolio, comprising a total of 4.5 million square feet of rental gross floor area ("**GFA**") as of 31 July 2020 in Shanghai, Guangzhou, Zhongshan and Hengqin, being Tier 1 cities in China and cities within the Greater Bay Area, contributed approximately 63% of its total turnover for the year under review.

Top tier cities and the Greater Bay Area will remain as the primary drivers for the Group's rental GFA growth in the coming years. Upon completion of the construction works of the existing projects on hand, which include the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building, the development of Guangzhou Haizhu Plaza, and Phase II ("**Novotown Phase II**") of the Novotown project in Hengqin ("**Novotown**"), the Group will have a rental portfolio of approximately 8.8 million square feet.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

The two themed indoor experience centres in Phase I ("**Novotown Phase I**") of Novotown, namely "Lionsgate Entertainment World®" and "National Geographic Ultimate Explorer Hengqin", commenced operations on 31 July 2019 and 9 September 2019, respectively. The hotel in Novotown Phase I, known as "Hyatt Regency Hengqin" soft opened on 31 December 2019. Leasing of the commercial area of Novotown Phase I is underway with approximately 69% of the leasable area having been leased and key tenants include Pokiddo Trampoline Park covering an area of over 37,000 square feet, Adidas Outlet, Starbucks, McDonald's and Paulaner Wirtshaus Hengqin. Novotown Phase I reopened on 24 June 2020 after 5 months of closure as part of preventive and protective measures in Mainland China against the spread of the COVID-19 since 24 January 2020. The Group remains confident that the resumption of operations will make Novotown a new contributor to the Group's results in the long run. The introduction of Zhuhai Da Hengqin Real Estate Co., Ltd. (珠海大横琴置業有限公司) in January 2020 strengthened the cash position for the operation of Novotown Phase I.

Construction of Novotown Phase II is in progress. Innovation Leadership Academy Hengqin, being one of the key elements in Novotown Phase II is expected to open in February 2021 and admit students from Grades 1 to 9 in its first year. The Group is in the process of finalising the development plan for Real Madrid World and Ducati Experience Centre, as well as other facilities in Novotown Phase II.

Shanghai Wuli Bridge Project, the high-end luxury residential project located by the Huangpu River in Huangpu District was launched for sale in September 2020 and has received enthusiastic response from the market. Up to 30 September 2020, 17 out of 28 residential units and 17 car-parking spaces have been sold for a total contracted sales amount of approximately RMB536.4 million. In addition, 7 residential units with 1 car-parking space each have been subscribed, contributing subscribed property sales of approximately RMB219.8 million in total, which are expected to be turned into contracted property sales in coming months, making total contracted sales from this development amounting to approximately RMB756.2 million. Development of Phase III and Phase IV of Zhongshan Palm Spring is on track and expected to be completed in the fourth quarter of 2020 and the third quarter of 2021, respectively. Construction work of Novotown Phase I has been completed and sale of cultural studios and cultural workshops is well received by the market. With the pre-sale permit being granted by Hengqin New District government, the office tower of Novotown Phase I has been re-designated as for sale property during the year under review. The residential units in Shanghai Wuli Bridge Project, serviced apartment units and remaining residential units in Zhongshan Palm Spring as well as the cultural studios, cultural workshops and office of Hengqin Novotown Phase I are expected to contribute to the income of the Group in the coming financial years.

The Group will consider replenishing its landbank as and when opportunities arise, and will take into account, amongst other factors, overall macroeconomic conditions, the Group's existing presence in the relevant cities, and allocation of risks etc.

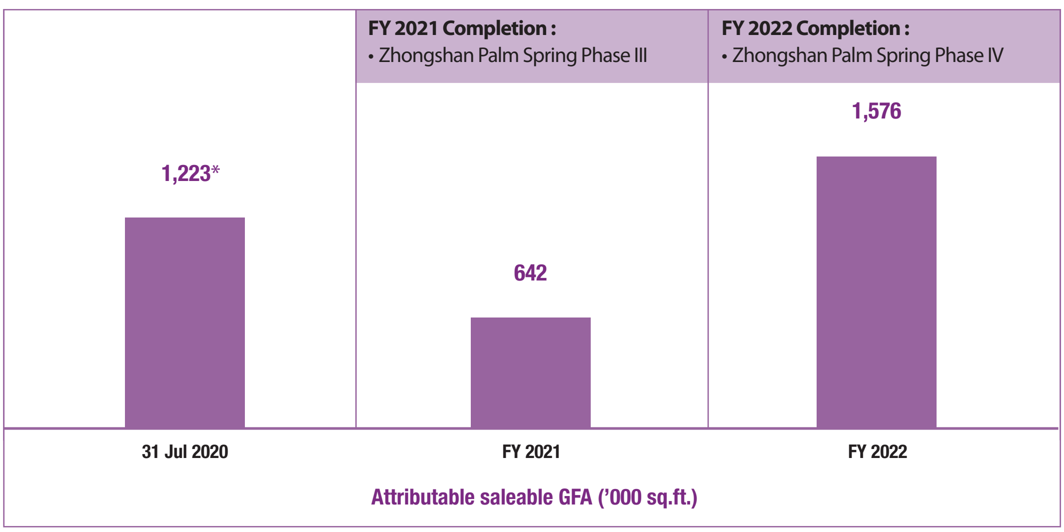
Business Review and Outlook (continued)

Set out below is the expected growth of the rental portfolio of the Group and the pipeline of development projects of the Group as at 31 July 2020:

Rental Portfolio

* *Including cultural attraction spaces of Novotown Phase I occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin*

For-sale Projects



* *Excluding commercial portion of the Zhongshan Palm Spring for self-use*

Business Review and Outlook (continued)

From February to May 2020, the Company went through 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**") to acquire all issued shares of the Company (other than those already owned by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of the Company. Immediately upon close of the LF Offers on 28 May 2020, the Company was 54.56% owned by LSD.

As disclosed in the announcement made by the Company on 18 September 2019, the public float of the Company fell below 25% of the total issued shares of the Company. It further decreased to below 15% immediately following the close of the LF Offers, which led to suspension of trading in the shares of the Company on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") with effect from 9:00 am on 29 May 2020. The Company announced on 4 August 2020 that the public float was eventually restored on 3 August 2020 when Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk ceased to become substantial shareholders of the Company upon their disposal of 1,658,800 shares of the Company, and the trading in the shares of the Company on the Stock Exchange was resumed with effect from 9:00 am on 5 August 2020.

As at 31 July 2020, the Group has approximately HK$2,524.6 million of cash on hand (HK$3,097.3 million as at 31 July 2019) and undrawn facilities of HK$3,034.2 million (HK$2,647.9 million as at 31 July 2019) with a net debt to equity ratio of 55% as at 31 July 2020 (38% as at 31 July 2019). The Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

Appreciation

Looking back on this financial year, I would like to thank my Board colleagues, the senior management team, our partners and everyone who worked with us during the year for their loyalty, support and outstanding teamwork. I firmly believe that through the concerted efforts of our staff and with the support of all our stakeholders, we will continue to grow the Group going forward in a prudent and sustainable manner.

Chew Fook Aun
Chairman
Hong Kong

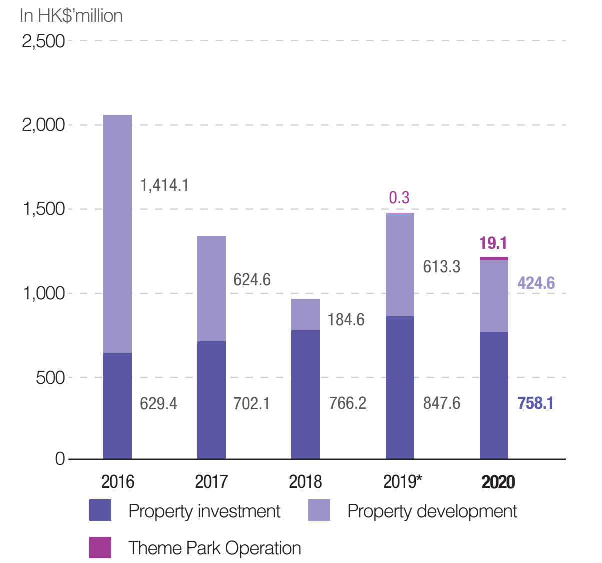
20 October 2020

Financial Highlights

		Year ended 31 July 2020	Year ended 31 July 2019
Turnover	(HK$M)	**1,201.8**	1,461.2
Gross profit	(HK$M)	**597.3**	917.5
Gross profit margin	(%)	**49.7%**	62.8%
Operating profit/(loss)	(HK$M)	**(918.6)**	1,305.1
Operating profit/(loss) margin	(%)	**-76.4%**	89.3%
Profit/(loss) attributable to owners of the Company	(HK$M)		
— as reported		**(1,006.3)**	668.6
— adjusted *(Note 1)*		**(628.7)**	263.7
Net profit/(loss) margin	(%)		
— as reported		**-83.7%**	45.8%
— adjusted		**-52.3%**	18.0%
Basic earnings/(loss) per share	(HK$)		
— as reported		**(3.049)**	2.043
— adjusted		**(1.905)**	0.806
Net assets attributable to owners of the Company	(HK$M)	**14,309.1**	15,834.0
Net borrowings	(HK$M)	**7,815.0**	6,022.0
Net asset value per share	(HK$)	**43.23**	48.36
Share price as at 31 July	(HK$)	**8.93**	7.84
Price earnings ratio	(times)		
— as reported		**N/A**	3.8
— adjusted		**N/A**	9.7
Market capitalisation as at 31 July	(HK$M)	**2,956.1**	2,566.7
Return on shareholders' equity	(%)		
— as reported		**-7.1%**	4.2%
— adjusted		**-4.4%**	1.7%
Dividend per share	(HK$)	**Nil**	0.20
Dividend yield	(%)	**Nil**	2.6%
Gearing — net debt to equity	(%)	**54.6%**	38.0%
Interest cover *(Note 2)*	(times)		
— as reported		**-2.0**	1.6
— adjusted		**-1.3**	0.6
Current ratio	(times)	**1.3**	1.8
Discount to net asset value	(%)	**79.3%**	83.8%

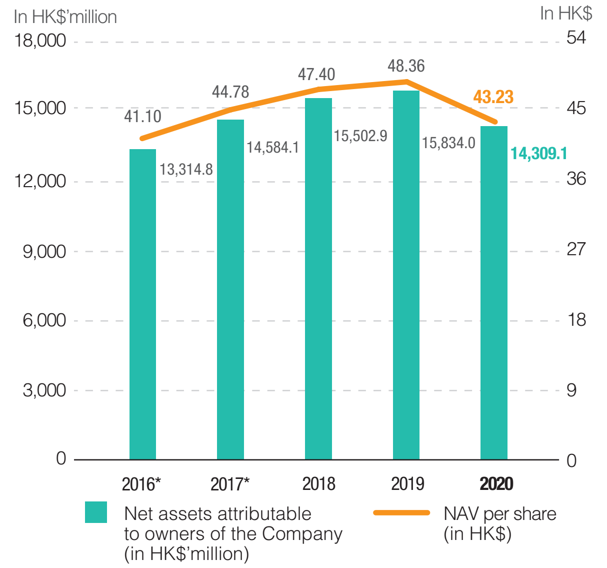
Note 1: Excluding the effect of property revaluations
Note 2: Calculated as profit attributable to owners of the Company over cash interest

Turnover by Segment



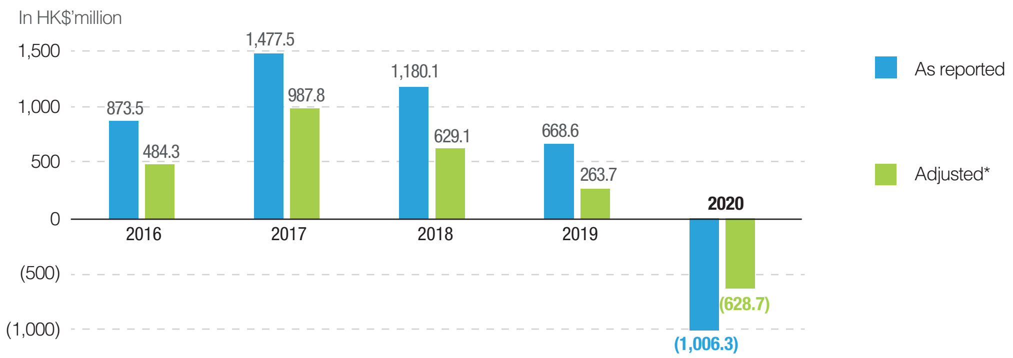
The treatment of property management income has been re-classified from "Other income and gains" on the face of the consolidated income statement into income from building management operation under turnover since the year ended 31 July 2019. Comparative information for the previous financial years have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

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



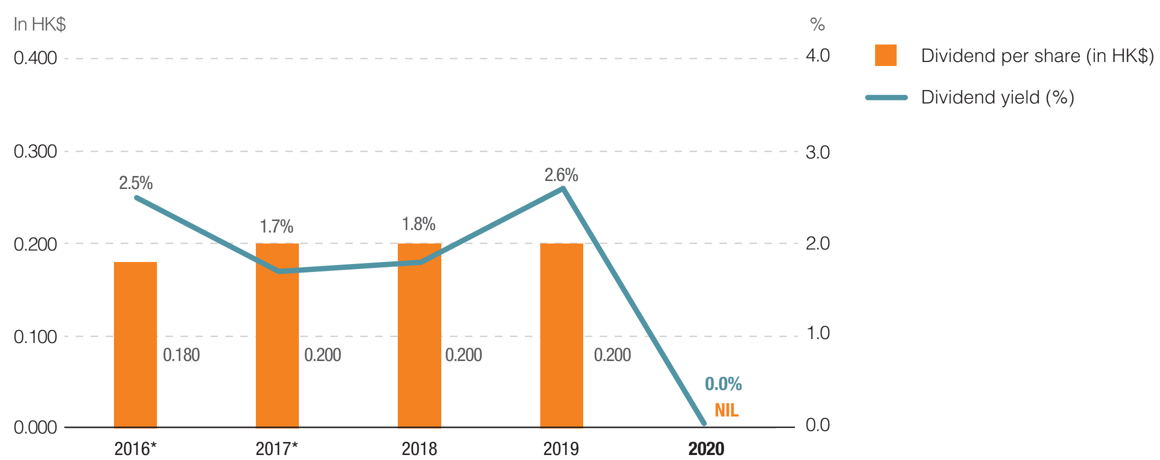
Adjustments have been made to the number of issued shares of the Company due to the share consolidation of the Company being effective on 15 August 2017.

Profit/(loss) attributable to owners of the Company



Excluding the effect of property revaluations

Dividend & Dividend Yield



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

Management Discussion and Analysis

Overview

The Group is principally engaged in property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities in China. Despite the challenging operating environment, the Group's regional focus and rental-led strategy has demonstrated resilience in recent years. The rental portfolio of the Group in Shanghai, Guangzhou, Zhongshan and Hengqin, being Tier 1 cities in China and cities within the Greater Bay Area, delivered steady recurrent rental income during the year under review.

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 July 2020:

	Commercial/ Retail	Office	Hotels and Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	2,436[2]	1,067	—	—	3,503[2]	2,274
Completed Hotels Properties and Serviced Apartments	—	—	976	—	976	—
Properties under Development[3]	3,544	1,076	—	1,968	6,588	3,316
Completed Properties Held for Sale	34[4]	476	301	446	1,257	2,159
Total GFA of major properties of the Group	**6,014**	**2,619**	**1,277**	**2,414**	**12,324**	**7,749**

1. *Completed and rental generating properties*
2. *Including cultural attraction spaces in Novotown Phase I that have been occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin with approximately 194,325 square feet and 40,309 square feet attributable to the Group, respectively*
3. *All properties under construction*
4. *Completed properties for sale, including 33,699 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use*

Shanghai Hong Kong Plaza

Property Investment

Revenue from Rental Operation

For the year ended 31 July 2020, the Group's rental operations recorded a turnover of HK$758.1 million. The average Renminbi exchange rate for the year under review depreciated by approximately 3.7% over last year. Excluding the effect of currency translation, the Renminbi denominated revenue from the lease of properties decreased by 7.1% to RMB686.5 million.

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

	For the year ended 31 July			For the year ended 31 July			
	2020# **(HK$ million)**	2019# (HK$ million)	% Change	**2020** **(RMB million)**	2019 (RMB million)	% Change	Year end occupancy (%)
Shanghai							
Shanghai Hong Kong Plaza	**377.6**	451.5	-16.4%	**341.9**	393.7	-13.2%	Retail: 84.4% Office: 80.3% Serviced Apartments: 90.3%
Shanghai May Flower Plaza	**63.4**	67.6	-6.2%	**57.4**	58.9	-2.5%	Retail: 99.4% Hotel: 58.0%
Shanghai Regents Park	**22.0**	22.1	-0.5%	**19.9**	19.3	3.1%	93.7%
Guangzhou							
Guangzhou May Flower Plaza	**114.8**	127.3	-9.8%	**104.0**	111.0	-6.3%	95.8%
Guangzhou West Point	**23.9**	26.8	-10.8%	**21.6**	23.4	-7.7%	96.5%
Guangzhou Lai Fung Tower	**123.2**	126.8	-2.8%	**111.6**	110.6	0.9%	Retail: 95.3% Office: 98.3%*
Zhongshan							
Zhongshan Palm Spring**	**5.6**	11.1	-49.5%	**5.1**	9.7	-47.4%	Retail: 73.2%*
Hengqin							
Hengqin Novotown Phase I	**12.1**	—	N/A	**11.0**	—	N/A	Retail: 69.3%*** Hotel: 15.5%
Others	**15.5**	14.4	7.6%	**14.0**	12.6	11.1%	N/A
Total:	**758.1**	847.6	-10.6%	**686.5**	739.2	-7.1%	

The exchange rates adopted for the years ended 31 July 2020 and 2019 are 0.9056 and 0.8721, respectively
* *Excluding self-use area*
** *STARR Resort Residence Zhongshan has been closed and the serviced apartment units were launched for sale in May 2019*
*** *Including the cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin*

PROPERTY INVESTMENT (CONTINUED)

Revenue from Rental Operation (continued)

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

	For the year ended 31 July 2020			For the year ended 31 July 2019		
	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Shanghai						
Shanghai Hong Kong Plaza	**100%**			100%		
Retail		**179.2**	**468,434**		208.7	468,434
Office		**108.8**	**362,096**		117.0	362,096
Serviced Apartments (room revenue and F&B)		**84.1**	**356,638**		119.7	355,267
Car-parking Spaces		**5.5**	**N/A**		6.1	N/A
		377.6	**1,187,168**		451.5	1,185,797
Shanghai May Flower Plaza	**100%**			100%		
Retail		**35.4**	**320,314**		29.5	320,314
Hotel (room revenue and F&B)		**24.3**	**143,846**		34.3	143,846
Car-parking Spaces		**3.7**	**N/A**		3.8	N/A
		63.4	**464,160**		67.6	464,160
Shanghai Regents Park	**95%**			95%		
Retail		**19.8**	**77,959**		19.2	77,959
Car-parking Spaces		**2.2**	**N/A**		2.9	N/A
		22.0	**77,959**		22.1	77,959
Guangzhou						
Guangzhou May Flower Plaza	**100%**			100%		
Retail		**99.1**	**357,424**		111.3	357,424
Office		**13.0**	**79,431**		13.1	79,431
Car-parking Spaces		**2.7**	**N/A**		2.9	N/A
		114.8	**436,855**		127.3	436,855
Guangzhou West Point	**100%**			100%		
Retail		**23.9**	**171,968**		26.8	171,968
Guangzhou Lai Fung Tower	**100%**			100%		
Retail		**12.3**	**112,292**		16.4	112,292
Office		**105.0**	**625,821**		104.7	625,821
Car-parking Spaces		**5.9**	**N/A**		5.7	N/A
		123.2	**738,113**		126.8	738,113

Property Investment (continued)

Revenue from Rental Operation (continued)

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

	For the year ended 31 July 2020			For the year ended 31 July 2019		
	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail*		5.6	147,408		6.9	147,408
Serviced Apartments** (room revenue)		—	N/A		4.2	98,556
		5.6	147,408		11.1	245,964
Hengqin						
Novotown Phase I	80%			80%		
Retail***		3.9	545,658		—	N/A
Hotel (room revenue and F&B)		8.2	475,810		—	N/A
		12.1	1,021,468		—	N/A
Others		15.5	N/A		14.4	N/A
Total:		758.1	4,245,099		847.6	3,320,816

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan has been closed and the serviced apartment units were launched for sale in May 2019*

*** *Excluding the cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin*

Zhongshan Palm Spring Rainbow Mall

Hengqin Novotown Phase I

Management Discussion and Analysis

PROPERTY INVESTMENT (CONTINUED)

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza

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

Connected by an indoor footbridge, the property comprises a 32-storey office building, a 32-storey serviced apartment (managed by the Ascott Group), a shopping mall and carpark. The property's total GFA is approximately 1,187,100 square feet excluding 350 car-parking spaces, comprising approximately 362,100 square feet for office, approximately 356,600 square feet for serviced apartment, and approximately 468,400 square feet for shopping mall. Anchor tenants, as of the date of this Annual Report, include The Apple Store, Tiffany, Genesis Motor, Tasaki etc.

The Group owns 100% of this property.

Shanghai May Flower Plaza

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

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

Shanghai May Flower Plaza

Shanghai Regents Park

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

Property Investment (continued)

Review of Major Rental Properties (continued)

Guangzhou May Flower Plaza

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

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

The Group owns 100% of this property.

Guangzhou May Flower Plaza

Guangzhou West Point

Guangzhou West Point

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

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016. Upon completion of the asset swap transaction with Guangzhou Light Industry Real Estate Development Company in August 2017, the total GFA of this property owned by the Group increased to approximately 738,100 square feet excluding car-parking spaces.

Guangzhou Lai Fung Tower

Property Investment (continued)

Review of Major Rental Properties (continued)

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring Rainbow mall is the commercial portion of Zhongshan Palm Spring, the multi-phases project located in Caihong Planning Area, Western District of Zhongshan. It is positioned as a community retail facility with a total GFA of approximately 181,100 square feet. The anchor tenant is Zhongshan May Flower Cinema, managed and operated by eSun Holdings Limited.

Hengqin Novotown Phase I

Novotown Phase I is an integrated tourism and entertainment project located in the heart of Hengqin, being one of the core cities in Guangdong province within the Greater Bay Area of Mainland China, with close proximity to Macau and Hong Kong. Novotown Phase I comprises a 493-room Hyatt Regency hotel, offices, cultural workshops, cultural studios, shopping and leisure facilities with a total GFA of approximately 2.7 million square feet, as well as 1,844 car-parking spaces and ancillary facilities.

Lionsgate Entertainment World® featuring attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan commenced operation on 31 July 2019. The family edutainment center, National Geographic Ultimate Explorer Hengqin, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions officially commenced operations on 9 September 2019. Leasing of the commercial area of Novotown Phase I is underway with approximately 69% of the leasable area let. The project reopened on 24 June 2020 after 5 months of closure as part of preventive and protective measures against the spread of the COVID-19 since 24 January 2020. The Group remains confident that the resumption of operations will make Novotown a new contributor to the Group's results in the long run.

The Group owns 80% of the Novotown Phase I.

Lionsgate Entertainment World®

National Geographic Ultimate Explorer Hengqin

Property Investment (continued)

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with a total GFA of approximately 358,400 square feet and approximately 356,600 square feet attributable to the Group has 309 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 67.9% was achieved during the year under review and the average room tariff was approximately HK$1,055.

Ascott Huaihai Road Shanghai

STARR Hotel Shanghai

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 57.6% was achieved during the year under review and the average room tariff was approximately HK$472.

Hyatt Regency Hengqin

Hyatt Regency Hengqin soft opened on 31 December 2019 is located in Novotown Phase I in Hengqin, Zhuhai, the heart of the Greater Bay Area and is within easy reach of the bridge linking Zhuhai with Hong Kong and Macau. Hyatt Regency Hengqin with a total GFA of approximately 594,800 square feet and approximately 475,800 square feet attributable to the Group has 493 guest rooms including 55 suites ranging in size from 430 sq.ft. to 2,580 sq.ft., a wide range of dining options, as well as banqueting and conference facilities of over 40,000 square feet.

Hyatt Regency Hengqin

Property Development

Recognised Sales

For the year ended 31 July 2020, the Group's property development operations recorded a turnover of HK$424.6 million (2019: HK$613.3 million) from sale of properties, representing a 30.8% decrease in sales revenue over last year. Total recognised sales was primarily driven by the sales performance of cultural studios and cultural workshop units of Hengqin Novotown Phase I and residential units of Zhongshan Palm Spring during the year under review.

