



LAI SUN GARMENT

(Stock Code: 191)





Cover Photo

Crocodile Center, a commercial property located at Hoi Yuen Road, Kowloon, Hong Kong

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Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ming (*Chairman*)
Lam Kin Ngok, Peter, GBS (*Deputy Chairman*)
Chew Fook Aun (*Deputy Chairman*)
Lam Hau Yin, Lester
(*also alternate director to U Po Chu*)
Lam Kin Hong, Matthew
U Po Chu

Independent Non-executive Directors

Chow Bing Chiu
Lam Bing Kwan
Leung Shu Yin, William

AUDIT COMMITTEE

Leung Shu Yin, William (*Chairman*)
Chow Bing Chiu
Lam Bing Kwan

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Tse Pik Ha

REGISTERED OFFICE / PRINCIPAL OFFICE

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

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

AUTHORISED REPRESENTATIVES

Lam Kin Ming
Chew Fook Aun

SHARE REGISTRAR AND TRANSFER OFFICE

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

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

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

SHARES INFORMATION

Place of Listing

The Main Board of The Stock Exchange of
Hong Kong Limited

Stock Code / Board Lot

191 / 1,000 shares

American Depositary Receipt

CUSIP Number:	50171P102
Trading Symbol:	LGRTY
ADR to Ordinary Share Ratio:	1:20
Depository Bank:	The Bank of New York Mellon

WEBSITE

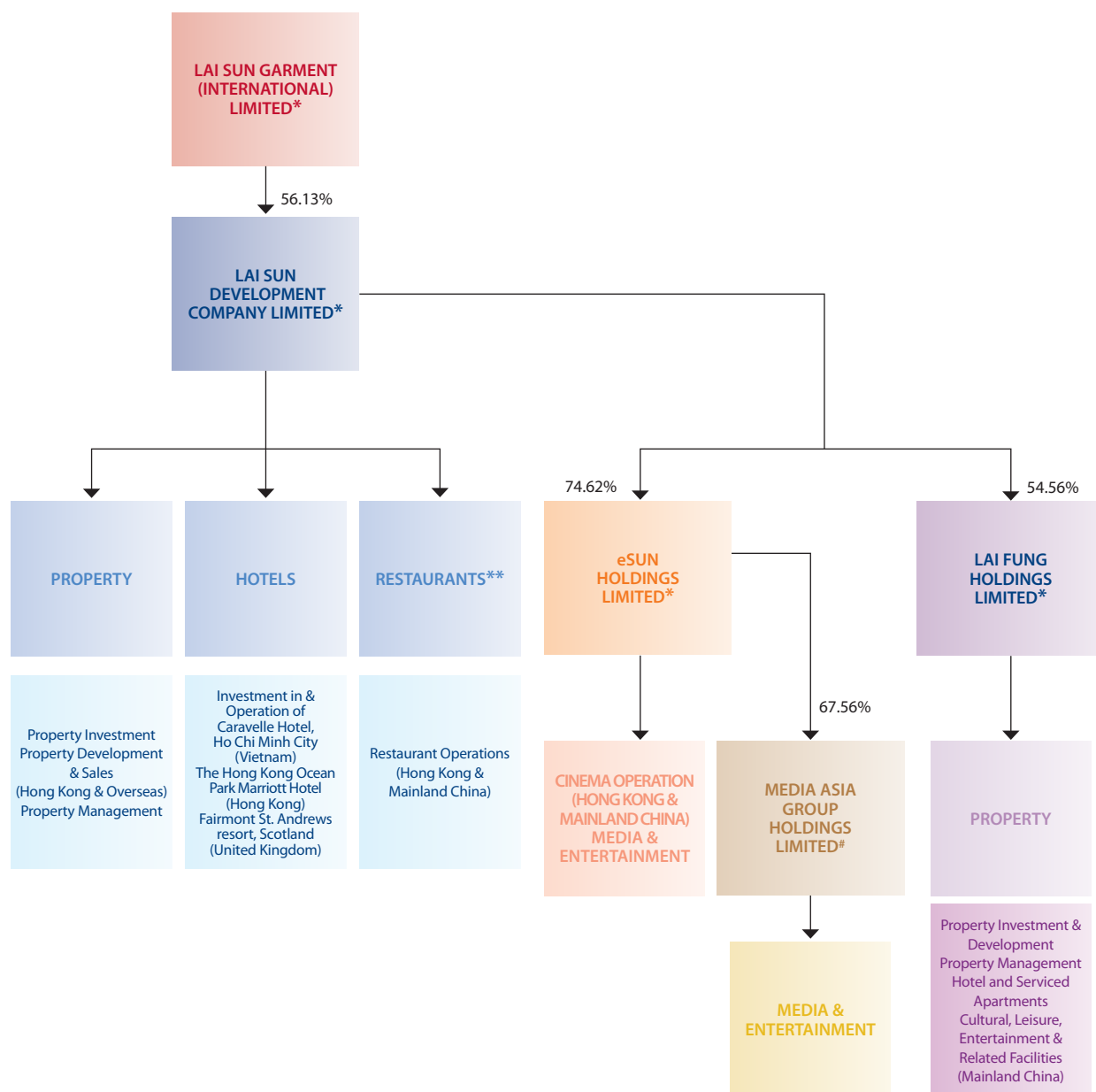
www.laisun.com

INVESTOR RELATIONS

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Corporate Profile

The Lai Sun Group was founded in 1947 as a garment manufacturer and obtained its first listing on the Hong Kong stock exchange in late 1972. The Group has since evolved into a diversified conglomerate and its principal activities include property development and investment in Hong Kong, Mainland China and overseas as well as investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. Lai Sun Garment (International) Limited is listed on The Stock Exchange of Hong Kong Limited and holds substantial interests in the listed companies of the Group.



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

Listed on GEM of The Stock Exchange of Hong Kong Limited

** Operated under various subsidiaries and associates

Corporate structure as at 23 October 2020

Chairman's Statement



DR. LAM KIN MING
CHAIRMAN

I am pleased to present the audited consolidated results of Lai Sun Garment (International) Limited (“**Company**”) and its subsidiaries (collectively, “**Group**”) for the year ended 31 July 2020.

OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2020, the Group recorded turnover of HK\$5,324.2 million (2019: HK\$6,609.8 million) and a gross profit of HK\$1,658.8 million (2019: HK\$2,406.7 million). The decrease is primarily due to (i) lower turnover from sale of properties during the year under review as compared to last year and (ii) decrease in revenue from media and entertainment businesses and cinema operations of eSun Holdings Limited (“**eSun**”) and its subsidiaries (collectively “**eSun Group**”) amid the prolonged social unrest in Hong Kong in the second half of 2019 and the outbreak of COVID-19 since January 2020. Set out below is the turnover by segment:

	For the year ended 31 July			
	2020 (HK\$ million)	2019 (HK\$ million)	Difference (HK\$ million)	% change
Property investment	1,412.2	1,476.0	-63.8	-4.3%
Property development and sales	1,690.2	2,279.8	-589.6	-25.9%
Restaurant operation	421.8	514.8	-93.0	-18.1%
Hotel operation	673.3	686.1	-12.8	-1.9%
Media and entertainment	326.6	591.8	-265.2	-44.8%
Film and TV program	370.2	326.0	+44.2	+13.6%
Cinema operation	229.3	521.1	-291.8	-56.0%
Theme park operation	19.2	0.3	+18.9	+6,300.0%
Others	181.4	213.9	-32.5	-15.2%
Total	5,324.2	6,609.8	-1,285.6	-19.4%

OVERVIEW OF FINAL RESULTS (CONTINUED)

For the year ended 31 July 2020, net loss attributable to owners of the Company was approximately HK\$1,965.9 million (2019: net profit of HK\$2,797.5 million). The significant decrease is primarily due to (i) the absence of the net gain on bargain purchase on acquisition of subsidiaries during the year under review; (ii) the decrease in fair values of the investment properties owned by the Group and held through joint ventures of the Group, which result in the recognition of significant fair value losses arising from revaluation of the Group's investment properties and share of losses from joint ventures of the Group for the year under review; (iii) increased other operating expenses as a result of impairment of certain right-of-use asset and impairment of certain property, plant and equipment of the Group during the year under review; and (iv) write-down of completed properties for sale of Lai Fung Holdings Limited ("Lai Fung" and together with its subsidiaries, "Lai Fung Group") to net realisable value. Net loss per share was HK\$5.067 (2019: net profit per share of HK\$7.249).

Excluding the effect of property revaluations and non-recurring transactions during the year under review, net loss attributable to owners of the Company was approximately HK\$600.6 million (2019: net profit of HK\$279.6 million). Net loss per share excluding the effect of property revaluations and non-recurring transactions during the year under review was HK\$1.548 (2019: net profit per share of HK\$0.724).

(Loss)/profit attributable to owners of the Company	For the year ended 31 July	
	2020 HK\$ million	2019 HK\$ million
Reported	(1,965.9)	2,797.5
Less: Adjustments in respect of revaluation of investment properties held by		
— the Company and subsidiaries	1,081.3	(361.2)
— associates and joint ventures	324.6	(76.4)
Deferred tax on investment properties	(40.6)	16.0
Non-controlling interests' share of revaluation movements less deferred tax	—	0.1
Net (loss)/profit after tax excluding revaluation of investment properties	(600.6)	2,376.0
Less: Adjustments in respect of non-recurring transactions		
— loss on remeasurement of existing interest in an associate upon business combination	—	1,697.0
— gain on bargain purchase upon acquisition of subsidiaries	—	(3,793.4)
Net (loss)/profit after tax excluding revaluation of investment properties and excluding non-recurring transactions	(600.6)	279.6

Equity attributable to owners of the Company as at 31 July 2020 amounted to HK\$21,871.6 million, as compared to HK\$22,612.3 million as at 31 July 2019. Net asset value per share attributable to owners of the Company decreased slightly to HK\$55.708 per share as at 31 July 2020 from HK\$58.448 per share as at 31 July 2019.

Chairman's Statement

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the financial year ended 31 July 2020 (2019: HK7.40 cents per share).

No interim dividend was declared during the year (2019: Nil).

BUSINESS REVIEW AND OUTLOOK

The novel coronavirus (COVID-19) pandemic has presented the world economy with challenges that are historically unprecedented and disruptions to how society has been operating for decades. Stimulus packages at record levels were being structured and implemented by governments with objectives to protect jobs, boost consumption and bring back confidence into businesses. Yet with resurgence of the virus seen in numerous countries, the path to full recovery for the global economy might not be as trivial and smooth.

Hong Kong and Overseas Property Market

During the year ended 31 July 2020, the Group's Hong Kong investment properties performed relatively steady, contributing approximately HK\$670.6 million in turnover, compared to HK\$681.4 million for last year. Despite the challenging market conditions brought to the Hong Kong economy, and particularly tourism and hotel industries due to the social unrest in the second half of 2019 and outbreak of COVID-19 since January 2020, which had led to a significant decline in number of visitors to Hong Kong, the Hong Kong Ocean Park



HKQAA-Outstanding Award for Green Loan Issuer

Marriott Hotel ("**Ocean Park Marriott Hotel**") still managed to deliver an average occupancy rate of approximately 50.1% during the year under review. On 16 September 2019, Lai Sun Development Company Limited ("**LSD**") and its subsidiaries (collectively "**LSD Group**") managed to secure a HK\$3,600 million 4-year secured term loan facility with 18 leading banks to finance Ocean Park Marriott Hotel. The facility was the first green loan solely used to finance a hotel property in Hong Kong and received a total commitment of HK\$12,200 million, representing approximately 339% of the total facility amount. LSD won the Outstanding Award for Green Loan Issuer — Largest Single Green Loan (Hotel Development Industry) in the Hong Kong Sustainable Finance Awards 2020 organised by Hong Kong Quality Assurance Agency ("**HKQAA**").

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Hong Kong and Overseas Property Market (continued)

LSD Group continued to monitor the market conditions in London for the potential redevelopment of the three properties on Leadenhall Street in London, comprising 100, 106 and 107 Leadenhall Street (together, “**Leadenhall Properties**”). During the year under review, LSD Group had further expanded its hotel portfolio with the acquisition of a 50% interest in Fairmont St. Andrews resort in Fife, Scotland, United Kingdom in December 2019. This 211-bedroom five-star hotel, sitting on 520 acres of land with two private Manor Homes of four bedrooms each enjoys spectacular cliff-top views and boasts two championship golf courses in addition to a 10-treatment room spa, five restaurants and bars, as well as 3,000 square meters of conference and event space.

Construction works for the sites located at Nos. 12-30 Hang On Street, Kwun Tong, Hong Kong and Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, Hong Kong are on track. Upon completion, these two residential projects are expected to add a total gross floor area (“**GFA**”) of approximately 64,000 square feet and 42,200 square feet, respectively, to the development portfolio of LSD Group.

The sale and handover of 599 units in Alto Residences have been completed, achieving an average selling price of approximately HK\$17,900 per square foot and handover of sold units have been substantially completed. LSD Group has released in total 86 car-parking spaces of Alto Residences for sale since March 2019. Up to 11 October 2020, 68 car-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$178.9 million.

The sale and handover of all 209 residential units and 7 commercial units of 93 Pau Chung Street have been completed. Car-parking spaces of 93 Pau Chung Street were launched for sale in July 2019. Up to 11 October 2020, 7 out of 20 car-parking spaces and 4 out of 5 motor-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$10.2 million.

The sale and handover of all 138 residential units of Novi, the Ki Lung Street project in Sham Shui Po, Kowloon, Hong Kong have been completed. As at the date of this Annual Report, 4 commercial units of Novi remained unsold.

Construction of Monti, the Sai Wan Ho Street project with the Urban Renewal Authority in Shau Kei Wan, Hong Kong providing 144 residential units with a total saleable area of 45,822 square feet has been completed. The Occupation Permit was issued by the Buildings Department in October 2019 and the Certificate of Compliance was issued by the Lands Department in March 2020. Up to 11 October 2020, LSD Group has sold 110 units in Monti with saleable area of approximately 34,497 square feet at an average selling price of approximately HK\$20,911 per square foot. Handover of the sold residential units has been substantially completed.

The Group will continue its prudent and flexible approach and continue to participate in government tenders to grow the pipeline.

Chairman's Statement

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Mainland China Property Market

In addition to COVID-19, the heightening tensions between China and 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 results of Lai Fung Group. Lai Fung Group's rental portfolio, comprising a total of 4.5 million square feet of rental 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 total turnover of Lai Fung Group for the year under review.

Top tier cities and the Greater Bay Area will remain as the primary drivers for Lai Fung 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**"), Lai Fung Group will have a rental portfolio of approximately 8.8 million square feet.

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. Lai Fung Group remains confident that the resumption of operations will make Novotown a new contributor to Lai Fung Group's results in the long run. The introduction of Zhuhai Da Hengqin Real Estate Co., Ltd. (珠海大橫琴置業有限公司) 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. Lai Fung 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.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Mainland China Property Market (continued)

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



Zhongshan Palm Spring Phase III

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 Lai Fung Group in the coming financial years.

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

LSD Group's acquisition ("**Novotown Phase I Acquisition**") of the 20% equity interest in Novotown Phase I from eSun Group, which was completed in September 2019, enabled LSD Group to leverage their extensive resources and experience in property investment and development as well as consolidate its exposure in the Hengqin project and thereby strengthen its presence in the Greater Bay Area. As at the date of this Annual Report, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by LSD Group.

Media and Entertainment/Film Production and Distribution/Cinema Operation

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

Chairman's Statement

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

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

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

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

eSun Group continues to invest in original production of quality films with Chinese themes. The most recent release *"I'm Living It"*, a feature film produced by Cheang Pou Soi with Miriam Yeung and Aaron Kwok, has achieved satisfactory box office and earned good public reviews amid this pandemic environment. The film has received 10 nominations in the 39th Hong Kong Film Awards and congratulations to Cheung Tat Ming who just won the Best Supporting Actor in the 39th Hong Kong Film Awards for his performance in this movie. The current production pipeline of eSun Group includes *"The Calling of a Bus Driver"*, a romance comedy film with Ivana Wong and director Patrick Kong, and *"Septet: the Story of Hong Kong"*, an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam. A 52 episode romance drama series *"New Horizon"* starring Zheng Kai and Chen Chiao-en, is in the post production stage. Projects under development include *"Modern Dynasty"*, a 30 episode modern day drama series tailor-made for Alibaba's Youku platforms. eSun Group is in discussion with various Chinese portals and video web sites for new project development in TV drama production.

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

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

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

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

Other Business Updates

As disclosed in the announcement made by the Company on 6 May 2020, the public float of the Company fell below 25% of the total issued shares of the Company as a result of the increase in the shareholding of Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk who were substantial shareholders and core connected persons of the Company. The public float was eventually restored in July 2020 upon completion of the disposal of shares of the Company by certain directors of the Company to independent third parties.

As at 31 July 2020, the Group's consolidated cash and bank deposits amounted to HK\$6,182.6 million (HK\$87.2 million excluding LSD Group) with undrawn facilities of HK\$5,200.5 million (HK\$520.0 million excluding LSD Group). The net debt to equity ratio as at 31 July 2020 increased to 77% (31 July 2019: 66%). The Group's gearing excluding the net debt of LSD Group was approximately 4%. 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.

Lam Kin Ming
Chairman
Hong Kong
23 October 2020

Financial Highlights

		Year ended 31 July 2020	Year ended 31 July 2019	%
Turnover	(HK\$M)	5,324.2	6,609.8	-19%
Gross profit	(HK\$M)	1,658.8	2,406.7	-31%
Gross profit margin	(%)	31%	36%	
Operating (loss)/profit	(HK\$M)	(3,266.2)	4,846.2	N/A
Operating (loss)/profit margin	(%)	-61%	73%	
(Loss)/profit attributable to owners of the Company	(HK\$M)			
— as reported		(1,965.9)	2,797.5	N/A
— adjusted (Note 1)		(600.6)	279.6	N/A
Net profit margin	(%)			
— as reported		-37%	42%	
— adjusted		-11%	4%	
(Net loss)/basic earnings per share (Note 2)	(HK\$)			
— as reported		(5.067)	7.249	N/A
— adjusted		(1.548)	0.724	N/A
Equity attributable to owners of the Company	(HK\$M)	21,871.6	22,612.3	-3%
Net borrowings	(HK\$M)	16,868.1	14,977.5	13%
Net asset value per share (Note 3)	(HK\$)	55.708	58.448	-5%
Share price as at 31 July	(HK\$)	8.080	9.500	-15%
Price earnings ratio	(times)			
— as reported		N/A	1.3	
— adjusted		N/A	13.1	
Market capitalisation as at 31 July	(HK\$M)	3,172.3	3,675.4	-14%
Return on shareholders' equity	(%)			
— as reported		-9%	12%	
— adjusted		-3%	1%	
Dividend per share	(HK\$)	Nil	0.0740	
Dividend yield	(%)	N/A	0.8%	
Gearing - net debt to equity	(%)	77%	66%	
Interest cover (Note 4)	(times)			
— as reported		-2.1	3.2	
— adjusted		-0.6	0.3	
Current Ratio	(times)	1.3	1.4	
Discount to net asset value	(%)	85%	84%	

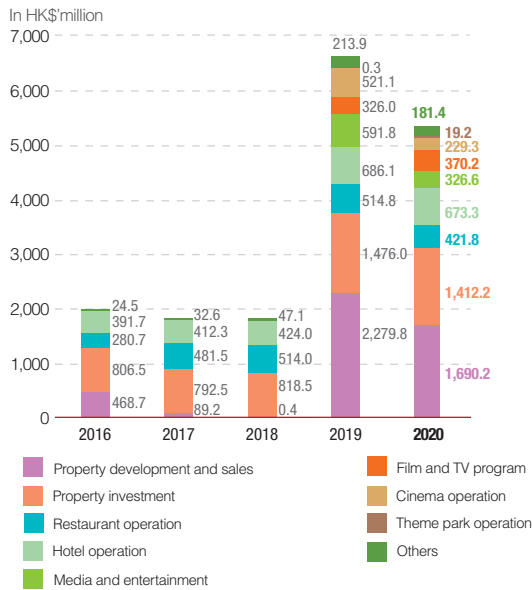
Note 1: excluding the effect of property revaluations and non-recurring transactions (if applicable).

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

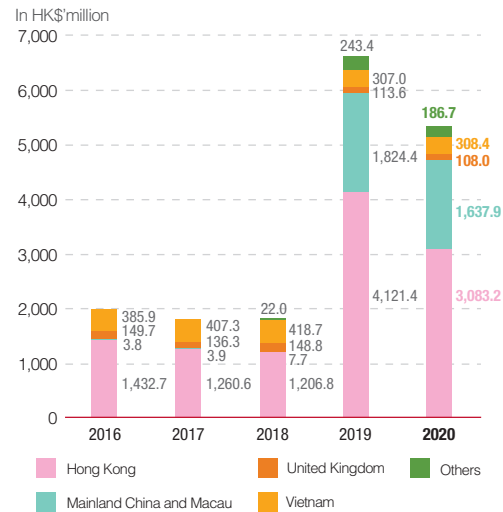
Note 3: calculated based on the number of ordinary shares in issue as at the end of respective reporting periods.

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

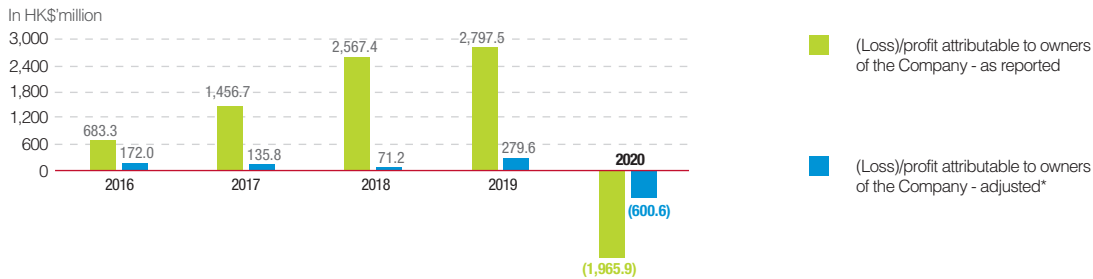
Turnover by Segment



Turnover by Geographical Location

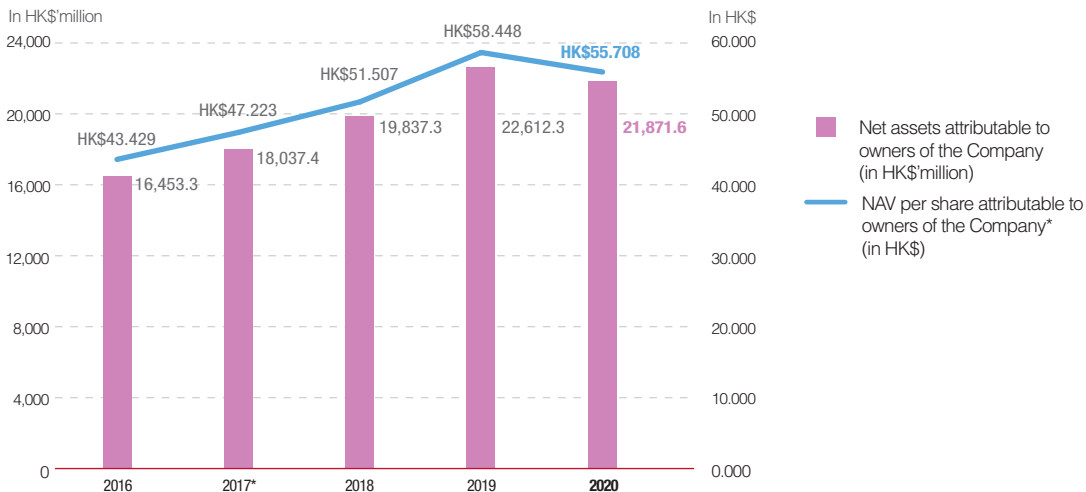


(Loss)/profit attributable to owners of the Company



* excluding the effect of property revaluations and non-recurring transactions (if applicable).

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



* Adjustment has been made to the number of issued shares of the Company as at 31 July 2017 due to the share consolidation of the Company on the basis that every five (5) issued shares in the share capital of the Company were consolidated into one (1) consolidated share in the share capital of the Company being effective on 15 August 2017.

Management Discussion and Analysis

PROPERTY PORTFOLIO COMPOSITION

The Group maintained a property portfolio with attributable GFA of approximately 5.7 million square feet as at 31 July 2020. All major properties of the Group in Mainland China are held through Lai Fung Group, except Novotown Phase I which is 80% owned by Lai Fung Group and 20% owned by LSD Group, and all major properties in Hong Kong and overseas are held by the Group excluding eSun Group and Lai Fung Group. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces as at 31 July 2020 are set out as follows:

	Commercial/ Retail	Office	Hotel/ Serviced Apartments	Residential	Industrial	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
GFA of major properties and number of car-parking spaces of Lai Fung Group¹ (on attributable basis)							
Completed Properties Held for Rental ²	747	327	—	—	—	1,074	698
Completed Hotel Properties and Serviced Apartments ²	—	—	299	—	—	299	—
Properties under Development ³	1,087	330	—	604	—	2,021	1,017
Completed Properties Held for Sale	10	146	93	137	—	386	663
Subtotal	1,844	803	392	741	—	3,780	2,378
GFA of major properties and number of car-parking spaces of LSD Group¹ (excluding Lai Fung Group) (on attributable basis)							
Completed Properties Held for Rental ²	412	579	—	—	36	1,027	806
Completed Hotel Properties and Serviced Apartments ²	—	—	406	—	—	406	52
Properties under Development ³	4	—	—	60	—	64	6
Completed Properties Held for Sale	19	67	42	60	—	188	37
Subtotal	435	646	448	120	36	1,685	901
GFA of major properties and number of car-parking spaces of the Group (excluding LSD Group) (on attributable basis)							
Completed Properties Held for Rental ²	91	—	—	—	159	250	38
Subtotal	91	—	—	—	159	250	38
Total GFA attributable to the Group	2,370	1,449	840	861	195	5,715	3,317

Notes:

1. As at 31 July 2020, Lai Fung is a 54.56%-owned subsidiary of LSD and LSD is a 56.22%-owned subsidiary of the Company.
2. Completed and rental generating properties.
3. All properties under construction.

PROPERTY INVESTMENT

Rental Income

During the year under review, the Group's rental operations recorded a turnover of HK\$1,412.2 million (2019: HK\$1,476.0 million), comprising turnover of HK\$670.7 million, HK\$108.0 million and HK\$633.5 million from rental properties in Hong Kong, London and Mainland China, respectively. Breakdown of rental turnover by major investment properties of the Group is as follows:

PROPERTY INVESTMENT (CONTINUED)

Rental Income (continued)

	For the year ended 31 July			Year end occupancy (%)
	2020 HK\$ million	2019 HK\$ million	% Change	
Hong Kong				
Cheung Sha Wan Plaza	329.7	329.0	+0.2%	94.4%
Causeway Bay Plaza 2	179.0	180.7	-0.9%	88.6%
Lai Sun Commercial Centre	44.0	46.2	-4.8%	94.7%
Crocodile Center (commercial podium)	93.2	100.3	-7.1%	78.0%
Por Yen Building	15.7	15.0	+4.7%	88.3%
Others	9.1	10.2	-10.8%	
Subtotal:	670.7	681.4	-1.6%	
London, United Kingdom				
107 Leadenhall Street	45.2	49.5	-8.7%	100.0%
100 Leadenhall Street	56.5	57.7	-2.1%	100.0%
106 Leadenhall Street	6.3	6.4	-1.6%	100.0%
Subtotal:	108.0	113.6	-4.9%	
Mainland China				
Shanghai				
Shanghai Hong Kong Plaza	291.4	330.5	-11.8%	Retail: 84.4% Office: 80.3%
Shanghai May Flower Plaza	39.1	33.3	+17.4%	Retail: 99.4%
Shanghai Regents Park	22.0	22.1	-0.5%	93.7%
Guangzhou				
Guangzhou May Flower Plaza	111.4	122.9	-9.4%	95.8%
Guangzhou West Point	23.8	26.7	-10.9%	96.5%
Guangzhou Lai Fung Tower	123.2	126.8	-2.8%	Retail: 95.3% Office: 98.3% ¹
Zhongshan				
Zhongshan Palm Spring	5.6	4.3	+30.2%	Retail: 73.2% ¹
Hengqin				
Hengqin Novotown Phase I	3.9	—	N/A	Retail: 69.3% ²
Others	13.1	14.4	-9.0%	
Subtotal:	633.5	681.0	-7.0%	
Total:	1,412.2	1,476.0	-4.3%	
Rental proceeds from joint venture projects				
Hong Kong				
CCB Tower ³ (50% basis)	137.2	139.5	-1.6%	93.1%
Alto Residences ⁴ (50% basis)	15.7	3.7	+324.3%	35.1%
8 Observatory Road ⁵ (50% basis)	—	27.6	N/A	
Total:	152.9	170.8	-10.5%	

Notes:

- Excluding self-use area.
- Including cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin.
- CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of LSD Group and CCB has an effective 50% interest. For the year ended 31 July 2020, the joint venture recorded rental proceeds of approximately HK\$274.3 million (2019: HK\$279.0 million).
- Alto Residences is a joint venture project with Empire Group Holdings Limited (“Empire Group”) in which each of LSD Group and Empire Group has an effective 50% interest. For the year ended 31 July 2020, the joint venture recorded rental proceeds of approximately HK\$31.4 million (2019: HK\$7.4 million).
- Disposal of 8 Observatory Road was completed on 11 March 2019.

Management Discussion and Analysis

PROPERTY INVESTMENT (CONTINUED)

Rental Income (continued)

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

	For the year ended 31 July 2020			For the year ended 31 July 2019		
	Attributable interest to the Group	Turnover (HK\$ million)	Total GFA (square feet)	Attributable interest to the Group	Turnover (HK\$ million)	Total GFA (square feet)
Hong Kong						
Cheung Sha Wan Plaza	56.22%			56.07%		
Commercial		168.7	233,807		171.9	233,807
Office		144.1	409,896		137.4	409,896
Car-parking spaces		16.9	N/A		19.7	N/A
Subtotal:		329.7	643,703		329.0	643,703
Causeway Bay Plaza 2	56.22%			56.07%		
Commercial		122.3	109,770		118.7	109,770
Office		53.4	96,268		57.2	96,268
Car-parking spaces		3.3	N/A		4.8	N/A
Subtotal:		179.0	206,038		180.7	206,038
Lai Sun Commercial Centre	56.22%			56.07%		
Commercial		22.3	95,063		12.8	95,063
Office		4.4	74,181		14.4	74,181
Car-parking spaces		17.3	N/A		19.0	N/A
Subtotal:		44.0	169,244		46.2	169,244
Crocodile Centre	100%			100%		
Commercial		93.2	91,201		100.3	91,201
Por Yen Building	100%			100%		
Industrial		15.4	109,010		14.8	109,010
Car-parking spaces		0.3	N/A		0.2	N/A
Subtotal:		15.7	109,010		15.0	109,010
Others		9.1	108,810 ¹		10.2	108,810 ¹
Subtotal:		670.7	1,328,006¹		681.4	1,328,006¹



Cheung Sha Wan Plaza



Causeway Bay Plaza 2



Lai Sun Commercial Centre

PROPERTY INVESTMENT (CONTINUED)

Rental Income (continued)

	For the year ended 31 July 2020			For the year ended 31 July 2019		
	Attributable interest to the Group	Turnover (HK\$ million)	Total GFA (square feet)	Attributable interest to the Group	Turnover (HK\$ million)	Total GFA (square feet)
London, United Kingdom						
107 Leadenhall Street	56.22%			56.07%		
Commercial		4.1	48,182		4.2	48,182
Office		41.1	98,424		45.3	98,424
Subtotal:		45.2	146,606		49.5	146,606
100 Leadenhall Street	56.22%			56.07%		
Office		56.5	177,700		57.7	177,700
106 Leadenhall Street	56.22%			56.07%		
Commercial		1.2	3,540		1.2	3,540
Office		5.1	16,384		5.2	16,384
Subtotal:		6.3	19,924		6.4	19,924
Subtotal:		108.0	344,230		113.6	344,230
Mainland China						
Shanghai						
Shanghai Hong Kong Plaza	30.67%			21.15%		
Retail		177.7	468,434		208.3	468,434
Office		108.2	362,096		116.1	362,096
Car-parking spaces		5.5	N/A		6.1	N/A
Subtotal:		291.4	830,530		330.5	830,530
Shanghai May Flower Plaza	30.67%			21.15%		
Retail		35.4	320,314		29.5	320,314
Car-parking spaces		3.7	N/A		3.8	N/A
Subtotal:		39.1	320,314		33.3	320,314
Shanghai Regents Park	29.14%			20.09%		
Retail		19.8	82,062		19.2	82,062
Car-parking spaces		2.2	N/A		2.9	N/A
Subtotal:		22.0	82,062		22.1	82,062
Guangzhou						
Guangzhou May Flower Plaza	30.67%			21.15%		
Retail		95.7	357,424		106.9	357,424
Office		13.0	79,431		13.1	79,431
Car-parking spaces		2.7	N/A		2.9	N/A
Subtotal:		111.4	436,855		122.9	436,855
Guangzhou West Point	30.67%			21.15%		
Retail		23.8	171,968		26.7	171,968
Guangzhou Lai Fung Tower	30.67%			21.15%		
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
Subtotal:		123.2	738,113		126.8	738,113

Management Discussion and Analysis

PROPERTY INVESTMENT (CONTINUED)

Rental Income (continued)

	For the year ended 31 July 2020			For the year ended 31 July 2019		
	Attributable interest to the Group	Turnover (HK\$ million)	Total GFA (square feet)	Attributable interest to the Group	Turnover (HK\$ million)	Total GFA (square feet)
Zhongshan						
Zhongshan Palm Spring Retail	30.67%	5.6	147,408	21.15%	4.3	147,408
Hengqin						
Hengqin Novotown Phase I Retail ²	35.78%	3.9	682,073	25.29%	—	—
Others	N/A	13.1	N/A	N/A	14.4	N/A
Subtotal:		633.5	3,409,323		681.0	2,727,250
Total:		1,412.2	5,081,559¹		1,476.0	4,399,486¹
Joint Venture Projects						
Hong Kong						
CCB Tower ³ (50% basis)	28.11%			28.04%		
Office		136.7	114,603 ⁴		138.9	114,603 ⁴
Car-parking spaces		0.5	N/A		0.6	N/A
Subtotal:		137.2	114,603⁴		139.5	114,603⁴
Alto Residences ⁵ (50% basis)	28.11%			28.04%		
Commercial		3.3	47,067 ⁶		1.7	47,067 ⁶
Residential units ⁷		11.8	19,587 ⁸		1.7	7,557
Car-parking spaces		0.6	N/A		0.3	N/A
Subtotal:		15.7	66,654		3.7	54,624
8 Observatory Road ⁹ (50% basis)				28.04%		
Commercial		—	—		21.9	45,312
Office		—	—		4.5	37,273
Car-parking spaces		—	—		1.2	N/A
Subtotal:		—	—		27.6	82,585
Total:		152.9	181,257		170.8	251,812

Notes:

- Excluding 10% interest in AIA Central.
- Excluding the cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin.
- CCB Tower is a joint venture project with CCB in which each of LSD Group and CCB has an effective 50% interest. For the year ended 31 July 2020, the joint venture recorded rental proceeds of approximately HK\$274.3 million (2019: HK\$279.0 million). GFA attributable to the Group. The total GFA of CCB Tower is 229,206 square feet.
- Alto Residences is a joint venture project with Empire Group in which each of LSD Group and Empire Group has an effective 50% interest. For the year ended 31 July 2020, the joint venture recorded rental proceeds of approximately HK\$31.4 million (2019: HK\$7.4 million).
- GFA attributable to LSD Group. Total GFA is 94,133 square feet.
- Referring to those sold residential units offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
- Saleable area attributable to LSD Group. The total saleable area is 39,174 square feet.
- Disposal of 8 Observatory Road was completed on 11 March 2019.

PROPERTY INVESTMENT (CONTINUED)

Rental Income (continued)

The average Sterling exchange rate for the year under review depreciated by approximately 2.4% compared with last year. Excluding the effect of currency translation, the Sterling denominated turnover from London properties decreased slightly by 2.5% during the year under review. Breakdown of rental turnover of London portfolio for the year ended 31 July 2020 is as follows:

	2020 HK\$'000	2019 HK\$'000	% Change	2020 GBP'000	2019 GBP'000	% Change
107 Leadenhall Street	45,208	49,427	-8.5%	4,594	4,903	-6.3%
100 Leadenhall Street	56,518	57,738	-2.1%	5,744	5,728	0.3%
106 Leadenhall Street	6,316	6,396	-1.3%	642	635	1.1%
Total:	108,042	113,561	-4.9%	10,980	11,266	-2.5%

Review of major investment properties

Hong Kong Properties

Cheung Sha Wan Plaza

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

Causeway Bay Plaza 2

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

Lai Sun Commercial Centre

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

Por Yen Building

Por Yen Building, being a 14-storey industrial building with total GFA of 109,010 square feet (excluding car-parking spaces), is located at the hub of Cheung Sha Wan Business Area and is near to the Lai Chi Kok MTR station.

Crocodile Center

Crocodile Center is a 25-storey commercial/office building which was completed in 2009 and located near the Kwun Tong MTR station. The Group owns the commercial podium which has a total GFA of 91,201 square feet (excluding car-parking spaces). Tenants dominated by local restaurant groups.

Management Discussion and Analysis

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties (continued)

Hong Kong Properties (continued)

CCB Tower

This is a 50:50 joint venture between LSD Group and CCB involving the redevelopment of the former Ritz-Carlton Hotel in Central. This 27-storey office tower is a landmark property in Central featuring underground access to the Central MTR station. The property has a total GFA of 229,206 square feet (excluding car-parking spaces). 20 floors of the office floors and 2 banking hall floors of CCB Tower are leased to CCB for its Hong Kong operations.

AIA Central

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

Overseas Properties

107 Leadenhall Street, London EC3, United Kingdom

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

100 Leadenhall Street, London EC3, United Kingdom

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



CCB Tower



AIA Central

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties (continued)

Overseas Properties (continued)

106 Leadenhall Street, London EC3, United Kingdom

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

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

Mainland China Properties

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

Shanghai Hong Kong Plaza

Being Lai Fung 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.



100 Leadenhall Street, London



107 Leadenhall Street, London



106 Leadenhall Street, London

Management Discussion and Analysis

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties (continued)

Mainland China Properties (continued)

Shanghai Hong Kong Plaza (continued)

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.

Lai Fung Group owns 100% of this property.

Shanghai May Flower Plaza

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

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

Shanghai Regents Park

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

Guangzhou May Flower Plaza

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

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

Lai Fung Group owns 100% of this property.

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties (continued)

Mainland China Properties (continued)

Guangzhou West Point

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

Guangzhou Lai Fung Tower

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

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.

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 Hengqin, offices, cultural workshops, cultural studios, shopping and leisure facilities with total GFA of approximately 2.7 million square feet, as well as 1,844 car-parking spaces and ancillary facilities. As at the date of this Annual Report, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by LSD Group.

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. Lai Fung Group remains confident that the resumption of operations will make Novotown a new contributor to Lai Fung Group's results in the long run.

Management Discussion and Analysis

PROPERTY DEVELOPMENT

For the year ended 31 July 2020, recognised turnover from sales of properties was HK\$1,690.2 million (2019: HK\$2,279.8 million). Breakdown of turnover for the year ended 31 July 2020 from sales of properties is as follows:

Hong Kong				
	No. of Units	Approximate Saleable Area (square feet)	Average Selling Price¹ (HK\$/square foot)	Turnover (HK\$ million)
Monti				
Residential units	97	30,179	20,784	630.0
Novi				
Residential units	138	28,819	18,895	573.0
93 Pau Chung Street				
Commercial units	2	1,915	27,393	52.4
Car-parking spaces	11	N/A	N/A	10.2
Subtotal				1,265.6
Mainland China				
	No. of Units	Approximate GFA (square feet)	Average Selling Price² (HK\$/square foot)	Turnover³ (HK\$ million)
Zhongshan Palm Spring				
Residential high-rise units	23	32,060	1,713	52.3
Residential house units	16	33,813	2,709	87.2
Hengqin Novotown Phase I				
Cultural studios	11	34,379	4,131	135.3
Cultural workshop units	69	45,969	3,291	138.8
Shanghai Regents Park				
Car-parking spaces	9	N/A	N/A	5.7
Guangzhou King's Park				
Car-parking spaces	4	N/A	N/A	2.6
Guangzhou Eastern Place				
Car-parking spaces	2	N/A	N/A	1.9
Guangzhou West Point				
Car-parking spaces	2	N/A	N/A	1.2
Others				(0.4)
Subtotal				424.6
Total				1,690.2

PROPERTY DEVELOPMENT (CONTINUED)

Recognised sales from joint venture project				
Hong Kong				
	No. of Units	Approximate Saleable Area (square feet)	Average Selling Price ¹ (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
Residential units	6	6,491	24,634	159.9
Car-parking spaces	8	N/A	N/A	19.2
Total				179.1

Notes:

1. Excluding the financing component for sale of completed properties in accordance with Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers".
2. Before PRC business tax and value-added tax inclusive.
3. After PRC business tax and value-added tax exclusive.

Review of major projects for sale and under development

Hong Kong Properties

339 Tai Hang Road, Hong Kong

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

Ocean One, 6 Shung Shun Street, Yau Tong

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

Management Discussion and Analysis

PROPERTY DEVELOPMENT (CONTINUED)

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

Hong Kong Properties (continued)

Alto Residences

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

This project providing 605 flats, including 23 detached houses was named “Alto Residences” and was launched for pre-sale in October 2016. Up to 11 October 2020, LSD Group has sold 599 units in Alto Residences with saleable area of approximately 393,485 square feet at an average selling price of approximately HK\$17,900 per square foot. Handover of the sold residential units has been substantially completed. LSD Group released in total 86 car-parking spaces of Alto Residences for sale since March 2019. Up to 11 October 2020, 68 car-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$178.9 million.

93 Pau Chung Street

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

This project was named “93 Pau Chung Street” and launched for pre-sale in September 2016. The sale and handover of all 209 residential units and 7 commercial units have been completed, achieving an average selling price of approximately HK\$16,400 per square foot and HK\$23,500 per square feet, respectively. Up to 11 October 2020, 7 out of 20 car-parking spaces and 4 out of 5 motor-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$10.2 million.



Alto Residences



Novi

PROPERTY DEVELOPMENT (CONTINUED)

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

Hong Kong Properties (continued)

Novi

On 16 May 2016, LSD Group completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Sham Shui Po, Kowloon. The site comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet. It was planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,851 square feet. The construction works have been completed with the Occupation Permit issued by the Buildings Department in July 2019.

This project was named “Novi” and the sale and handover of all 138 flats, including studios, one and two-bedroom units with total saleable area of approximately 28,800 square feet have been completed. As at the date of this Annual Report, 4 commercial units of Novi remained unsold.

Monti

LSD Group was successful in its bid for the development rights to the Sai Wan Ho Street project in September 2015 from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. The project site covers an area of 7,642 square feet. Upon completion, it is planned to provide about 144 residential units with a total saleable area of approximately 45,822 square feet. Construction work has been completed. The Occupation Permit was issued by the Buildings Department in October 2019 and the Certificate of Compliance was issued by the Lands Department in March 2020.

This project was named “Monti” and launched for pre-sale in August 2018. Up to 11 October 2020, LSD Group has sold 110 units in Monti with saleable area of approximately 34,497 square feet at an average selling price of approximately HK\$20,911 per square foot. Handover of the sold residential units has been substantially completed.



Monti - Club House



Monti - Green Lounge

Management Discussion and Analysis

PROPERTY DEVELOPMENT (CONTINUED)

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

Hong Kong Properties (continued)

Tai Kei Leng project

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

Hang On Street project

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

Mainland China Properties

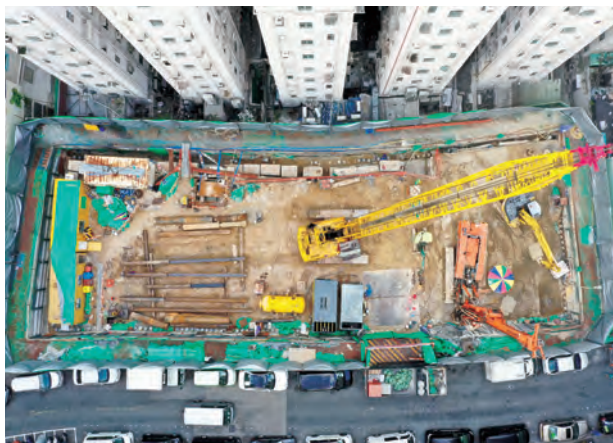
All major properties in Mainland China for sale and under development of the Group are held through Lai Fung Group except Hengqin Novotown Phase I which is 80% owned by Lai Fung Group and 20% owned by LSD Group.