Breakdown of turnover for the year ended 31 July 2020 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA (Square feet)	Average selling price# (HK$/square foot)	Turnover* (HK$ million##)	(RMB million)
Zhongshan Palm Spring					
Residential High-rise Units	23	32,060	1,713	52.3	47.3
Residential House Units	16	33,813	2,709	87.2	79.0
Hengqin Novotown Phase I					
Cultural Studios	11	34,379	4,131	135.3	122.5
Cultural Workshop Units	69	45,969	3,291	138.8	125.7
Others				(0.4)	(0.4)
Subtotal	**119**	**146,221**	**3,008**	**413.2**	**374.1**
Shanghai Regents Park					
Car-parking Spaces	9			5.7	5.2
Guangzhou King's Park					
Car-parking Spaces	4			2.6	2.4
Guangzhou Eastern Place					
Car-parking Spaces	2			1.9	1.7
Guangzhou West Point					
Car-parking Spaces	2			1.2	1.1
Total				**424.6**	**384.5**

Value-added tax inclusive
The exchange rate adopted for the year ended 31 July 2020 is 0.9056
* *Value-added tax exclusive*

Property Development (continued)

Contracted Sales

As at 31 July 2020, the Group's property development operations has contracted but not yet recognised sales of HK$557.6 million, comprising HK$467.5 million and HK$87.4 million from sales of residential units and serviced apartment units in Zhongshan Palm Spring and cultural studios in Hengqin Novotown Phase I, respectively and HK$2.7 million from sales of car-parking spaces in Shanghai Regents Park and Guangzhou King's Park. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, serviced apartment units, cultural studios and car-parking spaces as at 31 July 2020 amounted to RMB504.9 million (31 July 2019: RMB207.8 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2020 is as follows:

Contracted basis	No. of units	Approximate GFA (Square feet)	Average selling price# (HK$/square foot)	Turnover# (HK$ million##)	(RMB million)
Zhongshan Palm Spring					
Residential High-rise Units	234	280,276	1,539	431.4	390.7
Residential House Units	5	10,476	2,749	28.8	26.1
Serviced Apartment Units###	5	5,218	1,399	7.3	6.6
Hengqin Novotown Phase I					
Cultural Studios	3	18,218	4,797	87.4	79.1
Subtotal	**247**	**314,188**	**1,766**	**554.9**	**502.5**
Shanghai Regents Park					
Car-parking Spaces	3			2.0	1.8
Guangzhou King's Park					
Car-parking Space	1			0.7	0.6
Subtotal				**2.7**	**2.4**
Total				**557.6**	**504.9**

\# *Value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2020 is 0.9056*

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

Property Development (continued)

Review of Major Properties Completed for Sale and under Development


Shanghai Northgate Plaza Redevelopment Project

Shanghai Northgate Plaza Redevelopment Project

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

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. Construction work has been completed in August 2019. This high-end luxury residential project with an attributable GFA of approximately 77,900 square feet was launched for sale in September 2020 and has received enthusiastic response from the market. Up to 30 September 2020, 17 out of 28 residential units and 17 car-parking spaces have been sold for a total contracted sales amount of approximately RMB536.4 million. In addition, 7 residential units with 1 car-parking space each have been subscribed, contributing subscribed property sales of approximately RMB219.8 million in total, which are expected to be turned into contracted property sales in coming months, making total contracted sales from this development amounting to approximately RMB756.2 million.


Shanghai Wuli Bridge Project

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station. As of 31 July 2020, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$99.4 million.

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

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. As at 31 July 2020, a total of 244 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$57.4 million.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. During the year under review, the sales of 4 car-parking spaces contributed HK$2.6 million to the turnover. As at 31 July 2020, the contracted but not yet recognised sales of the 1 car-parking space amounted to approximately HK$0.7 million and the 9 unsold car-parking spaces have a total carrying amount of approximately HK$6.0 million.

Guangzhou Haizhu Plaza

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

Architect's impression of Guangzhou Haizhu Plaza

Zhongshan Palm Spring

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

During the year under review, 32,060 square feet of high-rise residential units and 33,813 square feet of house units were recognised at average selling prices of HK$1,713 and HK$2,709 per square foot, respectively, which contributed a total of HK$139.5 million to the sales turnover. As at 31 July 2020, contracted but not yet recognised sales for high-rise residential units and house units amounted to HK$431.4 million and HK$28.8 million, at average selling prices of HK$1,539 and HK$2,749 per square foot, respectively.

Property Development (continued)

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

Zhongshan Palm Spring (continued)

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex was closed. The serviced apartment units were launched for sale in May 2019 and have been re-classified from "Property, plant and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group. As at 31 July 2020, contracted but not yet recognised sales for serviced apartment units amounted to HK$7.3 million, at an average selling prices of HK$1,399 per square foot. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group.

As at 31 July 2020, completed units held for sale in this development, including high-rise residential units, house units and serviced apartment units, amounted to approximately 219,000 square feet with a total carrying amount of approximately HK$182.1 million. The carrying amount of the 1,215 unsold car-parking spaces of this development as at 31 July 2020 was approximately HK$109.3 million.

The remaining GFA under development was approximately 2,218,500 square feet. Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
III	High-rise residential units including commercial units	642,400	Q4 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2021

* *Excluding car-parking spaces and ancillary facilities*


Zhongshan Palm Spring Phase III


Zhongshan Palm Spring Phase IV

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

Hengqin Novotown

Phase I

Construction work of Novotown Phase I has been completed during the year under review. Sales of the cultural studios and cultural workshop units of Hengqin Novotown Phase I were strong. During the year under review, sales of 34,379 square feet of cultural studios and 45,969 square feet of cultural workshop units were recognised at an average selling price of HK$4,131 and HK$3,291 per square foot, respectively, which contributed a total of HK$274.1 million to the Group's turnover. As at 31 July 2020, contracted but not yet recognised sales for cultural studios amounted to HK$87.4 million, at an average selling price of HK$4,797 per square foot. Completed cultural studios and cultural workshop units held for sale in this development as at 31 July 2020 amounted to approximately 186,326 square feet and 376,631 square feet, respectively with a total carrying amount of approximately HK$1,189.0 million. With the pre-sale permit being granted by Hengqin New District government, the office tower of Novotown Phase I has been re-designated as for-sale property during the year under review.

Cultural Studios of Hengqin Novotown Phase I

The Group owns 80% of Novotown Phase I.

Phase II

In June 2017, the Group entered into a licence agreement with Real Madrid Club de Fútbol in relation to the development and operation of a location based entertainment centre, namely Real Madrid World in Novotown. The Real Madrid World is expected to contain over 20 attractions and will be made up of several signature experiences including the Flying Theatre and the Stuntpit, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets.

Innovation Leadership Academy Hengqin

In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up Innovation Leadership Academy Hengqin in Hengqin. The curriculum at Innovation Leadership Academy Hengqin is structured to bring together the very best of British and Chinese educational philosophies and will offer pre-kindergarten to grade 12 education with a maximum capacity of approximately 1,500 students, as well as facilities for boarding students.

Property Development (continued)

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

Hengqin Novotown (continued)

Phase II (continued)

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

The Group succeeded in bidding for the land use rights of the land offered for sale by The Land and Resources Bureau of Zhuhai through the listing-for-sale process in December 2018 and the land is situated adjacent to Novotown Phase I with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of Novotown Phase II. Real Madrid World, Innovation Leadership Academy Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II. Innovation Leadership Academy Hengqin is expected to open in February 2021, initially for Grades 1 to 9. The Group is in the process of finalising the development plan for Real Madrid World and Ducati Experience Centre, as well as other facilities in Novotown Phase II.

The Group will continue to explore and evaluate potential strategic alliances and financing alternatives to accelerate the growth of Novotown.

Architect's impression of Hengqin Novotown Phase II

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2020, cash and bank balances held by the Group amounted to HK$2,524.6 million and undrawn facilities of the Group was HK$3,034.2 million.

As at 31 July 2020, the Group had total borrowings amounting to HK$10,339.5 million (2019: HK$9,119.2 million), representing an increase of HK$1,220.3 million from 31 July 2019. The consolidated net assets attributable to the owners of the Company amounted to HK$14,309.1 million (2019: HK$15,834.0 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 55% (2019: 38%). The maturity profile of the Group's borrowings of HK$10,339.5 million is well spread with HK$3,556.2 million repayable within one year, HK$778.7 million repayable in the second year, HK$4,987.7 million repayable in the third to fifth years and HK$1,016.9 million repayable beyond the fifth year.

Approximately 30% and 65% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 5% of the Group's borrowings were interest free.

Apart from the guaranteed notes, the Group's other borrowings of HK$7,639.7 million were 49% denominated in Renminbi ("**RMB**"), 45% in Hong Kong dollars ("**HKD**") and 6% in United States dollars ("**USD**").

The Group's guaranteed notes of HK$2,699.8 million were denominated in USD. The Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts. In addition, certain bank loans of the Group with a total carrying amount of HK$439.3 million were denominated in USD. The Group has entered into a forward contract with a financial institution and the bank loans have been effectively converted into HKD denominated debts.

The Group's cash and bank balances of HK$2,524.6 million were 83% denominated in RMB, 11% in HKD and 6% in USD.

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

Capital Structure, Liquidity and Debt Maturity Profile (continued)

Certain assets of the Group have been pledged to secure borrowings and bank facilities of the Group, including investment properties with a total carrying amount of approximately HK$11,521.3 million, properties under development with a total carrying amount of approximately HK$1,093.9 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK$411.2 million, completed properties for sale with a total carrying amount of approximately HK$1,017.6 million, construction in progress with a total carrying amount of approximately HK$90.0 million and time deposits and bank balances of approximately HK$925.9 million.

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

Contingent Liabilities

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

Employees and Remuneration Policies

As at 31 July 2020, the Group employed a total of around 2,000 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Financial Summary

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

RESULTS

	Year ended 31 July				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,201,779**	1,461,249	950,822	1,326,682	2,043,530
Profit/(loss) before tax and tax indemnity	**(1,182,346)**	1,170,537	1,556,005	1,652,804	1,285,585
Tax	**(42,212)**	(430,482)	(357,229)	(556,156)	(388,163)
Tax indemnity	**—**	—	92,695	493,936	—
Profit/(loss) for the year	**(1,224,558)**	740,055	1,291,471	1,590,584	897,422
Attributable to:					
Owners of the Company	**(1,006,263)**	668,556	1,180,117	1,477,452	873,527
Non-controlling interests	**(218,295)**	71,499	111,354	113,132	23,895
	(1,224,558)	740,055	1,291,471	1,590,584	897,422

Financial Summary

Assets, liabilities and non-controlling interests

	As at 31 July				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment and prepaid land lease payments	**3,547,337**	3,631,178	2,413,632	1,708,128	1,455,494
Right-of-use assets	**475,780**	—	—	—	—
Investment properties	**18,393,986**	20,455,200	18,207,822	16,457,221	14,661,728
Properties under development	**—**	711,362	407,899	1,341,974	1,184,375
Investments in joint ventures	**1,103**	1,317	1,849,437	1,387,570	804,431
Investments in associates	**533**	5,804	5,932	343	—
Derivative financial instruments	**6,821**	20,581	2,531	—	—
Deposit for acquisition of an investment property	**—**	—	—	—	228,620
Current assets	**8,532,774**	6,484,185	5,341,011	4,325,043	5,564,954
TOTAL ASSETS	**30,958,334**	31,309,627	28,228,264	25,220,279	23,899,602
Current liabilities	**(6,725,324)**	(3,550,243)	(2,323,625)	(3,870,380)	(2,431,081)
Non-current lease liabilities	**(787)**	—	—	—	—
Long-term deposits received	**(119,852)**	(149,213)	(144,235)	(140,240)	(124,389)
Non-current interest-bearing bank loans	**(3,635,370)**	(5,554,150)	(3,572,464)	(2,814,062)	(2,747,970)
Fixed rate senior notes	**—**	—	—	—	(2,092,741)
Guaranteed notes	**(2,699,772)**	(2,720,857)	(2,725,518)	—	—
Advances from a former substantial shareholder	**(51,738)**	(53,006)	(53,719)	(54,143)	(54,675)
Loans from a fellow subsidiary	**(396,475)**	—	(248,509)	(218,279)	(221,714)
Loans from a joint venture	**—**	—	(426,156)	(649,779)	(222,430)
Derivative financial instruments	**—**	—	—	—	(210,068)
Deferred tax liabilities	**(2,909,494)**	(3,100,475)	(2,945,714)	(2,704,032)	(2,406,920)
TOTAL LIABILITIES	**(16,538,812)**	(15,127,944)	(12,439,940)	(10,450,915)	(10,511,988)
	14,419,522	16,181,683	15,788,324	14,769,364	13,387,614
Non-controlling interests	**(110,423)**	(347,676)	(285,457)	(185,253)	(72,847)
	14,309,099	15,834,007	15,502,867	14,584,111	13,314,767

Particulars of Major Properties

Completed Properties held for Rental

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

Particulars of Major Properties

Completed Properties held for Rental (continued)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			No. of Car-parking Spaces Attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Hengqin							
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	80%	The property is held for a term of 40 years for office, commercial and serviced apartment and hotel uses and 50 years for other uses commencing on 31 December 2013	780,292 *(Note)*	—	780,292	1,475
Subtotal of major completed properties held for rental in Hengqin:				**780,292**	**—**	**780,292**	**1,475**
Total of major completed properties held for rental:				**2,436,091**	**1,067,348**	**3,503,439**	**2,274**

Note: Including cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin with attributable GFA of approximately 194,325 sq.ft. and 40,309 sq.ft., respectively

Completed Hotel Properties and Serviced Apartments

Property Name	Location	Group Interest	Tenure	No. of rooms	Approximate Attributable Gross Floor Area (square feet)	No. of Car-parking Spaces Attributable to the Group
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	301	356,638	—
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	100%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	143,846	—
Subtotal of major completed hotel properties and serviced apartments in Shanghai:				**540**	**500,484**	**—**
Hengqin						
Hyatt Regency Hengqin	1295 Qisecaihong Road, Hengqin New Area, Zhuhai City	80%	The property is held for a term of 40 years for commencing on 31 December 2013	493	475,810	—
Subtotal of major completed hotel properties and serviced apartments in Hengqin:				**493**	**475,810**	**—**
Total of major completed hotel properties and serviced apartments:				**1,033**	**976,294**	**—**

Properties Under Development

Property Name	Location	Group Interest	Stage of Construction	Expected Completion Date	Approximate site area (square feet) *(Note 1)*	Approximate Attributable Gross Floor Area (square feet): Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of Car-parking Spaces Attributable to the Group
Guangzhou											
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Construction work in progress	H1 2023	90,708	104,163	476,662	–	–	580,825	305
Subtotal of major properties under development in Guangzhou:						**104,163**	**476,662**	**–**	**–**	**580,825**	**305**
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	100%	Construction work in progress	Phase 3: Q4 2020 Phase 4: Q3 2021	2,547,298	250,856 *(Note 2)*	–	–	1,967,659	2,218,515	1,446
Subtotal of major properties under development in Zhongshan:						**250,856**	**–**	**–**	**1,967,659**	**2,218,515**	**1,446**
Shanghai											
Northgate Plaza Redevelopment Project	Tian Mu Road West, Jing'an District	100%	Construction work in progress	H2 2022	107,223	94,174	599,426	–	–	693,600	554
Subtotal of major properties under development in Shanghai:						**94,174**	**599,426**	**–**	**–**	**693,600**	**554**
Hengqin											
Novotown Phase II	East side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road, Hengqin New Area, Zhuhai City	100%	Construction work in progress	2024 (by phases)	1,547,523	3,095,045	–	–	–	3,095,045	1,011
Subtotal of major properties under development in Hengqin:						**3,095,045**	**–**	**–**	**–**	**3,095,045**	**1,011**
Total of major properties under development:						**3,544,238**	**1,076,088**	**–**	**1,967,659**	**6,587,985**	**3,316**

Note 1: On project basis
Note 2: Including portions of the projects that have been completed for sale/sold/leased

Particulars of Major Properties

Completed Properties Held for Sale

Property Name	Location	Group Interest	Approximate Attributable Gross Floor Area (square feet)					No. of Car-parking Spaces Attributable to the Group
			Commercial/ Retail	Residential	Office	Serviced Apartments	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan								
Palm Spring	Caihong Planning Area, Western District	100%	33,699	219,153	—	—	252,852	1,215
Subtotal of major completed properties held for sale in Zhongshan:			**33,699**	**219,153**	**—**	**—**	**252,852**	**1,215**
Hengqin								
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	80%	—	149,061	475,810	301,305	926,176	—
Subtotal of major completed properties held for sale in Hengqin:			**—**	**149,061**	**475,810**	**301,305**	**926,176**	**—**
Shanghai								
Wuli Bridge Project	Wuliqiao Road, 104 Jie Fang, Huangpu District	100%	—	77,856	—	—	77,856	95
May Flower Plaza	Sujiaxiang, Jing'an District	100%	—	—	—	—	—	458
Regents Park, Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	—	232
Subtotal of major completed properties held for sale in Shanghai:			**—**	**77,856**	**—**	**—**	**77,856**	**785**

Completed Properties Held for Sale (continued)

Property Name	Location	Group Interest	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Residential	Office	Serviced Apartments	Total (excluding car-parking spaces & ancillary facilities)	No. of Car-parking Spaces Attributable to the Group
Guangzhou								
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	—	—	—	—	—	13
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	47.5%	—	—	—	—	—	16
King's Park	Donghua Dong Road, Yuexiu District	100%	—	—	—	—	—	9
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	—	121
Subtotal of major completed properties held for sale in Guangzhou:			**—**	**—**	**—**	**—**	**—**	**159**
Total of major completed properties held for sale:			**33,699**	**446,070**	**475,810**	**301,305**	**1,256,884**	**2,159**

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, the "**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 (the "**Board**").

ESG Governance

The Company 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 Company 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, the Company has previously engaged an independent consultant to invite feedbacks from stakeholders via online surveys. The responses received serve as important insights for the Company 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	Property	Hotel
Environmental		Emissions	✓	
Environmental		Use of resources	✓	✓
Environmental		The environment and natural resources	✓	
Social	**People**	Employment	✓	✓
Social	**People**	Health and safety	✓	✓
Social	**People**	Development and training	✓	✓
Social	**People**	Labour standards	✓	✓
Social	**Operating practices**	Supply chain management	✓	✓
Social	**Operating practices**	Product responsibility	✓	✓
Social	**Operating practices**	Intellectual property rights		
Social	**Operating practices**	Anti-corruption	✓	✓
Social	**Community**	Community investment	✓	✓

Environment

Integrating Environmental Sustainability into Our 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 as listed in the "List of Significant Laws and Regulations" section.

Green Building Development and Operations

The Group always explores opportunities to enhance the environmental values of its development projects to the community. Projects are planned and designed with reference to the "LEED v4 for Building Design and Construction". The Group incorporates green building designs throughout the project lifecycle from design to construction, and monitors the compliance with relevant laws and regulations, particularly in the aspects of air, noise and wastewater pollution as well as waste disposal. Green building consultants are engaged to assist the Group to incorporate sustainable designs and adopt emissions controls, which include waste disposal and sewage discharge, according to the standards as set in required emission permits.

Environment (continued)

Integrating Environmental Sustainability into Our Operations (continued)

Green Building Development and Operations (continued)

The Group assesses the environmental impact of its construction projects and requires the contractors to mitigate the environmental impacts accordingly. Contractors need to submit an Environmental Management Plan, which identifies and addresses environmental risks along with respective mitigation measures. The Group will review the actual performance on site against the plan to ensure proper implementation of all planned mitigation measures.

For managed properties, the Group strives to adopt internationally recognised environmental management system standards across its portfolio. The Shanghai and Guangzhou operations have upgraded its management system to comply with the latest ISO 14001:2015 standard.

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.

Apart from waste, the Group's property development operations also generate air pollutants and wastewater. To this end, the Group specifies its expectations in the agreements with its contractors with reference to relevant local and national environmental laws and regulations to ensure full compliance.

Minimising Air Pollution at Construction Sites

Various mitigation measures are implemented to reduce the air pollutant emissions at construction sites. For instance, the Group requested its contractors to adopt dust abatement procedures during construction works including material handling and vehicle movement to minimise dust emission. In addition, ultra-low sulphur diesel, a type of fuel with lowered sulphur content, is widely adopted at the Group's development projects to reduce sulphur emissions. When procuring construction materials, project teams will only select materials that comply with the limits as specified in relevant laws and regulations, and will give preference to building materials with lower volatile organic compounds whenever practicable.

Managing Waste from Property Development

The Group requires its contractors to submit a Waste Disposal Plan with proper waste management procedures. The plan incorporates the 3R principles — reduce, reuse, recycle and clearly delineates their waste management practices on site. For other construction waste, authorised third party is engaged to handle all chemical waste and hazardous waste as identified in the "Directory of National Hazardous Wastes".

Emissions to the Environment (continued)

Managing Waste from Property Development (continued)

Inert waste (including but not limited to rock, soil and sand) at construction sites is sorted out and reused as road sub-base, whilst excavated soil is used for backfilling. To reduce the amount of waste being disposed of, the Group recycles dry concrete into aggregates for concrete production. Wooden boards are reused whenever practicable. Recyclables collected through three-colour recycling bins at construction sites are collected by recycling companies regularly.

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.

Building Operations

The Group continues to monitor the energy and water consumption of its property portfolio, and explore opportunities for further efficiency enhancement. Monthly monitoring of energy and water performance allows the property management team to detect water leakage, as well as excessive and unnecessary use of energy.

The Group has developed a Resource and Energy Management Plan to guide water and energy conservation efforts. To improve the environmental efficiency, a number of energy and water saving equipment in its properties have been upgraded. During the reporting year, the Group installed energy-saving lighting in Guangzhou Lai Fung Tower, Guangzhou May Flower Plaza and Guangzhou West Point, achieving a reduction in energy consumption of nearly 70,000 kWh per year in total.

The Group will continue to review efficiency performance of other leasing and investment properties, and identify areas for further improvement.

Hotel Operations

The Group actively promotes conservation of energy, water and other materials from both building operations and customer awareness perspectives. Different resources conservation initiatives have been implemented at our hotels.

For example, Ascott Huaihai Road Shanghai has established an Energy Conservation Committee to monitor its progress. Equipment such as air-conditioning, lighting in back-office areas are switched off when idle. All fluorescent lights have been replaced by LED and the lighting in public areas are automatically controlled. These initiatives have allowed the hotel to reduce energy consumption by around 255,000 kWh per year.

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 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.

The Group is committed to go beyond legal requirements in aspects such as employee care, benefits, communications and work-life balance. A range of employee benefits including 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 programmes to its employees. For example, the Group organises work-out classes and large-scale annual events including annual dinner party for employees. During the reporting period, 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 Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin.

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.

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

Health and Safety (continued)

At Construction Sites and in Building Operations (continued)

Construction sites are one of the Group's premises with highest occupational health and safety risks. For each project, staff are appointed to oversee health and safety issues and review the implementation of appropriate preventive and corrective measures. Safety trainings are also organised to ensure all employees possess sufficient knowledge of occupational health and safety.

For the property management arm, the Group offers regular awareness trainings on safety-related risks and measures. Topics such as personal safety and use of equipment are also covered in the onboard trainings for new joiners. Besides, property management safety handbooks are readily available for the residential or commercial property management team to refresh their knowledge anytime.

At Hotels

To provide a safe working environment for its employees, the management oversees the implementation of relevant measures. In particular, the Ascott Huaihai Road Shanghai has established a Safety Committee to govern related issues. Relevant trainings are also conducted to maintain staff awareness on occupational health and safety hazards.

In view of COVID-19 outbreak, all hotels have adopted a wide range of preventive measures to protect their employees. The hotels provided anti-epidemic items including surgical masks, hand sanitizers and, for those carrying high-risk operation, personal protective equipment. At STARR Hotel Shanghai the disinfection of frequently touched public facilities such as lift buttons and front desk were strengthened.

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 programmes 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.

Capacity Building for the Property Business

To enhance the capabilities of the Group's property management team, training programmes are delivered to employees as appropriate to their job duties and needs. Multiple skill development opportunities are offered to our employees. Topics covered include sales and marketing skills, etiquettes, customer services, complaint handling, property safety management, occupational health and safety, first-aid and computer literacy programmes. The Group also encourages knowledge exchange within the organisation and with industry experts. During the reporting year, a wide variety of trainings, certificate courses and external workshops were held to upskill security guards, general staff and property trainees. Particularly to keep employees abreast of the latest industry trends, trainings on urban renewal, data management and building information modelling were also organised.

PEOPLE (CONTINUED)

Development and Training (continued)

Training Opportunities for the Hotel Industry

The hotels of the Group make continuous effort in nurturing its employees and organises training programmes as per their business needs. STARR Hotel Shanghai and Ascott Huaihai Road Shanghai also provided a wide range of training programmes for employees, covering topics such as occupational health and safety, business development, hotel operational standards, computer literacy, first-aid, customer services and coronavirus prevention during the reporting period. Through these programmes, the Group seeks to grow together with our employees.

Labour Standards

The Group is committed to safeguard the labour rights of its employees. The Group is 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 as listed in the "List of Significant Laws and Regulations" section during the reporting year.

OPERATING PRACTICES

Responsible and Ethical Practices

Responsible Marketing Practices for Property Sales

The Group complies with relevant laws and regulations of "Urban Real Estate Administration Law of the People's Republic of China" regarding the sales process of its property in Mainland China. During the preparation of the marketing materials, we have involved departments such as finance, project management, sales and marketing, to ensure the actual project planning and nearby facilities are presented with accuracy and fairness. No exaggerate and misleading marketing information is allowed. As a control measure, the Group also consults its legal counsel and management on the marketing materials. With strict compliance on the government laws and regulations, the Group obtains the official sales permit from the Real Estate Administrative Department.

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

Service Excellence

Delivering Excellent Property Management Services

The Group aims to provide quality services to customers in the property management operation. Regular questionnaires are sent to customers to understand their opinion and satisfaction with the Group's services, including customer service, security service, the environment and greening and construction management. During the reporting year, the Group continued to receive high customer satisfaction rate in its properties. In Guangzhou, Lai Fung Tower, West Point and May Flower Plaza received 99%, 97% and 99% overall satisfaction rate respectively. All feedbacks received are crucial to improve the quality of property management services in the long run.

Service Excellence (continued)

Delivering Excellent Property Management Services (continued)

Standard complaint handling guidelines and procedures are in place to guide the Group's frontline staff to professionally respond to complaints raised by customers and tenants. Moreover, the Group encourages direct communications with customers to make sure complaints are resolved with follow-up actions. All complaints will be properly documented to facilitate the Group's future improvements.

Handling Complaints for Hotel Operations

For hotel operations, the Group strives to identify the early signs of potential complaints and adopt timely mitigation measures when complaints are received. All managerial staff are well equipped to manage complaints under different occasions. As per the Group's management policies, daily incident reports need to be submitted to the head office to ensure all issues have been followed up properly.

To monitor our service quality, we strive to collect customers' feedback through different channels. The Ascott Huaihai Road Shanghai distributes the guest satisfaction survey via email after guests check out. Front office team will evaluate the performance with operation team upon receiving feedback. To ensure duly responses to our guests, follow-up actions are taken within 24 hours upon receiving the comments. As a means to appreciate and encourage employees' effort in delivery quality service, the hotels also conduct regular assessment and/or recognitions on their performance.

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 in Property Management Business

Ensuring customer health and safety is a priority in our business operation. In Guangzhou, Lai Fung Tower, West Point and May Flower Plaza adopted various preventive measures at different stages of the COVID-19 outbreak. At the first stage of the pandemic, the Group initiated the internal emergency plan on closed-off community management, which included personnel control and frequent disinfection. At the second stage when work and operation was gradually resumed, the Group worked closely with tenants to promote the shopping malls and enhance the customer flow. At the third stage, despite the declining COVID-19 cases, the Group continued to implement different precautionary measures and offer short-term rental. The Group has received tremendous positive feedbacks from customers on the response plans and the efforts of Kolot Property Management Company in Guangzhou have been appreciated by the Yuexiu District government as an exemplary model.

Preventive measures against COVID-19 in Hotel Business

Coping with the COVID-19 challenges, our hotels have adopted different preventive measures to ensure health and safety of staff and guests. For example, the Ascott Huaihai Road Shanghai has established a Standard Operating Procedure ("**SOP**") that outlines requirements such as the use of masks, body temperature check, indoor ventilation control and reporting procedures for suspected cases. Staff are required to strictly follow the SOP to ensure all preventive measures are conducted effectively.

Operating Practices (continued)

Data Protection and Privacy

Protecting customer privacy is critical to maintaining customer relationship and confidence. 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.

Property Business

The Group has a set of written procedures to handle the personal data collected during the property sales and management process. Apart from Personal Data Collection Statement, all personal data, sales records, and other information obtained during the sales process are stored in the Group's internal system. Only the management level are granted access to the system while general staff are required to seek prior management approval to do so. General staff can only obtain the right to access to the information of their own clients during the property sales and marketing process. All information collected are kept strictly confidential and limited to the agreed sales. Procedures and measures are in place to ensure that client data would not be misused for the purpose other than the original purpose of data collection.

Hotel Operations

While providing tailored and high-quality services to customers, the Group is also committed to maintaining information security. The Group has adopted a number of data handling measures including the Information Protection & Cyber Security Policy, the Information Protection Awareness Guide and compliance with the Payment Card Industry Data Security Standard. These have become the standard guidelines and procedures in our hotel operations. To ensure our staff are aware of the guidelines, the Group has included the above contents in staff training sessions.

Supply Chain Management

ESG Considerations in Selecting Construction Contractors

The Group recognizes the importance of transparency and fairness in its tendering process and supply chain operation and management. The Group has formed a clear and systematic tendering process to outline a required quotation number for construction projects in various extents.

Apart from requiring contractors to follow the Group's standards and requirements that are in line with the local regulations, environmental and safety performance of its contractors are also considered. As part of its selection criteria in the tendering process, the Group would assess whether contractors' environmental and safety procedures are up to its expectations. All selected contractors are also required to submit an Environmental Management Plan and Safety Management Plan to the Group to ensure proper implementation.

To minimise pollution and waste to the surrounding, contractors are required to follow the mitigation measures as outlined in the plan and the environmental impact assessment when available. The management team also holds regular on-site meeting with site management including resident engineers, clerk of works and building services inspector and licensed third-party consultants to discuss the work quality and environment, health and safety ("**EHS**") conditions of the project.

Operating Practices (continued)

Supply Chain Management (continued)

Selecting Sustainable Suppliers for Hotels

We follow standard procurement procedures when selecting suppliers for our hotels in China. For instance, Ascott Huaihai Road Shanghai has specified its requirements on EHS performance in its SOP. Suppliers are required to follow the Sustainable Building Guideline and Occupational Health and Safety Plan of the hotel, laying out expectations on aspects such as waste management, material use and safety equipment. Specific certifications are also required for all contracts involving working at height or fire hazards.

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 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.

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 helping those communities in need through donations to local charities.

Summary of Environmental Performance

China Property Investment Notes 1 & 2	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity Note 3			
Direct GHG emissions (Scope 1)	tonnes CO_2e	164	0
Indirect GHG emissions (Scope 2)	tonnes CO_2e	77,532	57,291
Total GHG emissions	**tonnes CO_2e**	**77,695**	57,291
GHG emissions intensity	**tonnes CO_2e/m^2**	**0.23**	0.23
A1.3 Total hazardous waste produced and intensity Note 4			
Fluorescent lamp waste	kg	980	872
Hazardous waste disposed intensity	**kg/m^2**	**0.0029**	0.0034
A1.4 Total non-hazardous waste produced and intensity			
Renovation waste	kg	11,379,872	8,307,180
Non-hazardous waste produced intensity	**kg/m^2**	**33.08**	32.79
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity consumption	kWh	81,906,758	69,716,567
Natural gas consumption	m^3	75,544	0
Steam consumption	kWh	216,006	0
District cooling consumption	kWh	11,883,106	0
Total energy consumption Note 3	**kWh**	**94,822,816**	69,716,567
Total energy consumption intensity Note 3	**kWh/m^2**	**275.66**	275.16
A2.2 Water consumption in total and intensity			
Water consumption	m^3	877,368	927,283
Water consumption intensity	**m^3/m^2**	**2.55**	3.66

Note 1: *The reporting scope of the summary of environmental performance includes the Group's Investment property, namely Shanghai Hong Kong Plaza, Shanghai May Flower Plaza and Regents Park in Shanghai, Palm Spring in Zhongshan, May Flower Plaza, West Point and Lai Fung Tower in Guangzhou and Novotown in Hengqin. Compared with the year ended 31 July 2019, Novotown was newly added. Their gross floor area and hence respective data were reviewed every year and restated as appropriate.*

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

Note 3: *Greenhouse Gas Emissions (Scope 1 and 2) and energy consumption from steam are 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, as well as National Development and Reform Commission's "Guidelines for Accounting and Reporting Greenhouse Gas Emissions China Public Building Operation Units (Enterprises) (Trial)". For data comparability, respective data for the year ended 31 July 2019 was also restated.*

Note 4: *Data collection methodology was updated during the reporting year. For data comparability, respective data for the year ended 31 July 2019 was also restated.*

Summary of Environmental Performance (continued)

China Property Development Notes 5 & 6	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity Note 7			
Direct GHG emissions (Scope 1)	tonnes CO_2e	0	63.3
Indirect GHG emissions (Scope 2)	tonnes CO_2e	2,441.3	4,117.4
Total GHG emissions	**tonnes CO_2e**	**2,441.3**	4,180.7
Total GHG emissions intensity	**tonnes CO_2e/m^2**	**0.004**	0.008
A1.4 Total non-hazardous waste produced and intensity Note 8			
General construction waste	kg	10,900,000	6,383,000
Soil excavation	kg	71,500,000	191,252,000
Timber	kg	95,000	12,000
Steel recycled	kg	1,970,000	1,317,180
Total non-hazardous waste produced	**kg**	**84,465,000**	198,964,180
Total non-hazardous waste produced intensity	**kg/m^2**	**1,471**	620
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity consumption	kWh	2,954,216	4,958,177
Diesel oil consumption for electric generator	L	0	24,200
Total energy consumption Note 7	**kWh**	**2,954,216**	5,217,195
Total energy consumption intensity Note 7	**kWh/m^2**	**4.83**	9.68
A2.2 Water consumption in total and intensity			
Water consumption	m^3	153,792	1,795,621
Total water consumption intensity	**m^3/m^2**	**0.25**	3.33

Note 5: *The reporting scope of the summary of environmental performance includes the Group's property development projects, namely Northgate Plaza Redevelopment Project in Shanghai, Palm Spring in Zhongshan, Haizhu Square in Guangzhou and Novotown in Hengqin. Compared with the year ended 31 July 2019, Wuli Bridge project was removed from the reporting scope due to project completion. Their gross floor area and hence respective data were reviewed every year and restated as appropriate.*

Note 6: *Hazardous waste generation is not significant and thus not available reported. Packaging material used for finished products is not a material issue for the property development business and thus not reported.*

Note 7: *Greenhouse Gas Emissions (Scope 1 and 2) and energy consumption from diesel oil for electric generator are 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 8: *Novotown is excluded from the scope for the years ended 31 July 2019 and 2020 due to data unavailability. For the same reason, Palm Spring is also excluded for the year ended 31 July 2020. Data collection scope is expanded to cover timber during the reporting year and hence respective data for the year ended 31 July 2019 was also restated.*

Summary of Environmental Performance (continued)

Hotel Notes 9 & 10 & 11	Unit	2020
A1.2 Greenhouse gas emissions in total and intensity Note 12		
Direct GHG emissions (Scope 1)	tonnes CO_2e	8
Indirect GHG emissions (Scope 2)	tonnes CO_2e	1,840
Total GHG emissions	**tonnes CO_2e**	**1,848**
Total GHG emissions intensity	**tonnes CO_2e/m^2**	**0.04**
A1.3 Total hazardous waste produced and intensity		
Fluorescent lamp waste	kg	7
Hazardous waste disposed intensity	**kg/m^2**	**0.0002**
A1.4 Total non-hazardous waste produced and intensity		
General waste	kg	25,494
Paper recycled	kg	665
Plastic recycled	kg	211
Food waste Note 13	kg	766
Food waste recycled	kg	306
Total non-hazardous waste produced	**kg**	**27,136**
Total non-hazardous waste produced intensity	**kg/m^2**	**0.58**
A2.1 Direct and/or indirect energy consumption by type in total and intensity Note 12		
Electricity Consumption	kWh	2,287,311
Gasoline consumption for transportation	L	2,778
Total energy consumption	**kWh**	**2,314,234**
Total energy consumption intensity	**kWh/m^2**	**49.77**
A2.2 Water consumption in total and intensity		
Water consumption	m^3	31,434
Water consumption intensity	**m^3/m^2**	**0.68**

Note 9: *The reporting scope of the summary of environmental performance includes the Group's hotels in Mainland China, namely STARR Hotel Shanghai and Ascott Huaihai Road Shanghai.*

Note 10: *Packaging material used for finished products is not a material issue for the hotel business and thus not reported.*

Note 11: *COVID-19 outbreak led to lower-than-usual environmental footprint.*

Note 12: *Greenhouse Gas Emissions (Scope 1 and 2) and energy consumption from gasoline for transportation are 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.*

Note 13: *The catering service for STARR Hotel Shanghai is outsourced, and thus food waste is excluded from the scope due to data unavailability.*

List of Significant Laws and Regulations

Environment

Aspect A1-A3: Environmental

— Environmental Protection Law of the People's Republic of China ("**PRC**")

— Atmospheric Pollution Prevention and Control Law of the PRC

— Water Pollution Prevention and Control Law of the PRC

— Law of the PRC on Prevention and Control of Pollution from Environmental Noise

— Land Administration Law of the PRC

— Regulations on the Administration of Construction Project Environmental Protection

— Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes

Employee

Aspect B1: Employment

— Labour Law of the PRC

— Labour Contract Law of the PRC

Aspect B2: Health and Safety

— Work Safety Law of the PRC

— Law of the PRC on the Prevention and Control of Occupational Diseases

— Construction Law of the PRC

Aspect B4: Labour Standards

— Labour Laws of the PRC

— Provisions on the Prohibition of Using Child Labour

Operating Practices

Aspect B6: Product Responsibility

— Urban Real Estate Administration Law of the PRC

— Law of PRC on Protection of Consumer Rights and Interests

Aspect B7: Anti-corruption

— Criminal Law of the PRC

— Law of the PRC on Anti-Corruption and Bribery

References to HKEX ESG Reporting Guide

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 minimizing the issuer's significant impact on the environment and natural resources.	Integrating Environmental Sustainability into Our 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

References to HKEX ESG Reporting Guide (continued)

Subject Areas, Aspects, and General Disclosure		Sections
B. Social		
Employment and Labour Practices		
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Responsible and Ethical Practices; Service Excellence; Customer Health and Safety; Data Protection and Privacy; Intellectual Property Rights
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity and Discipline
Community		
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community

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

(1) Corporate Governance Practices

The Company has complied with all the code provisions set out in the CG Code for the year ended 31 July 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 and subject to re-election.

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

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

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

(2) Board of Directors

(2.1) Responsibilities and Delegation

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

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

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

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

(2.2) Composition of the Board

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

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

Note: Mr. Lester Lam was appointed the alternate director to Madam U on 19 June 2020.

(2) BOARD OF DIRECTORS (CONTINUED)

(2.2) Composition of the Board (continued)

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

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

The brief biographical particulars of the Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report on pages 70 to 76.

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

(2) Board of Directors (continued)

(2.3) Attendance Record at Board Meetings

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

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Chew Fook Aun	5/5
Lam Kin Ming	2/5
Lam Kin Hong, Matthew	3/5
Lam Hau Yin, Lester *(also alternate director to U Po Chu)*	5/5
Cheng Shin How	5/5
Lee Tze Yan, Ernest	5/5
Tham Seng Yum, Ronald	5/5
U Po Chu	5/5
Non-executive Directors	
Lucas Ignatius Loh Jen Yuh	5/5
Puah Tze Shyang *(also alternate director to Lucas Ignatius Loh Jen Yuh)*	5/5
Independent Non-executive Directors	
Ku Moon Lun	5/5
Lam Bing Kwan	5/5
Law Kin Ho	5/5
Mak Wing Sum, Alvin	5/5
Shek Lai Him, Abraham	5/5

(2.4) INEDs

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

(2) Board of Directors (continued)

(2.5) Directors' and Officers' Liabilities Insurance

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

(3) Directors' Induction and Continuous Professional Development

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

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

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

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

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

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

(4) Board Committees

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

(4.1) Remuneration Committee

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

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

(a) Duties of the Remuneration Committee

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

(b) Work performed by the Remuneration Committee

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

(4) Board Committees (continued)

(4.1) Remuneration Committee (continued)

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

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

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

(4.2) Audit Committee

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

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

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

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

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

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

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

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

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

(b) *Work performed by the Audit Committee*

The Audit Committee held three meetings during the Year. It has reviewed the audited results of the Company for the year ended 31 July 2019, the unaudited interim results of the Company for the six months ended 31 January 2020 and other matters related to the financial and accounting policies and practices of the Company as well as the nature and scope of the audit for the Year. Further, it has reviewed the budget for the ensuing year and internal control review reports and put forward relevant recommendations to the Board for approval.

On 19 October 2020, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditor. It also reviewed this Corporate Governance Report, risk management report and certain internal control review reports on the Company prepared by the independent professional advisor. The Audit Committee also assessed the effectiveness of the Group's systems of risk management and internal control.

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

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

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

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

(5) Chairman and Chief Executive

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

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

(6) Non-Executive Directors

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

(7) Nomination Policy for the Directors

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

Since there is no appointment and resignation of Director during the Year, no Board meeting was held for resolving such issues.

(8) Board Diversity Policy

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

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

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

On recommendation from the EDs, the Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The EDs will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

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

Currently, the Board comprises fifteen members, of whom eight are EDs, two are NEDs and the remaining five are INEDs. The current Board comprises individuals who are professionals with real estate, investment, banking, accounting, financial, general management and legal backgrounds.

(9) Securities Transactions by Directors and Designated Employees

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

(10) Independent Auditor's Remuneration

For the Year, the fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor, Ernst & Young, Certified Public Accountants, Hong Kong amounted to HK$3,694,000 and HK$2,738,000, respectively. The non-audit services mainly consist of tax advisory, review and other reporting services.

(11) Directors' Responsibility for Preparing Financial Statements

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

(12) Independent Auditor's Reporting Responsibility

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

(13) Risk Management and Internal Control

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

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

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

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

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

(13) Risk Management and Internal Control (continued)

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

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

The Group complies with requirements of Securities 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 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 announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

(14) Company Secretary

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

(15) Shareholders' Rights

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

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

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

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

(15) SHAREHOLDERS' RIGHTS (CONTINUED)

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

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

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

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

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

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

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

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

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

Fax: (852) 2743 8459
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. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

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

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

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

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

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

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

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

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

(16) Communication with Shareholders (continued)

(16.2) Attendance Record at General Meetings

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

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

(16) Communication with Shareholders (continued)

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being the AGM for 2019, was held at 9:00 a.m. on 20 December 2019 at Grand Ballroom 1, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong ("**2019 AGM**"). At the 2019 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2019 and the reports of the directors and the independent auditors thereon; (ii) the declaration of a final dividend with a scrip dividend option; (iii) the election of Mr. Tham Seng Yum, Ronald as an ED and the re-election of Mr. Lam Kin Hong, Matthew and Mr. Cheng Shin How as EDs, Mr. Lucas Ignatius Loh Jen Yuh as a NED, and Mr. Lam Bing Kwan and Mr. Shek Lai Him, Abraham as INEDs, and the authorisation for the Board to fix the remuneration of the Directors; (iv) the re-appointment of Ernst & Young as the Independent Auditor for the Year and the authorisation for the Board to fix their remuneration; (v) the granting to the Directors a general mandate to buy back the shares of the Company ("**Shares**") not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company; (vi) the granting to the Directors a general mandate to issue, allot and deal with additional Shares of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company; and (vii) the extension to the general mandate under above (vi) by adding the aggregate nominal amount of the Shares to be bought back by the Company pursuant to the above (v). The notice of the 2019 AGM and the poll results announcement in respect of the 2019 AGM were published on the websites of both the Stock Exchange and the Company on 21 November 2019 and 20 December 2019, respectively.

(17) Dividend Policy

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

(18) Investor Relations

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

During the year under review, 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@laifung.com.

Biographical Details of Directors

Executive Directors

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

Mr. Chew Fook Aun, Chairman, aged 58, has been the Chairman of the Board since 1 November 2012. He was appointed an Executive Director of the Company on 5 June 2012 and is currently a member of both the Executive Committee and the Remuneration Committee of the Company. Mr. Chew is also a deputy chairman and an executive director of LSG, the deputy chairman and an executive director of LSD as well as an executive director of eSun.

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

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

Dr. Lam Kin Ming, Deputy Chairman, aged 83, was appointed an Executive Director of the Company in September 1997. Dr. Lam is the chairman and an executive director of LSG, a non-executive director of LSD and the chairman, the chief executive officer and an executive director of Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange.

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

Executive Directors (continued)

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

Mr. Lam Kin Hong, Matthew, Executive Deputy Chairman, aged 52, was appointed an Executive Director of the Company in December 2001. Mr. Lam is an executive director of LSG and Crocodile Garments Limited (a company listed on the Main Board of the Stock Exchange).

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

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

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

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

Mr. Lam Hau Yin, Lester, Chief Executive Officer, aged 39, was appointed an Executive Director of the Company in April 2005 and is currently a member of the Executive Committee of the Company. He is also the alternate director to Madam U Po Chu, an Executive Director of the Company. Mr. Lam is an executive director of LSG, LSD and eSun. He is also the alternate director to Madam U Po Chu, an executive director of LSG as well as a non-executive director of each of LSD and eSun.

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

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

Executive Directors (continued)

Mr. Cheng Shin How, aged 54, was appointed an Executive Director of the Company in June 2007 and is currently a member of the Executive Committee of the Company.

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

Mr. Lee Tze Yan, Ernest, aged 56, was appointed an Executive Director of the Company in January 2015 and is currently a member of the Executive Committee of the Company.

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

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

Mr. Tham Seng Yum, Ronald, aged 51, was appointed an Executive Director of the Company in August 2019 and is currently a member of the Executive Committee of the Company. He is also an executive director of LSD.

Mr. Tham has over 29 years of experience in banking, accounting and finance and management gained mainly in Greater China, Asia Pacific and the UK. Mr. Tham was awarded a Master of Engineering degree in Chemical Engineering from Imperial College, University of London, UK in 1991. Mr. Tham is a fellow member of both the Institute of Chartered Accountants in England and Wales and HKICPA. He is also a member of the Hong Kong Securities and Investment Institute. Mr. Tham is currently a member of the Finance Committee of the Council of The Hong Kong University of Science and Technology and the Chairman of the Registration and Practicing Committee of the HKICPA.

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

Executive Directors (continued)

Madam U Po Chu, aged 95, was appointed an Executive Director of the Company in February 2003. She is also an executive director of LSG and a non-executive director of LSD and eSun.

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

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

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh, aged 54, was appointed a Non-executive Director of the Company in July 2010. He is presently a member of both the Audit Committee and the Remuneration Committee of the Company.

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

Prior to joining the CapitaLand Group, Mr. Loh was an Associate Director for Private Equity Investment at Temasek Holdings (Private) Limited, which is a substantial shareholder of CapitaLand, leading its private equity investment business in the Asia Pacific region. Mr. Loh began his career in 1991 as a real estate appraiser in Singapore. He holds a Bachelor of Science (Estate Management) Degree from the National University of Singapore and a Master's Degree in Business Administration from the Oklahoma City University in the United States of America. He attended the Advanced Management Program at Harvard Business School in 2013. Mr. Loh is also a director of Beautiwin Limited, a joint venture company in which each of the Company and CapitaLand China has an indirect 50% interest.

Mr. Puah Tze Shyang, aged 48, was appointed a Non-executive Director of the Company in April 2017. He is also the alternate director to Mr. Lucas Ignatius Loh Jen Yuh, a Non-executive Director of the Company.

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

Non-executive Directors (continued)

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

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

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

Mr. Puah is a director of Beautiwin Limited, a joint venture company in which each of the Company and CapitaLand China has an indirect 50% interest.

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

Independent Non-executive Directors

Mr. Ku Moon Lun, aged 69, was appointed an Independent Non-executive Director of the Company in June 2006 and is currently a member of the Remuneration Committee of the Company.

Mr. Ku has over 35 years of experience in the real estate industry. He is currently a non-executive director of Surbana Jurong Pte Ltd. in Singapore. Mr. Ku is a member of the Hospital Governing Committee of Queen Elizabeth Hospital, Hong Kong Hospital Authority. He is also a fellow member of the Hong Kong Institute of Surveyors.

Independent Non-executive Directors (continued)

Mr. Ku was an executive director of Davis Langdon & Seah International ("**DLSI**"), a property consultant firm, until the end of 2005 where he was responsible for formulating the policies and steering the direction of the DLSI group of companies. He was also the chairman of the board of directors of Davis Langdon & Seah Hong Kong Limited from 1995 to 2004. Mr. Ku was previously the chairman of Premas Hong Kong Limited, a facilities management company, from 2000 to 2002 and icFox International, an information technology company, from 2000 to 2003. He was also an independent non-executive director of Ascott Residence Trust Management Limited in Singapore from 2006 to 2016. Mr. Ku retired as an independent non-executive director of Kerry Properties Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange) on 20 May 2020.

Mr. Lam Bing Kwan, aged 70, was appointed an Independent Non-executive Director of the Company in July 2001 and is currently the chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

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

Mr. Law Kin Ho, aged 53, was appointed an Independent Non-executive Director of the Company in March 2009 and is currently the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

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

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

Mr. Mak Wing Sum, Alvin, aged 68, was appointed an Independent Non-executive Director of the Company in November 2012. Mr. Mak is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as a member of the HKICPA. He is currently an independent non-executive director of Luk Fook Holdings (International) Limited, Hong Kong Television Network Limited, Goldpac Group Limited and Crystal International Group Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. Mr. Mak is a member of Hong Kong Housing Society ("**HKHS**") and a member of certain of its committees. He is also a member to the Supervisory Board of the HKHS.