Shanghai Northgate Plaza Redevelopment Project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, Lai Fung Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. Lai Fung Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and 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 Lai Fung Group. Construction work is on track and this project is expected to complete in the second half of 2022.



Tai Kei Leng



Hang On Street

PROPERTY DEVELOPMENT (CONTINUED)

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

Mainland China Properties (continued)

Shanghai Wuli Bridge Project

In July 2014, Lai Fung Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. Construction work has been completed in August 2019. This high-end luxury residential project with 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 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.

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.

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. As at 31 July 2020, a total of 9 car-parking spaces of this development remained unsold.

Guangzhou Haizhu Plaza

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

Management Discussion and Analysis

PROPERTY DEVELOPMENT (CONTINUED)

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

Mainland China Properties (continued)

Zhongshan Palm Spring

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

During the year under review, 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.

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. 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 and 1,215 car-parking spaces remained unsold. 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

PROPERTY DEVELOPMENT (CONTINUED)

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

Mainland China Properties (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 Lai Fung Group's turnover. 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 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.

Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by LSD Group.

Phase II

In June 2017, Lai Fung 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 Stuntpiet, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets.

In November 2017, Lai Fung Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up 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.

Lai Fung 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.

Lai Fung Group succeeded in bidding for the land use rights of the land offered for sale by The Land and Resources Bureau of Zhuhai 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. Lai Fung 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.

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

Management Discussion and Analysis

RESTAURANT OPERATION

For the year ended 31 July 2020, restaurant operation segment contributed HK\$421.8 million to the Group's turnover (2019: HK\$514.8 million). Up to the date of this Annual Report, restaurant operation includes LSD Group's interests in 23 restaurants in Hong Kong and Mainland China and 1 restaurant in Macau under management. Details of each existing restaurant of LSD Group are as follows:

Cuisine	Restaurant	Location	Attributable interest to LSD Group	Award
Owned restaurants				
Western/ International Cuisine	8½ Otto e Mezzo BOMBANA Hong Kong	Hong Kong	37%	Three Michelin stars (2012-2020)
	8½ Otto e Mezzo BOMBANA Shanghai	Shanghai	13%	Two Michelin stars (2017-2020)
	Opera BOMBANA	Beijing	20%	
	CIAK — In The Kitchen	Hong Kong	62%	One Michelin star (2015-2017)
	CIAK — All Day Italian	Hong Kong	67%	Michelin Bib Gourmand (2017-2020)
	Beefbar	Hong Kong	62%	One Michelin star (2017-2020)
	Takumi by Daisuke Mori	Hong Kong	63%	One Michelin star (2018-2020)
	Prohibition ^(Note)	Hong Kong	100%	
	Zest by Konishi	Hong Kong	67%	One Michelin star (2020)
	Asian Cuisine	China Tang Landmark	Hong Kong	50%
China Tang Harbour City		Hong Kong	60%	The Plate Michelin (2019-2020)
Howard's Gourmet		Hong Kong	50%	
Beijing Howard's Gourmet		Beijing	67%	
Chiu Tang Central		Hong Kong	67%	
Old Bazaar Kitchen		Hong Kong	63%	
Sun's Bazaar Pacific Place		Hong Kong	67%	
Sun's Bazaar KiKi Tea Telford Plaza		Hong Kong	69%	
Canton Bistro ^(Note)		Hong Kong	100%	
KiKi Noodle Bar IFC		Hong Kong	67%	
KiKi Noodle Bar K11 MUSEA		Hong Kong	67%	
KiKi Noodle Bar Shanghai Hong Kong Plaza		Shanghai	67%	
Japanese Cuisine	Sushi Masataka	Hong Kong	63%	The Plate Michelin (2019-2020)
Managed restaurant				
Western Cuisine	8½ Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2020)

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



8½ Otto e Mezzo BOMBANA Hong Kong



Zest by Konishi

HOTEL AND SERVICED APARTMENT OPERATION

The hotel and serviced apartment operation segment of the Group includes LSD Group's operation of the Ocean Park Marriott Hotel in Hong Kong and the Caravelle Hotel in Ho Chi Minh City, Vietnam, as well as Lai Fung Group's hotel and serviced apartment operation in Shanghai, Mainland China. The hotel project in Phuket, Thailand that LSD Group invested in June 2017 is still at the planning stage. LSD Group is closely monitoring the tourism market in Thailand and will provide material updates on this project as and when available. During the year under review, LSD Group had further expanded its hotel portfolio with the acquisition of a 50% interest in Fairmont St. Andrews resort in Fife, Scotland, United Kingdom in December 2019. This 211-bedroom five-star hotel, sitting on 520 acres of land with two private Manor Homes of four bedrooms each enjoys spectacular cliff-top views and boast two championship golf courses in addition to a 10-treatment room spa, five restaurants and bars, as well as 3,000 square meters of conference and event space. Performance of the 50:50 joint venture of Fairmont St. Andrews resort is recognised as "Share of profits and losses of joint ventures" in the consolidated income statement of the Group.

For the year ended 31 July 2020, the hotel and serviced apartment operation contributed HK\$673.3 million to the Group's turnover (2019: HK\$686.1 million). Breakdown of turnover for the year ended 31 July 2020 from hotel and serviced apartment operations is as follows:

	Location	Attributable interest to LSD Group	No. of Rooms ^{Note}	Total GFA (square feet)	Turnover (HK\$ million)	Year end occupancy rate (%)	
Hotel and serviced apartment							
	Ocean Park Marriott Hotel	Hong Kong	100%	471	365,974	247.2	41.6
	Ascott Huaihai Road Shanghai	Shanghai	54.56%	301	356,638	84.1	90.3
	STARR Hotel Shanghai	Shanghai	54.56%	239	143,846	23.6	58.0
	Hyatt Regency Hengqin	Hengqin	63.65%	493	594,756	8.2	15.5
	Caravelle Hotel	Ho Chi Minh City	26.01%	335	378,225	308.4	6.7
Subtotal			1,839	1,839,439	671.5		
Hotel management fee						1.8	
Total					673.3		

Note: On 100% basis



KiKi Noodle Bar IFC



KiKi Noodle Bar K11 MUSEA



Takumi by Daisuke Mori



Sushi Masataka

Management Discussion and Analysis

Ocean Park Marriott Hotel officially commenced its operations on 19 February 2019, adding a total of 471 rooms and approximately 365,974 square feet of attributable rental space to the rental portfolio of LSD Group. Despite the impact on the hotel industry in Hong Kong due to the social unrest and the outbreak of COVID-19, LSD Group remains cautiously optimistic about the prospects of Ocean Park Marriott Hotel project given the popularity of Ocean Park.

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Ho Chi Minh City, Vietnam. It is an elegant 24-storey tower with a mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge and a specially equipped room for the disabled. Total GFA of Caravelle Hotel is approximately 378,225 square feet.

The hotel operation team of LSD Group has extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries. The division's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung Group in Shanghai, Guangzhou, Zhongshan and Hengqin. The hotel division of LSD Group manages Lai Fung's serviced apartments in Shanghai under the "STARR" brand.

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet.

Lai Fung Group also owns 100% interest in the Ascott Huaihai Road in Shanghai Hong Kong Plaza which is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 358,400 square feet and approximately 356,600 square feet attributable to Lai Fung Group has 309 contemporary apartments of various sizes: studios (640-750 square feet), one-bedroom apartments (915-1,180 square feet), two-bedroom apartments (1,720 square feet), three-bedroom apartments (2,370 square feet) and two luxurious penthouses on the highest two floors (4,520 square feet).

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 has 493 guest rooms including 55 suites ranging in size from 430 square feet to 2,580 square feet, a wide range of dining options, as well as banqueting and conference facilities of over 40,000 square feet.



Ocean Park Marriott Hotel



Ocean Park Marriott Hotel — Kids Corner

CINEMA OPERATION

The cinema operation is managed by eSun Group. For the year ended 31 July 2020, this segment recorded a turnover of HK\$229.3 million (2019: HK\$521.1 million) and segment results of a loss of HK\$515.2 million (2019: HK\$110.7 million). The substantial increase in segmental losses of the cinema operation of eSun Group is primarily due to (i) decrease in box office performance; and (ii) impairment of right-of-use assets and property, plant and equipment of certain cinemas, of which the performance was not as expected during the year under review. As at the date of this Annual Report, eSun Group operates eleven cinemas in Hong Kong and three cinemas in Mainland China. Details on the number of screens and seats of each existing cinema of eSun Group are as follows:

Cinema	Attributable interest to eSun Group (%)	No. of screens <i>(Note)</i>	No. of Seats <i>(Note)</i>
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		22	2,951
Hong Kong			
Movie Town (including MX4D theatre)	100	7	1,702
MCL Cyberport Cinema	100	4	818
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema	95	6	690
MCL Telford Cinema (including MX4D theatre)	95	6	789
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
Subtotal		55	8,027
Total		77	10,978

Note: On 100% basis.



Canton Bistro



Prohibition

Management Discussion and Analysis

MEDIA AND ENTERTAINMENT

The media and entertainment businesses are operated by eSun Group. For the year ended 31 July 2020, this segment recorded a turnover of HK\$326.6 million (2019: 591.8 million).

Live Entertainment

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

Music Production and Distribution and Publishing

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

Artiste Management

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

FILM AND TV PROGRAMME PRODUCTION AND DISTRIBUTION

The film and TV programme production and distribution businesses are operated by eSun Group. For the year ended 31 July 2020, this segment recorded a turnover of HK\$370.2 million (2019: HK\$326.0 million) and segment results improved slightly to a loss of HK\$80.0 million (2019: a loss of HK\$119.6 million).

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

INTERESTS IN JOINT VENTURES

During the year ended 31 July 2020, losses from joint ventures amounted to HK\$423.0 million, as compared to profits of HK\$649.3 million for last year. This is primarily due to the decrease in fair value of CCB Tower and lower profit contribution from property sale of Alto Residences during the year under review.

	For the year ended 31 July	
	2020 (HK\$ million)	2019 (HK\$ million)
Revaluation gains/(losses)	(570.0)	129.5
Operating profits	147.0	519.8
Share of profits/(losses) from joint ventures	(423.0)	649.3

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2020, cash and bank balances and undrawn facilities held by the Group amounted to HK\$6,182.6 million and HK\$5,200.5 million, respectively. Cash and bank balances held by the Group of which about 52% was denominated in Hong Kong dollars and United States dollars, and about 39% was denominated in Renminbi. Cash and bank balances and undrawn facilities held by the Group excluding LSD Group as at 31 July 2020 were HK\$87.2 million and HK\$520.0 million, respectively.

The Group's sources of funding comprise mainly internal funds generated from the Group's business operations, loan facilities provided by banks and guaranteed notes issued to investors.

As at 31 July 2020, the Group had bank borrowings of approximately HK\$16,542.9 million, guaranteed notes of approximately HK\$5,717.9 million, other borrowings of approximately HK\$727.0 million and other payable of approximately HK\$62.9 million. As at 31 July 2020, the maturity profile of the bank borrowings of HK\$16,542.9 million is spread with HK\$8,441.3 million repayable within 1 year, HK\$417.4 million repayable in the second year and HK\$6,667.2 million repayable in the third to fifth years, and HK\$1,017.0 million repayable beyond the fifth year.

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

Approximately 70% and 27% of the Group's total borrowings carried interest on a floating rate basis and fixed rate basis, respectively, and the remaining 3% of the Group's borrowings were interest-free.

The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total borrowings less cash and bank balances) to consolidated net assets attributable to owners of the Company, was approximately 77%. Excluding the net debt of LSD Group, the Group's gearing ratio was approximately 4%.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 31 July 2020, certain investment properties with carrying amounts of approximately HK\$31,605.9 million, certain property, plant and equipment with carrying amounts of approximately HK\$3,232.4 million, certain right-of-use assets of HK\$2,971.4 million, certain completed properties of approximately HK\$1,019.2 million, certain property under development of approximately HK\$2,236.0 million, certain serviced apartments and related leasehold improvements of approximately HK\$378.4 million, certain construction in progress of approximately HK\$50.5 million, and certain bank balances and time deposits with banks of approximately HK\$1,385.0 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group. Shares in certain joint ventures held by the Group were pledged to banks to secure banking facilities granted to the joint ventures. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2020, the Group employed a total of approximately 4,600 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Summary of Financial Information

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

RESULTS

	Year ended 31 July				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
TURNOVER	5,324,153	6,609,847	1,804,039	1,808,083	1,972,089
(LOSS)/PROFIT BEFORE TAX	(4,445,634)	5,013,292	4,680,192	2,365,698	1,306,111
Tax	82,874	(166,945)	(57,567)	(83,500)	(64,461)
(LOSS)/PROFIT FOR THE YEAR	(4,362,760)	4,846,347	4,622,625	2,282,198	1,241,650
Attributable to:					
Owners of the Company	(1,965,907)	2,797,488	2,567,355	1,456,666	683,316
Non-controlling interests	(2,396,853)	2,048,859	2,055,270	825,532	558,334
	(4,362,760)	4,846,347	4,622,625	2,282,198	1,241,650

Summary of Financial Information

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 July				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Property, plant and equipment	7,922,772	10,604,613	5,554,164	4,322,054	3,281,884
Right-of-use assets	5,281,458	—	—	—	—
Prepaid land lease payments	—	1,623,441	18,846	19,873	20,901
Investment properties	38,699,089	41,962,537	21,460,590	19,245,714	17,713,376
Property under development (classified as non-current assets)	—	3,045,937	1,008,281	1,646,938	1,397,706
Film rights	7,055	24,608	—	—	—
Film and TV program products	65,121	75,022	—	—	—
Music catalogs	25,047	56,718	—	—	—
Goodwill	271,958	227,033	235,778	5,161	5,161
Other intangible assets	151,228	113,945	120,306	—	—
Interests in associates	402,972	423,002	3,681,408	3,628,138	3,721,584
Interests in joint ventures	6,763,682	7,411,355	7,272,859	7,224,183	6,754,353
Available-for-sale financial assets	—	—	2,413,160	1,717,665	1,512,037
Financial assets at fair value through other comprehensive income	1,840,594	2,136,331	—	—	—
Financial assets at fair value through profit or loss	989,193	688,656	—	—	—
Derivative financial instruments	20,231	53,784	6,171	—	—
Deposits, prepayments, other receivables and other assets	336,968	312,453	342,432	232,664	181,315
Deferred tax assets	4,259	39,371	34,534	—	—
Loans to related companies	—	—	650,000	—	—
Pledged and restricted bank balances and time deposits (classified as non-current assets)	88,393	106,343	95,797	86,892	336,828
Current assets	17,737,473	13,834,787	7,826,762	4,330,922	3,511,221
TOTAL ASSETS	80,607,493	82,739,936	50,721,088	42,460,204	38,436,366
Current liabilities	(13,783,111)	(9,588,277)	(3,577,576)	(4,257,030)	(1,308,758)
Lease liabilities (classified as non-current liabilities)	(1,093,350)	—	—	—	—
Bank borrowings (classified as non-current liabilities)	(8,101,635)	(9,665,545)	(8,389,707)	(7,503,652)	(5,594,973)
Other borrowings (classified as non-current liabilities)	(685,943)	(670,100)	(395,630)	(384,293)	(372,969)
Guarantee notes (classified as non-current liabilities)	(5,717,879)	(5,736,654)	(3,118,594)	—	(3,461,817)
Deferred tax liabilities	(5,078,720)	(5,535,762)	(242,085)	(207,962)	(195,163)
Provision for tax indemnity	—	—	(251,251)	(344,251)	(980,638)
Other payable (classified as non-current liabilities)	—	(87,410)	(119,266)	(100,350)	—
Long term deposits received	(206,328)	(266,482)	(528,452)	(809,132)	(119,402)
TOTAL LIABILITIES	(34,666,966)	(31,550,230)	(16,622,561)	(13,606,670)	(12,033,720)
NON-CONTROLLING INTERESTS	(24,068,927)	(28,577,370)	(14,261,184)	(10,816,098)	(9,949,302)
NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY	21,871,600	22,612,336	19,837,343	18,037,436	16,453,344

Particulars of Major Properties

COMPLETED PROPERTIES HELD FOR RENTAL

Property Name	Location	Attributable Interest to the Group	Tenure	Approximate Attributable GFA (square feet)				No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial	Total (excluding car-parking spaces & ancillary facilities)	
Hong Kong								
Por Yen Building	478 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 2081)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	109,010	109,010	7
Crocodile Center (commercial podium)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	91,201	—	—	91,201	—
Crocodile Center (car-parking spaces)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	50%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	—	—	27
Por Mee Factory Building (Units A, B, C and D on 3/F)	500 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	20,089	20,089	—
Forda Industrial Building (6/F and car-parking spaces nos. 10, 22 and 27 on G/F)	16 Wan Chau Road, Yuen Long, New Territories, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	19,301	19,301	3
Victorious Factory Building (Unit B on 5/F)	33A-37A Tseuk Luk Street and 16-20 Sam Chuk Street, San Po Kong, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,828	5,828	—

Particulars of Major Properties

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Attributable Interest to the Group	Tenure	Approximate Attributable GFA (square feet)				No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial	Total (excluding car-parking spaces & ancillary facilities)	
Metropolitan Factory and Warehouse Building (Units A and B on 7/F and car-parking spaces nos. 11 and 12 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	44.65%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,077	5,077	1
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	56.22%	The property is held for a term expiring on 30 June 2047	131,446	230,444	—	361,890	200
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D, E, G, H, K, L, M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	56.22%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	61,713	54,122	—	115,835	32
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	56.22%	The property is held for a term which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	53,444	41,705	—	95,149	302
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	28.11%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	64,430	—	64,430	10
Alto Residences	29 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong	28.11%	The property is held for a term of 50 years commencing from 17 December 2012	26,461	—	—	26,461	38

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Attributable Interest to the Group	Tenure	Approximate Attributable GFA (square feet)				No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial	Total (excluding car-parking spaces & ancillary facilities)	
Wylar Centre, Phase II (20/F and 27/F and car-parking spaces nos. 17, 18 and 59 on 2/F)	192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	56.22%	The property is held for a term which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	26,947	26,947	2
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	5.62%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	—	24,108	—	24,108	3
Metropolitan Factory and Warehouse Building (Units A and B on 10/F and car-parking space nos. 1, 2, 13 and 14 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	56.22%	The property is held for a term which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	6,392	6,392	2
Luen Fat Loong Factory Building (4/F)	19 Cheung Lee Street, Chai Wan, Hong Kong	56.22%	The property is held for a term of 75 years commencing on 4 November 1963 renewable for a further term of 75 years	—	—	2,412	2,412	—
Subtotal of major completed properties held for rental in Hong Kong:				364,265	414,809	195,056	974,130	627
United Kingdom								
107 Leadenhall Street London ¹	107 Leadenhall Street, London EC3, United Kingdom	56.22%	The property is held freehold	27,088	55,334	—	82,422	—
100 Leadenhall Street London ¹	100 Leadenhall Street, London EC3, United Kingdom	56.22%	The property is held freehold	—	99,903	—	99,903	8
106 Leadenhall Street London ¹	106 Leadenhall Street, London EC3, United Kingdom	56.22%	The property is held freehold	1,990	9,211	—	11,201	—
Subtotal of major completed properties held for rental in United Kingdom:				29,078	164,448	—	193,526	8

Particulars of Major Properties

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Attributable Interest to the Group	Tenure	Approximate Attributable GFA (square feet)				No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial	Total (excluding car-parking spaces & ancillary facilities)	
Mainland China								
Shanghai								
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	30.67%	The property is held for a term of 50 years commencing on 16 September 1992	143,686	111,068	—	254,754	107
May Flower Plaza	Sujiaxiang, Jing'an District	30.67%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	98,252	—	—	98,252	—
Regents Park	88 Huichuan Road, Changning District	29.14%	The property is held for a term of 70 years commencing on 4 May 1996	23,913	—	—	23,913	—
Subtotal of major completed properties held for rental in Shanghai:				265,851	111,068	—	376,919	107
Guangzhou								
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	30.67%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	109,635	24,365	—	134,000	42
West Point	Zhongshan Qi Road, Liwan District	30.67%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	52,749	—	—	52,749	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	30.67%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	34,444	191,962	—	226,406	96
Subtotal of major completed properties held for rental in Guangzhou:				196,828	216,327	—	413,155	138

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Attributable Interest to the Group	Tenure	Approximate Attributable GFA (square feet)				No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan								
Palm Spring	Caihong Planning Area, Western District	30.67%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	45,215	—	—	45,215	—
Subtotal of major completed properties held for rental in Zhongshan:				45,215	—	—	45,215	—
Hengqin								
Novotown Phase I ²	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	35.78%	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	349,014 ³	—	—	349,014	660
Subtotal of major completed properties held for rental in Hengqin:				349,014	—	—	349,014	660
Subtotal of major completed properties held for rental in Mainland China:				856,908	327,395	—	1,184,303	905
Total of major completed properties held for rental:				1,250,251	906,652	195,056	2,351,959	1,540

Notes:

1. Gross internal area.
2. As at 31 July 2020, Novotown Phase I was 80% owned by Lai Fung Group and 20% owned by LSD Group.
3. Including cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin.

Particulars of Major Properties

COMPLETED HOTEL PROPERTIES AND SERVICED APARTMENTS

Property Name	Location	Attributable Interest to the Group	Tenure	No. of rooms	Approximate Attributable GFA (square feet)	No. of car-parking spaces attributable to the Group
Hong Kong						
Hong Kong Ocean Park Marriott Hotel, Hong Kong	180 Wong Chuk Hang Road, Ocean Park, Hong Kong	56.22%	The property is held for a term of 75 years commencing from 21 December 1972	471	205,751	9
Vietnam						
Caravelle Hotel	19 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	14.62%	The property is held under a land use right due to expire on 8 October 2040	335	55,307	—
United Kingdom						
Fairmont St. Andrews	St. Andrews KY16 8PN, United Kingdom	28.11%	The property is held freehold	211	77,719	43
Mainland China						
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	30.67%	The property is held for a term of 50 years commencing on 16 September 1992	301	109,394	—
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	30.67%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	44,123	—
Subtotal of major completed hotel properties and serviced apartments in Shanghai:				540	153,517	—
Hengqin						
Hyatt Regency Hengqin	1295 Qisecaihong Road, Hengqin New Area, Zhuhai City	35.78%	The property is held for a term of 40 years commencing on 31 December 2013	493	212,824	—
Subtotal of major completed hotel properties and serviced apartments in Hengqin:				493	212,824	—
Subtotal of major completed hotel properties and serviced apartments in Mainland China:				1,033	366,341	—
Total of major completed hotel properties and serviced apartments:				2,050	705,118	52

PROPERTIES UNDER DEVELOPMENT

Property Name	Location	Attributable Interest to the Group	Stage of construction	Expected completion date	Approximate site area (square feet) ¹	Approximate Attributable GFA (square feet)					No. of car-parking spaces attributable to the Group
						Commercial/Retail	Office	Hotel/ Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Hong Kong											
Hang On Street Project	12-30 Hang On Street, Kwun Tong, Hong Kong	56.22%	Construction works in progress	2023	8,500	4,554	—	—	35,812	40,366	6
Tai Kei Leng Project	Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, Hong Kong	56.22%	Construction works in progress	2024	12,000	—	—	—	23,725	23,725	—
Subtotal of major properties under development in Hong Kong:						4,554	—	—	59,537	64,091	6
Mainland China											
Guangzhou											
Haizhu Plaza	Chang Di Main Road, Yuexiu District	30.67%	Construction work in progress	H1 2023	90,708	31,950	146,210	—	—	178,160	93
Subtotal of major properties under development in Guangzhou:						31,950	146,210	—	—	178,160	93
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	30.67%	Construction work in progress	Phase 3: Q4 2020 Phase 4: Q3 2021	2,547,298 ²	76,947	—	—	603,553	680,500	444
Subtotal of major properties under development in Zhongshan:						76,947	—	—	603,553	680,500	444
Shanghai											
Northgate Plaza Redevelopment Project	Tian Mu Road West, Jing'an District	30.67%	Construction work in progress	H2 2022	107,223	28,886	183,866	—	—	212,752	170
Subtotal of major properties under development in Shanghai:						28,886	183,866	—	—	212,752	170

Particulars of Major Properties

PROPERTIES UNDER DEVELOPMENT (CONTINUED)

Property Name	Location	Attributable Interest to the Group	Stage of construction	Expected completion date	Approximate site area (square feet) ¹	Approximate Attributable GFA (square feet)					No. of car-parking spaces attributable to the Group
						Commercial/Retail	Office	Hotel/ Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
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	30.67%	Construction work in progress	2024 (by phases)	1,547,523	949,363	—	—	—	949,363	310
Subtotal of major properties under development in Hengqin:						949,363	—	—	—	949,363	310
Subtotal of major properties under development in Mainland China:						1,087,146	330,076	—	603,553	2,020,775	1,017
Total of major properties under development:						1,091,700	330,076	—	663,090	2,084,866	1,023

Notes:

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

COMPLETED PROPERTIES HELD FOR SALE

Property Name	Location	Attributable Interest to the Group	Approximate Attributable GFA (square feet)					Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
			Commercial/Retail	Office	Serviced Apartments	Residential			
Hong Kong									
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	56.22%	15,351	—	—	—	15,351	4	
339 Tai Hang Road	339 Tai Hang Road, Hong Kong	56.22%	—	—	—	3,631	3,631	2	
Alto Residences	29 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong	28.11%	—	—	—	24,368	24,368	21	
93 Pau Chung Street	20-32 San Shan Road and 93 Pau Chung Street, Ma Tau Kok, Kowloon, Hong Kong	56.22%	—	—	—	—	—	7	
Novi	50 Ki Lung Street, Kowloon, Hong Kong	56.22%	3,371	—	—	—	3,371	—	
Monti	9 Sai Wan Ho Street, Shau Kei Wan, Hong Kong	56.22%	—	—	—	11,477	11,477	3	
Subtotal of major completed properties held for sale in Hong Kong:			18,722	—	—	39,476	58,198	37	
Mainland China									
Zhongshan									
Palm Spring	Caihong Planning Area, Western District	30.67%	10,337	—	—	67,222	77,559	373	
Subtotal of major completed properties held for sale in Zhongshan:			10,337	—	—	67,222	77,559	373	
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	35.78%	—	212,824	134,769	66,673	414,266	—	
Subtotal of major completed properties held for sale in Hengqin:			—	212,824	134,769	66,673	414,266	—	
Shanghai									
Wuli Bridge Project	Wuliqiao Road, 104 Jie Fang, Huangpu District	30.67%	—	—	—	23,881	23,881	29	
May Flower Plaza	Sujiaxiang, Jing'an District	30.67%	—	—	—	—	—	141	
Regents Park, Phase II	88 Huichuan Road, Changning District	29.14%	—	—	—	—	—	71	
Subtotal of major completed properties held for sale in Shanghai:			—	—	—	23,881	23,881	241	

Particulars of Major Properties

COMPLETED PROPERTIES HELD FOR SALE (CONTINUED)

Property Name	Location	Attributable Interest to the Group	Approximate Attributable GFA (square feet)					No. of car-parking spaces attributable to the Group
			Commercial/Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Guangzhou								
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	30.67%	—	—	—	—	—	4
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	14.57%	—	—	—	—	—	5
King's Park	Donghua Dong Road, Yuexiu District	30.67%	—	—	—	—	—	3
West Point	Zhongshan Qi Road, Liwan District	30.67%	—	—	—	—	—	37
Subtotal of major completed properties held for sale in Guangzhou:			—	—	—	—	—	49
Subtotal of major completed properties held for sale in Mainland China:			10,337	212,824	134,769	157,776	515,706	663
Total of major completed properties held for sale:			29,059	212,824	134,769	197,252	573,904	700

Environmental, Social and Governance Report

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

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

ESG GOVERNANCE

The 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.

As a demonstration of our commitment to sustainability, the Group signed a HK\$3.6 billion green loan in September 2019 in accordance with the Loan Market Association/Asia Pacific Loan Market Association Green Loan Principles. As the first green loan solely used to finance a hotel property in Hong Kong, the facility is used to finance/refinance the development costs of the Hong Kong Ocean Park Marriott Hotel (“**Ocean Park Marriott Hotel**”), a hotel certified with Final BEAM Plus “**GOLD**” rating.

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.

Environmental, Social and Governance Report

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	Catering	Cinema	Entertainment
Environment		Emissions	✓		✓		
		Use of resources	✓	✓		✓	
		The environment and natural resources	✓				
Social	People	Employment	✓	✓	✓		✓
		Health and safety	✓	✓	✓	✓	
		Development and training	✓	✓			
		Labour standard	✓	✓			
	Operating practices	Supply chain management	✓	✓	✓		
		Product responsibility	✓	✓	✓	✓	✓
		Intellectual property rights					✓
		Anti-corruption	✓	✓	✓		
	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 List of Significant Laws and Regulations section.

ENVIRONMENT (CONTINUED)

Integrating Environmental Sustainability into Our Operations (continued)

Green Building Development and Operations

The Group always explores opportunities to enhance the environmental values of its development projects to the community. In Hong Kong and Mainland China, projects are planned and designed with reference to the “BEAM Plus for New Buildings Version 1.2” and “LEED v4 for Building Design and Construction” respectively. 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 includes waste disposal and sewage discharge, according to the standards as set in required emission permits.

The Group assesses the environmental impact of its construction projects and requires the contractors to mitigate the environmental impacts accordingly. Contractors need to submit 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. In Hong Kong, the Group’s Crocodile Center has also attained ISO 14001 Environmental Management System certificate. Where possible, environmental-friendly materials including those with lower volatile organic compounds are adopted for maintenance and renovation work.

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.

Environmental, Social and Governance Report

ENVIRONMENT (CONTINUED)

Emissions to the Environment (continued)

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 specified in the Air Pollutions Control (Volatile Organic Compounds) Regulation, 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, the Group appoints licensed contractors in Hong Kong to handle the disposal process. In Mainland China, authorised third party is engaged to handle all chemical waste and hazardous waste identified in the "Directory of National Hazardous Wastes".

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. Other wastes will be disposed in the landfill operated by the Hong Kong Environmental Protection Department ("EPD") with a registered billing account or with the required waste disposal permit.

For chemical waste, the Group strictly complies with the Waste Disposal (Chemical Waste) (General) Regulation and has implemented rigorous management procedures. All construction projects are registered with EPD as a chemical waste producer. While the Group strives to minimise its generation via various mitigation measures, inevitable chemical waste including empty chemical cans, contaminated soil and liquid chemical waste will be packaged, labelled and stored properly according to the "Code of Practice on the Packaging, Labelling and Storage of Chemical Wastes". The waste from all work areas and storage areas will then be collected and disposed by licensed chemical waste collectors and specialist contractors.

Reducing Food Waste in Food and Beverage Services

The Group has adopted source-reduction approach in handling food waste generated in its food and beverage business. Perishable food is stocked in a proper manner to reduce wastage during food production process. Non-perishable foods under good condition will be donated to charitable organisations whenever practicable. As a demonstration to the Group's dedication in food waste reduction, Ocean Park Marriott Hotel works in collaboration with local non-governmental organisations such as Foodlink and Food Angel to donate food like excess bread, pastries and desserts from buffet and cafeteria to people in need.

ENVIRONMENT (CONTINUED)

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.

To improve the environmental efficiency, the Group has upgraded a number of energy and water saving equipment in its properties. For instance, automatic sensor taps are installed at Crocodile Center to conserve water. An escalator at Cheung Sha Wan Plaza has also been upgraded and installed with automatic two-speed control, which will turn the escalator to slow-speed mode when there are no passengers. It is estimated to reduce up to 14% of energy consumption according to the Electrical and Mechanical Services Department.

In Mainland China, the Group has developed a Resource and Energy Management Plan to guide water and energy conservation efforts. 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 in Hong Kong and Mainland China. For instance, Ocean Park Marriott Hotel has participated in the government’s Charter on External Lighting and Energy Saving Charter to demonstrate its commitment. Aluminum alloy coating is applied on the hotel exterior for solar shading for better indoor temperature regulation. In addition, the installation of LED lights and rainwater collection system for irrigation at the hotel are estimated to conserve about 43,200 kWh energy and 4,450 m² water annually. As a result of its environmental commitment and contribution, the hotel has achieved Final BEAM Plus “GOLD” certification.

In Mainland China, 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 area are automatically controlled. These initiatives have allowed the hotel to reduce energy consumption around 255,000 kWh per year.

Cinema Operations

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

Environmental, Social and Governance Report

PEOPLE

Employment Practices

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

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

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

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

Employee Welfare

The Group recognises the importance of maintaining good employee relations and strives to offer value-added staff benefits and well-being programmes to its employees. For example, the Group organises "Lunch Talk" on health awareness, interest classes, work-out exercise programme and film screening for employees in Hong Kong. The Group also arranges large-scale annual events including group annual dinner staff party and one-day leisure tour are organised for employees and their family and friends. 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 Ocean Park, Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin, as well as "LS Club" cash coupons.

Health and Safety

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

PEOPLE (CONTINUED)

Health and Safety (continued)

To reduce the risks of COVID-19 infections at workplace, the Group provided masks at all premises. Testing were also arranged for all employees who resided in buildings with confirmed cases of COVID-19 infection to encourage early detection and control virus transmission.

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

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

At Construction Sites and in Building Operations

The Group strives to secure workplace safety in all property projects. The Group puts its emphasis on promoting awareness among employees and recommends its property managers to obtain relevant certifications such as OHSAS 18001:2007 Occupational Health and Safety Management. As a testament to its commitments, Crocodile Center has attained the latest ISO 45001 Occupational Health and Safety Management System certificate.

Construction sites are one of the Group's premises with highest occupational health and safety risks. To provide a safe working environment, our contractors are required to comply with Chapter 59 Factories and Industrial Undertakings Ordinance in Hong Kong. Safety officers are appointed for each project to oversee health and safety issues and prepare on-site safety management plan. Bi-weekly meetings are arranged to identify 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. Qualified trainers are invited to the workshops to provide safety advice on specific topics such as working at height and health, safety and environment management. 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, hotels such as Ocean Park Marriott Hotel and Ascott Huaihai Road Shanghai have established 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. In Hong Kong, Ocean Park Marriott Hotel divided the team into two separate on-duty teams to control the risk of COVID-19 at the workplace and provided updates to all employees to keep them informed on the latest development of the pandemic.

Environmental, Social and Governance Report

PEOPLE (CONTINUED)

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, personal development, English communication, 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 the licensing of property management service, land development and urban renewal, data management and building information modelling were also organised.

Meanwhile, the Group is keen to nurture more young graduates and diversify our talent pool. Its 14-month Management Trainee Program recruits new talents annually and offers graduates who are interested in joining the property industry to obtain hands-on experience in property development and management. The Group provides the trainees with on-the-job training, management and professional training workshop, action learning projects, visits to the Group's property in Mainland China, and job rotation opportunities which the trainees can expose to more aspects in the property industry. They will eventually be assigned to one department after the management program to further their career in the Group.

Training Opportunities for the Hotel Industry

The hotels of the Group make continuous effort in nurturing its employees and organises programmes as per their business needs. During the reporting period, Ocean Park Marriott Hotel conducted Foundation of Leadership training and provided awareness training on GreenKey certificate implementation to all staff. 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.

PEOPLE (CONTINUED)

Labour Standards

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

OPERATING PRACTICES

Responsible and Ethical Practices

Responsible Marketing Practices for Property Sales

Necessary measures are adopted by the Group to avoid providing any misleading information to its customers. We make sure all sales brochures, price lists, show flats, advertisements, and sales arrangement comply with Chapter 621 Residential Properties (First-Hand Sales) Ordinance in Hong Kong. To avoid any possible misrepresentation in our marketing materials, contents are reviewed by both external and internal solicitors.

The Group also complies with relevant laws and regulations of Urban Real Estate Administration Law of the People's Republic of China ("PRC") 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 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 Hong Kong and Mainland China regarding the sales process of the properties and the marketing materials.

Environmental, Social and Governance Report

OPERATING PRACTICES (CONTINUED)

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 service, 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. In Hong Kong, the Crocodile Center has achieved over 90% in the overall customer satisfaction rate in 2019. The team has also obtained GOLD Awards in "Security Services Best Training Award", organised by the Secretariat of Security Services Training Board of Vocational Training Council and Hong Kong Police Force with its outstanding customer service. All feedbacks received are crucial to improve the quality of property management services in the long run. To further improve the performance of the staff, the Group have provided staff with trainings such as business English, personal branding and cosmetics skills.

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. In Hong Kong, the Group continued to offer the "Seasonal Star Award" to encourage frontline staff to maintain excellent work performance. Awarded employees will receive a bonus remuneration and a certificate issued by senior management.

Handling Complaints for Food and Beverage Services and Hotel Operations

For hotel and restaurant 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, while the Ocean Park Marriott Hotel has deployed an online system for its guests to provide their opinions after their stay. 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.

OPERATING PRACTICES (CONTINUED)

Service Excellence (continued)

Ensuring Customer Experience for Cinema Operations

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

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

Customer Health and Safety

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

Preventive Measures against COVID-19 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 response plans have received tremendous positive feedbacks from customers and the efforts of Kolot Property Management Company in Guangzhou have been appreciated by the Yuexiu District government as an exemplary model. In Hong Kong, antiseptic coatings were applied to common areas of Cheung Sha Wan Plaza, Lai Sun Commercial Centre and Causeway Bay Plaza 2 to reduce virus transmission.

Environmental, Social and Governance Report

OPERATING PRACTICES (CONTINUED)

Customer Health and Safety (continued)

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. The Ascott Huaihai Road Shanghai has established a 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 with the SOP to ensure all preventive measures are conducted effectively. Similarly, Ocean Park Marriott Hotel also conducted temperature check at the entrance of the hotel. All guests were required to fill out a health condition and travel history survey. Up-to-date information were provided via digital signage to maintain guests and staff awareness on pandemic control.

Preventive Measures against COVID-19 at Cinemas

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

Safety and Hygiene in Food and Beverage Services and Cinema Operations

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

OPERATING PRACTICES (CONTINUED)

Data Protection and Privacy

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

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

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 Information 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 and Cinema 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 content in staff training sessions.

For cinema operations, the Group collects customers' personal data and information only for necessary use to manage customer memberships, including members' name, birthday, email and telephone number. When customers enrol in the loyalty programme, the Group has included the Personal Information Collection Statement and Privacy Policy Statement in the application form. All data are handled in accordance with statements, which clearly lay out the appropriate steps and procedures of data collection and disposal for all relevant staff to protect personal data privacy. Any marketing materials will not be sent to unsubscribed individuals without consents.

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

Environmental, Social and Governance Report

OPERATING PRACTICES (CONTINUED)

Supply Chain Management

ESG Considerations in Selecting Construction Contractors

The Group recognises 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.

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.

Responsible Food Sourcing in Food and Beverage Services

To minimise the adverse impacts on biodiversity and ecosystem, the Group does its utmost to include responsible food sources for selected restaurant outlets. Restaurants in Ocean Park Marriott Hotel have partnered with World Wildlife Fund and adopted its Seafood Guide. The introduction of the sustainable seafood menu helps the public to make responsible consumption choices and promote sustainable procurement.

OPERATING PRACTICES (CONTINUED)

Integrity and Discipline

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

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

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

Intellectual Property Rights

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

Respecting Creations in our Entertainment Business

Protecting the intellectual property rights of all creative work is a crucial matter to our entertainment business. The Group follows all relevant intellectual property laws and regulations, including but not limited to Chapter 559 Trade Marks Ordinance, Chapter 528 Copyright Ordinance and Chapter 544 Prevention of Copyright Piracy Ordinance. In the production process, the Group ensures producers and their teams of the films, television programs, and music productions are familiar with the steps to understand and clarify the rights of any creative works prior to using or referencing. In case there is any perceived infringement, the Group will take immediate action to clear the rights or address relevant issues.

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

Environmental, Social and Governance Report

COMMUNITY

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

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

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

Donation Programme for Food & Beverage Business

The Group takes an active role to participate in food donation projects whenever feasible. Food products with lower food hygiene risks including bakery products will be donated to the disadvantaged and underprivileged through charitable organisations.

SUMMARY OF ENVIRONMENTAL PERFORMANCE

Hong Kong Property Investment ^{Notes 1 & 2}	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity ^{Note 3}			
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	13,850	14,732
GHG emissions intensity	tonnes CO₂e/m²	0.10	0.11
A1.3 Total hazardous waste produced and intensity ^{Note 4}			
Fluorescent lamp waste	kg	559	537
Hazardous waste disposed intensity	kg/m²	0.0039	0.0040
A1.4 Total non-hazardous waste produced and intensity ^{Note 4}			
General waste	kg	7,261,893	7,325,975
Non-hazardous waste produced intensity	kg/m²	50.67	54.44
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity consumption	kWh	23,131,805	24,269,904
Energy consumption intensity	kWh/m²	161.42	180.36
A2.2 Water consumption in total and intensity			
Water consumption	m ³	134,021	133,851
Water consumption intensity	m³/m²	0.94	0.99

Note 1: The reporting scope of the summary of environmental performance includes the Group's investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2, Crocodile Centre, Lai Sun Commercial Centre, CCB Tower, Por Yen Building and Alto Residences. Compared with the year ended 31 July 2019, Alto Residences was newly added. Their gross floor area and hence respective data were reviewed every year and restated as appropriate.

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

Note 3: Greenhouse gases emissions (Scope 2) are calculated based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Note 4: Waste from Alto Residences is excluded from the scope due to data unavailability.

Environmental, Social and Governance Report

SUMMARY OF ENVIRONMENTAL PERFORMANCE (CONTINUED)

Hong Kong Property Development <small>Notes 5 & 6</small>	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity <small>Note 7</small>			
Direct GHG emissions (Scope 1)	tonnes CO ₂ e	46	0
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	44	268
Total GHG emissions	tonnes CO₂e	90	268
Total GHG emissions intensity	tonnes CO₂e/m²	0.01	0.05
A1.4 Total non-hazardous waste produced and intensity			
General construction waste	kg	1,510,230	2,574,110
Steel recycled	kg	11,450	775,490
Total non-hazardous waste produced	kg	1,521,680	3,349,600
Total non-hazardous waste produced intensity	kg/m²	94.24	351.24
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity consumption	kWh	57,642	362,625
Diesel oil consumption for electric generator	L	17,405	0
Total energy consumption <small>Note 7</small>	kWh	243,932	362,625
Total energy consumption intensity <small>Note 7</small>	kWh/m²	15.11	38.02
A2.2 Water consumption in total and intensity			
Water consumption	m ³	1,505	4,725
Water consumption intensity	m³/m²	0.09	0.50

Note 5: The reporting scope of the summary of environmental performance includes the Group's property development projects in Hong Kong, namely Tai Kei Leng project, Hang On Street project and Monti. Compared with the year ended 31 July 2019, Novi was removed from the reporting scope due to project completion while Tai Kei Leng project and Hang On Street project were newly added.

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

Note 7: Greenhouse Gases Emissions (Scope 1 and 2) and energy consumption are based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition), "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.

SUMMARY OF ENVIRONMENTAL PERFORMANCE (CONTINUED)

China Property Investment ^{Notes 8 & 9}	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity ^{Note 10}			
Direct GHG emissions (Scope 1)	tonnes CO ₂ e	164	0
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	77,532	57,291
Total GHG emissions	tonnes CO₂e	77,696	57,291
Total GHG emissions intensity	tonnes CO₂e/m²	0.23	0.23
A1.3 Total hazardous waste produced and intensity ^{Note 11}			
Fluorescent lamp waste	kg	980	872
Hazardous waste disposed intensity	kg/m²	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/m²	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 10}	kWh	94,822,816	69,716,567
Total energy consumption intensity ^{Note 10}	kWh/m²	275.66	275.16
A2.2 Water consumption in total and intensity			
Water consumption	m ³	877,368	927,283
Water consumption intensity	m³/m²	2.55	3.66

Note 8: The reporting scope of the summary of environmental performance includes the Group's investment properties in Mainland China, 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 9: Packaging material used for finished products is not a material issue for the property investment business and thus not reported.

Note 10: 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 11: Data collection methodology was updated during the reporting year. For data comparability, respective data for the year ended 31 July 2019 was also restated.

Environmental, Social and Governance Report

SUMMARY OF ENVIRONMENTAL PERFORMANCE (CONTINUED)

China Property Development <small>Notes 12 & 13</small>	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity <small>Note 14</small>			
Direct GHG emissions (Scope 1)	tonnes CO ₂ e	0	63.3
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	2,441.3	4,117.4
Total GHG emissions	tonnes CO₂e	2,441.3	4,180.7
Total GHG emissions intensity	tonnes CO₂e/m²	0.004	0.008
A1.4 Total non-hazardous waste produced and intensity <small>Note 15</small>			
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/m²	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 <small>Note 14</small>	kWh	2,954,216	5,217,195
Total energy consumption intensity <small>Note 14</small>	kWh/m²	4.83	9.68
A2.2 Water consumption in total and intensity			
Water consumption	m ³	153,792	1,795,621
Water consumption intensity	m³/m²	0.25	3.33

Note 12: The reporting scope of the summary of environmental performance includes the Group's property development projects in Mainland China, 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 13: 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 14: Greenhouse Gases 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 were also restated.