Biographical Details of Directors

Independent Non-executive Directors (continued)

After working in Citibank for over 26 years, Mr. Mak retired on 1 May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for corporate and investment banking business. In Citibank, he had held various senior positions including Head of Global Banking responsible for managing all the coverage bankers. Prior to that, he also managed the Hong Kong's corporate finance business, regional asset management business and was the Chief Financial Officer of North Asia. Before joining Citibank in 1985, Mr. Mak was an audit group manager at Coopers & Lybrand (now known as PricewaterhouseCoopers). He worked for Coopers & Lybrand for eight years, five of which was in Toronto, Canada. He was an independent non-executive director of I.T Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange). He graduated from the University of Toronto with a Bachelor of Commerce degree in 1976.

Mr. Shek Lai Him, Abraham, aged 75, was appointed an Independent Non-executive Director of the Company in December 2012. He was appointed as Justice of the Peace in 1995 and awarded the Gold Bauhinia Star in July 2013. He has been a member of the Legislative Council for the Hong Kong Special Administrative Region of the PRC, representing the real estate and construction functional constituency since 2000.

Mr. Shek acts as an independent non-executive director of a number of companies listed on the Main Board of the Stock Exchange, including Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, NWS Holdings Limited, Country Garden Holdings Company Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Cosmopolitan International Holdings Limited, Goldin Financial Holdings Limited, Eagle Asset Management (CP) Limited acting as the manager of Champion Real Estate Investment Trust and Regal Portfolio Management Limited acting as the manager of Regal Real Estate Investment Trust, Everbright Grand China Assets Limited, CSI Properties Limited, Far East Consortium International Limited, Landing International Development Limited (from 14 August 2020) and Hao Tian International Construction Investment Group Limited (from 15 October 2020). Moreover, he is the honorary chairman and an independent non-executive director of Chuang's China Investments Limited as well as the vice chairman and an independent non-executive director of ITC Properties Group Limited. He retired as an independent non-executive director of Hop Hing Group Holdings Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange) on 2 June 2020.

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

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 ("**Year**").

Principal Activities

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

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

Business Review

A review of the business of the Group during the Year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement as well as the Management Discussion and Analysis on pages 4 to 9 and pages 12 to 28 of this Annual Report, respectively. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Financial Highlights on pages 10 and 11 of this Annual Report. The financial risk management objectives and policies of the Group are set out in note 41 to the consolidated financial statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report and Corporate Governance Report on pages 36 to 51 and pages 52 to 69 of this Annual Report, respectively.

Results and Dividends

Details of the results of the Group for the Year and the Group's financial position as at 31 July 2020 are set out in the consolidated financial statements and their accompanying notes on pages 106 to 206.

No interim dividend was paid or declared in respect of the Year (2019: Nil).

The board of Directors ("**Board**") does not recommend the payment of a final dividend for the Year (2019: HK$0.20 per ordinary share).

Permitted Indemnity and Directors and Officers Liability Insurance

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

Directors

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

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

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

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

Note: Mr. Lester Lam was appointed the alternate director to Madam U on 19 June 2020.

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

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

Biographical Details of Directors

Brief biographical particulars of the Directors are set out on pages 70 to 76 of this Annual Report. Directors' other particulars are contained elsewhere in this Report and this Annual Report.

Directors' Service Contracts

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

Directors' Interests in Significant Transactions, Arrangements and Contracts

Save as disclosed in note 38a to the financial statements and the section headed "Continuing Connected Transactions" of this Report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

Directors' Interests in Competing Businesses

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

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

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

Arrangement for Directors to Acquire Shares or Debentures

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

Directors' Remuneration

The Directors' fees and other emoluments are supervised by the Remuneration Committee of the Company and determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in note 8 to the financial statements.

Share Option Schemes

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

Reference is made to the joint announcement issued by LSG, LSD, eSun Holdings Limited ("**eSun**"), the Company and Holy Unicorn Limited ("**Offeror**", a wholly-owned subsidiary of LSD) dated 21 February 2020 in respect of, among other things, the conditional voluntary general cash offer by The Hongkong and Shanghai Banking Corporation Limited on behalf of the Offeror to acquire all of the issued shares of the Company (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 the Company ("**LF Option Offer**", and together with the LF Share Offer, "**LF Offers**").

Reference is also made to (i) the joint announcement issued by LSG, LSD, the Offeror, eSun and the Company dated 14 May 2020; and (ii) the joint announcement issued by LSD, the Offeror and the Company dated 28 May 2020 ("**Closing Announcement**") in relation to, among other things, the LF Offers were declared unconditional in all respects on 14 May 2020 and were closed on 28 May 2020. As disclosed in the Closing Announcement, the Offeror had received valid acceptances of the LF Option Offer in respect of 900,000 underlying shares of the Company, representing all subsisting options granted under the 2003 Share Option Scheme, and such share options had been cancelled accordingly.

As at 31 July 2020, share options comprising a total of 9,684,526 underlying shares granted under the 2012 Share Option Scheme were outstanding.

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

		Number of underlying shares comprised in share options						
Name or category of participants	**Date of grant** *(Note 1)*	**As at 1 August 2019**	**Granted during the Year**	**Exercised during the Year**	**Lapsed/ cancelled during the Year**	**As at 31 July 2020**	**Exercise period**	**Exercise price per share (HK$)** *(Note 2)*
Directors								
Chew Fook Aun	12/06/2012	1,009,591	—	(109,591) *(Note 3)*	(900,000) *(Note 4)*	—	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 5)*	—	—	500,000	19/08/2019 – 18/08/2029	6.784
Subtotal		**5,512,609**	**500,000**	**(109,591)**	**(900,000)**	**5,003,018**		

Share Option Schemes (continued)

Name or category of participants	Date of grant *(Note 1)*	Number of underlying 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	Exercise price per share (HK$) *(Note 2)*
Other Eligible Participants (in aggregate)								
Batch 1	18/01/2013	3,871,508 *(Note 6)*	—	—	(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 share options vested on the date of grant.*
2. *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the Company's share capital.*
3. *The closing price of the Company's shares immediately before the exercise date of the share option was HK$7.04 per share.*
4. *Mr. Chew Fook Aun tendered acceptance to the LF Option Offer by the Offeror to cancel all the outstanding share options in respect of his option relating to 900,000 underlying shares of the Company on 18 May 2020.*
5. *The closing price of the Company's shares immediately before the date of grant of the share option was HK$6.760 per share.*
6. *Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong) was granted a share option to subscribe for a total of 321,918 shares of the Company on 18 January 2013.*

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the 2003 Share Option Scheme and the 2012 Share Option Scheme during the Year. Subsequent to the Year, a share option comprising a total of 100,000 underlying shares granted under the 2012 Share Option Scheme was lapsed.

As at the date of this Report ("**Report Date**"), further options to subscribe for a maximum of 22,387,299 shares in the Company could be granted under the 2012 Share Option Scheme, together with the 9,584,526 underlying shares comprised in the share options granted under the 2012 Share Option Scheme and remained outstanding as at the Report Date, a total number of 31,971,825 shares are available for issue under the 2012 Share Option Scheme, representing approximately 9.66% of the shares of the Company in issue as at the Report Date.

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

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 July 2020 and their respective close associates (as defined in the Listing Rules) were interested or were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as known to the Directors:

(1) The Company

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

Name of Director	Capacity	Number of Shares		Number of underlying Shares	Total	Approximate percentage of total issued Shares
		Personal interests	Corporate interests	Personal interests *(Note 1)*		*(Note 2)*
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	3,219,182	3,219,182	0.97%
Cheng Shin How	Beneficial owner	Nil	Nil	643,836	643,836	0.19%
Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	640,000	640,000	0.19%
Tham Seng Yum, Ronald	Beneficial owner	Nil	Nil	500,000	500,000	0.15%

Notes:

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

2. *The percentage has been compiled based on the total number of issued Shares as at 31 July 2020 (i.e. 331,033,443 Shares).*

Directors' Interests (continued)

(2) Associated corporations of the Company

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

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

Name of Director	Capacity	Number of LSG Shares		Number of underlying LSG Shares	Total	Approximate percentage of total issued LSG Shares *(Note 2)*
		Personal interests	Corporate interests	Personal interests *(Note 1)*		
Chew Fook Aun	Beneficial owner	Nil	Nil	3,819,204	3,819,204	0.97%
Lam Kin Ming	Beneficial owner	1,021,443	Nil	Nil	1,021,443	0.26%
Lam Hau Yin, Lester	Beneficial owner	12,459,208	Nil	3,819,204	16,278,412	4.15%
U Po Chu	Beneficial owner	825,525	Nil	Nil	825,525	0.21%

Notes:

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

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

2. *The percentage has been compiled based on the total number of issued LSG Shares as at 31 July 2020 (i.e. 392,610,623 LSG Shares).*

Directors' Interests (continued)

(2) Associated corporations of the Company (continued)

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

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

Name of Director	Capacity	Number of LSD Shares Personal interests	 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/ Owner of controlled corporation	Nil	888,300 *(Note 3)*	2,867,081	3,755,381	0.61%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	4,173,081	4,173,081	0.68%
Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	832,000	832,000	0.14%
Tham Seng Yum, Ronald	Beneficial owner	Nil	Nil	800,000	800,000	0.13%
U Po Chu	Beneficial owner	26,919	Nil	Nil	26,919	0.004%

Notes:

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

Name of Director	***Date of grant***	***Number of underlying LSD Shares comprised in share options***	***Option period***	***Exercise price per LSD Share*** *(HK$)*
Chew Fook Aun	*05/06/2012*	*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*
Lee Tze Yan, Ernest	*18/01/2013*	*832,000*	*18/01/2013 – 17/01/2023*	*16.10*
Tham Seng Yum, Ronald	*19/08/2019*	*800,000*	*19/08/2019 – 18/08/2029*	*9.92*

2. *The percentage has been compiled based on the total number of issued LSD Shares as at 31 July 2020 (i.e. 611,174,025 LSD Shares).*

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

(2) Associated corporations of the Company (continued)

(iii) *eSun Holdings Limited ("**eSun**")*

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

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

Note: The percentage has been compiled based on the total number of issued eSun Shares as at 31 July 2020 (i.e. 1,491,854,598 eSun Shares).

(iv) *LSD Bonds (2017) Limited*

Long position in the 4.6% guaranteed notes due 2022

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

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

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

Substantial Shareholders' and Other Person's Interests

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

(A) Long positions in the Shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares *(Note 1)*
Substantial Shareholders				
Lai Sun Development Company Limited ("**LSD**")	Owner of controlled corporations	Corporate	180,618,266 *(Note 2)*	54.56%
Lai Sun Garment (International) Limited ("**LSG**")	Owner of controlled corporations	Corporate	180,618,266 *(Note 3)*	54.56%
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	180,618,266 *(Note 4)*	54.56%
Holy Unicorn Limited ("**Holy Unicorn**")	Beneficial owner	Corporate	180,600,756 *(Note 2)*	54.55%
Transtrend Holdings Limited ("**Transtrend**")	Beneficial owner	Corporate	17,510 *(Note 2)*	0.005%
CapitaLand China Holdings Pte Ltd ("**CapitaLand China**")	Owner of controlled corporation	Corporate	64,400,000 *(Note 5)*	19.45%
CapitaLand China Investments Limited ("**CapitaLand Investments**")	Owner of controlled corporations	Corporate	64,400,000 *(Note 5)*	19.45%
CapitaLand LF (Cayman) Holdings Co., Ltd. ("**CapitaLand Cayman**")	Beneficial owner	Corporate	64,400,000	19.45%
CapitaLand Limited	Owner of controlled corporations	Corporate	64,400,000 *(Note 5)*	19.45%
Temasek Holdings (Private) Limited ("**Temasek**")	Owner of controlled corporations	Corporate	64,400,000 *(Note 5)*	19.45%
Yu Cheuk Yi	Beneficial owner	Personal	34,729,037 *(Note 6)*	10.49%
Yu Siu Yuk	Beneficial owner	Personal	34,729,037 *(Note 6)*	10.49%

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

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares *(Note 1)*
Other Person				
Moerus Capital Management LLC	Investment manager	Corporate	26,189,425 *(Note 7)*	7.99%

Notes:

1. *The percentage has been compiled based on the total number of issued Shares as at 31 July 2020 (i.e. 331,033,443 Shares).*

2. *These interests in the Company represented all the Shares beneficially owned by Holy Unicorn (180,600,756 Shares or approximately 54.55% of the total issued Shares) and Transtrend (17,510 Shares or approximately 0.005% of the total issued Shares), both being wholly-owned subsidiaries of LSD.*

3. *LSG owned approximately 56.22% shareholding interests in LSD. As such, LSG was deemed to be interested in the same 180,618,266 Shares in which LSD had interests.*

4. *Dr. Lam Kin Ngok, Peter was deemed to be interested in 180,618,266 Shares by virtue of his personal and deemed shareholding interests in approximately 41.66% (excluding share option) in LSG which in turn owned approximately 56.22% shareholding interests in LSD.*

5. *These interests in the Company represented the Shares beneficially owned by CapitaLand Cayman which was wholly owned by CapitaLand China which in turn was wholly owned by CapitaLand Investments while CapitaLand Investments was wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 64,400,000 Shares held by CapitaLand Cayman by virtue of its more than 50% indirect interest in the issued share capital of CapitaLand Limited.*

6. *Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 34,729,037 Shares which were held jointly by them.*

7. *Moerus Capital Management LLC held 26,189,425 Shares in the capacity of investment manager.*

Substantial Shareholders' and Other Person's Interests (continued)

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

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

Notes:

1. *The percentage has been compiled based on the total number of issued Shares as at 31 July 2020 (i.e. 331,033,443 Shares).*

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

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 July 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 27 to the financial statements and the section headed "Continuing Connected Transactions" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined under the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Continuing Connected Transactions

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

1. Ascott Management Agreement

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

Pursuant to the 2009 Management Agreement,

(a) Ascott shall be entitled to receive, for each fiscal year during and throughout the term of the 2009 Management Agreement, a base management fee; and

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

Ascott is a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**") and CapitaLand is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, Ascott is an associate (as defined under the Listing Rules) of CapitaLand and therefore is a connected person of the Company under Rule 14A.07 of the Listing Rules, and the transactions contemplated under the 2009 Management Agreement constitute continuing connected transactions for the Company under the Listing Rules.

On 23 January 2020, in view of the expiry of the 2009 Management Agreement on 30 April 2020, Li Xing and Ascott considered appropriate to renew the 2009 Management Agreement by entering into an agreement ("**2020 Management Agreement**") to renew the term of the 2009 Management Agreement for a period of ten years commencing on 1 May 2020 and renewable for two successive terms of five years at the option of Ascott and subject to the agreement of Li Xing.

Continuing Connected Transactions (continued)

1. Ascott Management Agreement (continued)

Pursuant to the 2020 Management Agreement,

(a) Ascott shall be entitled to receive, for each fiscal year during and throughout the term of the 2020 Management Agreement, a base management fee; and

(b) Ascott will provide (i) computer modular programs for use in connection with the management and operation of the Serviced Residence at a fee of RMB150 per unit per month, (ii) centralised reservation services at a fee of RMB24,000 per month and (iii) other services including, but not limited to, educational and training programmes and facilities, cluster advertising and promotion services, and central purchasing and procurement services at a fee of RMB2,000,000 per annum.

The maximum amount of total fees payable by Li Xing to Ascott during the term of the 2020 Management Agreement will not exceed RMB15,000,000 per annum.

Details of the 2020 Management Agreement are set out in an announcement dated 23 January 2020 jointly published by the Company, LSG, LSD, and eSun.

For the Year, such fees paid or payable to Ascott amounted to RMB6,340,000 (equivalent to approximately HK$7,001,000).

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

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

Pursuant to the Renewal Agreement, (i) each relevant transaction shall be governed by a written agreement on normal commercial terms and (ii) the rental or fees payable and/or receivable shall be fixed by reference to the prevailing market of comparable rental or fees, including property management fees. The Renewal Agreement is for a period of three years commencing on 1 August 2017 and expiring on 31 July 2020. Under the Renewal Agreement, the Company has adopted a maximum aggregate annual value ("**Cap Amount**") of (i) HK$4,100,000, HK$4,400,000 and HK$4,800,000 for the financial year ended 31 July 2018, the financial year ended 31 July 2019 and the Year in respect of its Transactions with LSG Group and LSD Group (both excluding the Group and eSun Group), and (ii) HK$10,200,000, HK$11,000,000 and HK$11,900,000 for the financial year ended 31 July 2018, the financial year ended 31 July 2019 and the Year in respect of its Transactions with eSun Group (including MAGHL Group but excluding the Group).

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

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

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

eSun ceased to be a controlling shareholder of the Company on 14 May 2020 but remains a subsidiary of LSD and LSG. Hence, the Transactions between the Group and eSun Group remain continuing connected transactions of the Company.

For the Year, rental and management fee income received or receivable from, and rental and management fee paid or payable to LSD Group (excluding the Group and eSun Group) subject to the 2020 Annual Cap amounted to HK$1,494,000 and HK$1,951,000, respectively.

For the Year, rental and management fee income received or receivable from eSun Group (including MAGHL Group but excluding the Group) amounted to HK$6,048,000.

The Renewal Agreement expired on 31 July 2020.

3. Property Management Services Agreements

On 16 July 2019, Zhuhai Hengqin Novotown Business Management Co., Ltd. ("**Novotown Business Management**"), an indirect wholly-owned subsidiary of the Company and Zhuhai Hengqin Novotown Creative Culture Co., Ltd. ("**Novotown Creative Culture**") entered into the Novotown Creative Culture Property Management Services Agreement, pursuant to which Novotown Business Management will provide property management services to Novotown Creative Culture from 1 September 2019 to 31 August 2022 subject to the annual cap 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.

On 16 July 2019, Novotown Business Management and Zhuhai Hengqin Novotown Entertainment Co., Ltd. ("**Novotown Entertainment**") entered into the Novotown Entertainment Property Management Services Agreement, pursuant to which Novotown Business Management will provide property management services to Novotown Entertainment from 1 August 2019 to 31 July 2022 subject to the annual cap 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.

On 23 July 2019, Novotown Business Management and Zhuhai Hengqin Laisun Creative Culture City Co., Ltd. ("**Laisun Creative Culture**") entered into the Laisun Creative Culture Property Management Services Agreement, pursuant to which Novotown Business Management will provide property management services to Laisun Creative Culture from 1 October 2019 to 30 September 2022 subject to the annual cap 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.

Continuing Connected Transactions (continued)

3. Property Management Services Agreements (continued)

eSun was the controlling shareholder of the Company. Each of Novotown Creative Culture, Novotown Entertainment and Laisun Creative Culture, is a connected subsidiary of the Company pursuant to Rule 14A.16(2) of the Listing Rules by virtue of being an indirect subsidiary of Rosy Commerce Holdings Limited ("**Rosy Commerce**"), which is in turn a connected subsidiary of the Company controlled as to 20% by eSun (as at the date of the Property Management Services Agreements) indirectly.

Accordingly, each of Novotown Creative Culture Property Management Services Agreement, Novotown Entertainment Property Management Services Agreement and Laisun Creative Culture Property Management Services Agreement (collectively, "**Property Management Services Agreements**") constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Rosy Commerce is now controlled as to 20% (excluding the portion indirectly held through the Group) by LSD which is a controlling shareholder of the Company. Accordingly, the Property Management Services Agreements remain continuing connected transactions of the Company.

For the Year, the amounts of the property management fees paid or payable to Novotown Business Management by the relevant connected subsidiaries were as follows:

Novotown Creative Culture	RMB1,449,000 (equivalent to approximately HK$1,600,000)
Novotown Entertainment	RMB8,099,000 (equivalent to approximately HK$8,943,000)
Laisun Creative Culture	RMB686,000 (equivalent to approximately HK$757,000)

4. Cost-sharing Agreements

On 16 July 2019, Novotown Business Management and Laisun Creative Culture entered into the Laisun Creative Culture Cost-sharing Agreement, pursuant to which Novotown Business Management and Laisun Creative Culture will share the costs and expenses in connection with the use of the head lease premises leased by Novotown Business Management ("**Head Lease Premises**") as staff quarter on a cost basis from 1 September 2019 to 30 April 2021 subject to the annual caps not exceeding HK$3.1 million for the financial year ended 31 July 2020 and HK$3.3 million for the financial year ending 31 July 2021.

On 16 July 2019, Novotown Business Management and Novotown Creative Culture entered into the Novotown Creative Culture Cost-sharing Agreement, pursuant to which Novotown Business Management and Novotown Creative Culture will share the costs and expenses in connection with the use of the Head Lease Premises as staff quarter on a cost basis from 1 September 2019 to 30 April 2021 subject to the annual caps not exceeding HK$0.5 million for each of the financial years ended 31 July 2020 and ending 31 July 2021.

On 16 July 2019, Novotown Business Management and Novotown Entertainment entered into the Novotown Entertainment Cost-sharing Agreement, pursuant to which Novotown Business Management and Novotown Entertainment will share the costs and expenses in connection with the use of the Head Lease Premises as staff quarter on a cost basis from 1 September 2019 to 30 April 2021 subject to the annual caps not exceeding HK$2.5 million for the financial year ended 31 July 2020 and HK$2.8 million for the financial year ending 31 July 2021.

4. Cost-sharing Agreements (continued)

As mentioned in paragraph 3 above, each of Laisun Creative Culture, Novotown Creative Culture and Novotown Entertainment is a connected subsidiary of the Company pursuant to Rule 14A.16(2) of the Listing Rules. Accordingly, each of the Laisun Creative Culture Cost-sharing Agreement, Novotown Creative Culture Cost-sharing Agreement and Novotown Entertainment Cost-sharing Agreement (collectively, "**Cost-sharing Agreements**") constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Cost-sharing Agreements also remain continuing connected transactions of the Company.

For the Year, the amount of the cost-sharing fees paid or payable to Novotown Business Management by the relevant connected subsidiaries were as follows:

Laisun Creative Culture	RMB1,733,000 (equivalent to approximately HK$1,914,000)
Novotown Creative Culture	RMB247,000 (equivalent to approximately HK$273,000)
Novotown Entertainment	RMB1,581,000 (equivalent to approximately HK$1,746,000)

5. 2020 Commercial Letting Framework Agreement

On 31 July 2020, the Company, LSG, LSD, eSun and MAGHL entered into the commercial letting framework agreement for the transactions with regard to the letting and/or licensing of premises for office space, warehouse, sales office, restaurant premises, serviced apartments, commercial shops and show flats within members of the Lai Sun Group ("**Transactions**") for a period of three years commencing on 1 August 2020 and expiring on 31 July 2023 ("**2020 Commercial Letting Framework Agreement**").

Pursuant to the 2020 Commercial Letting Framework Agreement,

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

(ii) the rental or fees (including property management fees) payable under each Transaction and their payments terms shall be determined by reference to the prevailing market or comparable rental or fees; and

(iii) LSG, LSD, the Company, eSun and MAGHL may, in accordance with requirements of the Listing Rules, determine the annual cap amount in respect of the Transactions constituting its continuing connected transactions for each of the three financial years ending 31 July 2021, 2022 and 2023.

Continuing Connected Transactions (continued)

5. 2020 Commercial Letting Framework Agreement (continued)

Pursuant to Hong Kong Financial Reporting Standard 16 Leases, which became effective for the Lai Sun Group from 1 August 2019, lessees are required to recognise right-of-use asset in respect of fixed rental payments. Moreover, licensing fees payable by lessees other than fixed rental payments are recorded as expenses incurred by the lessees over the term of that lease. As a result, the Company has set the following cap amounts:

As lessee:

(i) the annual cap amount for the total value of the right-of-use assets in respect of the Transactions is HK$6,800,000, HK$7,300,000 and HK$7,900,000 for the respective financial years ending 31 July 2021, 2022 and 2023; and

(ii) the annual cap amount for licensing and other fees in respect of the Transactions is HK$800,000 for each of the financial years ending 31 July 2021, 2022 and 2023.

As lessor:

The annual cap amount for the annual rental, licensing fees and/or other fees receivable by the Group in respect of the Transactions is HK$11,800,000, HK$12,900,000 and HK$14,000,000 for the respective financial years ending 31 July 2021, 2022 and 2023.

LSG and LSD are holding companies of the Company and hence connected persons of the Company under the Listing Rules. Accordingly, Transactions between the Group and each of the LSG Group (excluding the LSD Group) and the LSD Group (including the eSun Group and the MAGHL Group) constitute continuing connected transactions of the Company.

Details of the 2020 Commercial Letting Framework Agreement are set out in an announcement dated 31 July 2020 jointly published by the Company, LSG, LSD, eSun and MAGHL.

6. The May Flower Cinema Leases

On 31 October 2015, Zhongshan Baoli Property Development Company Limited, an indirect wholly-owned subsidiary of the Company, as lessor, entered into an agreement with Guangdong May Flower Cinema City Company Limited ("**Guangdong Cinema City**", an indirect wholly-owned subsidiary of eSun), as lessee, for extension of the lease of certain premises in Zhongshan Palm Spring (a multi-phase development project wholly owned by the Company) for operation of Zhongshan May Flower Cinema for a further term of 15 years, from 1 November 2015 to 31 October 2030 ("**Zhongshan May Flower Cinema Lease**").