Note 15: 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 <small>Notes 16, 17 & 18</small>	Unit	2020
A1.2 Greenhouse gas emissions in total and intensity <small>Note 19</small>		
Direct GHG emissions (Scope 1)	tonnes CO ₂ e	793.7
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	9,759.9
Total GHG emissions	tonnes CO₂e	10,553.6
Total GHG emissions intensity	tonnes CO₂e/m²	0.13
A1.3 Total hazardous waste produced and intensity		
Fluorescent lamp waste	kg	23.1
Hazardous waste disposed intensity	kg/m²	0.0003
A1.4 Total non-hazardous waste produced and intensity		
General waste produced	kg	178,344.0
Metal recycled	kg	0.4
Paper recycled	kg	688.7
Plastic recycled	kg	211.5
Food waste produced <small>Note 20</small>	kg	7,425.8
Food waste recycled	kg	490.7
Total non-hazardous waste produced	kg	186,670.3
Total non-hazardous waste produced intensity	kg/m²	2.32
A2.1 Direct and/or indirect energy consumption by type in total and intensity <small>Note 21</small>		
Electricity Consumption	kWh	11,850,057
Gas consumption	kWh	4,106,132
Gasoline consumption for transportation	L	2,778
Total energy consumption <small>Note 19</small>	kWh	15,983,111.6
Total energy consumption intensity <small>Note 19</small>	kWh/m²	198.56
A2.2 Water consumption in total and intensity		
Water consumption	m ³	96,446
Water consumption intensity	m³/m²	1.20

Note 16: The reporting scope of the summary of environmental performance includes the Group's hotels, namely STARR Hotel Shanghai, Ascott Huaihai Road Shanghai and Ocean Park Marriott Hotel.

Note 17: Packaging material used for finished products is not a material issue for the hotel business and thus not reported.

Note 18: COVID-19 outbreak and social unrest led to lower-than-usual environmental footprint during the year ended 31 July 2020.

Note 19: Greenhouse Gas Emissions (Scope 1 and 2) and energy consumption from gasoline for transportation are calculated according to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition) and 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 20: The catering service for STARR Hotel Shanghai is outsourced, and thus food waste is excluded from the scope due to data unavailability.

Note 21: Depending on the hotel operation, each hotel's energy portfolio varies. Gas supply in Starr Hotel Shanghai and Ascott Huaihai Road Shanghai are excluded, while gasoline for transportation in Ocean Park Marriott Hotel is excluded.

Environmental, Social and Governance Report

SUMMARY OF ENVIRONMENTAL PERFORMANCE (CONTINUED)

Food & Beverage <small>Notes 22, 23 & 24</small>	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity <small>Notes 25 & 26</small>			
Direct GHG emissions (Scope 1)	tonnes CO ₂ e	905	808
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	3,787	2,821
Total GHG emissions	tonnes CO₂e	4,692	3,629
Total GHG emissions intensity	tonnes CO₂e/m²	0.31	0.53
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity consumption	kWh	4,707,461	3,495,782
Gas consumption	kWh	4,717,967	4,214,229
Total Energy consumption	kWh	9,425,428	7,710,011
Total Energy consumption intensity	kWh/m²	1,006.57	1,123.82
A2.2 Water consumption in total and intensity <small>Note 27</small>			
Water consumption	m ³	N/A	99,986
Water consumption intensity	m³/m²	N/A	14.57

Note 22: The reporting scope of the summary of environmental performance includes the restaurant in Hong Kong and China held by the Group (CIAK in the Kitchen, CIAK-All Day Italian, Beefbar, Takumi by Daisuke Mori, China Tang Landmark, China Tang Harbour City, Chiu Tang Central, Howard's Gourmet, Beijing Howard's Gourmet, Old Bazaar Kitchen, Sushi Masataka, ZEST by Konishi, Sun's Bazaar KiKi Tea Telford Plaza, KiKi Noodle Bar IFC, KiKi Noodle Bar K11 MUSEA, Sun's Bazaar Pacific Place, Canton Bistro, Prohibition and KiKi Noodle Bar Shanghai Hong Kong Plaza in Shanghai). Compared with the year ended 31 July 2019, ZEST by Konishi, Sun's Bazaar KiKi Tea Telford Plaza, KiKi Noodle Bar IFC, KiKi Noodle Bar K11 MUSEA, Sun's Bazaar Pacific Place, Canton Bistro, Prohibition and KiKi Noodle Bar Shanghai Hong Kong Plaza in Shanghai were newly added. Kaiseki Den by Saotome was removed from the reporting scope.

Note 23: Packaging material used for finished products is not a material issue for the F&B business and thus not reported. Waste data is not reported due to data unavailability.

Note 24: COVID-19 outbreak and social unrest led to lower-than-usual environmental footprint during the year ended 31 July 2020.

Note 25: Greenhouse gases emissions (Scope 1 and 2) are calculated based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition) and 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. For data comparability, respective data for the year ended 31 July 2019 were also restated.

Note 26: Direct emission of CH₄ and N₂O from fuel combustion, and indirect emissions from gas supply in Beijing Howard's Gourmet are excluded.

Note 27: Water consumption data is not reported for the year ended 31 July 2020 due to the unavailability of data from the Hong Kong Water Services Department.

SUMMARY OF ENVIRONMENTAL PERFORMANCE (CONTINUED)

Cinema <small>Notes 28, 29 & 30</small>	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity <small>Note 31</small>			
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	1,773	2,440
GHG emissions intensity	tonnes CO₂e/m²	0.08	0.11
A1.3 Total hazardous waste produced and intensity			
Fluorescent lamp waste	kg	95.07	150.63
Hazardous waste disposed intensity	kg/m²	0.0041	0.0069
A1.4 Total non-hazardous waste produced and intensity			
General waste	kg	38,058	78,367
Non-hazardous waste disposed intensity	kg/m²	1.62	3.61
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity consumption	kWh	3,095,432	4,213,435
Energy consumption intensity	kWh/m²	131.93	193.98
A2.2 Water consumption in total and intensity <small>Note 32 & 33</small>			
Water consumption	m ³	N/A	6,402
Water consumption intensity	m³/m²	N/A	0.33

Note 28: The reporting scope of the summary of environmental performance includes the cinemas in Hong Kong held by the Group (namely Festival Grand Cinema, MCL Cheung Sha Wan Cinema, MCL Metro City Cinema, MCL Telford Cinema, STAR Cinema, Grand Kornhill Cinema, MCL South Horizons Cinema, MCL Green Code Cinema, Grand Windsor Cinema and Movie Town). Compared with the year ended 31 July 2019, MCL Cheung Sha Wan Cinema was newly added.

Note 29: Packaging material used for finished products is not a material issue for the cinema business and thus not reported.

Note 30: Closure of cinemas due to COVID-19 outbreak and social unrest during the year ended 31 July 2020 led to lower environmental footprint.

Note 31: Greenhouse gases emissions (Scope 2) are calculated based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Note 32: Grand Kornhill Cinema is excluded from the scope of year ended 31 July 2019 as its water consumption is managed by the central management of the property.

Note 33: Water consumption data is not reported for the year ended 31 July 2020 due to the unavailability of data from the Hong Kong Water Services Department.

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SUMMARY OF ENVIRONMENTAL PERFORMANCE (CONTINUED)

Entertainment ^{Notes 34 & 35}	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity ^{Note 36}			
Direct GHG emissions (Scope 1)	tonnes CO ₂ e	23.86	26.18
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	138.57	159.78
Total GHG emissions	tonnes CO₂e	162.43	185.96
Total GHG emissions intensity ^{Note 37}	tonnes CO₂e/m²	0.07	0.11
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity Consumption	kWh	277,130	313,290
Gasoline consumption for transportation	L	8,810	9,670
Total energy consumption ^{Note 38}	kWh	362,512	407,001
Total energy consumption intensity ^{Note 37}	kWh/m²	152.30	241.64 ^{Note 39}

Note 34: The reporting scope of the summary of environmental performance includes the Group's major office of the entertainment business in Wyler Centre, Kwai Chung, New Territories.

Note 35: Hazardous waste, non-hazardous waste and water consumption are managed by the central property management of the office building, and thus they are not available for this report. Packaging material used for finished products is not a material issue for the entertainment business and thus not reported.

Note 36: Greenhouse gases emissions (Scopes 1 and 2) are calculated based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Note 37: Data for the year ended 31 July 2019 were restated after data review.

Note 38: Energy consumption from gasoline for transportation is calculated according to the conversion factors stated in the "How to Prepare an ESG Report: a Step-by-Step Guide to ESG Reporting" by The Stock Exchange of Hong Kong Limited and the Energy Statistics Manual issued by the International Energy Agency. For data comparability, respective data for the year ended 31 July 2019 were also restated.

Note 39: The Group's major office in Wyler Centre was renovated and expanded in late 2018, resulting in an increase in electricity consumption in the reporting year ended 31 July 2019.

LIST OF SIGNIFICANT LAWS AND REGULATIONS

Environment

Aspect A1-A3: Environmental

Hong Kong:

- Cap 311 Air Pollution Control Ordinance
- Cap 358 Water Pollution Control Ordinance
- Cap 354 Waste Disposal Ordinance
- Cap 400 Noise Control Ordinance
- Cap 499 Environmental Impact Assessment Ordinance

Mainland China

- Environmental Protection Law of the 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

Hong Kong:

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

Mainland China:

- Labour Law of the PRC
- Labour Contract Law of the PRC

Environmental, Social and Governance Report

LIST OF SIGNIFICANT LAWS AND REGULATIONS (CONTINUED)

Employee (continued)

Aspect B2: Health and Safety

Hong Kong:

- Cap 509 Occupational Safety and Health Ordinance
- Cap 59 Factories and Industrial Undertakings Ordinance

Mainland China:

- 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

Hong Kong:

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

Mainland China:

- Labour Laws of the PRC
- Provisions on the Prohibition of Using Child Labour

Operating Practices

Aspect B6: Product Responsibility

Hong Kong:

- Chapter 349 Hotel and Guesthouse Accommodation Ordinance
- Chapter 362 Trade Descriptions Ordinance
- Chapter 392 Film Censorship Ordinance
- Chapter 486 Personal Data (Privacy) Ordinance
- Chapter 621 Residential Properties (First-Hand Sales) Ordinance
- Chapter 612 Food Safety Ordinance
- Chapter 528 Copyright Ordinance
- Chapter 544 Prevention of Copyright Piracy Ordinance
- Chapter 559 Trade Marks Ordinance
- Food Hygiene Code

LIST OF SIGNIFICANT LAWS AND REGULATIONS (CONTINUED)

Operating Practices (continued)

Aspect B6: Product Responsibility (continued)

Mainland China:

- Urban Real Estate Administration Law of the PRC
- Food Safety Law of the PRC
- Food Hygiene Law of the PRC
- Law of PRC on Protection of Consumer Rights and Interests

Aspect B7: Anti-corruption

Hong Kong:

- Chapter 201 Prevention of Bribery Ordinance

Mainland China:

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

Environmental, Social and Governance Report

REFERENCES TO HKEX ESG REPORTING GUIDE

Subject Areas, Aspects, and General Disclosure		Sections
A. Environmental		
Aspect A1: Emissions	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(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</p>	Emissions to the Environment
Aspect A2: Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p>	Use of Resources
Aspect A3: The Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimising the issuer's significant impact on the environment and natural resources.</p>	Integrating Environmental Sustainability into Our Operations
B. Social		
Employment and Labour Practices		
Aspect B1: Employment	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p>	Employment Practices; Employee Welfare
Aspect B2: Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p>	Health and Safety
Aspect B3: Development and Training	<p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	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	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</p>	Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management	<p>General Disclosure</p> <p>Policies on managing environmental and social risks of the supply chain.</p>	Supply Chain Management
Aspect B6: Product Responsibility	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p>	Responsible and Ethical Practices; Service Excellence; Customer Health and Safety; Data Protection and Privacy; Intellectual Property Rights
Aspect B7: Anticorruption	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</p>	Integrity and Discipline
Community		
Aspect B8: Community Investment	<p>General Disclosure</p> <p>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.</p>	Community

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

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

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. The Company has achieved and maintained diversity of the Board including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service which meet the Company’s business model and specific needs. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**EDs**”). In January 2019, the Company adopted the Nomination Policy which set out the criteria, process and procedures by which the Company will select candidates for possible inclusion in the Board. As 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 overall business and commercial strategy of the Company and its subsidiaries (together, "Group") 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.

Corporate Governance Report

(2) BOARD OF DIRECTORS (CONTINUED)

(2.2) Composition of the Board

The Board currently comprises nine members, of whom six are EDs, and the remaining three are INEDs, in compliance with the minimum number of INEDs required under Rule 3.10(1) (i.e. at least 3 INEDs) and the Rule 3.10A (i.e. INEDs representing at least one-third of the Board) of the Listing Rules. The Directors who served the Board during the Year and up to the date of this Report are named as follows:

Executive Directors

Lam Kin Ming (*Chairman*)

Lam Kin Ngok, Peter, GBS (*Deputy Chairman*)

Chew Fook Aun (*Deputy Chairman*)

Lam Hau Yin, Lester

(*also alternate Director to U Po Chu*)

Lam Kin Hong, Matthew

U Po Chu

Independent Non-executive Directors

Chow Bing Chiu

Lam Bing Kwan

Leung Shu Yin, William

The brief biographical particulars of the existing Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this Annual Report on pages 98 to 104.

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

Save as aforesaid and as disclosed in the “Biographical Details of Directors and Senior Management” 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 Board had held six meetings during the Year. 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	
Lam Kin Ming	6/6
Lam Kin Ngok, Peter, GBS	6/6
Chew Fook Aun	5/6
Lam Kin Hong, Matthew	4/6
Lam Hau Yin, Lester (also alternate Director to U Po Chu)	6/6
U Po Chu	6/6
Independent Non-executive Directors	
Chow Bing Chiu	6/6
Lam Bing Kwan	6/6
Leung Shu Yin, William	6/6

(2.4) INEDs

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

Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William (both INEDs) will retire by rotation as Directors at the forthcoming AGM and, being eligible, offers themselves for re-election. Both of them have served on the Board as INEDs for more than 9 years. Being long-serving Directors, Mr. Lam and Mr. Leung have developed an in-depth understanding of the Company's operations and business, and have expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Lam and Mr. Leung would impair their independent judgement. The Board is satisfied that Mr. Lam and Mr. Leung will continue to have the required character and experience to fulfill the role of INEDs and considers that the re-election of Mr. Lam and Mr. Leung as INEDs at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

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

(2.5) Directors' and Officers' Liabilities Insurance

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

Corporate Governance Report

(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 the company secretarial departments also organise and arrange seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Year, the Company arranged for the INEDs to attend a seminar organised by the independent auditor of the Company ("**Independent Auditor**").

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

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/ Financial/Management or Other Professional Skills	
	Read Materials	Attend Seminars/ Briefings	Read Materials	Attend Seminars/ Briefings
Executive Directors				
Lam Kin Ming	✓	✓	✓	—
Lam Kin Ngok, Peter, <i>GBS</i>	✓	✓	✓	—
Chew Fook Aun	✓	✓	✓	✓
Lam Hau Yin, Lester <i>(also alternate Director to U Po Chu)</i>	✓	✓	✓	✓
Lam Kin Hong, Matthew	✓	✓	✓	✓
U Po Chu	✓	✓	✓	—
Independent Non-executive Directors				
Chow Bing Chiu	✓	✓	✓	✓
Lam Bing Kwan	✓	✓	✓	✓
Leung Shu Yin, William	✓	✓	✓	✓

(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 a Remuneration Committee on 18 November 2005 which currently comprises four members, including three INEDs, namely Messrs. Lam Bing Kwan (Chairman), Chow Bing Chiu and Leung Shu Yin, William, and an ED, Mr. Chew Fook Aun.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of the Directors and senior management. The revised terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the respective 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 discuss remuneration-related matters, the payment of discretionary bonus to EDs, review of remuneration packages of EDs and INEDs. No Directors was involved in deciding his own remuneration at the meeting of the Remuneration Committee.

Corporate Governance Report

(4) BOARD COMMITTEES (CONTINUED)

(4.1) Remuneration Committee (continued)

(c) Attendance record at the Remuneration Committee meetings

The attendance record of committee members at this 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
Independent Non-executive Directors	
Chow Bing Chiu	1/1
Lam Bing Kwan	1/1
Leung Shu Yin, William	1/1

(4.2) Audit Committee

The Board established an Audit Committee on 23 March 2000 which currently comprises three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Chow Bing Chiu and Lam Bing Kwan.

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

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

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

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

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

(4) BOARD COMMITTEES (CONTINUED)

(4.2) Audit Committee (continued)

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

In compliance with the Stock Exchange's implementation of the revised Listing Rules relating to the extension of the cooling off period from 1 year to 2 years for appointing a former partner of the issuer's existing external auditor as a member of its Audit Committee, the terms of reference of the Audit Committee were further revised by the Board on 25 January 2019. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on the websites of the Stock Exchange and the Company.

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

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

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

(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 Group's internal audit plan and the budget for the ensuing year and put forward relevant recommendations to the Board.

On 22 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 of the Company. It also reviewed this Corporate Governance Report, the internal control review report and report on enterprise risk management of the Company prepared by the Independent Advisor.

Corporate Governance Report

(4) BOARD COMMITTEES (CONTINUED)

(4.2) Audit Committee (continued)

(c) Attendance record at the Audit Committee meetings

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

Committee Members	Number of meetings attended/ Number of meetings held
Independent Non-executive Directors	
Leung Shu Yin, William	3/3
Chow Bing Chiu	3/3
Lam Bing Kwan	3/3

(4.3) Independent Board Committee

Reference is made to the joint announcement dated 21 February 2020 issued by the Company, Lai Sun Development Company Limited (“LSD”), eSun Holdings Limited, Lai Fung Holdings Limited (“Lai Fung”) and Holy Unicorn Limited, a wholly-owned subsidiary of LSD (“Offeror”) in connection with the conditional voluntary general cash offer made by The Hongkong and Shanghai Banking Corporation Limited on behalf of the Offeror to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of Lai Fung (“LF Offers”). The Board had established the Independent Board Committee, comprising Messrs. Chow Bing Chiu, Lam Bing Kwan and Leung Shu Yin, William (all the INEDs of the Company) to advise the independent shareholders of the Company in respect of the LF Offers. Details of which are set out in the circular of the Company dated 24 April 2020.

(5) CHAIRMAN AND CHIEF EXECUTIVE

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

During the Year and up to the date of this Report, Dr. Lam Kin Ming was the Chairman of the Company while Dr. Lam Kin Ngok, Peter and Mr. Chew Fook Aun were both the Deputy Chairman of the Company and Mr. Yip Chai Tuck was the Chief Executive Officer of the Company. The 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 DIRECTORS

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The Company has adopted the Nomination Policy in January 2019 which sets the criteria, process and procedures by which the Company will select candidate for possible inclusion in the Board. The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the candidate's skills and experience, commitment and integrity, and the independence 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 ("**Board Diversity Policy**") in July 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

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

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

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

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

Currently, the Board comprises nine members, of whom six are executive directors and three are independent non-executive directors. The current Board comprises individuals who are professionals with real estate, investment, accounting, financial, general management, tourism and legal backgrounds.

Corporate Governance Report

(9) DIVIDEND POLICY

The Company has adopted the dividend policy ("**Dividend Policy**") on 25 January 2019 which sets out the principles and guidelines for the Board to determine (i) whether dividends are to be declared and paid, and (ii) the level of dividend to be paid to the Shareholders.

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

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

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

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

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

(10) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(11) INDEPENDENT AUDITOR'S REMUNERATION

The fees in respect of audit and non-audit services provided to the Group by the Independent Auditor, Messrs. Ernst & Young, Certified Public Accountants, Hong Kong ("Ernst & Young") for the Year amounted to HK\$17,603,000 and HK\$14,386,000 respectively, of which the analysis is as follows. The non-audit services mainly consist of advisory, review, tax compliance service and other reporting services. An analysis of such fees is set out below:

	Audit service HK\$'000	Non-audit service HK\$'000
The Company and its subsidiaries (excluding LSD and its subsidiaries)	1,319	2,463
LSD and its subsidiaries (excluding eSun, Lai Fung and their respective subsidiaries)	5,500	2,326
eSun and its subsidiaries (including Media Asia Group Holdings Limited and its subsidiaries)	7,090	6,859
Lai Fung and its subsidiaries	3,694	2,738
Total	17,603	14,386

(12) DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the 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.

(13) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

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

Corporate Governance Report

(14) RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage 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. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board 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.

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.

(15) COMPANY SECRETARY

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

(16) SHAREHOLDERS’ RIGHTS

(16.1) Procedures for Shareholders to convene a general meeting

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

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

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

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

Corporate Governance Report

(16) SHAREHOLDERS' RIGHTS (CONTINUED)

(16.2) Procedures for putting forward proposals at a general meeting

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

The requisition (i) may be sent to the Company in hard copy form at the Registered Office stated in paragraph (16.1) above or in electronic form by email at lscmsec@laisun.com; (ii) must identify the resolution of which notice is to be given; (iii) must be authenticated by the person or persons making it; and (iv)(a) in the case of requisition for the circulation of resolutions to be moved at general meeting, the requisition must be received by the Company not later than 6 weeks before the general meeting or (b) in the case of requisition for the circulation of statements regarding resolutions proposed at the general meeting, such requisition must be received by the Company not later than 7 days before the general meeting, or if later, the time at which notice is given of that meeting.