On 1 November 2015, Guangzhou Jieli Real Estate Company Limited, an indirect wholly-owned subsidiary of the Company, as lessor, entered into an agreement with Guangdong Cinema City, as lessee, for extension of the lease of certain premises in Guangzhou May Flower Plaza (a commercial property wholly owned by the Company) for operation of Guangzhou May Flower Cinema for a further term of 15 years, from 1 November 2015 to 31 October 2030 ("**Guangzhou May Flower Cinema Lease**").

6. The May Flower Cinema Leases (continued)

Zhongshan May Flower Cinema Lease and Guangzhou May Flower Cinema Lease (collectively, "**May Flower Cinema Leases**").

Since eSun was already a substantial shareholder of the Company at the time of the entry into of the May Flower Cinema Leases, the May Flower Cinema Leases already constituted continuing connected transactions of the Company and the Company has already complied with the applicable requirements under Chapter 14A of the Listing Rules when they were entered into pursuant to the Memorandum of Agreement. Notwithstanding eSun has ceased to be a substantial shareholder of the Company on 14 May 2020, it remains a connected person of the Company for it is a subsidiary of LSD, which is a controlling shareholder of the Company. Hence, the May Flower Cinema Leases remain continuing connected transactions of the Company.

The May Flower Cinema Leases were entered into pursuant to the Memorandum of Agreement (as renewed and amended), the term of which expired on 31 July 2020. Notwithstanding the expiry of the term of the Memorandum of Agreement, each May Flower Cinema Lease will continue for the remainder of its term.

The rental and other amounts (including the property management fees and any additional turnover rent) payable to the Group under the May Flower Cinema Leases are subject to an annual cap of RMB9,000,000 for the Company (as lessor) for each of the ten financial years ending 31 July 2030 and an annual cap of RMB3,000,000 for the financial year ending 31 July 2031.

Details of the May Flower Cinema Leases are set out in an announcement dated 31 July 2020 jointly published by the Company, LSG, LSD and eSun.

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

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

(b) on normal commercial terms or better; and

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

Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), the Company's independent auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed under paragraphs 1 to 4 above to the Board in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Continuing Connected Transactions (continued)

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

Guaranteed Notes

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

Share Capital

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

Distributable Reserves

As at 31 July 2020, the Company's reserves available for distribution amounted to HK$670,304,000 which comprised retained earnings and exchange fluctuation reserve.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$4,105,466,000 may be applied for paying distributions or dividends to members provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2020 are set out in note 44 to the financial statements.

Donations for Charitable and Other Purposes

During the Year, the Group made donations for charitable or other purposes totaling HK$2,738,000.

Pre-Emptive Rights

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

Summary of Financial Information

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the Financial Summary of this Annual Report on pages 29 and 30.

Major Customers and Suppliers

During the Year, turnover or sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover. During the Year, the Group's purchases from its five largest suppliers accounted for approximately 61% of the Group's total purchases, while the largest supplier accounted for approximately 23% of the Group's total purchases for the Year.

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

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

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

Purchase, Sale or Redemption of Listed Securities

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

Sufficiency of Public Float

The percentage of public float of the Company has fallen below 25% (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the period from 16 September 2019 to 2 August 2020.

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

As disclosed in the Closing Announcement, immediately following the close of the LF Offers, 48,982,620 Shares are held by the public (within the meaning of the Listing Rules), representing approximately 14.80% of the total issued Shares as at the date of the Closing Announcement. Pursuant to Note 1 to Rule 8.08(1)(b) of the Listing Rules, trading in the Shares will normally be required to be suspended if the percentage of public float falls below 15%. As such, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 29 May 2020 pending the restoration of minimum public float of the Shares.

Sufficiency of Public Float (continued)

As disclosed in the Company's announcement dated 4 August 2020, the Company was informed by YUs by way of their disclosure of interest filings that YUs have disposed of an aggregate of 1,658,800 Shares, representing approximately 0.50% of the total issued Shares on 3 August 2020 ("**Disposal**"). Following completion of the Disposal, the shareholding interests in the Company held by YUs have been reduced from 34,729,037 Shares to 33,070,237 Shares, representing approximately 9.99% of the total issued share capital of the Company as at the date of the announcement. Accordingly, YUs have ceased to be substantial shareholders (as defined under the Listing Rules) of the Company and have become members of the public (within the meaning of Rule 8.24 of the Listing Rules), and their shareholding interests in the Company would be included in the public float of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, immediately after the completion of the Disposal, 83,711,657 Shares, representing approximately 25.29% of the total issued share capital of the Company, are held by the public. Accordingly, the Company's public float has been restored to not less than 25% of the total issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules with effect from 3 August 2020.

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 Report, at least 25% of the issued Shares were held by the public as required under the Listing Rules.

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 52 to 69 of this Annual Report.

Independence of Independent Non-Executive Directors

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

Equity-Link Agreement

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

Review by Audit Committee

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

Independent Auditor

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

On behalf of the Board

Chew Fook Aun
Chairman
Hong Kong
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) Cayman Islands

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

(c) Consultation with professional advisers

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

Key Dates

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

	For Financial Year 2019/2020
Annual results announcement	20 October 2020
Latest time and date for lodging transfer documents with the Hong Kong branch share registrar to ascertain entitlement to attending and voting at the 2020 Annual General Meeting ("**2020 AGM**")	4:30 p.m. on 14 December 2020
2020 AGM	18 December 2020
	For Financial Year 2020/2021
Interim results announcement	on or before 31 March 2021
Annual results announcement	on or before 31 October 2021

Independent Auditor's Report

EY安永

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

Opinion

We have audited the consolidated financial statements of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 106 to 206, 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
Estimation of fair value of investment properties	
The Group's investment properties measured at fair value amounted to HK$17.4 billion as at 31 July 2020. Significant estimation and judgement are required by management to determine the fair value of the investment properties. To support management's determination of the fair value, the Group engaged an external valuer to perform valuations on the investment properties at the end of the reporting period. The related disclosures for the estimation of fair value of investment properties are included in notes 3 and 15 to the financial statements.	We evaluated the objectivity, independence and competency of the external valuer. We also involved our internal valuation specialists to assist us to evaluate the valuation techniques and assumptions used. We also tested the underlying key estimations and assumptions for selected samples through enquiry with management and by reference to the historical information and open market information.
Land appreciation tax in Mainland China	
The Group is subject to land appreciation tax ("**LAT**") in respect of the Group's property development projects in Mainland China. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. Significant management judgement and estimations are required in determining the LAT provision for these projects. Changes in assumptions about the decisions that might be taken by the relevant tax authorities can materially impact the level of LAT provisions recorded in the financial statements. The final outcome could be different from the amounts that were initially recorded. The related disclosures in relation to LAT are included in notes 3 and 10 to the financial statements.	We involved our internal tax specialists to assist us in the assessment of the LAT calculation prepared by management, including analysing and evaluating the estimates and assumptions used by management as well as the adequacy and completeness of the LAT provision.

Other Information Included in the Annual Report

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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
TURNOVER	5	**1,201,779**	1,461,249
Cost of sales		**(604,505)**	(543,777)
Gross profit		**597,274**	917,472
Other income and gains	5	**78,168**	59,182
Selling and marketing expenses		**(63,326)**	(60,469)
Administrative expenses		**(267,164)**	(240,378)
Other operating expenses, net		**(196,596)**	(5,562)
Write-down of completed properties for sale to net realisable value		**(467,920)**	—
Fair value gains/(losses) on investment properties	15	**(599,081)**	634,810
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	7	**(918,645)**	1,305,055
Finance costs	6	**(262,870)**	(114,287)
Share of losses of joint ventures		**(214)**	(20,191)
Share of losses of associates		**(617)**	(40)
PROFIT/(LOSS) BEFORE TAX		**(1,182,346)**	1,170,537
Tax	10	**(42,212)**	(430,482)
PROFIT/(LOSS) FOR THE YEAR		**(1,224,558)**	740,055
ATTRIBUTABLE TO:			
Owners of the Company		**(1,006,263)**	668,556
Non-controlling interests		**(218,295)**	71,499
		(1,224,558)	740,055
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	12		
Basic		**(HK$3.049)**	HK$2.043
Diluted		**(HK$3.049)**	HK$2.041

Consolidated Statement of Comprehensive Income

Year ended 31 July 2020

	2020	2019
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE YEAR	**(1,224,558)**	740,055
OTHER COMPREHENSIVE EXPENSES THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		
Exchange differences:		
Exchange differences arising on translation to the presentation currency	**(508,893)**	(269,515)
Reclassification adjustment upon winding-up of a subsidiary	**—**	(10,134)
	(508,893)	(279,649)
Share of other comprehensive expenses of joint ventures	**—**	(7,165)
Share of other comprehensive expenses of an associate	**(11)**	(20)
	(508,904)	(286,834)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**(1,733,462)**	453,221
ATTRIBUTABLE TO:		
Owners of the Company	**(1,496,209)**	391,002
Non-controlling interests	**(237,253)**	62,219
	(1,733,462)	453,221

Consolidated Statement of Financial Position

31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,547,337**	3,627,227
Prepaid land lease payments	16	**—**	3,951
Right-of-use assets	16	**475,780**	—
Investment properties	15	**18,393,986**	20,455,200
Properties under development	14	**—**	711,362
Investment in a joint venture	17	**1,103**	1,317
Investments in associates	18	**533**	5,804
Derivative financial instruments	24	**6,821**	20,581
Total non-current assets		**22,425,560**	24,825,442
CURRENT ASSETS			
Properties under development	14	**1,444,316**	1,811,683
Completed properties for sale		**3,909,055**	902,331
Inventories		**6,341**	5,012
Debtors, deposits and prepayments	19	**598,884**	554,897
Prepaid tax		**42,154**	42,031
Pledged and restricted time deposits and bank balances	20	**1,330,619**	1,173,775
Cash and cash equivalents	20	**1,193,956**	1,923,484
		8,525,325	6,413,213
Assets classified as held for sale	21	**7,449**	70,972
Total current assets		**8,532,774**	6,484,185
CURRENT LIABILITIES			
Creditors and accruals	22	**2,335,241**	2,062,621
Contract liabilities and deposits received	23	**608,438**	540,744
Interest-bearing bank loans	25	**3,515,128**	433,536
Lease liabilities	16	**5,034**	—
Derivative financial instruments	24	**5,852**	—
Loans from a fellow subsidiary	28	**—**	316,259
Tax payable		**214,581**	155,643
Other borrowings	26	**41,050**	41,440
Total current liabilities		**6,725,324**	3,550,243
NET CURRENT ASSETS		**1,807,450**	2,933,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,233,010**	27,759,384

	Notes	2020 HK$'000	2019 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,233,010**	27,759,384
NON-CURRENT LIABILITIES			
Lease liabilities	16	**787**	—
Long-term deposits received	23	**119,852**	149,213
Interest-bearing bank loans	25	**3,635,370**	5,554,150
Advances from a former substantial shareholder	27	**51,738**	53,006
Loans from a fellow subsidiary	28	**396,475**	—
Guaranteed notes	29	**2,699,772**	2,720,857
Deferred tax liabilities	30	**2,909,494**	3,100,475
Total non-current liabilities		**9,813,488**	11,577,701
		14,419,522	16,181,683
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**1,655,167**	1,636,935
Reserves	33	**12,653,932**	14,197,072
		14,309,099	15,834,007
Non-controlling interests		**110,423**	347,676
		14,419,522	16,181,683

Chew Fook Aun
Director

Lam Hau Yin, Lester
Director

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	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 31 July 2018 and 1 August 2018		1,635,221	4,085,811	29,529	489,186	137,165	373,345	8,752,610	15,502,867	285,457	15,788,324
Profit for the year		—	—	—	—	—	—	668,556	668,556	71,499	740,055
Other comprehensive expenses for the year, net of tax:											
Exchange differences arising on translation to the presentation currency		—	—	—	(270,369)	—	—	—	(270,369)	(9,280)	(279,649)
Share of other comprehensive expenses of joint ventures		—	—	—	(7,165)	—	—	—	(7,165)	—	(7,165)
Share of other comprehensive expenses of an associate		—	—	—	(20)	—	—	—	(20)	—	(20)
Total comprehensive income/(expenses) for the year, net of tax		—	—	—	(277,554)	—	—	668,556	391,002	62,219	453,221
Equity-settled share option arrangement	32	—	—	2,322	—	—	—	—	2,322	—	2,322
Transfer to statutory reserve		—	—	—	—	—	6,114	(6,114)	—	—	—
Reserve realised upon winding-up of a joint venture		—	—	—	—	—	(136,588)	136,588	—	—	—
Shares issued in lieu of cash dividend	31	1,714	1,511	—	—	—	—	(3,225)	—	—	—
Final 2018 dividend paid	11	—	—	—	—	—	—	(62,184)	(62,184)	—	(62,184)
As at 31 July 2019 and 1 August 2019		1,636,935	4,087,322*	31,851*	211,632*	137,165*	242,871*	9,486,231*	15,834,007	347,676	16,181,683
Loss for the year		—	—	—	—	—	—	(1,006,263)	(1,006,263)	(218,295)	(1,224,558)
Other comprehensive expenses for the year, net of tax:											
Exchange differences arising on translation to the presentation currency		—	—	—	(489,935)	—	—	—	(489,935)	(18,958)	(508,893)
Share of other comprehensive expenses of an associate		—	—	—	(11)	—	—	—	(11)	—	(11)
Total comprehensive expenses for the year, net of tax		—	—	—	(489,946)	—	—	(1,006,263)	(1,496,209)	(237,253)	(1,733,462)
Issue of shares upon exercise of share options	31	548	431	(250)	—	—	—	—	729	—	729
Equity-settled share option arrangement	32	—	—	674	—	—	—	—	674	—	674
Release of reserve upon lapse and cancellation of share options		—	—	(4,629)	—	—	—	4,629	—	—	—
Transfer to statutory reserve		—	—	—	—	—	13,598	(13,598)	—	—	—
Shares issued in lieu of cash dividend	31	17,684	17,713	—	—	—	—	(35,397)	—	—	—
Final 2019 dividend paid	11	—	—	—	—	—	—	(30,102)	(30,102)	—	(30,102)
As at 31 July 2020		**1,655,167**	**4,105,466***	**27,646***	**(278,314)***	**137,165***	**256,469 ***	**8,405,500***	**14,309,099**	**110,423**	**14,419,522**

* *These reserve accounts comprise the consolidated reserves of HK$12,653,932,000 (2019: HK$14,197,072,000) in the consolidated statement of financial position.*

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		**(1,182,346)**	1,170,537
Adjustments for:			
Fair value losses/(gains) on investment properties	15	**599,081**	(634,810)
Finance costs	6	**262,870**	114,287
Share of losses of joint ventures		**214**	20,191
Share of losses of associates		**617**	40
Interest income	5	**(23,479)**	(25,690)
Depreciation of property, plant and equipment	7	**229,130**	55,042
Amortisation of prepaid land lease payments	7	**—**	179
Depreciation of right-of-use assets	7	**18,897**	—
Foreign exchange differences, net	7	**(23,860)**	(22,050)
Loss on disposal of items of property, plant and equipment	7	**1,230**	765
Write-down of completed properties for sale to net realisable value		**467,920**	—
Write-down of properties under development to net realisable value	7	**15,037**	—
Derecognition loss on rental receivable	7	**10,663**	—
Fair value losses/(gains) on cross currency swaps	7	**13,760**	(18,050)
Fair value losses on foreign currency forward contract	7	**5,852**	—
Equity-settled share option expenses	7	**674**	2,322
		396,260	662,763
Decrease in completed properties for sale		**203,546**	243,393
Increase in properties under development		**(663,553)**	(703,012)
Decrease in assets classified as held for sale		**63,445**	—
Increase in debtors, deposits and prepayments		**(54,650)**	(172,497)
Increase in inventories		**(1,329)**	(5,012)
Increase in creditors and accruals, and contract liabilities and short-term deposits received		**20,923**	290,844
Increase/(decrease) in long-term deposits received		**(29,361)**	4,978
Cash generated from/(used in) operations		**(64,719)**	321,457
Mainland China taxes paid, net		**(99,338)**	(194,122)
Net cash flows from/(used in) operating activities		**(164,057)**	127,335
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**23,479**	25,690
Purchases of items of property, plant and equipment		**(392,209)**	(1,155,337)
Additions to right-of-use assets		**(8,823)**	—
Additions to investment properties		**(943,905)**	(1,621,322)
Repayment from a joint venture		**—**	216,905
A dividend received from a joint venture		**—**	1,603,755
Investment in an associate		**(690)**	—
Repayment of advance from an associate		**4,495**	—
Increase in pledged and restricted time deposits and bank balances		**(192,187)**	(113,568)
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		**(1,470,531)**	(1,083,186)

Consolidated Statement of Cash Flows

Year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**729**	—
New bank loans, net of direct costs		**1,657,354**	4,396,807
Repayment of bank loans		**(448,522)**	(2,177,895)
Loans from fellow subsidiaries		**402,475**	117,860
Repayment of loans from a fellow subsidiary		**(322,259)**	(48,187)
Loans from a joint venture		**—**	462,834
Repayment of loans from a joint venture		**—**	(1,095,915)
Increase in other borrowings		**—**	41,560
Increase in put option liabilities		**—**	280,532
Amount received from a potential non-controlling shareholder of a subsidiary		**220,848**	—
Payments of lease liabilities	16(a)(iii)	**(5,942)**	—
Interest and bank financing charges paid		**(492,554)**	(425,089)
Dividend paid	11	**(30,102)**	(62,184)
Net cash flows from financing activities		**982,027**	1,490,323
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(652,561)**	534,472
Cash and cash equivalents at beginning of year		**1,884,175**	1,364,285
Effect of foreign exchange rate changes, net		**(37,658)**	(14,582)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,193,956**	1,884,175
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	20	**871,435**	1,238,373
Non-pledged and non-restricted time deposits	20	**322,521**	685,111
Cash and cash equivalents as stated in the consolidated statement of financial position	20	**1,193,956**	1,923,484
Non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	20	**—**	(39,309)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,193,956**	1,884,175

Notes to Financial Statements

31 July 2020

1. Corporate and Group Information

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

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

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

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

In the opinion of the directors, the ultimate holding company of the Company as at 31 July 2020 was Lai Sun Garment (International) Limited ("**LSG**"), which was incorporated in Hong Kong and is listed in Hong Kong.

During the year, the Company went through 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**"), to acquire all issued shares of the Company (other than those already owned by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of the Company. As detailed in the joint announcement of LSG, LSD, eSun Holdings Limited ("**eSun**") and the Company dated 14 May 2020, the LF Offers have been declared unconditional in all respects on 14 May 2020. LSG is the ultimate holding company of LSD, hence LSG remains as the ultimate holding company of the Company after the completion of LF Offers. Resulting from the aforesaid, eSun ceased to be an intermediate holding company of the Company and became a fellow subsidiary of the Company instead since 14 May 2020.

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2020. A subsidiary is an entity (including a structural entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
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*

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the application of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

2.2 Changes in Accounting Policies and Disclosures (continued)

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 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. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has 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 earnings at 1 August 2019, and the comparative information for the year ended 31 July 2019 and as at 31 July 2019 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.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices.

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 certain office, warehouse premises and staff dormitory. 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). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impact on transition

Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 August 2019. The Group elected to present the lease liabilities separately in the consolidated statement of financial position. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 August 2019 was about 5.65%.

2.2 Changes in Accounting Policies and Disclosures (continued)

HKFRS 16 *Leases* (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impact on transition (continued)

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, land use rights previously included in property, plant and equipment and prepaid land lease payments on the consolidated statement of financial position are grouped as part of the right-of-use assets with effect from 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/terminate the lease.
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impact arising from the adoption of HKFRS 16 as at 1 August 2019 was as follows:

	Increase/(decrease) **HK$'000**
Assets	
Right-of-use assets	452,808
Property, plant and equipment	(440,268)
Prepaid land lease payments	(3,951)
Increase in total assets	8,589
Liabilities	
Lease liabilities	8,589
Increase in total liabilities	8,589

2.2 Changes in Accounting Policies and Disclosures (continued)

HKFRS 16 *Leases* (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impact on transition (continued)

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

	HK$'000
Operating lease commitments as at 31 July 2019	9,833
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 July 2020	(776)
	9,057
Weighted average incremental borrowing rate as at 1 August 2019	5.65%
Lease liabilities as at 1 August 2019	**8,589**

2.3 Issued but not Yet Effective HKFRSs

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
HKFRS 17	*Insurance Contracts*[3]
Amendment to HKFRS 16	*Covid-19 — Related Rent Concessions*[2]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[4]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[4]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[4]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[5]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41*[4]

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

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application. The Group is not yet in the position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

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

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

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated statement of 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*.

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.

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

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, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

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

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment including owner-operated hotels, serviced apartment 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 held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold 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 it arises.

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

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

Properties under development

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

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

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

Completed properties for sale

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

2.4 Summary of Significant Accounting Policies (continued)

Completed properties for sale (continued)

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

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

Non-current assets held for sale

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

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

Leases (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.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. 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 "Properties under development" and "Completed properties for sale". 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life or the lease term. 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".

2.4 Summary of Significant Accounting Policies (continued)

Leases (applicable from 1 August 2019) (continued)

Group as a lessee (continued)

Right-of-use assets (continued)

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:

Leasehold land	Over the remaining lease terms of the land
Office, warehouse premises and staff dormitory	2 to 3 years

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), a change in the in-substance fixed lease payments or a change in assessment of an option to purchase the underlying asset.

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

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. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income statement due to its operating nature. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 Summary of Significant Accounting Policies (continued)

Leases (applicable before 1 August 2019)

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at 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 profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

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

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.

Derecognition of financial assets

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

The Group 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

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

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, loans from a joint venture, deposits received, interest-bearing bank loans, lease liabilities, derivative financial instruments, advances from a former substantial shareholder, loans from a fellow subsidiary, other borrowings and guaranteed notes.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

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.

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 contracts 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, the cumulative amount of income recognised.

2.4 Summary of Significant Accounting Policies (continued)

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

Initial recognition and subsequent measurement

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.

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).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for merchandise, food, beverages and supplies used in theme parks is determined on the weighted average cost basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 Summary of Significant Accounting Policies (continued)

Provisions

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

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

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, 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 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, and 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 a joint venture, 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.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

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

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

Mainland China land appreciation tax ("LAT")

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

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.

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 with 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 is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

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

Revenue from other sources

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

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

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).

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 recognition of the revenue to which the asset relates. Other contract costs are expensed as incurred.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payments

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payments (continued)

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

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

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

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

2.4 Summary of Significant Accounting Policies (continued)

Dividend

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

Foreign currencies

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

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

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

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

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

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

(iii) Income tax

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

As explained in note 30 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

The Group's certain investment properties at fair value in Mainland China are 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 these investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use. For the Group's investment properties at fair value with a business model for sale, deferred tax is calculated to reflect the tax consequences of recovering the carrying amounts of the investment properties through sales.

(iv) Put option liabilities

As explained in note 26 to the financial statements, put option liabilities arising from the buy-back upon the occurrence of certain triggering events during the six-year investment period are recognised as financial liabilities. When determining the classification and measurement of the put option liabilities, judgements are exercised, including determining whether the Group has the present ownership interest in the shares subject to the put options, the timing that the triggering events would occur and the possibility that the buy-back would be exercised.

Estimation uncertainty

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(i) Estimation of fair value of investment properties

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

The carrying amount of investment properties measured at fair value at 31 July 2020 was HK$17,437,900,000 (2019: HK$19,452,599,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

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

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

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

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

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: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(v) Fair value of derivative financial instruments

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

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

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

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

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services. During the year ended 31 July 2020, in order to better allocate the resources of the Group and assess the performance of different operating segments, segment information of hotels and serviced apartments and theme parks previously included in the "property investment" segment has been reclassified to the "hotel and serviced apartment operation" segment and "theme park operation" segment, respectively. Accordingly, the comparative segment information has been reclassified to conform to the current year's presentation. The four reportable segments of the Group are as follows:

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

(b) the property investment segment invests in commercial and office buildings for their rental income potential and provides building management services in Mainland China;

(c) the hotel and serviced apartment operation segment engages in operation of the hotels and serviced apartments in Mainland China; and

(d) the theme park operation segment engages in development and operation of theme parks in Mainland China.

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

Segment assets exclude prepaid tax, pledged and restricted time deposits and bank balances, cash and cash equivalents, derivative financial instruments and other unallocated corporate assets as these assets are managed on a group basis.

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

No further geographic segment information is presented as over 90% of the Group's revenue was derived from Mainland China and over 90% of the Group's non-current assets were located in Mainland China.