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

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

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

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

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

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

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

(17) COMMUNICATION WITH SHAREHOLDERS

(17.1) Shareholders Communication Policy

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

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

- (i) corporate communications such as annual reports, interim reports and circulars issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.laisun.com;
- (ii) financial highlights, press releases and results roadshows presentations are also posted on the Company's website;
- (iii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iv) corporate information and the Articles of Association are made available on the Company's website and the latter is also posted on the website of the Stock Exchange;
- (v) participate in roadshows and investors' conferences to meet Shareholders/investors, media and financial analysts;
- (vi) AGMs and/or general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (vii) the Share Registrar serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

Corporate Governance Report

(17) COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

(17.2) Attendance record at general meetings

During the Year, the Company held three general meetings (including the 2019 AGM) and the attendance record of individual Directors at these meetings is set out below:

Directors	Number of meetings attended/ Number of meetings held
Executive Directors	
Lam Kin Ming	1/3
Lam Kin Ngok, Peter, <i>GBS</i>	0/3
Chew Fook Aun	3/3
Lam Kin Hong, Matthew	0/3
Lam Hau Yin, Lester (also alternate Director to U Po Chu)	0/3
U Po Chu	0/3
Independent Non-executive Directors	
Chow Bing Chiu	3/3
Lam Bing Kwan	3/3
Leung Shu Yin, William	3/3

(17.3) Details of the last general meeting

The last general meeting of the Company was a general meeting held on Thursday, 21 May 2020 at 9:00 a.m. at Meeting Rooms, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong ("**2020 GM**"). At the 2020 GM, an ordinary resolution to approve, confirm and ratify the agreement ("**Agreement**") dated 19 January 2020 entered into between Zhuhai Da Hengqin Real Estate Co., Ltd. ("**Investor**"), Zhuhai Hengqin Laisun Creative Culture City Co., Ltd. ("**Laisun Creative Culture**") and Winfield Concept Limited in relation to, among other things, the subscription of approximately 16.68% equity interest in Laisun Creative Culture by the Investor ("**Subscription**") and the grant of the put option to the Investor ("**Put Option**") and the transactions contemplated thereunder, including but not limited to, the Subscription and the grant of the Put Option, and to authorise the Directors to implement the Agreement and the transactions contemplated thereunder was duly passed by a vast majority of the total vote cast.

Further details of the 2020 GM were contained in the Company's circular dated 30 April 2020 and the announcement dated 21 May 2020 regarding the poll results of the 2020 GM which were published on both the websites of the Company and the Stock Exchange.

The Board resolved at its meeting held on 23 October 2020 that the AGM for 2020 be held on 18 December 2020 for Shareholders to (i) consider and adopt the audited financial statements and the reports of the directors and the independent auditor of the Company for the Year; (ii) re-elect the Directors who retire and have offered themselves for re-election; (iii) re-appoint Ernst & Young as the Independent Auditor for the ensuing year and to authorise the Directors to fix their remuneration; (iv) grant to Directors a general mandate to issue and allot additional Shares not exceeding 20% of the issued share capital of the Company; (v) grant to Directors a general mandate to buy back the Company's Shares not exceeding 10% of the issued share capital of the Company and (vi) extend the general mandate granted to the Directors to issue Shares of the Company by adding the number of Shares bought back.

(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 EDs 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 during normal business hours, by fax at (852) 2853 6651 or by e-mail at ir@laisun.com.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Each of the current executive directors of the Company ("**Executive Directors**") named below (except Madam U Po Chu and Mr. Lam Kin Hong, Matthew) holds directorships in a number or certain of the subsidiaries of the Company and all of them hold directorships in all or certain of the Company's listed affiliates, namely Lai Sun Development Company Limited ("**LSD**"), eSun Holdings Limited ("**eSun**"), Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGHL**"). The issued shares of LSD, eSun and Lai Fung are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and MAGHL's issued shares are listed and traded on the GEM of the Stock Exchange. Wisdoman Limited is the controlling shareholder of the Company, the Company is the ultimate holding company of LSD which in turn is the intermediate holding company of eSun, Lai Fung and MAGHL while MAGHL is the subsidiary of eSun.

Dr. Lam Kin Ming, aged 83, is the Chairman of the Company and a member of the Executive Committee of the Company. He has been an Executive Director since October 1987 and has extensive experience in property development and investment and has been involved in the management of garment business since 1958. He is also the deputy chairman and an executive director of Lai Fung, a non-executive director of LSD and the chairman, the chief executive officer and an executive director of Crocodile Garments Limited ("**CGL**"). The issued shares of CGL are listed and traded on the Main Board of the Stock Exchange. Save as disclosed above, Dr. Lam does not hold other directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. He 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.

Dr. Lam is the elder brother of Dr. Lam Kin Ngok, Peter (the Deputy Chairman, an Executive Director and the controlling shareholder of the Company), and Mr. Lam Kin Hong, Matthew (an Executive Director of the Company), and an uncle of Mr. Lam Hau Yin, Lester (an Executive Director of the Company). Save as aforesaid, Dr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Dr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association of the Company ("**Articles of Association**"), Dr. Lam will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming annual general meeting of the Company ("**AGM**") and will also be eligible for re-election at future AGMs. Dr. Lam presently receives from the Company an annual remuneration of HK\$810,000 and an annual directors' fee of HK\$48,000 and other remuneration as well as discretionary bonus to be determined by the Board from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions. Dr. Lam also receives from LSD and Lai Fung, subsidiaries of the Company, an annual director's fee of HK\$250,000 in acting as the non-executive director of LSD and an annual remuneration of HK\$1,140,000 in acting as the deputy chairman and an executive director of Lai Fung, respectively.

As at the date of this Annual Report, Dr. Lam is interested or deemed to be interested within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**") in 1,021,443 shares in the Company, representing approximately 0.26% of the issued share capital of the Company. Save as aforesaid, Dr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

EXECUTIVE DIRECTORS (CONTINUED)

Dr. Lam Kin Ngok, Peter, aged 63, is the Deputy Chairman of the Company and a member of the Executive Committee of the Company. He has been an Executive Director since October 1987 and is a director of Wisdoman Limited (a controlling shareholder of the Company). Dr. Lam is also the chairman and an executive director of LSD and MAGHL as well as an executive director of CGL, a company listed on the Main Board of the Stock Exchange. Dr. Lam was an executive director of eSun from 15 October 1996 to 13 February 2014. Dr. Lam was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012. Dr. Lam has extensive experience in the property development and investment business, hospitality as well as media and entertainment business. Dr. Lam was conferred an Honorary Doctorate from the Hong Kong Academy for Performing Arts in June 2011. Dr. Lam received the Gold Bauhinia Star awarded from the Government of the Hong Kong Special Administrative Region on 1 July 2015.

Currently, Dr. Lam is the chairman of the Hong Kong Trade Development Council. He is also a Standing Committee member of the 13th National Committee of the Chinese People's Political Consultative Conference ("CPPCC"). In addition, Dr. Lam is the chairman of Hong Kong Chamber of Films Limited, the life honorable president of Hong Kong Motion Picture Industry Association Limited, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, the vice chairman of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited, an honorary chairman of Federation of HK Jiangsu Community Organisations, the president of Hong Kong Association of Cultural Industries Limited, the chairman of Hong Kong Cultural Development Research Institute Limited, a non-official member of the Trade and Industry Advisory Board and a member of the Board of West Kowloon Cultural District Foundation Limited (a wholly-owned subsidiary of West Kowloon Cultural District Authority).

Dr. Lam is the son of Madam U Po Chu (an Executive Director of the Company), the younger brother of Dr. Lam Kin Ming (the Chairman and an Executive Director of the Company), the elder brother of Mr. Lam Kin Hong, Matthew (an Executive Director of the Company) and the father of Mr. Lam Hau Yin, Lester (an Executive Director of the Company).

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

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (CONTINUED)

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 further term of two years with effect from 1 April 2019. He was re-appointed 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.

Mr. Lam Kin Hong, Matthew, aged 52, was appointed an Executive Director in March 2001 and is a member of the Executive Committee and a legal adviser of the Company. He is also an executive deputy chairman and an executive director of Lai Fung and an executive director of CGL (a company listed on the Main Board of the Stock Exchange).

Mr. Lam graduated from the University College London in the UK with a Bachelor of Science Degree and underwent training as a lawyer with Reed Smith Richards Butler, an international law firm. Mr. Lam is the 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 CPPCC 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 Advisory Committee on Admission of Quality Migrants and Professionals and a former member of the Employees Compensation Assistance Fund Board.

Mr. Lam is the younger brother of Dr. Lam Kin Ming (the Chairman and an Executive Director of the Company) and Dr. Lam Kin Ngok, Peter (the Deputy Chairman, an Executive Director and controlling shareholder of the Company) and an uncle of Mr. Lam Hau Yin, Lester (Executive Director of the Company).

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Lam Hau Yin, Lester, aged 39, was appointed an Executive Director in May 2006 and is a member of the Executive Committee of the Company. He is also the alternate director to Madam U Po Chu in her capacity as an Executive Director of the Company and Lai Fung and a non-executive director of LSD and eSun. Mr. Lam is an executive director of LSD and eSun as well as an executive director and the chief executive officer of Lai Fung. He is also a director of Wisdoman Limited (a controlling shareholder of the Company).

Mr. Lam holds a Bachelor of Science in Business Administration degree from Northeastern University, Boston, the United States of America. He completed the Kellogg-HKUST Executive MBA program in July 2016. He 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 (the Deputy Chairman, an Executive Director and the controlling shareholder of the Company), a grandson of Madam U Po Chu (an Executive Director of the Company) and a nephew of both Dr. Lam Kin Ming (the Chairman and an Executive Director of the Company) and Mr. Lam Kin Hong, Matthew (an Executive Director of the Company).

Madam U Po Chu, aged 95, has been a Director since December 1990 and was a Non-executive Director until re-designated as an Executive Director of the Company with effect from 27 November 2012. She is also a non-executive director of LSD and eSun, as well as an executive director of Lai Fung. She is also a director of Wisdoman Limited (a controlling shareholder of the Company).

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 (the Deputy Chairman, an Executive Director and the controlling shareholder of the Company) and the grandmother of Mr. Lam Hau Yin, Lester (an Executive Director of the Company).

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Bing Chiu, aged 69, was appointed an Independent Non-executive Director in September 2004 and is a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Chow is also an independent non-executive director of CGL. The issued shares of CGL are listed and traded on the Main Board of the Stock Exchange.

Mr. Chow obtained his Bachelor of Law degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the senior partner of B.C. Chow & Co., Solicitors, in Hong Kong and a China-appointed Attesting Officer.

Mr. Lam Bing Kwan, aged 70, was appointed an Independent Non-executive Director in February 2011 and is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Lam is also an independent non-executive director of LSD and Lai Fung and a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited. He retired as an independent non-executive director of eForce Holdings Limited (currently known as Zhongzheng International Company Limited) on 4 June 2018. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. The Company is the ultimate holding company of LSD which in turn is the intermediate holding company of eSun, Lai Fung and MAGHL while MAGHL is the subsidiary of eSun. Save as disclosed above, Mr. Lam does not hold other directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in property development and investment in China, having been actively involved in this industry since the mid-1980's. Mr. Lam has served on the boards of directors of a number of listed companies in Hong Kong for over 10 years.

Mr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, Mr. Lam will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Lam presently receives from the Company an annual director's fee of HK\$350,000 and he also receives from LSD and Lai Fung, subsidiaries of the Company, an annual director's fee of HK\$350,000 in acting as the independent non-executive director of LSD and an annual director's fee of HK\$350,000 in acting as the independent non-executive director of Lai Fung, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

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

Save as his directorship disclosed above, Mr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Mr. Leung Shu Yin, William, aged 71, was appointed an Independent Non-executive Director in July 2002 and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Leung is also an independent non-executive director of LSD, CGL and Mainland Headwear Holdings Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. The Company is the ultimate holding company of LSD which in turn is the intermediate holding company of eSun, Lai Fung and MAGHL while MAGHL is the subsidiary of eSun. Save as disclosed above, Mr. Leung does not hold other directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Leung is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a fellow of both the Association of Chartered Certified Accountants in the UK and the HKICPA. Mr. Leung is a practising director of two certified public accountants' firms in Hong Kong.

Mr. Leung does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, Mr. Leung will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Leung presently receives from the Company an annual director's fee of HK\$350,000 and he also receives from LSD, a subsidiary of the Company, an annual director's fee of HK\$350,000 in acting as the independent non-executive director of LSD.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

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

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

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

SENIOR MANAGEMENT

Mr. Yip Chai Tuck, aged 46, has been appointed Chief Executive Officer in August 2013. He is also an executive director of eSun and MAGHL. Mr. Yip has extensive experience in corporate advisory, business development and investment banking. Prior to joining the Lai Sun Group, he was a Managing Director and Head of Mergers and Acquisitions ("**M&A**") for China of Goldman Sachs. He also worked for PCCW Limited, a Hong Kong listed company, as Vice President of Ventures and M&A, responsible for strategic investments and M&A transactions.

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

Note:

*Dr. Lam Kin Ming, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William (**Retiring Directors**) will retire as directors at the forthcoming AGM. Being eligible, they offer themselves for re-election respectively thereat. For the purpose of each of the Retiring Directors' re-election thereat in accordance with the Articles of Association, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of The Rules Governing the Listing of Securities on the Stock Exchange.*

Report of the Directors

The directors of the Company ("**Directors**") present their report and the audited 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 principal activities of the Group consisted of property development, property investment, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding.

RESULTS AND DIVIDENDS

Details of the consolidated loss of the Company for the Year and the state of affairs of the Company and of the Group as at 31 July 2020 are set out in the consolidated financial statements and their accompanying notes on pages 142 to 328.

The board of Directors ("**Board**") does not recommend the payment of a final dividend for the Year (2019: HK7.40 cents per share). No interim dividend was paid or declared during the Year (2019: Nil).

BUSINESS REVIEW

A review of the business of the Group during the Year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 4 to 11 and Management Discussion and Analysis on pages 14 to 38 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 48 to the financial statements.

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

Discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report on pages 51 to 79 of this Annual Report.

DISTRIBUTABLE RESERVES

At 31 July 2020, the Company had reserves available for distribution to the shareholders of the Company ("**Shareholders**") amounted to approximately HK\$498,477,000.

SHARES ISSUED IN THE YEAR

Details of the ordinary shares issued by the Company in the Year are set out in note 40 to the financial statements. The ordinary shares issued during the Year were in lieu of cash dividends and upon exercise of share options.

Report of the Directors

PERMITTED INDEMNITY PROVISION

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

DIRECTORS

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

Executive Directors ("EDs")

Lam Kin Ming (*Chairman*)

Lam Kin Ngok, Peter, *GBS* (*Deputy Chairman*)

Chew Fook Aun (*Deputy Chairman*)

Lam Hau Yin, Lester

(*also alternate Director to U Po Chu*)

Lam Kin Hong, Matthew

U Po Chu

Independent Non-executive Directors ("INEDs")

Chow Bing Chiu

Lam Bing Kwan

Leung Shu Yin, William

In accordance with Article 102 of the Company's Articles of Association and code provision A.4.2 of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), Dr. Lam Kin Ming, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William ("**Retiring Directors**"), respectively will retire 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 required to be disclosed under Rule 13.51(2) of the Listing Rules are set out in the section headed "Biographical Details of Directors and Senior Management" of this Annual Report, the section headed "Directors' Interests" of this Report below and the Company's circular dated 19 November 2020.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical particulars of the existing Directors and senior management are set out on pages 98 to 104 of this Annual Report. Directors' other particulars are contained in this Report and elsewhere in this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 5 to the financial statements headed "Related Party Transactions" and the section headed "Continuing Connected Transactions" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling Shareholder (as defined by 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 ("CCTs") (as defined in the Listing Rules) during the Year, brief particulars of which are as follows:

I. Ascott Management Agreement

As announced by the Company, Lai Sun Development Company Limited ("**LSD**", together with its subsidiaries "**LSD Group**"), eSun Holdings Limited ("**eSun**", together with its subsidiaries "**eSun Group**"), and Lai Fung Holdings Limited ("**Lai Fung**", together with its subsidiaries "**Lai Fung Group**") on 23 January 2020, Shanghai Li Xing Real Estate Development Co., Ltd. ("**Li Xing**"), a wholly-owned subsidiary of Lai Fung and Ascott Property Management (Shanghai) Co., Ltd. ("**Ascott**"), a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**") entered into the 2020 Management Agreement to renew the 2009 Management Agreement which would expire on 30 April 2020 pursuant to which Ascott agreed to provide certain management services to Li Xing in relation to a serviced residence property owned by and units leased to Li Xing in Shanghai.

Pursuant to the announcement dated 23 January 2020, Lai Fung had adopted a maximum aggregate annual value of RMB15 million per annum for the management and other service fees payable to Ascott under the 2020 Management Agreement.

For the year ended 31 July 2020, the management and other services fees paid or payable by the Group to Ascott amounted to RMB6,340,000 (equivalent to approximately HK\$7,001,000).

CapitaLand is an indirect substantial shareholder of Lai Fung. Accordingly, Ascott is a connected person of the Company under Chapter 14A.07 of the Listing Rules, and the transactions contemplated under the 2020 Management Agreement constitute CCTs for the Company under Chapter 14A of the Listing Rules.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

2. Property Management Services Agreements and Cost-Sharing Agreements

As announced by the Company and LSD on 16 July 2020,

- (i) Zhuhai Hengqin Novotown Business Management Co., Ltd. ("**Novotown Business Management**"), an indirect wholly-owned subsidiary of Lai Fung and Zhuhai Hengqin Novotown Creative Culture Co., Ltd. ("**Novotown Creative Culture**") of which Rosy Commerce Holdings Limited ("**Rosy Commerce**", indirectly owned by Lai Fung and LSD as to 80% and 20%, respectively) holds 70% equity interest, entered into the Novotown Creative Culture Property Management Services Agreement on 16 July 2019 pursuant to which Novotown Business Management will provide property management services to Novotown Creative Culture from 1 September 2019 to 31 August 2022;
- (ii) Novotown Business Management and Zhuhai Hengqin Novotown Entertainment Co., Ltd. ("**Novotown Entertainment**") of which Rosy Commerce holds 70% equity interest, entered into the Novotown Entertainment Property Management Services Agreement on 16 July 2019 pursuant to which Novotown Business Management will provide property management services to Novotown Entertainment from 1 August 2019 to 31 July 2022;
- (iii) Novotown Business Management and Zhuhai Hengqin Laisun Creative Culture City Co., Ltd. ("**Laisun Creative Culture**"), a subsidiary of Rosy Commerce, entered into the Laisun Creative Culture Property Management Services Agreement on 23 July 2019 pursuant to which Novotown Business Management will provide property management services to Laisun Creative Culture from 1 October 2019 to 30 September 2022;
- (iv) Novotown Business Management and Laisun Creative Culture entered into the Laisun Creative Culture Cost-sharing Agreement on 16 July 2019 pursuant to which Novotown Business Management and Laisun Creative Culture will share the costs and expenses in connection with the use of certain premise leased by Novotown Business Management ("**Head Lease Premises**") as staff quarter on a cost basis from 1 September 2019 to 30 April 2021;
- (v) Novotown Business Management and Novotown Creative Culture entered into the Novotown Creative Culture Cost-sharing Agreement on 16 July 2019 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; and
- (vi) Novotown Business Management and Novotown Entertainment entered into the Novotown Entertainment Cost-sharing Agreement on 16 July 2019 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.

Pursuant to the announcement made by the Company and LSD on 16 July 2020, Lai Fung had adopted an annual cap of property management services fees payable to Novotown Business Management for the year ended 31 July 2020 of (i) HK\$4,800,000 in respect of services with Novotown Creative Culture; (ii) HK\$23,800,000 in respect of services with Novotown Entertainment; and (iii) HK\$59,100,000 in respect of services with Laisun Creative Culture.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

2. Property Management Services Agreements and Cost-Sharing Agreements (continued)

For the period from 16 September 2019 to 31 July 2020, the property management services fees paid or payable to Novotown Business Management by Laisun Creative Culture, Novotown Entertainment and Novotown Creative Culture amounted to RMB686,000 (equivalent to approximately HK\$757,000), RMB5,995,000 (equivalent to approximately HK\$6,620,000) and RMB1,297,000 (equivalent to approximately HK\$1,432,000), respectively.

Pursuant to the announcement made by the Company and LSD on 16 July 2020, Lai Fung had adopted an annual cap of cost-sharing of HK\$3,100,000, HK\$2,500,000 and HK\$500,000 for the year ended 31 July 2020 for Laisun Creative Culture, Novotown Entertainment and Novotown Creative Culture in respect of transactions with Novotown Business Management under the Cost-sharing Agreements, respectively.

For the period from 16 September 2019 to 31 July 2020, the cost sharing paid or payable to Novotown Business Management by Laisun Creative Culture, Novotown Entertainment and Novotown Creative Culture amounted to RMB1,556,000 (equivalent to approximately HK\$1,718,000), RMB1,518,000 (equivalent to approximately HK\$1,676,000) and RMB220,000 (equivalent to approximately HK\$244,000), respectively.

Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk ("**Yu Shareholders**") are substantial shareholders of the Company and hence connected persons of the Company under the Listing Rules. On the basis of the Yu Shareholders' disclosures of interests in Lai Fung, the Yu Shareholders held over 10% of the issued share capital of Lai Fung during the period from 16 September 2019 to 3 August 2020. For the purposes of the Listing Rules, Lai Fung became a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules, and is a connected person of the Company. Whilst the terms of the Property Management Services Agreements and the Cost-sharing Agreements remain unchanged, the transactions thereunder have become CCTs of the Company under Chapter 14A of the Listing Rules. As such the transactions contemplated thereunder constituted CCTs of the Company from 16 September 2019 to 3 August 2020. No annual caps were set for the Company in respect of the transactions under such pre-existing agreements.

3. The May Flower Cinema Leases

Guangdong May Flower Cinema City Company Limited ("**Guangdong Cinema City**"), an indirect wholly-owned subsidiary of eSun (as lessee) entered into the Zhongshan May Flower Cinema Lease with Zhongshan Baoli Property Development Company Limited, an indirect wholly-owned subsidiary of Lai Fung (as lessor) on 31 October 2015 for extension of the lease of certain premises in Zhongshan Palm Spring for a further term of 15 years.

Guangdong Cinema City (as lessee) entered into the Guangzhou May Flower Cinema Lease with Guangzhou Jieli Real Estate Company Limited, an indirect wholly-owned subsidiary of Lai Fung (as lessor) on 1 November 2015 for extension of the lease of certain premises in Guangzhou May Flower Plaza for a further term of 15 years.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3. The May Flower Cinema Leases (continued)

As announced by the Company, LSD, eSun and Lai Fung on 31 July 2020, Lai Fung has become a connected subsidiary of LSD and hence a connected person of the Company pursuant to Chapter 14A of the Listing Rules. In relation to the amounts payable as a lessee, the Company has set an annual cap of RMB6,000,000 (equivalent to approximately HK\$6,647,000) for each of the ten financial years ending 31 July 2030 and RMB1,500,000 (equivalent to approximately HK\$1,662,000) for the financial year ending 31 July 2031. In relation to the rental and other amounts receivable as a lessor, the Company has set an annual cap of RMB9,000,000 (equivalent to approximately HK\$9,970,000) for each of the ten financial years ending 31 July 2030 and RMB3,000,000 (equivalent to approximately HK\$3,323,000) for the financial year ending 31 July 2031.

The Company will comply with the requirements under the connected transactions rules of the Listing Rules if any cap is exceeded, or when the above leases are renewed or there are material changes to the leases.