4. Operating Segment Information (continued)

	Property development		Property investment		Hotel and serviced apartment operation		Theme park operation		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
				(Restated)		(Restated)		(Restated)		
Segment revenue/results:										
Segment revenue										
Sales to external customers	**424,563**	613,322	**641,377**	689,507	**116,686**	158,135	**19,153**	285	**1,201,779**	1,461,249
Other revenue	**922**	916	**40,558**	24,355	**83**	42	**—**	—	**41,563**	25,313
Total	**425,485**	614,238	**681,935**	713,862	**116,769**	158,177	**19,153**	285	**1,243,342**	1,486,562
Segment results	**(266,294)**	341,064	**(243,474)**	1,025,861	**(91,403)**	35,199	**(263,079)**	(80,207)	**(864,250)**	1,321,917
Interest income from bank deposits									**23,479**	25,690
Unallocated gains									**13,126**	8,179
Unallocated expenses, net									**(91,000)**	(50,731)
Profit/(loss) from operating activities									**(918,645)**	1,305,055
Finance costs									**(262,870)**	(114,287)
Share of losses of joint ventures	**(214)**	(20,191)	**—**	—	**—**	—	**—**	—	**(214)**	(20,191)
Share of losses of associates	**—**	—	**(617)**	(40)	**—**	—	**—**	—	**(617)**	(40)
Profit/(loss) before tax									**(1,182,346)**	1,170,537
Tax									**(42,212)**	(430,482)
Profit/(loss) for the year									**(1,224,558)**	740,055
Segment assets/liabilities:										
Segment assets	**5,445,982**	3,467,453	**18,583,714**	20,641,994	**2,248,776**	1,855,727	**1,699,030**	1,716,514	**27,977,502**	27,681,688
Investment in a joint venture	**1,103**	1,317	**—**	—	**—**	—	**—**	—	**1,103**	1,317
Investments in associates	**—**	—	**533**	5,804	**—**	—	**—**	—	**533**	5,804
Unallocated assets									**2,971,747**	3,549,846
Assets classified as held for sale	**7,449**	70,972	**—**	—	**—**	—	**—**	—	**7,449**	70,972
Total assets									**30,958,334**	31,309,627
Segment liabilities	**762,767**	615,643	**1,255,591**	1,187,150	**510,908**	449,799	**157,577**	120,822	**2,686,843**	2,373,414
Unallocated liabilities									**13,851,969**	12,754,530
Total liabilities									**16,538,812**	15,127,944

During the year, no revenue from a single customer accounted for over 10% of the Group's total turnover (2019: Nil).

4. Operating Segment Information (continued)

	Property development		Property investment		Hotel and serviced apartment operation		Theme park operation		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000
Other segment information:										
Depreciation	**1,566**	1,438	**11,337**	6,383	**68,661**	41,609	**161,962**	2,097	**243,526**	51,527
Corporate and other unallocated depreciation									**4,501**	3,515
									248,027	55,042
Capital expenditure	**1,122**	965	**983,558**	1,742,100	**472,752**	507,866	**86,510**	753,160	**1,543,942**	3,004,091
Corporate and other unallocated capital expenditure									**3,255**	797
									1,547,197	3,004,888
Fair value gains/(losses) on investment properties	**—**	—	**(599,081)**	634,810	**—**	—	**—**	—	**(599,081)**	634,810
Gain on disposal of assets classified as held for sale	**55,560**	—	**—**	—	**—**	—	**—**	—	**55,560**	—
Write-down of completed properties for sale to net realisable value	**467,920**	—	**—**	—	**—**	—	**—**	—	**467,920**	—
Write-down of properties under development to net realisable value	**15,037**	—	**—**	—	**—**	—	**—**	—	**15,037**	—
Derecognition loss on rental receivable	**—**	—	**10,663**	—	**—**	—	**—**	—	**10,663**	—
Loss on disposal of items of property, plant and equipment	**40**	47	**1,074**	692	**—**	—	**11**	1	**1,125**	740
Corporate and other unallocated loss on disposal of items of property, plant and equipment									**105**	25

5. Turnover, Other Income and Gains

The Group's turnover represents revenue from the sale of properties, investment properties, hotel and serviced apartment operation, building management operation and theme park operation.

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

	2020 **HK$'000**	2019 HK$'000
Turnover	**1,201,779**	1,461,249
Other income and gains	**78,168**	59,182
Total turnover, other income and gains	**1,279,947**	1,520,431

	2020 **HK$'000**	2019 HK$'000
Turnover, other income and gains from contracts with customers		
Sale of properties	**424,563**	613,322
Hotel and serviced apartment operation	**116,686**	158,135
Building management operation	**100,499**	111,281
Theme park operation	**19,153**	285
	660,901	883,023
Turnover, other income and gains from other resources		
Rental income from investment properties	**540,878**	578,226
Interest income from bank deposits	**23,479**	25,690
Government grant *	**6,896**	—
Others	**47,793**	33,492
	619,046	637,408
Total turnover, other income and gains	**1,279,947**	1,520,431
Timing of recognition of turnover, other income and gains from contracts with customers		
At a point in time	**424,563**	613,322
Over time	**236,338**	269,701
Total	**660,901**	883,023

* There are no unfulfilled conditions or contingencies to this income.

5. TURNOVER, OTHER INCOME AND GAINS (CONTINUED)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of respective reporting period:

	2020	2019
	HK$'000	HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**163,700**	168,301

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

Sale of properties

Revenue from the sale of properties is recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property. Payment in advance is normally required.

Hotel and serviced apartment operation and building management operation

The performance obligation is satisfied over time as services are rendered. Contracts for hotel and serviced apartment services and building management services are for certain periods and are billed based on the time incurred.

Theme park operation

Revenue from admission tickets sold for use at current or for use at a future date is recognised over time when the theme park service is provided to the customer or at a point in time when the tickets are expired; and sale of goods are recognised when the goods are delivered to the customer. Payment in advance is normally required.

Transaction price allocated to the remaining performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) regarding contracts for sale of properties as at 31 July 2020 was HK$81,634,000 (2019: HK$76,748,000) and expected to be recognised as revenue within one year.

The Group elected to apply the practical expedient under HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining obligations for contracts with an original expected duration for one year or less as well as contracts for hotel and serviced apartment and building management operations for which the Group bills fixed amount for each month of service provided and recognise revenue in the amount to which the Group has right to invoice.

The ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer's fulfillment of contracts. Accordingly, the above may not reflect the actual performance of the Group in the future. The analysis is solely for compliance with HKFRS 15 disclosure requirement in respect of transaction price allocated to the remaining performance obligations.

6. Finance Costs

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

	Notes	**2020 HK$'000**	2019 HK$'000
Interest on:			
Bank loans		**343,446**	258,799
Guaranteed notes		**147,043**	147,043
Loans from a joint venture		**—**	7,125
Amortisation of transaction fees for:			
Bank loans		**22,463**	26,086
Guaranteed notes	29	**4,710**	4,440
Bank financing charges and direct costs		**3,465**	7,601
Interest on lease liabilities	16(a)(iii)	**442**	—
		521,569	451,094
Less: Capitalised in properties under development	14	**(52,775)**	(104,175)
Capitalised in investment properties under construction	15	**(173,852)**	(144,448)
Capitalised in construction in progress	13	**(32,072)**	(88,184)
		(258,699)	(336,807)
Total finance costs		**262,870**	114,287

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5.7% (2019: 5.7%) has been applied to the expenditure on the individual assets for the year ended 31 July 2020.

7. Profit/Loss From Operating Activities

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

	Notes	2020 HK$'000	2019 HK$'000
Cost of completed properties sold		**223,100**	239,815
Outgoings in respect of rental income, hotel and serviced apartment operation, theme park operation and building management operation		**381,405**	303,962
Depreciation of property,plant and equipment #	13	**229,130**	55,042
Depreciation of right-of-use assets #	16(a)(ii)	**18,897**	—
Amortisation of prepaid land lease payments		**8,148**	14,642
Capitalised in properties under development	14	**(8,148)**	(14,463)
	16(a)(i)	**—**	179
Minimum lease payments under operating leases in respect of land and buildings		**—**	16,761
Capitalised in properties under development/ investment properties under construction/ construction in progress		**—**	(10,599)
		—	6,162
Employee benefit expense (including directors' remuneration — note 8):			
Salaries, wages and benefits		**414,350**	332,001
Pension scheme contributions *		**14,086**	17,376
Equity-settled share option expenses	32	**674**	2,322
		429,110	351,699
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(138,805)**	(124,723)
		290,305	226,976
Auditor's remuneration to the auditor of the Company		**3,694**	3,691
Foreign exchange differences, net **		**(23,860)**	(22,050)
Gain on disposal of assets classified as held for sale **		**(55,560)**	—
Lease payments not included in the measurement of lease liabilities	16(a)(iv)	**772**	—
Loss on disposal of items of property, plant and equipment **		**1,230**	765
Contingent rents ##		**(1,782)**	(4,159)
Write-down of properties under development to net realisable value **	14	**15,037**	—
Derecognition loss on rental receivable **		**10,663**	—
Fair value losses/(gains) on cross currency swaps **	24	**13,760**	(18,050)
Fair value losses on foreign currency forward contract **	24	**5,852**	—

7. Profit/Loss From Operating Activities (continued)

\# The depreciation charge for hotels and serviced apartments and related leasehold improvements is HK$68,661,000 (2019: HK$41,609,000). The depreciation charge for theme parks is HK$159,302,000 (2019: Nil). These items are included in "Other operating expenses, net" on the face of the consolidated income statement.

\## The contingent rents are included in "Turnover" on the face of the consolidated income statement.

* As at 31 July 2020, the Group had no forfeited contributions available to reduce its contributions to the MPF Scheme in future years (2019: Nil).

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

8. Directors' Remuneration

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

	2020 **HK$'000**	2019 HK$'000
Fees	**1,750**	1,500
Other emoluments:		
Salaries, allowances and benefits in kind	**25,426**	22,011
Equity-settled share option expenses	**674**	—
Pension scheme contributions	**147**	129
	26,247	22,140
	27,997	23,640
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(13,458)**	(15,543)
	14,539	8,097

During the year, a director was granted share options, in respect of his services to the Group under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of acceptance and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosure (2019: Nil).

8. Directors' Remuneration (continued)

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

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2020					
Executive directors:					
Lam Kin Ming	—	1,140	—	—	1,140
Lam Kin Hong, Matthew	—	1,140	—	57	1,197
Lam Hau Yin, Lester	—	1,658	—	18	1,676
U Po Chu	—	4,247	—	—	4,247
Chew Fook Aun	—	4,339	—	18	4,357
Cheng Shin How	—	7,248	—	18	7,266
Lee Tze Yan, Ernest	—	1,622	—	18	1,640
Tham Seng Yum, Ronald (appointed on 19 August 2019)	—	4,032	674	18	4,724
	—	25,426	674	147	26,247
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Puah Tze Shyang	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors:					
Lam Bing Kwan	350	—	—	—	350
Ku Moon Lun	350	—	—	—	350
Law Kin Ho	350	—	—	—	350
Mak Wing Sum, Alvin	350	—	—	—	350
Shek Lai Him, Abraham	350	—	—	—	350
	1,750	—	—	—	1,750
Total	1,750	25,426	674	147	27,997

8. Directors' Remuneration (continued)

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019				
Executive directors:				
Lam Kin Ming	—	1,140	—	1,140
Lam Kin Hong, Matthew	—	1,140	57	1,197
Lam Hau Yin, Lester	—	1,734	18	1,752
U Po Chu	—	4,280	—	4,280
Chew Fook Aun	—	4,593	18	4,611
Cheng Shin How	—	7,529	18	7,547
Lee Tze Yan, Ernest	—	1,595	18	1,613
	—	22,011	129	22,140
Non-executive directors:				
Lucas Ignatius Loh Jen Yuh	—	—	—	—
Puah Tze Shyang	—	—	—	—
	—	—	—	—
Independent non-executive directors:				
Lam Bing Kwan	300	—	—	300
Ku Moon Lun	300	—	—	300
Law Kin Ho	300	—	—	300
Mak Wing Sum, Alvin	300	—	—	300
Shek Lai Him, Abraham	300	—	—	300
	1,500	—	—	1,500
Total	1,500	22,011	129	23,640

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

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

9. Five Highest Paid Employees

The five highest paid employees during the year included four directors (2019: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2019: two) non-director highest paid employee are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and benefits in kind	**5,870**	10,320
Capitalised in properties under development/ investment properties under construction/ construction in progress	**—**	(4,147)
	5,870	6,173

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	**—**	—
HK$5,000,001 — HK$5,500,000	**—**	—
HK$5,500,001 — HK$6,000,000	**1**	—
HK$6,000,001 — HK$6,500,000	**—**	1
	1	2

10. TAX

(a) Tax

The statutory rate of Hong Kong profits tax is 16.5% (2019:16.5%). No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2019: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	Note	**2020** **HK$'000**	2019 HK$'000
Current — Mainland China			
CIT		**70,795**	75,513
LAT			
Charge for the year		**85,788**	118,898
Underprovision in prior years		**—**	20,301
		85,788	139,199
Deferred	30	**(114,371)**	215,770
Total tax charge for the year		**42,212**	430,482

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

	2020 **HK$'000**	2019 HK$'000
Profit/(loss) before tax	**(1,182,346)**	1,170,537
Tax at the statutory tax rate of 25% (2019: 25%)	**(295,587)**	292,634
Adjustments for tax rates of other jurisdictions	**17,093**	(1,793)
Provision for LAT	**85,788**	139,199
Tax effect of provision for LAT	**(21,447)**	(34,800)
Effect on deferred tax to reflect tax consequence of recovering the carrying amount of the relevant properties through sales	**86,448**	—
Losses attributable to joint ventures	**54**	5,048
Income not subject to tax	**(32)**	(1,357)
Expenses and losses not deductible for tax	**95,186**	25,408
Tax losses not recognised	**63,571**	17,099
Withholding tax on the distributable earnings of the subsidiaries established in Mainland China	**9,293**	(10,959)
Withholding tax on the interest income received from the subsidiaries established in Mainland China	**1,843**	—
Other temporary difference	**2**	3
Tax charge at the Group's effective tax rate	**42,212**	430,482

10. Tax (continued)

(b) Tax indemnity

In connection with the listing of the Company on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (currently on the Main Board) (the "**Listing**"), a tax indemnity deed was signed on 12 November 1997, pursuant to which LSD has undertaken to indemnify the Group in respect of certain potential Mainland China CIT and LAT payables or shared by the Group in consequence of the disposal of certain property interests attributable to the Group through its subsidiaries and its joint ventures as at 31 October 1997 (the "**Property Interests**"). These tax indemnities given by LSD apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon performed by Chesterton Petty Limited (currently known as "**Knight Frank Petty Limited**"), independent professionally qualified valuers, as at 31 October 1997 (the "**Valuation**") and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997 together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests.

The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing Mainland China CIT and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Group as set out in the Company's prospectus dated 18 November 1997. During the year, no tax indemnity was received (2019: Nil).

11. Dividend

	2020 **HK$'000**	2019 HK$'000
Final dividend paid in respect of the year ended 31 July 2019 (2019: final dividend paid in respect of the year ended 31 July 2018)	**65,499**	65,409
Proposed final — Nil (2019: HK$0.20) per ordinary share	**—**	65,477

No final dividend was declared for the year ended 31 July 2020.

11. Dividend (continued)

On 20 December 2019, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.20 per share payable in cash with a scrip dividend alternative (the "**2019 Scrip Dividend Scheme**") for the year ended 31 July 2019 (the "**2019 Final Dividend**"). During the year ended 31 July 2020, 3,536,887 new shares of HK$5.0 each were issued by the Company at a deemed price of HK$10.008 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2019 Scrip Dividend Scheme to settle HK$35,397,000 of the 2019 Final Dividend. The remainder of the 2019 Final Dividend of HK$30,102,000 was satisfied by cash.

Further details of the 2019 Scrip Dividend Scheme are set out in the Company's circular dated 8 January 2020.

On 21 December 2018, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.20 per share payable in cash with a scrip dividend alternative (the "**2018 Scrip Dividend Scheme**") for the year ended 31 July 2018 (the "**2018 Final Dividend**"). During the year ended 31 July 2019, 342,831 new shares of HK$5.0 each were issued by the Company at a deemed price of HK$9.406 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2018 Scrip Dividend Scheme to settle HK$3,225,000 of the 2018 Final Dividend. The remainder of the 2018 Final Dividend of HK$62,184,000 was satisfied by cash.

12. Earnings/Loss Per Share Attributable to Owners of the Company

The calculation of the basic earnings/loss per share amount was based on the profit/loss for the year attributable to owners of the Company of loss of HK$1,006,263,000 (2019: profit of HK$668,556,000), and the weighted average number of ordinary shares of 330,039,623 (2019: 327,202,870) in issue during the year.

During the year ended 31 July 2020, as anti-dilutive effect is resulted following the losses sustained by the Group, no adjustment has been made to the calculation of the dilutive loss per share.

During the year ended 31 July 2019, the calculation of diluted earnings per share amounts was based on the profit for the year attributable to owners of the Company as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

12. Earnings/Loss Per Share Attributable to Owners of the Company (continued)

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

	2020 HK$'000	2019 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	**(1,006,263)**	668,556

	Number of shares 2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**330,039,623**	327,202,870
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	353,836
	330,039,623	327,556,706

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Leasehold buildings	Hotels and serviced apartments	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Computers	Theme parks	Construction in progress	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:										
As at 1 August 2018		105,843	1,175,354	274,341	49,091	21,910	17,442	—	1,500,578	3,144,559
Finance costs capitalised	6	—	—	—	—	—	—	—	88,184	88,184
Additions		—	—	1,701	13,552	1,058	5,477	—	1,261,026	1,282,814
Disposals/write-off		—	(9)	—	(2,832)	(839)	(498)	—	—	(4,178)
Transfers		—	(78,435)	—	—	—	—	1,537,664	(1,537,664)	(78,435)
Exchange realignment		(796)	(9,217)	(3,551)	(462)	(161)	(153)	—	(18,644)	(32,984)
As at 31 July 2019		105,047	1,087,693	272,491	59,349	21,968	22,268	1,537,664	1,293,480	4,399,960
Effect of adoption of HKFRS 16		(43,800)	(384,759)	—	—	—	—	(51,681)	(137,261)	(617,501)
As at 1 August 2019 (restated)		61,247	702,934	272,491	59,349	21,968	22,268	1,485,983	1,156,219	3,782,459
Finance costs capitalised	6	—	—	—	—	—	—	—	32,072	32,072
Additions		2,768	1,417	9,974	3,660	2,355	9,145	49,857	490,042	569,218
Disposals		(4,764)	(367)	—	(1,167)	(733)	(1,570)	—	—	(8,601)
Transfers		—	1,478,678	—	—	—	—	173,356	(1,593,034)	59,000
Exchange realignment		(1,430)	(12,218)	(6,365)	(1,136)	(296)	(432)	(31,926)	(26,299)	(80,102)
As at 31 July 2020		**57,821**	**2,170,444**	**276,100**	**60,706**	**23,294**	**29,411**	**1,677,270**	**59,000**	**4,354,046**
Accumulated depreciation:										
As at 1 August 2018		39,782	368,984	255,667	42,259	16,459	11,959	—	—	735,110
Depreciation provided during the year	7	2,578	25,171	19,709	4,261	1,371	1,952	—	—	55,042
Disposals		—	—	—	(2,249)	(755)	(409)	—	—	(3,413)
Transfers		—	(7,540)	—	—	—	—	—	—	(7,540)
Exchange realignment		(394)	(1,932)	(3,527)	(406)	(92)	(115)	—	—	(6,466)
As at 31 July 2019		41,966	384,683	271,849	43,865	16,983	13,387	—	—	772,733
Effect of adoption of HKFRS 16		(11,899)	(165,334)	—	—	—	—	—	—	(177,233)
As at 1 August 2019 (restated)		30,067	219,349	271,849	43,865	16,983	13,387	—	—	595,500
Depreciation provided during the year	7	2,299	56,966	1,239	5,096	1,574	4,001	157,955	—	229,130
Disposals		(4,287)	—	—	(1,084)	(632)	(1,368)	—	—	(7,371)
Exchange realignment		(717)	(2,806)	(6,371)	(747)	(194)	(209)	494	—	(10,550)
As at 31 July 2020		**27,362**	**273,509**	**266,717**	**47,130**	**17,731**	**15,811**	**158,449**	**—**	**806,709**
Net carrying amount:										
As at 31 July 2020		**30,459**	**1,896,935**	**9,383**	**13,576**	**5,563**	**13,600**	**1,518,821**	**59,000**	**3,547,337**
As at 31 July 2019		63,081	703,010	642	15,484	4,985	8,881	1,537,664	1,293,480	3,627,227

13. Property, Plant and Equipment (continued)

As at 31 July 2020, certain serviced apartments (including related leasehold improvements) and construction in progress with an aggregate carrying amount of HK$209,138,000 (2019: HK$428,716,000) and HK$50,521,000 (2019: Nil), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(a) and note 25(b) to the financial statements.

14. Properties Under Development

	Notes	**2020 HK$'000**	2019 HK$'000
Carrying amount as at 1 August		**2,523,045**	2,126,062
Finance costs capitalised	6	**52,775**	104,175
Additions (including capitalisation of prepaid land lease payments of HK$8,148,000 (2019: HK$14,463,000))		**671,701**	717,475
Amortisation of prepaid land lease payments	7	**(8,148)**	(14,463)
Transfer to completed properties for sale		**(3,688,658)**	(380,678)
Transfer from investment properties under construction	15	**2,001,486**	—
Write-down of properties under development to net realisable value	7	**(15,037)**	—
Exchange realignment		**(92,848)**	(29,526)
Carrying amount as at 31 July		**1,444,316**	2,523,045
Amount classified as current assets		**(1,444,316)**	(1,811,683)
Non-current portion		**—**	711,362

As at 31 July 2020, certain properties under development with an aggregate carrying amount of HK$1,093,915,000 (2019: HK$1,085,322,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(d) to the financial statements.

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

	Note	**2020 HK$'000**	2019 HK$'000
Carrying amount as at 1 August		**810,802**	873,257
Amortised during the year	7	**(8,148)**	(14,463)
Transfer to completed properties for sale		**(682,803)**	(36,546)
Transfer from investment properties under construction		**117,297**	—
Exchange realignment		**(21,986)**	(11,446)
Carrying amount as at 31 July		**215,162**	810,802

15. Investment Properties

	2020 HK$'000	2019 HK$'000
Completed investment properties	**14,137,800**	12,855,500
Investment properties under construction, at fair value	**3,300,100**	6,597,099
Investment properties under construction, at cost *	**956,086**	1,002,601
Total	**18,393,986**	20,455,200

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

	Notes	2020 HK$'000	2019 HK$'000
Carrying amount as at 1 August		**20,455,200**	18,207,822
Finance costs capitalised	6	**173,852**	144,448
Other additions		**971,924**	1,722,074
Transfer to construction in progress		**(59,000)**	—
Transfer to right-of-use assets	16	**(39,514)**	—
Transfer to properties under development	14	**(2,001,486)**	—
Net gain/(loss) from fair value adjustments		**(599,081)**	634,810
Exchange realignment		**(507,909)**	(253,954)
Carrying amount as at 31 July		**18,393,986**	20,455,200

The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 16(b) to the financial statements.

As at 31 July 2020, certain investment properties with an aggregate carrying amount of HK$11,521,336,000 (2019: HK$10,890,290,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(e) to the financial statements.

Valuation processes of the Group

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

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

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

15. Investment Properties (continued)

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

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

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

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

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

2020

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$/sq.m)	29-336	note 1
		Capitalisation rate	3.75%-7.5%	note 2
Commercial property	Market approach	Average market unit rate (HK$/sq.m)	13,800	note 6
Residential property	Market approach	Average market unit rate (HK$/sq.m)	161,000	note 6
Investment properties under construction				
Commercial property	Residual method	Gross development value (HK$/sq.m)	34,000-78,000	note 3
		Developer's profit margin	4%	note 4
		Budgeted costs to completion (HK$)	807,200,000	note 5

15. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

Fair value measurements using significant unobservable inputs (Level 3) (continued)

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

2019

Description	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Commercial properties	Income approach	Average unit market rent per month (HK$/sq.m)	31-354	note 1
		Capitalisation rate	4.25%-7.50%	note 2
Residential property	Market approach	Average market unit rate (HK$/sq.m)	157,000	note 6
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m)	14,200-79,000	note 3
		Developer's profit margin	2%-4.5%	note 4
		Budgeted costs to completion (HK$)	283,700,000-985,200,000	note 5

Notes:

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

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

16. Right-of-use Assets and Lease Liabilities

(a) The Group as a lessee

The Group has lease contracts for various items of land, office, warehouse premises and staff dormitory. 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 short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Land use rights previously included in property, plant and equipment and prepaid land lease payments in the consolidated statement of financial position are grouped as part of the right-of-use assets with effect from 1 August 2019.

(i) Prepaid land lease payments (before 1 August 2019)

	Note	2019 HK$'000
Carrying amount as at 1 August 2018		4,183
Recognised in profit or loss during the year	7	(179)
Exchange realignment		(53)
Carrying amount as at 31 July 2019		3,951

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(a) The Group as a lessee (continued)

(ii) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year ended 31 July 2020 are as follows:

	Notes	Prepaid land lease payments HK$'000	Office, warehouse premises and staff dormitory HK$'000	Total HK$'000
As at 1 August 2019		444,219	8,589	452,808
Additions		6,055	2,919	8,974
Transfer from investment properties under construction	15	39,514	—	39,514
Depreciation charges	7	(13,260)	(5,637)	(18,897)
Exchange realignment		(6,431)	(188)	(6,619)
As at 31 July 2020		**470,097**	**5,683**	**475,780**

As at 31 July 2020, the right-of-use assets with carrying amount of HK$241,592,000 (2019: Nil) was pledged to banks to secure bank borrowings of the Group as further set out in note 25(c) to the financial statements.