4. 2020 Commercial Letting Framework Agreement

The Company, LSD, eSun, Lai Fung and Media Asia Group Holdings Limited (“**MAGHL**” together with its subsidiaries “**MAGHL Group**”) (collectively “**Lai Sun Group**”) entered into a new memorandum of agreement (“**Renewal Agreement**”) on 31 July 2017 to renew the memorandum of agreement dated 14 February 2014 in relation to all existing or future transactions with regard to the letting and/or licensing of various premises owned or held by other members of the Lai Sun Group for a period of three years commencing on 1 August 2017 and expiring on 31 July 2020.

As announced on 31 July 2020, in view of expiry of the Renewal Agreement on 31 July 2020, the Lai Sun Group entered into the 2020 Commercial Letting Framework Agreement to govern transactions constituting their respective CCTs for a period of three years commencing on 1 August 2020 and expiring on 31 July 2023.

The Company will comply with the requirements under the connected transactions rules of the Listing Rules if any cap is exceeded, or when the 2020 Commercial Letting Framework Agreement is renewed or there are material changes to the provisions of the 2020 Commercial Letting Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Under Rule 14A.55 of the Listing Rules, the INEDs have reviewed annually the CCTs listed above and 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 agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, Certified Public Accountants (“**Ernst & Young**”), the Company’s independent auditor, were engaged to report on the CCTs of the Group 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 issued a letter in respect of the CCTs listed in paragraphs 1 and 2 above to the Board (with a copy provided to the Stock Exchange) in accordance with Rule 14A.56 of the Listing Rules and confirming that nothing has come to their attention that causes them to believe that the disclosed CCTs:

- (i) have not been approved by the Board;
- (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iii) have exceeded the annual cap as set by the Company.

In respect of the pre-existing Property Management Services Agreements and Cost-sharing Agreements entered into prior to Lai Fung becoming a connected subsidiary (and therefore a connected person) of the Company as a result of the Yu Shareholders becoming connected persons of each of the Company and Lai Fung, no annual caps were set for the Company in respect of such transactions.

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

DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this Annual 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:

Dr. Lam Kin Ming, Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester and Madam U Po Chu (together, “**Interested Directors**”) held shareholdings or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong and Mainland China, including LSD, Lai Fung and Crocodile Garments Limited.

Dr. Lam Kin Ngok, Peter held shareholdings or other interests and/or directorships in companies or entities engaged in the business of investment in and operation of hotels and restaurants, media and entertainment, film production and distribution and cinema operation.

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONTINUED)

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

1. different locations and different uses of the properties owned by the above companies and those of the Group; and
2. different target customers of the restaurant operations, the concerts and albums of the above companies and those of the Group.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Schemes" and "Directors' Interests" of this Report and note 41 headed "Share Option Schemes" to the financial statements, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEMES

The Company

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

The purpose of the 2015 Share Option Scheme is to recognise the contribution or future contribution of (i) any employee of any member of the Company together with its subsidiaries ("**Group**") or of any of LSD, eSun, Lai Fung and MAGHL together with its subsidiaries that is affiliated with the Company ("**Relevant Companies**"); (ii) any director, officer or consultant of any member of the Relevant Companies; and (iii) any other group or classes of participants which the Directors, in their absolute discretion, consider to have contributed or will contribute, whether by way of business alliance or other business arrangement, to the development and growth of the Group ("**Eligible Participants**"), for their contribution to the Group by granting options to them as incentives or rewards and to attract, retain or motivate Eligible Participants in line with the performance goals of the Relevant Companies. Unless otherwise altered or terminated, the 2015 Share Option Scheme will be valid and effective for a period of 10 years commencing on the Effective Date.

Pursuant to the terms of the 2015 Share Option Scheme and in compliance with Chapter 17 of the Listing Rules, the total number of shares which may be issued upon exercise of all share options to be granted under the 2015 Share Option Scheme of the Company shall not exceed 10% of the total number of the Company's issued shares as at the date of adopting the 2015 Share Option Scheme.

SHARE OPTION SCHEMES (CONTINUED)

The Company (continued)

As at 31 July 2020, share options comprising a total of 1,140,611 underlying Shares were outstanding granted under the 2006 Share Option Scheme, which represented approximately 0.29% of the Company's shares in issue as at 31 July 2020, and share options comprising a total of 11,791,409 underlying Shares were outstanding granted under the 2015 Share Option Scheme, which represented approximately 3.00% of the Company's shares in issue as at 31 July 2020.

Information on the movements of share options under the 2006 Share Option Scheme and the 2015 Share Option Scheme during the Year is set out below:

Name and category of participants	Date of grant of share options (Note 1)	Number of underlying Shares comprised in share options				As at 31 July 2020	Exercise period of share options	Exercise price of share options HK\$ per share (Note 2)
		As at 1 August 2019	Granted during the Year	Exercised during the Year	Lapsed during the Year			
Directors								
Lam Kin Ngok, Peter	18/01/2013	375,242 (Notes 3 & 4)	—	(375,242) (Note 5)	—	—	18/01/2013-17/01/2023	6.05 (Notes 3 & 4)
Lam Kin Ngok, Peter	19/06/2017	333,333 (Note 4)	—	—	—	333,333	19/06/2017-18/06/2027	15.00 (Note 4)
Chew Fook Aun	19/06/2017	3,819,204 (Note 4)	—	—	—	3,819,204	19/06/2017-18/06/2027	15.00 (Note 4)
Lam Hau Yin, Lester	18/01/2013	3,752,422 (Notes 3 & 4)	—	(3,752,422) (Note 5)	—	—	18/01/2013-17/01/2023	6.05 (Notes 3 & 4)
Lam Hau Yin, Lester	19/06/2017	3,819,204 (Note 4)	—	—	—	3,819,204	19/06/2017-18/06/2027	15.00 (Note 4)
Total		12,099,405	—	(4,127,664)	—	7,971,741		
Other employees								
In aggregate	18/01/2013	984,611 (Notes 3 & 4)	—	—	—	984,611	18/01/2013-17/01/2023	6.05 (Notes 3 & 4)
In aggregate	26/07/2013	116,000 (Notes 3 & 4)	—	—	—	116,000	26/07/2013-25/07/2023	6.40 (Notes 3 & 4)
In aggregate	21/01/2015	40,000 (Note 4)	—	—	—	40,000	21/01/2015-20/01/2025	5.25 (Note 4)
In aggregate	28/07/2017	3,819,668 (Note 4)	—	—	—	3,819,668	28/07/2017-27/07/2027	16.44 (Note 4)
Total		4,960,279	—	—	—	4,960,279		
Grand Total		17,059,684	—	(4,127,664)	—	12,932,020		

Notes:

1. The share options were vested on the date of grant.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, share consolidations, or other specific changes in the Company's share capital.

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

The Company (continued)

Notes: (continued)

3. On 7 February 2014, the exercise price of and the number of Shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of rights issue of the Company:

Name and category of participants	Number of underlying Shares comprised in share options before the rights issue of the Company	Exercise price of share options prior to the rights issue of the Company HK\$ per share	Adjusted number of underlying Shares comprised in share options after the rights issue of the Company	Adjusted exercise price of share options after the rights issue of the Company HK\$ per share
Directors				
Lam Kin Ngok, Peter	1,617,423	1.41	1,876,211	1.21
Chew Fook Aun	16,174,234	0.582	18,762,111	0.501
Lam Hau Yin, Lester	16,174,234	1.41	18,762,111	1.21
Other employees, in aggregate	10,687,117	1.41	12,397,056*	1.21
Other employees, in aggregate	500,000	1.49	580,000	1.28
Total	45,153,008		52,377,489	

* A share option comprising a total of 232,000 underlying Shares was exercised by an eligible employee on 27 June 2017, thus, the number of share options was decreased to 12,165,056 underlying Shares.

4. On 15 August 2017, the exercise price of and the number of Shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of Share consolidation of the Company on the basis that every five (5) issued shares in the share capital of the Company were consolidated into one (1) consolidated share in the share capital of the Company ("**Share Consolidation**"):

Name and category of participants	Number of underlying Shares comprised in share options before the Share Consolidation	Exercise price of share options prior to the Share Consolidation HK\$ per share	Adjusted number of underlying Shares comprised in share options after the Share Consolidation	Adjusted exercise price of share options after the Share Consolidation HK\$ per share
Directors				
Lam Kin Ngok, Peter	1,876,211	1.21	375,242	6.05
Lam Kin Ngok, Peter	1,666,666	3.00	333,333	15.00
Chew Fook Aun	19,096,022	3.00	3,819,204	15.00
Lam Hau Yin, Lester	18,762,111	1.21	3,752,422	6.05
Lam Hau Yin, Lester	19,096,022	3.00	3,819,204	15.00
Other employees, in aggregate	12,165,056	1.21	2,433,011	6.05
Other employees, in aggregate	580,000	1.28	116,000	6.40
Other employees, in aggregate	600,000	1.05	120,000	5.25
Other employees, in aggregate	19,098,342	3.288	3,819,668	16.44
Total	92,940,430		18,588,084*	

* Share options comprising a total of 265,600, 938,000, 50,000, 185,600 and 89,200 underlying Shares had been exercised by eligible employees under the 2006 Share Option Scheme on 20 October 2017, 30 October 2017, 13 November 2017, 18 April 2019 and 15 July 2019, respectively, thus, the total number of share options was decreased from 18,588,084 to 17,059,684 underlying Shares.

SHARE OPTION SCHEMES (CONTINUED)

The Company (continued)

Notes: (continued)

5. Share options comprising a total of 375,242 and 3,752,422 underlying Shares had been exercised by Dr. Lam Kin Ngok, Peter and Mr. Lam Hau Yin, Lester, respectively under the 2006 Share Option Scheme on 24 June 2020. The Company issued and allotted the said Shares on 29 June 2020.

During the year ended 31 July 2020, a total of 375,242 options and 3,752,422 options exercised by Dr. Lam Kin Ngok, Peter and Mr. Lam Hau Yin, Lester, directors of the Company, respectively on 24 June 2020 under the 2006 Share Options Scheme. Apart from the mentioned above, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the 2006 Share Option Scheme and the 2015 Share Option Scheme during the Year.

As at the date of this Report, (i) a maximum number of 1,140,611 Shares of the Company are available for issue in relation to the underlying Shares comprised in the subsisting option granted under the 2006 Share Option Scheme and remained outstanding, representing approximately 0.29% of Shares in issue as at the date of this Report; and (ii) further options to subscribe for a maximum of 26,043,859 Shares could be granted under the 2015 Share Option Scheme, together with 11,791,409 underlying Shares comprised in the share options granted under the 2015 Share Option Scheme and remained outstanding as the date of this Report, a total of 37,835,268 Shares available for issue under the 2015 Share Options Scheme, representing approximately 9.64% of Shares in issue as at the date of this Report.

Further details of the 2006 Share Option Scheme and the 2015 Share Option Scheme are set out in note 41 to the financial statements.

LSD

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

The purpose of the LSD 2015 Share Option Scheme is to recognise the contribution or future contribution of (i) any employee of any member of LSD together with its subsidiaries ("**LSD Group**") or of any of the Company, eSun, Lai Fung and MAGHL together with its subsidiaries that is affiliated with LSD ("**LSD Relevant Companies**"); (ii) any director, officer or consultant of any member of the LSD Relevant Companies; and (iii) any other group or classes of participants which the directors of LSD, in their absolute discretion, consider to have contributed or will contribute, whether by way of business alliance or other business arrangement, to the development and growth of the LSD Group ("**LSD Eligible Participants**"), for their contribution to the LSD Group by granting Options to them as incentives or rewards and to attract, retain or motivate LSD Eligible Participants in line with the performance goals of the LSD Relevant Companies. Unless otherwise altered or terminated, the LSD 2015 Share Option Scheme will be valid and effective for a period of 10 years commencing on the Effective Date.

Pursuant to the terms of the LSD 2015 Share Option Scheme, the total number of shares in LSD which may be issued upon exercise of all share options to be granted under the LSD 2015 Share Option Scheme shall not exceed 10% of the total number of LSD's issued shares as at the date of adopting the LSD 2015 Share Option Scheme.

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

LSD (continued)

As at 31 July 2020, LSD has a total of 13,167,134 underlying LSD shares comprised in the share options remained outstanding under the LSD 2006 Share Option Scheme and 920,000 underlying LSD shares comprised in the share options remained outstanding under the LSD 2015 Share Option Scheme.

Information on the movements of the LSD share options under the LSD 2006 Share Option Scheme and the LSD 2015 Share Option Scheme during the Year is set out below:

Name and category of participants	Date of grant of LSD share options (Note 1)	Number of underlying LSD shares comprised in LSD share options					As at 31 July 2020	Exercise period of LSD share options	Exercise price of LSD share options HK\$ per share (Note 2)
		As at 1 August 2019	Granted during the Year	Exercised during the Year	Lapsed during the Year				
Directors of LSD									
Lam Kin Ngok, Peter	18/01/2013	417,308 (Notes 3 & 4)	—	—	—	417,308	18/01/2013-17/01/2023	16.100 (Notes 3 & 4)	
Chew Fook Aun	05/06/2012	3,773,081 (Notes 3 & 4)	—	(906,000) (Note 7)	—	2,867,081	05/06/2012-04/06/2022	5.350 (Notes 3 & 4)	
Lam Hau Yin, Lester	18/01/2013	4,173,081 (Notes 3 & 4)	—	—	—	4,173,081	18/01/2013-17/01/2023	16.100 (Notes 3 & 4)	
Lau Shu Yan, Julius	18/01/2013	2,086,540 (Notes 3 & 4)	—	—	—	2,086,540	18/01/2013-17/01/2023	16.100 (Notes 3 & 4)	
Tham Seng Yum, Ronald	19/08/2019	—	800,000 (Note 5)	—	—	800,000	19/08/2019-18/08/2029	9.920	
Total		10,450,010	800,000	(906,000)	—	10,344,010			
Other employees									
In aggregate	18/01/2013	3,477,524 (Notes 3 & 4)	—	—	(166,400) (Note 6)	3,311,124	18/01/2013-17/01/2023	16.100 (Notes 3 & 4)	
In aggregate	26/07/2013	83,200 (Notes 3 & 4)	—	—	—	83,200	26/07/2013-25/07/2023	11.250 (Notes 3 & 4)	
In aggregate	21/01/2015	228,800 (Notes 3 & 4)	—	—	—	228,800	21/01/2015-20/01/2025	8.350 (Notes 3 & 4)	
In aggregate	22/01/2016	60,000 (Note 4)	—	—	—	60,000	22/01/2016- 21/01/2026	4.700 (Note 4)	
In aggregate	20/01/2017	60,000 (Note 4)	—	—	—	60,000	20/01/2017- 19/01/2027	8.150 (Note 4)	
Total		3,909,524	—	—	(166,400)	3,743,124			
Grand Total		14,359,534	800,000	(906,000)	(166,400)	14,087,134			

Notes:

- The LSD share options were vested on the date of grant.
- The exercise price of the LSD share options is subject to adjustment in the case of rights or bonus issues, share consolidations or other specific changes in LSD's share capital.

SHARE OPTION SCHEMES (CONTINUED)

LSD (continued)

Notes: (continued)

3. On 17 February 2016, the exercise price of and the number of LSD shares entitled to be subscribed for under the outstanding share options of LSD have been adjusted in the following manner upon the completion of the rights issue of LSD:

Name and category of participants	Number of underlying LSD shares comprised in share options before the LSD rights issue	Exercise price of LSD share options prior to the LSD rights issue HK\$ per share	Adjusted number of underlying LSD shares comprised in share options after the LSD rights issue	Adjusted exercise price of LSD share options after the LSD rights issue HK\$ per share
Directors of LSD				
Lam Kin Ngok, Peter	20,062,893	0.335	20,865,408	0.322
Chew Fook Aun	200,628,932	0.112	208,654,089*	0.107
Lam Hau Yin, Lester	200,628,932	0.335	208,654,089	0.322
Lau Shu Yan, Julius	100,314,466	0.335	104,327,044	0.322
Other employees , in aggregate	177,188,680	0.335	184,276,227	0.322
Other employees , in aggregate	4,000,000	0.235	4,160,000	0.225
Other employees , in aggregate	11,000,000	0.174	11,440,000	0.167
Total	713,823,903		742,376,857	

* A share option comprising a total of 20,000,000 underlying LSD shares was exercised by Mr. Chew Fook Aun on 13 December 2016.

4. On 15 August 2017, the exercise price of and the number of LSD shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of the share consolidation on a 1-for-50 basis of LSD ("**LSD Share Consolidation**"):

Name and category of participants	Number of underlying LSD shares comprised in share options before the LSD Share Consolidation	Exercise price of LSD share options prior to the LSD Share Consolidation HK\$ per share	Adjusted number of underlying LSD shares comprised in share options after the LSD Share Consolidation	Adjusted exercise price of LSD share options after the LSD Share Consolidation HK\$ per share
Directors of LSD				
Lam Kin Ngok, Peter	20,865,408	0.322	417,308	16.100
Chew Fook Aun	188,654,089	0.107	3,773,081	5.350
Lam Hau Yin, Lester	208,654,089	0.322	4,173,081	16.100
Lau Shu Yan, Julius	104,327,044	0.322	2,086,540	16.100
Other employees , in aggregate	173,876,227	0.322	3,477,524	16.100
Other employees , in aggregate	4,160,000	0.225	83,200	11.250
Other employees , in aggregate	11,440,000	0.167	228,800	8.350
Other employees , in aggregate	6,000,000	0.094	120,000*	4.700
Other employees , in aggregate	3,000,000	0.163	60,000	8.150
Total	720,976,857		14,419,534	

* A share option comprising a total of 60,000 underlying LSD shares had been exercised by an eligible employee.

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

LSD (continued)

Notes: (continued)

5. On 19 August 2019, a share option comprising a total of 800,000 underlying LSD shares had been granted to Mr. Tham Seng Yum, Ronald, an executive director of LSD, under the LSD 2015 Share Option Scheme.
6. In September 2019, a share option comprising a total of 166,400 underlying LSD shares which was granted on 18 January 2013 had lapsed.
7. On 3 July 2020 and 20 July 2020, share options comprising a total of 600,000 and 306,000 underlying LSD shares had been exercised by Mr. Chew Fook Aun respectively under the LSD 2006 Share Option Scheme.

During the year ended 31 July 2020, a total of 800,000 options had been granted to an executive director of LSD under the LSD 2015 Share Option Scheme on 19 August 2019, a total of 166,400 options had lapsed under the LSD 2006 Share Option Scheme in September 2019 and a total of 600,000 and 306,000 options had been exercised by Mr. Chew Fook Aun, a director of LSD under the LSD 2006 Share Option Scheme on 3 July 2020 and 20 July 2020, respectively. Apart from the mentioned above, no LSD share options were granted, exercised, lapsed or cancelled in accordance with the terms of the LSD 2006 Share Option Scheme and the LSD 2015 Share Option Scheme.

Subsequent to the Year, a total of 915,000 options had been exercised by Mr. Chew Fook Aun, a director of LSD under the LSD 2015 Share Option Scheme on 7 August 2020.

As at the date of this Report, (i) a maximum number of 12,252,134 shares of LSD are available for issue in relation to the underlying LSD shares comprised in the subsisting option granted under the LSD 2006 Share Option Scheme and remained outstanding, representing approximately 2.00% of the LSD shares in issue as at the date of this Report; and (ii) further options to subscribe for a maximum of 39,089,067 LSD shares could be granted under the LSD 2015 Share Option Scheme, together with 920,000 underlying LSD shares comprised in the share options granted under the LSD 2015 Share Option Scheme and remained outstanding as the date of this Report, a total of 40,009,067 LSD shares available for issue under the LSD 2015 Share Option Scheme, representing approximately 6.54% of the LSD shares in issue as at the date of this Report.

Further details of the LSD 2006 Share Option Scheme and the LSD 2015 Share Option Scheme are set out in note 41 to the financial statements.

eSun

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

Upon the closing of eSun's offers on 22 August 2018, all outstanding share options under the eSun 2005 Share Option Scheme and the eSun 2015 Share Option Scheme had lapsed or had been cancelled. Since then and as at 31 July 2020, no eSun share options have been granted under the eSun 2015 Share Option Scheme.

SHARE OPTION SCHEMES (CONTINUED)

eSun (continued)

Further details of the eSun 2005 Share Option Scheme and the eSun 2015 Share Option Scheme are set out in note 41 to the financial statements.

Lai Fung

On 18 December 2012, the shareholders of Lai Fung approved the adoption of a new share option scheme ("**Lai Fung 2012 Share Option Scheme**") and the termination of the share option scheme adopted by Lai Fung on 21 August 2003 (as amended on 8 August 2018) ("**Lai Fung 2003 Share Option Scheme**") to the effect that no more share options will be granted under the Lai Fung 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 Lai Fung 2003 Share Option Scheme.

Reference is made to the joint announcement issued by the Company, LSD, eSun, Lai Fung 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 Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) ("**LF Share Offer**") and to cancel all the outstanding share options of Lai Fung ("**LF Option Offer**", and together with the LF Share Offer, "**LF Offers**").

Reference is also made to (i) the joint announcement issued by the Company, LSD, the Offeror, eSun and Lai Fung dated 14 May 2020; and (ii) the joint announcement issued by LSD, the Offeror and Lai Fung dated 28 May 2020 ("**Closing Announcement**") in relation to, among other things, the LF Offers were declared unconditional in all aspects 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 Lai Fung, representing all subsisting options granted under the Lai Fung 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 Lai Fung 2012 Share Option Scheme were outstanding.

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

Lai Fung (continued)

Information on the movements of the Lai Fung share options under the Lai Fung 2003 Share Option Scheme (as amended on 8 August 2018) and the Lai Fung 2012 Share Option Scheme during the Year is set out below:

Name and category of participants	Date of grant of Lai Fung share options (Note 1)	Number of underlying Lai Fung shares comprised in Lai Fung share options					As at 31 July 2020	Exercise period of Lai Fung share options	Exercise price of Lai Fung share options HK\$ per share (Note 2)
		As at 1 August 2019	Granted during the Year	Exercised during the Year	Lapsed/cancelled during the Year	As at 31 July 2020			
Directors of Lai Fung									
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	
Total		5,512,609	500,000	(109,591)	(900,000)	5,003,018			
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	
Total		5,301,508	—	—	(620,000)	4,681,508			
Grand Total		10,814,117	500,000	(109,591)	(1,520,000)	9,684,526			

SHARE OPTION SCHEMES (CONTINUED)

Lai Fung (continued)

Notes:

1. *The Lai Fung share options vested on the date of grant.*
2. *The exercise price of the Lai Fung share options is subject to adjustment in the case of rights or bonus issues or other similar changes in Lai Fung's share capital.*
3. *The closing price of Lai Fung's shares immediately before the 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 Lai Fung on 18 May 2020. The LF Option Offer has become unconditional and such option has been cancelled on the same date.*
5. *The closing price of Lai Fung'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 Lai Fung 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 Lai Fung shares on 18 January 2013.*

Save as disclosed above, no Lai Fung share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the Lai Fung 2003 Share Option Scheme and the Lai Fung 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, further options to subscribe for a maximum of 22,387,299 shares in Lai Fung could be granted under the Lai Fung 2012 Share Option Scheme, together with the 9,584,526 underlying shares comprised in the share options granted under the Lai Fung 2012 Share Option Scheme and remained outstanding as at the date of this Report, a total number of 31,971,825 shares are available for issue under the Lai Fung 2012 Share Option Scheme, representing approximately 9.66% of the shares of Lai Fung in issue as at the date of this Report.