16. Right-of-use Assets and Lease Liabilities (continued)

(a) The Group as a lessee (continued)

(iii) Lease liabilities

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

	Note	2020 HK$'000
Carrying amount as at 1 August 2019		**8,589**
New leases		**2,919**
Accretion of interest recognised during the year	6	**442**
Payments		**(5,942)**
Exchange realignment		**(187)**
Carrying amount as at 31 July 2020		**5,821**
Amount classified as current liabilities		**(5,034)**
Non-current portion		**787**

The maturity analysis of lease liabilities is disclosed in note 41(c) to the financial statements.

(iv) The amounts recognised in profit or loss during the year in relation to short-term leases are amounting to HK$772,000.

16. Right-of-use Assets and Lease Liabilities (continued)

(b) The Group as a lessor

Certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2019: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2020, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**465,785**	499,624
In the second to fifth years, inclusive	**887,721**	1,038,455
After five years	**277,926**	216,796
	1,631,432	1,754,875

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.

17. Investment in a Joint Venture

	2020 **HK$'000**	2019 HK$'000
Share of net assets, other than goodwill	**1,103**	1,317

The aggregate financial information of the Group's joint venture is as follows:

	2020 **HK$'000**	2019 HK$'000
Share of joint ventures' losses	**214**	20,191
Share of other comprehensive expenses of joint ventures	**—**	7,165
Share of total comprehensive expenses of joint ventures	**214**	27,356

17. Investment in a Joint Venture (continued)

During the year ended 31 July 2019, the Company, through its wholly-owned subsidiary, owned 50% equity interest in Beautiwin Limited ("**HK Beautiwin**"), which in turn owned 95% equity interest in Guangzhou Beautiwin Real Estate Development Company Limited ("**Guangzhou Beautiwin**"). Guangzhou Beautiwin was engaged in property development and was wound up during the year ended 31 July 2019.

During the year ended 31 July 2019, HK Beautiwin has declared and paid a dividend of HK$1,603,755,000 (note 38) to the Group. There was no divided received from the joint venture in the current year.

18. Investments in Associates

	2020 **HK$'000**	2019 HK$'000
Share of net assets	**392**	330
Amount due from an associate	**141**	5,474
	533	5,804

The amount due from an associate was unsecured, interest-free and had no fixed terms of repayment. In the opinion of the directors, the amount due from an associate is considered as part of the Group's net investment in the associate.

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

As at 31 July 2020 and 2019, there were no material associates which principally affected the result for the year or formed a substantial portion of the net assets of the Group.

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

	2020 **HK$'000**	2019 HK$'000
Share of the associates' losses and other comprehensive expenses	**628**	60

19. Debtors, Deposits and Prepayments

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

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

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

	2020 **HK$'000**	2019 HK$'000
Trade receivables, net		
Within one month	**123,608**	102,169
One to three months	**11,849**	3,467
Over three months	**8,483**	5,346
	143,940	110,982
Other receivables, deposits and prepayments	**454,944**	443,915
Total	**598,884**	554,897

The Group has applied the simplified approach to provide for ECLs for trade receivables which permits the use of lifetime ECLs provision for all trade receivables; and the general approach for financial assets included in other receivables, deposits and prepayments. To measure the ECLs, the Group considered the historical and forward-looking information. As at 31 July 2020 and 2019, the Group estimated that the ECLs for trade receivables and financial assets included in other receivables, deposits and prepayments were insignificant.

20. Cash and Cash Equivalents and Pledged and Restricted Time Deposits and Bank Balances

	Note	2020 HK$'000	2019 HK$'000
Cash and bank balances		**1,734,234**	2,029,114
Less: Pledged and restricted bank balances			
Pledged for bank facilities *		**—**	(86,480)
Pledged for bank loans	25(g)	**(473,744)**	(605,307)
Restricted **		**(389,055)**	(98,954)
Non-pledged and non-restricted cash and bank balances		**871,435**	1,238,373
Time deposits		**790,341**	1,068,145
Less: Pledged and restricted time deposits			
Pledged for bank loans	25(g)	**(452,128)**	(367,650)
Restricted **		**(15,692)**	(15,384)
Non-pledged and non-restricted time deposits***		**322,521**	685,111
Cash and cash equivalents		**1,193,956**	1,923,484

* The balance was pledged to a bank in respect of guarantee letters issued by the bank in favor of a government authority.

** In accordance with the relevant laws and regulations imposed by the government authorities concerned or the terms and conditions set out in the relevant bank loan agreements, proceeds from the pre-sale of certain properties are required to be deposited into designated bank accounts and restricted to be used for the relevant projects. Such restriction will be uplifted upon repayment of the relevant bank loans or the attainment of the relevant ownership certificates issued by the authorities. As at 31 July 2020, the balance was HK$316,796,000 (2019: 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 are restricted to be used for the resettlement and such restriction will be uplifted upon completion of the resettlement. As at 31 July 2020, the balance was HK$23,801,000 (2019: HK$24,311,000) in aggregate.

In accordance with the relevant clauses of certain bank loan facilities, proceeds from the drawdown of bank loans and certain funds are required to be deposited into designated bank accounts and restricted to be used for the relevant projects. As at 31 July 2020, the balance was HK$48,365,000 (2019: HK$2,441,000) in aggregate.

In accordance with the relevant laws and regulations imposed by the government authorities concerned, certain deposits are required to be placed into designated bank accounts restricted as to use. As at 31 July 2020, the balance was HK$15,785,000 (2019: HK$15,479,000) in aggregate.

*** The non-pledged and non-restricted time deposits with original maturity of less than three months amounted to HK$322,521,000 (2019: HK$645,802,000) were classified as cash and cash equivalents for the purpose of the consolidated statement of cash flows.

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

The conversion of Renminbi ("**RMB**") denominated time deposits and cash and bank balances into foreign currencies and the remittance of such foreign currency denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchange control promulgated by the government authorities concerned. As at 31 July 2020, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK$2,099,122,000 (2019: HK$2,357,250,000).

21. Assets Classified as Held for Sale

During the year ended 31 July 2019, two blocks of serviced apartments located in Zhongshan (namely, STARR Resort Residence Zhongshan) were offered for sale. Prior to 31 July 2019, the serviced apartments were previously classified as property, plant and equipment. Management had committed to a plan to sell with an active programme to locate buyers already initiated and the disposal was expected to be completed in the ensuing year. As a result, the serviced apartments were transferred to assets classified as held for sale since then.

22. Creditors and Accruals

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

	Note	**2020** **HK$'000**	2019 HK$'000
Trade payables			
Within one month		**321,518**	921,207
One to three months		**26,611**	11
Over three months		**14,854**	1,798
		362,983	923,016
Accruals and other payables		**1,695,172**	859,885
Put option liabilities	26	**277,086**	279,720
Total		**2,335,241**	2,062,621

Trade payables of the Group were interest-free and were due for settlement pursuant to the terms of the relevant agreements.

23. Contract Liabilities and Deposits Received

An analysis of the contract liabilities and deposits received as at the end of the reporting period is as follows:

	2020 HK$'000	2019 HK$'000
Contract liabilities (Note)	**291,771**	267,143
Deposits received	**436,519**	422,814
	728,290	689,957
Amounts classified as current liabilities	**(608,438)**	(540,744)
Non-current liabilities	**119,852**	149,213

Note: Contract liabilities as at 31 July 2020 and 31 July 2019 with amounts of HK$291,771,000 and HK$267,143,000, respectively, were both arising from the sale of properties. The change in contract liabilities in the years ended 31 July 2020 and 31 July 2019 was mainly due to the net effect of recognition of revenue and receipt of advance from customers.

24. Derivative Financial Instruments

The movements in the financial assets/(liabilities) arising from the derivative financial instruments during the year are as follows:

2020	Note	**Cross currency swaps ("CCSs") HK$'000**	**Foreign currency forward contract HK$'000**	**Total HK$'000**
Carrying amount as at 1 August		**20,581**	**—**	**20,581**
Fair value losses charged to the income statement	7	**(13,760)**	**(5,852)**	**(19,612)**
Carrying amount as at 31 July		**6,821**	**(5,852)**	**969**

The carrying amounts of the CCSs and the foreign currency forward contract are the same as their fair values.

24. Derivative Financial Instruments (continued)

2019	Note	CCSs HK$'000
Carrying amount as at 1 August		2,531
Fair value gains credited to the income statement	7	18,050
Carrying amount as at 31 July		20,581

During the year ended 31 July 2018, the Group entered into the CCSs with the financial institutions with an aggregate nominal amount of US$350,000,000 in connection with the guaranteed notes as detailed in note 29 to the financial statements.

Pursuant to the terms of the CCSs, the Company receives an amount semi-annually calculated based on a fixed rate of 5.65% per annum on the aggregate notional amount of US$350,000,000 during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date (as defined in note 29), and pays an amount semi-annually calculated based on a fixed rate of 5.37% per annum on the aggregate notional amount of HK$2,738,225,000 (being the HK$ equivalent amount of US$350,000,000 translated at a contracted exchange rate of US$1 to HK$7.8235) during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date. Before 18 January 2023, the Group will receive the aggregate notional amount of US$350,000,000 and will pay the aggregate notional amount of HK$2,738,225,000.

The CCSs are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the CCSs amounting to HK$13,760,000 were charged to the consolidated income statement during the year (2019: HK$18,050,000 was credited to the consolidated income statement).

25. Interest-Bearing Bank Loans

	2020 Effective interest rate (%)	**2020 HK$'000**	2019 Effective interest rate (%)	2019 HK$'000
Bank loans:				
Current:				
Unsecured	**6.00-6.66**	**489,858**	6.81	2,014
Secured	**3.95-5.88**	**3,025,270**	4.75-6.14	431,522
		3,515,128		433,536
Non-current:				
Unsecured	**3.45-6.66**	**1,719,852**	5.28-6.81	1,197,335
Secured	**4.36-5.88**	**1,915,518**	4.75-6.14	4,356,815
		3,635,370		5,554,150
		7,150,498		5,987,686
Maturity profile:				
Within one year		**3,515,128**		433,536
In the second year		**330,473**		2,966,309
In the third to fifth years, inclusive		**2,287,946**		1,447,812
Beyond five years		**1,016,951**		1,140,029
		7,150,498		5,987,686

25. Interest-Bearing Bank Loans (continued)

Bank loans of the Group as at the end of the reporting period were secured by:

(a) mortgages over certain serviced apartments (including related leasehold improvements) of the Group with an aggregate carrying amount of HK$209,138,000 (2019: HK$428,716,000) (note 13);

(b) mortgage over construction in progress of the Group with an aggregate carrying amount of HK$50,521,000 (2019: Nil) (note 13);

(c) mortgage over certain right-of-use assets of the Group with an aggregate carrying amount of HK$241,592,000 (2019: Nil) (note 16);

(d) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$1,093,915,000 (2019: HK$1,085,322,000) (note 14);

(e) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$11,521,336,000 (2019: HK$10,890,290,000) (note 15);

(f) mortgages over certain completed properties for sale of the Group with an aggregate carrying amount of HK$1,017,560,000 (2019: Nil);

(g) charges over time deposits and bank balances of the Group with an aggregate carrying amount of HK$925,872,000 (2019: HK$972,957,000) (note 20); and

(h) charges over the entire equity interest in certain subsidiaries of the Company.

26. Put Option Liabilities and other Borrowings

On 31 December 2018, Rosy Commerce Holdings Limited ("**Rosy Commerce**", an indirect 80%-owned subsidiary of the Company) 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$277,086,000 (2019: HK$279,720,000)) are recorded as put option liabilities under "creditors and accruals" of the consolidated statement of financial position.

On the Completion Date, Rosy Commerce and Cinda entered into two shareholders loan agreements, pursuant to which, Cinda provided non-interest-bearing initial shareholder loans of an aggregate amount of USD equivalent of RMB36,000,000 (equivalent to approximately HK$41,050,000 (2019: HK$41,440,000)) to HRL and GSL. Such shareholders' loans are repayable upon the earlier of, inter alia, the sixth anniversary of the date of the two shareholders loan agreements; or the occurrence of the buy-back triggering events mentioned above. The shareholders' loans were recognised as other borrowings and recorded in current liabilities of the consolidated statement of financial position.

Further details of the Transaction are set out in a joint announcement of the Company, LSD, LSG and eSun dated 2 January 2019.

27. Advances From a former Substantial Shareholder

The executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the advances would be made within one year from the end of the reporting period. The advances were unsecured and interest-free.

28. Loans from a Fellow Subsidiary

The fellow subsidiary is a non-controlling shareholder of a subsidiary of the Company. The loans were unsecured and interest-free. As at 31 July 2020, the fellow subsidiary agreed that no demand for settlement of the loans would be made to that subsidiary within one year from the end of the reporting period. As at 31 July 2019, the loans were repayable on demand.

29. Guaranteed Notes

US$350,000,000 5.65% Guaranteed Notes due 2023

On 18 January 2018, Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of the Company issued US$350,000,000 of 5.65% fixed rate guaranteed notes, which will mature on 18 January 2023 for bullet repayment. The guaranteed notes bear interest from 18 January 2018 and are payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2018 (each, an "**Interest Payment Date**"). The guaranteed notes are listed on the Stock Exchange.

The guaranteed notes are guaranteed by the Company and also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from LSD.

The guaranteed notes were issued for the refinancing of the fixed rate senior notes which was matured on 25 April 2018 and for general corporate purposes. The net proceeds from the guaranteed notes after deducting issue expenses amounted to approximately HK$2,712,758,000.

No guaranteed notes were repurchased during the year (2019: Nil).

The guaranteed notes recognised in the consolidated statement of financial position are calculated as follows:

	Note	**2020** **HK$'000**	2019 HK$'000
Carrying amount as at 1 August		**2,720,857**	2,725,518
Amortisation of transaction fee for the guaranteed notes	6	**4,710**	4,440
Exchange realignment		**(25,795)**	(9,101)
Carrying amount as at 31 July		**2,699,772**	2,720,857

The effective interest rate of the guaranteed notes is 5.86% per annum.

In connection with the guaranteed notes, the Company entered into the CCSs (as defined in note 24) with financial institutions, which have effectively converted the guaranteed notes into fixed rate HK$ denominated debts. Taking into account the CCSs, the effective interest rate of the guaranteed notes is 5.58% per annum. Details of the CCSs are set out in note 24 to the financial statements.

30. Deferred Tax

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation and development costs HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
As at 1 August 2018	595,583	103,714	2,138,838	124,844	(17,265)	—	2,945,714
Deferred tax charged/(credited) to the income statement during the year (note 10(a))	52,503	—	158,702	(10,959)	15,730	(206)	215,770
Deferred tax utilised during the year	—	—	—	(20,927)	—	—	(20,927)
Exchange realignment	(8,502)	(1,375)	(30,272)	—	68	(1)	(40,082)
As at 31 July 2019 and 1 August 2019	639,584	102,339	2,267,268	92,958	(1,467)	(207)	3,100,475
Deferred tax charged/(credited) to the income statement during the year (note 10(a))	46,127	—	(149,771)	9,293	(24,118)	4,098	(114,371)
Deferred tax utilised during the year	—	—	—	(3,489)	—	—	(3,489)
Exchange realignment	(15,257)	(2,445)	(55,323)	—	(96)	—	(73,121)
As at 31 July 2020	**670,454**	**99,894**	**2,062,174**	**98,762**	**(25,681)**	**3,891**	**2,909,494**

As at 31 July 2020, the Group had tax losses arising in Mainland China of HK$431,623,000 (2019: HK$202,151,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it may not be probable that taxable profits will be available against which the tax losses could be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10% (2019: 5% or 10%). The Group is therefore liable to withholding taxes on dividends to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

31. Share Capital

Shares

	2020 HK$'000	2019 HK$'000
Authorised:		
400,000,000 ordinary shares of HK$5.0 each (2019: 400,000,000 ordinary shares of HK$5.0 each)	**2,000,000**	2,000,000
Issued and fully paid:		
331,033,443 ordinary shares of HK$5.0 each (2019: 327,386,965 ordinary shares of HK$5.0 each)	**1,655,167**	1,636,935

The movements in authorised and issued share capital of the Company during the year were as follows:

	Number of authorised shares	Number of issued shares	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
As at 1 August 2018	400,000,000	327,044,134	1,635,221	4,085,811	5,721,032
Shares issued in lieu of cash dividend (note 11)	—	342,831	1,714	1,511	3,225
As at 31 July 2019 and 1 August 2019	400,000,000	327,386,965	1,636,935	4,087,322	5,724,257
Issue of shares upon exercise of share options*	—	109,591	548	431	979
Shares issued in lieu of cash dividend (note 11)	—	3,536,887	17,684	17,713	35,397
As at 31 July 2020	**400,000,000**	**331,033,443**	**1,655,167**	**4,105,466**	**5,760,633**

* During the year ended 31 July 2020, 109,591 ordinary shares of HK$5.0 each were issued in respect of a share option exercised under the Company's share option scheme at an exercise price of HK$6.65 per share and total cash consideration of HK$729,000 was received. The share option reserve of HK$250,000 was released to the share premium account.

Share options

Details of the Company's share option schemes are included in note 32 to the financial statements.

32. Share Option Schemes

2003 Share Option Scheme

On 21 August 2003, the Company adopted a share option scheme (as amended on 8 August 2018) (the "**2003 Share Option Scheme**") for the purpose of providing incentives and rewards to Eligible Participants (as defined in the scheme) who contribute to the success of the Group's operations. Eligible Participants of the 2003 Share Option Scheme include the directors and any employees of the Group. Unless otherwise cancelled or amended, the 2003 Share Option Scheme will remain in force for 10 years from that date. The 2003 Share Option Scheme was terminated upon the adoption of the 2012 Share Option Scheme (as defined below) on 18 December 2012.

The maximum number of share options permitted to be granted under the 2003 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as approved in accordance with the 2003 Share Option Scheme. The maximum number of shares issuable under share options to each Eligible Participant in the 2003 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of the Company, save that such period shall not be longer than 8 years from the date of grant of the share options.

The exercise price of the share options is determined by the directors of the Company, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

32. Share Option Schemes (continued)

2012 Share Option Scheme

On 18 December 2012 (the "**Adoption Date**"), the Company adopted a new share option scheme (the "**2012 Share Option Scheme**") and terminated the 2003 Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2012 Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to the Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-caliber Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of the Group. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will remain in force for 10 years from the Adoption Date.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the 2012 Share Option Scheme (i) shall not exceed 10% of the shares of the Company in issue on the Adoption Date; (ii) shall not exceed 30% of the shares of the Company in issue from time to time; and (iii) to each Eligible Participant and within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval of shareholders of the Company and the shareholders of the holding company of the Company in the respective general meetings.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of each of the Company and the holding company of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the approval of shareholders of the Company and the shareholders of the holding company of the Company in the respective general meetings.

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of the Company, save that such period shall not be longer than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, which shall be at least the highest of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.

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

32. SHARE OPTION SCHEMES (CONTINUED)

The movements of share options under the 2003 Share Option Scheme and the 2012 Share Option Scheme during the year are as follows:

	2020		2019	
	Number of underlying shares comprised in share options	Weighted average exercise price per share* HK$	Number of underlying shares comprised in share options	Weighted average exercise price per share* HK$
Outstanding as at 1 August	10,814,117	10.884	10,234,117	10.924
Granted during the year	500,000	6.784	580,000	10.180
Exercised during the year	(109,591)	6.650	—	—
Lapsed during the year	(620,000)	12.053	—	—
Cancelled during the year	(900,000)	6.650	—	—
Outstanding as at 31 July	9,684,526	11.039	10,814,117	10.884

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2020

Number of underlying shares comprised in share options	Exercise price per share* HK$	Exercise period
8,134,526	11.400	18/1/2013-17/1/2023
220,000	9.500	26/7/2013-25/7/2023
180,000	8.000	16/1/2015-15/1/2025
190,000	13.520	19/1/2018-18/1/2028
460,000	10.180	22/1/2019-21/1/2029
500,000	6.784	19/8/2019-18/8/2029
9,684,526		

32. Share Option Schemes (continued)

2019

Number of underlying shares comprised in share options	Exercise price per share* HK$	Exercise period
1,009,591	6.650	12/6/2012-11/6/2020
8,374,526	11.400	18/1/2013-17/1/2023
220,000	9.500	26/7/2013-25/7/2023
180,000	8.000	16/1/2015-15/1/2025
450,000	13.520	19/1/2018-18/1/2028
580,000	10.180	22/1/2019-21/1/2029
10,814,117		

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

The closing price of the Company's shares immediately before and at the date of exercise of share options during the year was HK$7.040.

Other than the grant of share options comprising 500,000 underlying shares, the exercise of share options comprising 109,591 underlying shares, the lapse of share options comprising 620,000 underlying shares and the cancellation of share options comprising 900,000 underlying shares, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the 2003 Share Option Scheme and the 2012 Share Option Scheme during the year.

The closing price of the Company's shares immediately before the date of grant of share options granted during the year was HK$6.76.

The fair value of the share options granted during the year was approximately HK$674,000, HK$1.348 each (2019: HK$2,322,000, HK$4.0033 each) which was recognised as a share option expense of approximately HK$674,000 (2019: HK$2,322,000) (note 7) and HK$303,000 (2019: HK$743,000) (before and after capitalisation to properties under development/investment properties under construction/construction in progress, respectively) for the year ended 31 July 2020.

32. Share Option Schemes (continued)

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

Date of valuation	**20 August 2019**	22 January 2019
Closing share price (HK$ per share)	**6.610**	10.18
Exercise price (HK$ per share)	**6.784**	10.18
Option life (years)	**10**	10
Risk-free interest rate (%)	**1.035**	2.0202
Dividend yield (%)	**2.020**	2.0202
Expected volatility (%)	**39.134**	46.8070
Historical volatility (%)	**39.134**	46.8070
Forfeiture rate (%)	**0.0**	2.5329

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The value of the share options is subject to a number of assumptions and with regard to the limitation of the Binomial Model. Therefore, the value may be subjective and would change should any of the assumptions change.

As at 31 July 2020, a total of 9,684,526 underlying shares relating to share options granted under the 2012 Share Option Scheme were outstanding and represented approximately 2.93% of the Company's shares in issue as at that date. During the year ended 31 July 2020, all subsisting options comprising 900,000 underlying shares granted under the 2003 Share Option Scheme were cancelled.

33. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 110 of the financial statements.

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

34. Notes to the Consolidated Statement of Cash Flows

(a) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the year are as follows:

2020

	Bank loans HK$'000	Interests, bank financing charges and direct costs payable# HK$'000	Loans from a fellow subsidiary HK$'000	Other borrowings HK$'000	Guaranteed notes HK$'000	Put option liabilities# HK$'000	Lease liabilities HK$'000	Amount received from a potential non-controlling shareholder of a subsidiary# HK$'000
As at 31 July 2019	5,987,686	30,255	316,259	41,440	2,720,857	279,720	—	—
Effect of adoption of HKFRS 16	—	—	—	—	—	—	8,589	—
As at 1 August 2019 (restated)	5,987,686	30,255	316,259	41,440	2,720,857	279,720	8,589	—
Changes from financing cash flows	1,208,832	(492,554)	80,216	—	—	—	(5,942)	220,848
Finance costs	22,463	493,954	—	—	4,710	—	442	—
New leases	—	—	—	—	—	—	2,919	—
Foreign exchange movements	(68,483)	(1,582)	—	(390)	(25,795)	(2,634)	(187)	710
As at 31 July 2020	**7,150,498**	**30,073**	**396,475**	**41,050**	**2,699,772**	**277,086**	**5,821**	**221,558**

2019

	Bank loans HK$'000	Interests, bank financing charges and direct costs payable# HK$'000	Loans from a fellow subsidiary HK$'000	Other borrowings HK$'000	Guaranteed notes HK$'000	Put option liabilities# HK$'000	Loans from a joint venture HK$'000
As at 1 August 2018	3,773,133	35,106	248,509	—	2,725,518	—	644,698
Changes from financing cash flows	2,218,912	(425,089)	69,673	41,560	—	280,532	(633,081)
Finance costs	26,086	420,568	—	—	4,440	—	—
Foreign exchange movements	(30,445)	(330)	(1,923)	(120)	(9,101)	(812)	(11,617)
As at 31 July 2019	5,987,686	30,255	316,259	41,440	2,720,857	279,720	—

These amounts are included in creditors and accruals.

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2020 HK$'000
Within operating activities	**772**
Within investing activities	**8,823**
Within financing activities	**5,942**
	15,537

35. Contingent Liabilities

The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2020, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$659,069,000 (2019: HK$566,825,000).

36. Commitments

(a) The Group had the following capital commitments as at the end of the reporting period:

	2020 **HK$'000**	2019 HK$'000
Contracted, but not provided for:		
Construction, development and resettlement costs	**1,162,581**	1,288,365

(b) Operating lease commitments as at 31 July 2019

The Group leased certain office properties under operating lease agreements with lease terms up to three years. As at 31 July 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$'000
Within one year	5,787
In the second to fifth years, inclusive	4,046
	9,833

37. Pledge of Assets

Details of the Group's bank loans which were secured by certain assets of the Group, are included in note 25 to the financial statements.

38. Related Party Transactions

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

(a) Transactions with related parties

	Notes	2020 HK$'000	2019 HK$'000
LSG and its subsidiaries excluding the Group and eSun and its subsidiaries:			
Rental and management fee expenses paid or payable	(i)	**1,951**	2,736
Rental and management fee income received or receivable	(ii)	**1,494**	369
Advance of loans received	(iii)	**396,475**	—
Sharing of corporate salaries on a cost basis allocated from		**23,625**	24,007
Sharing of administrative expenses on a cost basis allocated from		**7,502**	5,681
Sharing of corporate salaries on a cost basis allocated to		**3,769**	3,596
Sharing of administrative expenses on a cost basis allocated to		**1,201**	1,094

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

	Notes	**2020 HK$'000**	2019 HK$'000
eSun and its subsidiaries excluding the Group:			
Rental and management fee income received or receivable	(iv)	**6,048**	8,098
Advance of loans received	(v)	**6,000**	117,860
Repayment of loans	(v)	**322,259**	48,187
Sharing of corporate salaries on a cost basis allocated from		**2,397**	2,322
Sharing of administrative expenses on a cost basis allocated from		**432**	35
Sharing of corporate salaries on a cost basis allocated to		**1,164**	1,005
Sharing of administrative expenses on a cost basis allocated to		**336**	279
A subsidiary of CapitaLand Limited:			
Management and other service fees paid or payable	(vi)	**7,001**	9,039
Joint ventures of the Group:			
Advance of loans received	(vii)	**—**	462,834
Advance of loans repaid	(vii)	**—**	1,095,915
Repayment of advances received	(vii)	**—**	216,905
Interest expenses paid or payable	(vii)	**—**	7,125
Dividend received	(viii)	**—**	1,603,755
An associate of the Group:			
Repayment of loans received	(ix)	**4,495**	—

38. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The related company is LSD which is the subsidiary of LSG (the ultimate holding company of the Company). The terms of the rental and management fee were determined based on the agreements entered into between the Group and the related companies.

The Group leased properties from related companies for office and warehouse use. The monthly lease payables were charged with reference to market rates. As at 31 July 2020, right-of-use assets and lease liabilities relating to such leases recognised in consolidated statement of financial position amounting to HK$2,614,000 and HK$2,659,000, respectively. During the year ended 31 July 2020, depreciation of right-of-use assets of HK$1,656,000 and finance costs on lease liabilities of HK$129,000 were recognised in consolidated income statement.

(ii) The related companies are subsidiaries of LSD where the Company does not hold, directly or indirectly, any interest in the related companies. The terms of the rental and management fee were determined based on the agreements entered into between the Group and the related companies.

(iii) The related company is a subsidiary of LSD where the Company does not hold, directly or indirectly, any equity interest in the related company. During the year, the related company became a non-controlling shareholder of a subsidiary of the Company (the "**Subsidiary**") and advanced loans amounting to HK$396,475,000 (2019: Nil) according to its percentage of interest in the Subsidiary.

(iv) The related companies are subsidiaries of eSun (an intermediate holding company of the Company till 14 May 2020 and a fellow subsidiary of the Company since 14 May 2020). The terms of the rental and management fee were determined based on the agreements entered into between the Group and the related companies.

(v) The related company is a subsidiary of eSun. During the year, the related company, a then non-controlling shareholder of the Subsidiary, advanced loans amounting to HK$6,000,000 (2019: advanced loans amounting to HK$117,860,000 and received repayment of loans amounting to HK$48,187,000) according to its percentage of interest in the Subsidiary. Thereafter, the related company ceased to be a non-controlling shareholder of the Subsidiary and received repayment of loans amounting to HK$322,259,000.

(vi) The related company is a subsidiary of CapitaLand Limited and the Company is an associate of CapitaLand Limited. The related company provides management and other services on the serviced apartment operation of the Group. The terms of the management and other service fees were determined based on the agreement entered into between the Group and the related company.

(vii) The related companies are joint ventures of the Group, Guangzhou Beautiwin and HK Beautiwin. The terms of the interest-bearing and interest-free loans are determined based on the agreements entered into between the Group and the related companies. During the year ended 31 July 2019, interest expenses were charged at fixed interest rates of 3.045% - 4.200% per annum for the interest bearing loans advanced from the related companies to the Group.

The terms of other advances were unsecured, interest-free and had no fixed terms of repayment.

(viii) The related company is a joint venture of the Group, HK Beautiwin. During the year ended 31 July 2019, a dividend of HK$1,603,755,000 (note 17) was received from the related company.

(ix) The related party is an associate of the Group. The terms of advances are set out in note 18 to the financial statements.

Certain of the above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed in the Report of the Directors.

38. Related Party Transactions (continued)

(b) Outstanding balances with related parties

Details of the advances from a former substantial shareholder of the Company and loans from a fellow subsidiary are included in notes 27 and 28 to the financial statements, respectively.

(c) Guarantees provided by a related party

LSD, which is the Company's intermediate holding company, provided guarantees for 20% (being LSD's equity interest in the relevant borrowers excluding the portion indirectly held through the Company) of certain bank loan facilities of up to HK$3,849,339,000 in aggregate granted to certain subsidiaries of the Company as at 31 July 2020.

eSun, which was the Company's then intermediate holding company, provided guarantees for 20% (being eSun's equity interest in the relevant borrowers excluding the portion indirectly held through the Company) of certain bank loan facilities of up to HK$3,547,197,000 in aggregate granted to certain subsidiaries of the Company as at 31 July 2019.

(d) Compensation of key management personnel of the Group

	2020 **HK$'000**	2019 HK$'000
Short-term employee benefits	**30,090**	26,607
Equity-settled share option expenses	**674**	—
Pension scheme contributions	**147**	129
Total	**30,911**	26,736

Key management personnel of the Group mainly includes directors of the Company. Further details of directors' emoluments are included in note 8 to the financial statements.

39. Financial Instruments by Category

Financial assets

As at 31 July 2020 and 2019, except for the derivative financial instruments which are classified as "financial assets at fair value through profit or loss", the Group's financial assets were categorised as financial assets at amortised cost.

Financial liabilities

As at 31 July 2020 and 2019, except for derivative financial instruments which are classified as "financial liabilities at fair value through profit or loss", the Group's financial liabilities were categorised as financial liabilities at amortised cost.

40. Fair Values and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 July 2020 HK$'000	31 July 2019 HK$'000	**31 July 2020 HK$'000**	31 July 2019 HK$'000
Financial assets				
Derivative financial instruments — CCSs	**6,821**	20,581	**6,821**	20,581
Financial liabilities				
Derivative financial instruments				
— foreign currency forward contract	**5,852**	—	**5,852**	—
Guaranteed notes	**2,699,772**	2,720,857	**2,528,148**	2,667,667
	2,705,624	2,720,857	**2,534,000**	2,667,667

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) The fair value of guaranteed notes is based on quoted market prices;

(ii) Derivative financial instruments — CCSs are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves as well as other unobservable inputs. The carrying amounts of the derivative financial instruments are the same as their fair values.

Each year, the Group's management appoints external valuers to be responsible for the external valuations of the Group's CCSs. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting; and

(iii) In respect of derivative financial instruments — foreign currency forward contract, the Group relies on bank valuations to determine the fair value of the instruments. These valuations maximise the use of observable market data. Key observable inputs in the valuations are spot rates, strike rates, volatility, time to expiration and risk free rate.

Other than the above financial assets and liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 July 2020 and 31 July 2019.

40. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

2020

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCSs	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$2.93 million to HK$18.61 million	1
		Expected exposure at default — the Company	HK$1.79 million to HK$22.79 million	2
		Credit spread — counterparty	7.69 basis point to 111.58 basis point	3
		Credit spread — the Company	303.05 basis point to 484.14 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

2019

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCSs	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$1.58 million to HK$19.87 million	1
		Expected exposure at default — the Company	HK$3.45 million to HK$20.96 million	2
		Credit spread — counterparty	9.07 basis point to 106.44 basis point	3
		Credit spread — the Company	302.23 basis point to 517.02 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

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 — the Company, 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 — the Company, 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 — the Company, the higher the fair value of CCSs

40. Fair Values and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets/(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**
Derivative financial instruments — CCSs	**—**	**—**	**6,821**	**6,821**
Derivative financial instruments — foreign currency forward contract	**—**	**(5,852)**	**—**	**(5,852)**

As at 31 July 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments — CCSs	—	—	20,581	20,581

Save as disclosed above, the Group did not have any financial assets or liabilities measured at fair value as at 31 July 2020 and 31 July 2019.

During the years ended 31 July 2020 and 31 July 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. The movements in the financial assets/(liabilities) arising from the CCSs and foreign currency forward contract are disclosed in note 24 to the financial statements.

Liabilities for which fair values are disclosed

The Group's financial liabilities for which fair values are disclosed include guaranteed notes, fair value of which are based on quoted market prices and are categorised in Level 1.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial assets held by the Group other than derivative financial instruments, comprise pledged and restricted time deposits and bank balances and cash and cash equivalents. Management will, based on the Group's projected cash flow requirements, determine the types and the levels of these financial assets with a view to maintaining an appropriate level of fundings for the Group's operations and enhancing the returns generated from these financial assets.

The Group's principal financial liabilities are bank loans and guaranteed notes. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment purposes. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. Management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts relatively conservative strategies on its risk management. In 2018, the Group has entered into cross currency swaps agreements with financial institutions, which will mature in 2023, and the guaranteed notes have been effectively converted into HKD denominated debts. In addition, in 2020, the Group has entered into a forward contract with a financial institution and certain USD bank loans have been effectively converted into HKD denominated debts. The Group does not hold or issue derivative financial instruments for trading purposes.

The policies are summarised as follows:

(a) Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that the guaranteed notes and certain USD bank loans have been effectively converted into HK$ denominated debts, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in Mainland China and the revenues are predominantly in RMB.

The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the post-tax profit and equity (due to changes in the translated value of monetary assets and liabilities) of the Group.

41. Financial Risk Management objectives and Policies (continued)

(a) Foreign currency risk (continued)

	Change in exchange rate	Impact on post-tax profit HK$'000	Impact on equity* HK$'000
2020			
If USD/HKD weakens against RMB	**5%**	**8,685**	**2,997**
If USD/HKD strengthens against RMB	**5%**	**(7,794)**	**(2,698)**
2019			
If USD/HKD weakens against RMB	5%	7,230	3,266
If USD/HKD strengthens against RMB	5%	(6,661)	(3,077)

* excluding amounts attributable to non-controlling interests

(b) Interest rate risk

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by the changes of market interest rates.

The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At present, the Group does not intend to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings, net of amounts capitalised to properties under development, investment properties under construction and construction in progress) and the equity of the Group.

	Change in interest rate	**Impact on post-tax profit HK$'000**	**Impact on equity* HK$'000**
2020			
	+0.25%	**(6,533)**	**(6,533)**
	-0.25%	**6,533**	**6,533**
2019			
	+0.25%	(6,836)	(6,836)
	-0.25%	6,836	6,836

* excluding amounts attributable to non-controlling interests

(c) Liquidity risk

The Group monitors its risk of a shortage of funds by regularly reviewing its cash flow forecast. The cash flow forecast considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

41. Financial Risk Management objectives and Policies (continued)

(c) Liquidity risk (continued)

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2020				
Creditors and accruals	**2,242,950**	**—**	**—**	**2,242,950**
Deposits received	**250,856**	**119,852**	**—**	**370,708**
Lease liabilities	**5,138**	**836**	**—**	**5,974**
Interest-bearing bank loans	**3,848,777**	**3,104,378**	**1,257,973**	**8,211,128**
Other borrowings	**41,050**	**—**	**—**	**41,050**
Advances from a former substantial shareholder	**—**	**51,738**	**—**	**51,738**
Loans from a fellow subsidiary	**—**	**396,475**	**—**	**396,475**
Guaranteed notes	**153,262**	**2,937,142**	**—**	**3,090,404**
Inflows of derivative financial instruments	**(593,366)**	**(2,937,142)**	**—**	**(3,530,508)**
Outflows of derivative financial instruments	**587,147**	**2,953,651**	**—**	**3,540,798**
	6,535,814	**6,626,930**	**1,257,973**	**14,420,717**
2019				
Creditors and accruals	1,974,235	—	—	1,974,235
Deposits received	211,190	149,213	—	360,403
Interest-bearing bank loans	774,927	5,297,406	1,285,665	7,357,998
Other borrowings	41,440	—	—	41,440
Advances from a former substantial shareholder	—	53,006	—	53,006
Loans from a fellow subsidiary	316,259	—	—	316,259
Guaranteed notes	154,720	3,119,793	—	3,274,513
Inflows of derivative financial instruments	(154,720)	(3,119,793)	—	(3,274,513)
Outflows of derivative financial instruments	147,043	3,100,694	—	3,247,737
	3,465,094	8,600,319	1,285,665	13,351,078

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 35 to the financial statements. The earliest period in which the guarantees could be called is less than 12 months.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk

The Group maintains various credit policies for different business operations as described in note 19 to the financial statements. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

2020

	12-month ECLs Stage 1 HK$'000	Lifetime ECLs Simplified approach HK$'000	Total HK$'000
Trade receivables*	—	143,940	143,940
Other receivables and deposits**	80,476	—	80,476
Pledged and restricted time deposits and bank balances	1,330,619	—	1,330,619
Cash and cash equivalents	1,193,956	—	1,193,956
	2,605,051	143,940	2,748,991

2019

	12-month ECLs Stage 1 HK$'000	Lifetime ECLs Simplified approach HK$'000	Total HK$'000
Trade receivables*	—	110,982	110,982
Other receivables and deposits**	51,326	—	51,326
Pledged and restricted time deposits and bank balances	1,173,775	—	1,173,775
Cash and cash equivalents	1,923,484	—	1,923,484
	3,148,585	110,982	3,259,567

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 19 to the financial statements.

** The credit quality of other receivables and deposits is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

41. Financial Risk Management objectives and Policies (continued)

(e) Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group mainly consists of guaranteed notes, bank and other borrowings, and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on recommendations of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintaining of appropriate types and levels of debts.

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by net assets attributable to owners of the Company. Net debt includes interest-bearing bank loans, advances from a former substantial shareholder, guaranteed notes, loans from a fellow subsidiary and other borrowings, less pledged and restricted time deposits and bank balances and cash and cash equivalents. The gearing ratio as at the end of the reporting period is as follows:

	2020 **HK$'000**	2019 HK$'000
Interest-bearing bank loans	**7,150,498**	5,987,686
Advances from a former substantial shareholder	**51,738**	53,006
Guaranteed notes	**2,699,772**	2,720,857
Loans from a fellow subsidiary	**396,475**	316,259
Other borrowings	**41,050**	41,440
Less:		
Pledged and restricted time deposits and bank balances	**(1,330,619)**	(1,173,775)
Cash and cash equivalents	**(1,193,956)**	(1,923,484)
Net debt	**7,814,958**	6,021,989
Net assets attributable to owners of the Company	**14,309,099**	15,834,007
Gearing ratio	**55%**	38%

42. Comparative Amounts

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.

As further explained in note 4 to the financial statements, due to the reorganisation of reportable segments during the year, certain comparative amounts have been restated to conform with the current year's presentation.

43. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,054,598**	12,988,245
CURRENT ASSETS		
Deposits and prepayments	**2,434**	2,409
Pledged bank balance	**197,394**	216,139
Cash and cash equivalents	**49,856**	188,659
Total current assets	**249,684**	407,207
CURRENT LIABILITIES		
Creditors and accruals	**9,353**	10,682
Interest-bearing bank loan, secured	**1,901,655**	297,047
Derivative financial instruments	**5,852**	—
Total current liabilities	**1,916,860**	307,729
NET CURRENT ASSETS/(LIABILITIES)	**(1,667,176)**	99,478
TOTAL ASSETS LESS CURRENT LIABILITIES	**11,387,422**	13,087,723
NON-CURRENT LIABILITIES		
Due to subsidiaries	**4,928,839**	4,730,404
Interest-bearing bank loan, secured	**—**	1,842,091
Total non-current liabilities	**4,928,839**	6,572,495
	6,458,583	6,515,228
EQUITY		
Issued capital	**1,655,167**	1,636,935
Reserves (Note)	**4,803,416**	4,878,293
	6,458,583	6,515,228

43. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 August 2018		4,085,811	29,529	(9,558)	841,322	4,947,104
Loss for the year		—	—	—	(7,235)	(7,235)
Equity-settled share option arrangement	32	—	2,322	—	—	2,322
Shares issued in lieu of cash dividend	31	1,511	—	—	(3,225)	(1,714)
Final 2018 dividend paid	11	—	—	—	(62,184)	(62,184)
As at 31 July 2019 and 1 August 2019		4,087,322	31,851	(9,558)	768,678	4,878,293
Loss for the year		—	—	—	(27,946)	(27,946)
Issue of shares upon exercise of share options	31	431	(250)	—	—	181
Equity-settled share option arrangement	32	—	674	—	—	674
Release of reserve upon lapse and cancellation of share options		—	(4,629)	—	4,629	—
Shares issued in lieu of cash dividend	31	17,713	—	—	(35,397)	(17,684)
Final 2019 dividend paid	11	—	—	—	(30,102)	(30,102)
As at 31 July 2020		**4,105,466**	**27,646**	**(9,558)**	**679,862**	**4,803,416**

44. Particulars of the Company's Principal Subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Canvex Limited	Hong Kong	HK$2	—	100	Property investment
Eastern Power Limited	Hong Kong	HK$1	—	100	Investment holding
Eternal Medal Limited	Hong Kong	HK$1	—	100	Investment holding
Fore Bright Limited	Hong Kong	HK$1	—	100	Investment holding
Frank Light Development Limited	Hong Kong	HK$19,999,999	—	100	Investment holding
Gentle Code Limited	Hong Kong	HK$1	—	100	Investment holding
Gentle Holdings Limited	Hong Kong	HK$1	—	100	Investment holding
Goldthorpe Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Good Strategy Limited	British Virgin Islands/ Mainland China	US$1	—	100	Property investment
Grand Wealth Limited	Hong Kong	HK$2	—	100	Investment holding
Grosslink Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Guangzhou Gentle Code Real Estate Company Limited @	PRC/ Mainland China	US$22,830,000##	—	100	Property investment
Guangzhou Gentle Real Estate Company Limited @	PRC/ Mainland China	US$17,080,000##	—	100	Property development
Guangzhou Grand Wealth Properties Limited µ	PRC/ Mainland China	HK$280,000,000##	—	100	Property development and investment
Guangzhou Guang Bird Property Development Limited ("**Guangzhou Guang Bird**") µ	PRC/ Mainland China	US$79,600,000##	—	100	Property development and investment

44. Particulars of the Company's Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Honghui Real Estate Development Company Limited µ	PRC/ Mainland China	RMB79,733,004##	—	100	Property development and investment
Guangzhou Jieli Real Estate Company Limited @	PRC/ Mainland China	HK$168,000,000##	—	100	Property investment
Hankey Development Limited	Hong Kong	HK$10,000	—	100	Investment holding
Kingscord Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Lai Fung Company Limited	Hong Kong	HK$20	100	—	Investment holding
Manful Concept Limited	Hong Kong	HK$2	—	100	Investment holding
Nicebird Company Limited	Hong Kong	HK$2	—	100	Investment holding
Pearl Merge Limited	Hong Kong	HK$1	—	80	Investment holding
Rosy Commerce Holdings Limited (Note)	British Virgin Islands/ Hong Kong	US$100	—	80	Investment holding
Shanghai Hankey Real Estate Development Company Limited @	PRC/ Mainland China	US$47,600,000##	—	100	Property investment
Shanghai HKP Property Management Limited @	PRC/ Mainland China	US$150,000##	—	100	Property management
Shanghai Hu Xin Real Estate Development Company Limited @	PRC/ Mainland China	US$40,000,000##	—	100	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited @	PRC/ Mainland China	US$36,000,000##	—	100	Property investment

44. Particulars of the Company's Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Wa Yee Real Estate Development Company Limited #	PRC/ Mainland China	US$10,000,000##	70	25	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited @	PRC/ Mainland China	US$79,800,000##	—	100	Property investment
Sunlite Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Supreme Motion Limited	Hong Kong	HK$1	—	100	Investment holding
Wide Angle Development Limited	Hong Kong	HK$2	—	100	Investment holding
Winfield Concept Limited	Hong Kong	HK$1	—	80	Investment holding
Win Merge Limited	Hong Kong	HK$1	—	80	Investment holding
Zhongshan Bao Li Properties Development Company Limited @	PRC/ Mainland China	HK$960,000,000##	—	100	Property development and investment
廣州高樂物業管理有限公司ø	PRC/ Mainland China	RMB1,100,000##	—	100	Property management
上海麗港物業管理有限公司ø	PRC/ Mainland China	RMB500,000##	—	100	Property management
上海麗星房地產發展有限公司@	PRC/ Mainland China	RMB630,000,000##	—	100	Property development
中山高樂物業管理有限公司ø	PRC/ Mainland China	RMB500,000##	—	100	Property management
珠海橫琴創新方商業管理有限公司@	PRC/ Mainland China	RMB5,000,000##	—	100	Property management
珠海橫琴麗新文創天地有限公司(「**麗新文創**」)@	PRC/ Mainland China	RMB1,900,000,000##	—	80	Property development and investment
珠海橫琴創新方娛樂有限公司@	PRC/ Mainland China	RMB500,000,000##	—	80	Development and operation of and investment in cultural, leisure, entertainment and related facilities

44. Particulars of the Company's Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
珠海橫琴創新方文化創意有限公司@	PRC/ Mainland China	RMB52,000,000##	—	80	Development and operation of and investment in cultural, leisure, entertainment and related facilities
珠海橫琴麗新創新方發展有限公司(「**創新方發展**」)@	PRC/ Mainland China	RMB2,500,000,000##	—	100	Property development and investment
珠海橫琴創新方馬皇文化有限公司(「**創新方馬皇**」)@	PRC/ Mainland China	RMB107,000,000##	—	100	Development and operation of and investment in cultural, leisure, entertainment and related facilities

µ Registered as co-operative joint ventures under the laws of the PRC

Registered as equity joint ventures under the laws of the PRC

The registered capital of these subsidiaries were fully paid up, except for Guangzhou Guang Bird, 創新方發展 and 創新方馬皇 which capital of approximately US$13,247,000 (equivalent to approximately HK$102,668,000), RMB1,575,610,000 (equivalent to approximately HK$1,745,441,000) and RMB99,000,000 (equivalent to approximately HK$109,671,000), respectively was unpaid as at 31 July 2020. Subsequent to 31 July 2020, the registered capital of Guangzhou Guang Bird, 創新方發展 and 創新方馬皇 of US$1,484,000 (equivalent to approximately HK$11,500,000), RMB5,000,000 (equivalent to approximately HK$5,539,000) and RMB4,000,000 (equivalent to approximately HK$4,431,000), respectively, has been paid up.

The registered capital of 麗新文創 amounting to approximately RMB613,600,000 (equivalent to approximately HK$679,739,000) was unpaid as at 31 July 2020. Subsequent to 31 July 2020, the registered capital of 麗新文創 was increased to approximately RMB2,280,379,000 and RMB600,000,000 (equivalent to approximately HK$664,673,000) therein has been paid up.

@ Registered as wholly-foreign-owned enterprises under the laws of the PRC

ø Registered as domestic enterprises under the laws of the PRC

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

44. Particulars of the Company's Principal Subsidiaries (continued)

Note:

The Company, through its wholly-owned subsidiaries, held 80% equity interest in Rosy Commerce and its subsidiaries (collectively referred to as the "**Rosy Commerce Group**").

The non-controlling interest, which held equity interest of 20% in the Rosy Commerce Group, was considered material to the Group. The loss of Rosy Commerce Group allocated to the non-controlling interest amounted to HK$219,251,000 (2019: profit of HK$69,137,000) for the year ended 31 July 2020 and the accumulated non-controlling interest of Rosy Commerce Group amounted to HK$34,525,000 (2019: HK$271,925,000) as at 31 July 2020.

The following tables illustrate the summarised financial information of the Rosy Commerce Group. The amounts disclosed are before any inter-company eliminations:

	2020 **HK$'000**	2019 HK$'000
Current assets	**2,900,333**	1,601,783
Non-current assets	**4,764,089**	6,299,686
Total assets	**7,664,422**	7,901,469
Current liabilities	**(2,750,144)**	(3,626,803)
Non-current liabilities	**(4,741,679)**	(2,915,070)
Total liabilities	**(7,491,823)**	(6,541,873)
Net assets	**172,599**	1,359,596
Turnover	**305,266**	121,865
Fair value gains/(losses) on investment properties	**(459,214)**	506,543
Profit/(loss) for the year	**(1,096,255)**	345,683
Other comprehensive expenses, net of tax	**(90,743)**	(44,145)
Total comprehensive income/(expenses) for the year	**(1,186,998)**	301,538
Dividends paid to non-controlling interests	**—**	—
Net cash flows used in operating activities	**(650,939)**	(489,036)
Net cash flows used in investing activities	**(378,180)**	(823,054)
Net cash flows from financing activities	**953,400**	1,509,055
Net cash inflow/(outflow)	**(75,719)**	196,965

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 20 October 2020.