Further details of the Lai Fung 2003 Share Option Scheme and the Lai Fung 2012 Share Option Scheme are set out in note 41 to the financial statements.

MAGHL

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

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

MAGHL (continued)

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

No share options had been granted under the MAGHL Share Option Scheme since its adoption. As at the date of this Report, MAGHL might grant options under the MAGHL Share Option Scheme to subscribe for a maximum of 213,605,682 MAGHL’s shares, representing 10% of the total issued shares of MAGHL.

Further details of the MAGHL Share Option Scheme are set out in note 41 to the financial statements.

DIRECTORS’ INTERESTS

The following Directors and the 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 by the Directors:

DIRECTORS' INTERESTS (CONTINUED)

(a) The Company

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Shares (Note 1)
Lam Kin Ngok, Peter (Note 8)	Beneficial owner/ Owner of controlled corporations	48,802,906 (Note 3)	Nil	114,741,416 (Note 2)	333,333 (Notes 3 & 7)	163,877,655	41.74%
Lam Kin Ming	Beneficial owner	1,021,443 (Note 4)	Nil	Nil	Nil	1,021,443	0.26%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	Nil (Note 6)	3,819,204 (Note 7)	3,819,204	0.97%
U Po Chu (Note 8)	Beneficial owner	825,525	Nil	Nil	Nil	825,525	0.21%
Lam Hau Yin, Lester (Note 8)	Beneficial owner	12,459,208 (Note 5)	Nil	Nil	3,819,204 (Notes 5 & 7)	16,278,412	4.15%

Notes:

- The percentage has been compiled based on the total number of issued Shares as at 31 July 2020 (i.e. 392,610,623 Shares).
- On 20 December 2019, the Shareholders approved a final dividend of HK\$0.074 per Share payable in cash with a scrip dividend alternative ("**Scrip Dividend Scheme**") for the year ended 31 July 2019.

On 13 February 2020, the Company allotted and issued 1,603,337 new ordinary shares ("**Scrip Shares**") pursuant to its Scrip dividend Scheme in relation to the final dividend for the year ended 31 July 2019, increasing the total number of issued Shares from 386,879,622 to 388,482,959. Wisdoman Limited has elected to receive a total of 849,766 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of the Company, increasing Wisdoman Limited's interests in the Company from 113,891,650 Shares to 114,741,416 Shares.

On 29 June 2020, the Company allotted and issued 4,127,664 new ordinary shares pursuant to the exercise of share options under the 2006 Share Option Scheme by Directors, increasing the total number of issued Shares from 388,482,959 to 392,610,623.

As at 31 July 2020, Dr. Lam Kin Ngok, Peter was deemed to be interested in 114,741,416 Shares (representing approximately 29.23% of the Company's issued share capital) by virtue of his 100% interest in the issued share capital of Wisdoman Limited which directly owned 114,741,416 Shares.

Report of the Directors

DIRECTORS' INTERESTS (CONTINUED)

(a) The Company (continued)

Notes: (continued)

3. On 13 February 2020, Dr. Lam Kin Ngok, Peter has elected to receive a total of 361,430 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of the Company, increasing his personal interests in the Company from 48,441,476 Shares to 48,802,906 Shares.

On 24 June 2020, Dr. Lam Kin Ngok, Peter has exercised his share option to subscribe for 375,242 Shares pursuant to the 2006 Share Option Scheme and the Company allotted and issued the said Shares on 29 June 2020, increasing his personal interests in the Company from 48,802,906 Shares to 49,178,148 Shares.

On 17 July 2020, Dr. Lam Kin Ngok, Peter has completed a sale of 375,242 Shares, decreasing his personal interests in the Company from 49,178,148 Shares to 48,802,906 Shares.

4. On 13 February 2020, Dr. Lam Kin Ming has elected to receive a total of 7,564 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of the Company, increasing his personal interests in the Company from 1,013,879 Shares to 1,021,443 Shares.

5. On 13 February 2020, Mr. Lam Hau Yin, Lester has elected to receive a total of 92,271 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of the Company, increasing his personal interests in the Company from 12,366,937 Shares to 12,459,208 Shares.

On 24 June 2020, Mr. Lam Hau Yin, Lester has exercised his share option to subscribe for 3,752,422 Shares pursuant to the 2006 Share Option Scheme and the Company allotted and issued the said Shares on 29 June 2020, increasing his personal interests in the Company from 12,459,208 Shares to 16,211,630 Shares.

On 17 July 2020, Mr. Lam Hau Yin, Lester has completed a sale of 3,752,422 Shares, decreasing his personal interests in the Company from 16,211,630 Shares to 12,459,208 Shares.

6. On 17 July 2020, Mr. Chew Fook Aun has completed a sale of 202,422 Shares and ceased to have corporate interest in the Company.

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

Name of Director	Date of grant	Number of underlying Shares comprised in the share options	Exercise period of share options	Exercise price of share options HK\$ per share
Lam Kin Ngok, Peter	18/01/2013	375,242*	18/01/2013-17/01/2023	6.05
Lam Kin Ngok, Peter	19/06/2017	333,333	19/06/2017-18/06/2027	15.00
Chew Fook Aun	19/06/2017	3,819,204	19/06/2017-18/06/2027	15.00
Lam Hau Yin, Lester	18/01/2013	3,752,422*	18/01/2013-17/01/2023	6.05
Lam Hau Yin, Lester	19/06/2017	3,819,204	19/06/2017-18/06/2027	15.00

* Dr. Lam Kin Ngok, Peter and Mr. Lam Hau Yin, Lester have exercised their share options to subscribe for 375,242 Shares and 3,752,422 Shares, respectively pursuant to the 2006 Share Option Scheme on 24 June 2020.

8. Dr. Lam Kin Ngok, Peter, Madam U Po Chu and Mr. Lam Hau Yin, Lester are the directors of Wisdoman Limited.

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations

- (i) Lai Sun Development Company Limited (“LSD”) — a subsidiary of the Company

Long positions in the ordinary shares of LSD (“LSD Shares”) and the underlying LSD Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued LSD Shares (Note 1)
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	433,737 (Note 3)	Nil	343,593,021 (Note 2)	417,308 (Note 5)	344,444,066	56.36%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	888,300 (Note 4)	2,867,081 (Notes 4 & 5)	3,755,381	0.61%
U Po Chu (Note 6)	Beneficial owner	26,919	Nil	Nil	Nil	26,919	0.01%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	4,173,081 (Note 5)	4,173,081	0.68%

Notes:

- 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). As at the date of this Report, the total number of issued LSD Shares was 612,089,025.
- On 20 December 2019, the shareholders of LSD approved a final dividend of HK\$0.108 per LSD Share payable in cash with a scrip dividend alternative (“LSD Scrip Dividend Scheme”) for the year ended 31 July 2019.

On 13 February 2020, LSD allotted and issued 3,803,900 new ordinary shares (“LSD Scrip Shares”) pursuant to the LSD Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2019, increasing the total number of issued LSD Shares from 606,464,125 to 610,268,025. The Company and two of its wholly-owned subsidiaries, namely Joy Mind Limited (“Joy Mind”) and Zimba International Limited (“Zimba”), have elected to receive a total of 743,571, 505,894 and 2,319,984 LSD Scrip Shares in lieu of cash dividend, respectively pursuant to the LSD Scrip Dividend Scheme, increasing the Company's interests in LSD from 340,023,572 LSD Shares to 343,593,021 LSD Shares.

Report of the Directors

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (continued)

(i) Lai Sun Development Company Limited (“LSD”) — a subsidiary of the Company (continued)

Notes: (continued)

2. (continued)

LSD allotted and issued 600,000 and 306,000 LSD Shares on 8 July 2020 and 20 July 2020, respectively pursuant to the exercise of share options by a director of LSD under the LSD 2006 Share Option Scheme, increasing the total number of issued LSD Shares from 610,268,025 to 611,174,025.

As at 31 July 2020, the Company, Joy Mind and Zimba beneficially owned in aggregate 343,593,021 LSD Shares, representing approximately 56.22% of the issued share capital of LSD. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 343,593,021 LSD Shares (representing approximately 56.22% of the issued share capital of LSD) by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 41.74% in the issued share capital of the Company.

The Company pledged approximately 208,513,987 LSD Shares as security pursuant to its 7.70% secured guaranteed notes due 2018 under a share charge dated 24 July 2014. The amount has been repaid in full.

Subsequent to the Year, LSD allotted and issued 915,000 LSD Shares pursuant to the exercise of share options by a director of LSD under the LSD 2006 Share Option Scheme on 7 August 2020, increasing the total number of issued LSD Shares from 611,174,025 to 612,089,025.

3. On 13 February 2020, Dr. Lam Kin Ngok, Peter has elected to receive a total of 4,505 LSD Scrip Shares in lieu of cash dividend pursuant to the LSD Scrip Dividend Scheme, increasing his personal interests in LSD from 429,232 LSD Shares to 433,737 LSD Shares.

4. The Orchid Growers Association Limited, in which Mr. Chew Fook Aun has a 100% interest, has completed the sales of 3,900 and 396,100 LSD Shares on 23 June 2020 and 2 July 2020, respectively and ceased to have interest in LSD.

Mr. Chew Fook Aun has exercised his share options to subscribe for 600,000 and 306,000 LSD Shares pursuant to the LSD 2006 Share Option Scheme on 3 July 2020 and 20 July 2020, respectively, increasing his corporate interests in LSD increased to 906,000 LSD Shares.

Mr. Chew Fook Aun has completed the sales of 16,500, 300 and 900 LSD Shares on 28 July 2020, 29 July 2020 and 31 July 2020, respectively, decreasing his corporate interests in LSD from 906,000 LSD Shares to 888,300 LSD Shares.

As at 31 July 2020, Mr. Chew Fook Aun was deemed to be interested in the same 888,300 LSD Shares (representing approximately 0.15% of the issued share capital of LSD) by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 888,300 LSD Shares.

Subsequent to the Year, Mr. Chew Fook Aun has completed the sales of 300 and 582,000 LSD Shares on 4 August 2020 and 5 August 2020, respectively, decreasing its interests in LSD from 888,300 LSD Shares to 306,000 LSD Shares. Mr. Chew Fook Aun has exercised his share option to subscribe for 915,000 LSD Shares pursuant to the LSD 2006 Share Option Scheme on 7 August 2020, increasing his corporate interests in LSD from 306,000 LSD Shares to 1,221,000 LSD Shares.

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (continued)

(i) Lai Sun Development Company Limited (“LSD”) — a subsidiary of the Company (continued)

Notes: (continued)

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

Name of Director	Date of grant	Number of underlying LSD Shares comprised in the LSD share options	Exercise period of LSD share options	Exercise price of LSD share options HK\$ per share
Lam Kin Ngok, Peter	18/01/2013	417,308	18/01/2013-17/01/2023	16.100
Chew Fook Aun	05/06/2012	3,773,081*	05/06/2012-04/06/2022	5.350
Lam Hau Yin, Lester	18/01/2013	4,173,081	18/01/2013-17/01/2023	16.100

* As at 31 July 2020, share options comprising a total of 600,000 and 306,000 underlying LSD Shares had been exercised by Mr. Chew Fook Aun under the LSD 2006 Share Option Scheme, thus the total number of share option was decreased from 3,773,081 to 2,867,081 underlying LSD Shares.

6. Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes in interest of 3,957,189 LSD Shares, representing approximately 0.65% of the issued share capital of LSD.

(ii) eSun Holdings Limited (“eSun”) — a subsidiary of LSD

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued eSun Shares (Note 1)
Lam Kin Ngok, Peter (Note 5)	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	1,113,260,072 (Note 2)	Nil (Notes 3 & 4)	1,116,054,515	74.81%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	Nil (Notes 3 & 4)	2,794,443	0.19%

Report of the Directors

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (continued)

(ii) eSun Holdings Limited (“eSun”) — a subsidiary of LSD (continued)

Notes:

1. 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).
2. As at 31 July 2020, the Company was interested in 343,593,021 LSD Shares, representing approximately 56.22% of the issued share capital of LSD. Transtrend Holdings Limited (“**Transtrend**”), a wholly-owned subsidiary of LSD, was interested in 1,113,260,072 eSun Shares, representing approximately 74.62% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 1,113,260,072 eSun Shares (representing approximately 74.62% of the issued share capital of eSun) by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 41.74% and 56.36% in the issued share capital of the Company and LSD, respectively.
3. A share option was granted by eSun to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:

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

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

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

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

5. Dr. Lam Kin Ngok, Peter resigned as an executive director of eSun with effect from 14 February 2014.

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (continued)

(iii) Lai Fung Holdings Limited (“Lai Fung”) — a subsidiary of LSD

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Lai Fung Shares (Note 1)
Lam Kin Ngok, Peter (Note 5)	Beneficial owner/ Owner of controlled corporations	Nil	Nil	180,618,266 (Note 2)	321,918 (Note 3)	180,940,184	54.66%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	3,219,182 (Note 3)	3,219,182	0.97%

Notes:

- The percentage has been compiled based on the total number of issued Lai Fung Shares as at 31 July 2020 (i.e. 331,033,443 Lai Fung Shares).
- On 20 December 2019, the shareholders of Lai Fung approved a final dividend of HK\$0.20 per Lai Fung Shares payable in cash with a scrip dividend alternative (“Lai Fung Scrip Dividend Scheme”) for the year ended 31 July 2019.

On 13 February 2020, Lai Fung allotted and issued 3,536,887 new ordinary shares (“Lai Fung Scrip Shares”) pursuant to the Lai Fung Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2019, increasing the total number of issued Lai Fung Shares from 327,496,556 to 331,033,443. Merit Worth Limited (“MWL”), Silver Glory Securities Limited (“SGL”) and Transtrend (MWL and SGL being wholly-owned subsidiaries of eSun and Transtrend being a wholly-owned subsidiary of LSD) have elected to receive a total of 1,752,690, 1,554,371 and 343 Lai Fung Scrip Shares, respectively in lieu of cash dividend pursuant to the Lai Fung Scrip Dividend Scheme, increasing their interest in Lai Fung from 165,502,573 Lai Fung Shares to 168,809,977 Lai Fung Shares.

Report of the Directors

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (continued)

(iii) Lai Fung Holdings Limited (“Lai Fung”) — a subsidiary of LSD (continued)

Notes: (continued)

2. (continued)

On 13 May 2020, MWL and SGL have tendered acceptances to the offer (“**LF Share Offer**”) by Holy Unicorn Limited (a wholly-owned subsidiary of LSD) (“**HUL**”) in respect of, in aggregate, 168,792,467 Lai Fung Shares. The LF Share Offer has been declared unconditional in all respects on 14 May 2020. eSun ceased to be an intermediate holding company of Lai Fung on 14 May 2020.

HUL received valid acceptance in respect of 180,600,756 Lai Fung Shares (including 168,792,467 Lai Fung Shares from MWL and SGL) in relation to the LF Share Offer from 24 April 2020 to 28 May 2020, which increased the total number of Lai Fung Shares in which LSD was interested or deemed to be interested to 180,618,266, of which 180,600,756 were beneficially owned by HUL and 17,510 were beneficially owned by Transtrend, representing 54.56% of the issued share capital of Lai Fung. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 180,618,266 Lai Fung Shares (representing approximately 54.56% of the issued share capital of Lai Fung) by virtue of, in aggregate, his approximate 41.74% and 56.36% personal (including underlying shares) and deemed interests in the issued share capital of the Company and LSD, respectively.

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

Name of Director	Date of grant	Number of underlying Lai Fung Shares comprised in the Lai Fung share options	Exercise period of Lai Fung share options	Exercise price of Lai Fung share options HK\$ per share
Lam Kin Ngok, Peter	18/01/2013	321,918	18/01/2013-17/01/2023	11.400
Chew Fook Aun	12/06/2012	900,000*	12/06/2012-11/06/2020	6.650
Lam Hau Yin, Lester	18/01/2013	3,219,182	18/01/2013-17/01/2023	11.400

* A share option comprising a total of 109,591 underlying Lai Fung Shares had been exercised by Mr. Chew Fook Aun on 6 August 2019. Thus, the total number of underlying Lai Fung Shares of Mr. Chew Fook Aun was decreased from 1,009,591 to 900,000. The offer (“**LF Option Offer**”) by HUL to cancel all the outstanding share options of Lai Fung (“**LF Options**”) has become unconditional in all respects on 14 May 2020 and the LF Option Offer would remain open for acceptance until 28 May 2020. Mr. Chew Fook Aun tendered his acceptance to the LF Option offer on 18 May 2020 in respect of his 900,000 share options which have been cancelled on the same date.

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (continued)

(iii) Lai Fung Holdings Limited (“Lai Fung”) — a subsidiary of LSD (continued)

Notes: (continued)

4. The deemed interests of Mr. Chew Fook Aun were changed from 600,000 Lai Fung Shares to 709,591 Lai Fung Shares following the exercise of a share option comprising a total of 109,591 underlying Lai Fung Shares by Mr. Chew Fook Aun on 6 August 2019. Mr. Chew Fook Aun was deemed to be interested in 709,591 Lai Fung Shares (representing approximately 0.22% of the issued share capital of Lai Fung) by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 709,591 Lai Fung Shares.

On 18 May 2020, Mr. Chew Fook Aun tendered his acceptance to the LF Share Offer in respect of 709,591 Lai Fung Shares and he ceased to have corporate interest in Lai Fung.

5. Dr. Lam Kin Ngok, Peter stepped down as the chairman of the board of directors and an executive director of Lai Fung with effect from 1 November 2012.

(iv) Media Asia Group Holdings Limited (“MAGHL”) — a subsidiary of eSun

Long position in the ordinary shares of MAGHL (“MAGHL Shares”) and underlying MAGHL Shares

Name of Director	Capacity	Number of MAGHL shares held	Number of underlying MAGHL shares held	Total number of MAGHL shares and underlying MAGHL shares	Approximate % of total interests to total issued MAGHL shares (Note 1)
Lam Kin Ngok, Peter	Owner of controlled corporations	1,443,156,837 (Note 2)	Nil	1,443,156,837	67.56%

Note:

1. The percentage has been compiled based on the total number of issued MAGHL Shares as at 31 July 2020 (i.e. 2,136,056,825 MAGHL Shares).
2. As at 31 July 2020, these interests in MAGHL represented the MAGHL Shares beneficially owned by Perfect Sky Holdings Limited, a wholly-owned subsidiary of eSun, representing approximately 67.56% of the issued share capital of MAGHL. eSun was owned as to approximately 74.62% by LSD which in turn was owned as to approximately 56.22% by the Company. As the Company was approximately 12.43% (excluding share options) owned by Dr. Lam Kin Ngok, Peter and approximately 29.23% owned by Wisdoman Limited which was in turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 1,443,156,837 MAGHL Shares.

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

Report of the Directors

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 July 2020, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (are being a Director) who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO (“**Register of Shareholders**”) or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (“**Voting Entitlements**”) (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

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

Name	Capacity	Nature of interests	Number of shares and underlying shares	Approximate % of Shares in issue (Note 1)
Lam Kin Ngok, Peter (Note 2)	Beneficial owner/ Owner of controlled corporations	Personal and corporate	163,877,655 (Note 3)	41.74%
Wisdoman Limited (Note 2)	Beneficial owner	Corporate	114,741,416 (Note 3)	29.23%
Yu Cheuk Yi	Beneficial owner	Personal	115,472,280 (Note 4)	29.41%
Yu Siu Yuk	Beneficial owner	Personal	115,472,280 (Note 4)	29.41%

Notes:

1. The percentage has been compiled based on the total number of issued Shares as at 31 July 2020 (i.e. 392,610,623 Shares).
2. Dr. Lam Kin Ngok, Peter and Mr. Lam Hau Yin, Lester, Directors of the Company, are also directors of Wisdoman Limited.
3. Dr. Lam Kin Ngok, Peter was deemed to be interested in 114,741,416 Shares owned by Wisdoman Limited by virtue of his 100% interests in the issued share capital of Wisdoman Limited.
4. Based on the information received by the Company from Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk, as at 5 May 2020, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held 115,472,280 Shares.

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

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of the movements in the property, plant and equipment, investment properties and properties under development of the Company and the Group during the Year are set out in notes 14, 15 and 17 to the financial statements, respectively. Further details of the Group's investment properties under development are set out in the "Particulars of Major Properties" of this Annual Report.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's, LSD's, eSun's, Lai Fung's and MAGHL's principal subsidiaries as at 31 July 2020 are set out in note 50 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totaling HK\$7,704,000.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the "Summary of Financial Information" of this Annual Report on pages 39 and 40.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENT OF PUBLIC FLOAT

During the period from 6 May 2020 to 22 July 2020, the public float of the Company was below 25% of the total issued Shares as prescribed by Rule 8.08(1)(a) of the Listing Rules.

As disclosed in the Company's announcement dated 6 May 2020 ("**Public Float Announcement**"), on 5 May 2020, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (collectively "**YUs**") have jointly held an aggregate of 115,472,280 Shares, representing approximately 29.72% of the total issued Shares as at 6 May 2020. As YUs were substantial shareholders and core connected persons of the Company under the Listing Rules, the Shares held by YUs would be excluded from the public float of the Company. Taking into account the Shares held by YUs and other core connected persons, the public float of the Company was approximately 24.44% as at the date of the Public Float Announcement, which had fallen below 25% of the total issued Shares held by the public as prescribed by Rule 8.08(1)(a) of the Listing Rules ("**Minimum Prescribed Percentage**").

As announced by the Company on 19 May 2020, other than those core connected persons mentioned in the Public Float Announcement, certain directors ("**Subsidiary Directors**") of subsidiaries of the Company held an aggregate of 211,402 Shares, representing approximately 0.05% of the total issued Shares as at 6 May 2020. As directors at subsidiary level are core connected persons of the Company under the Listing Rules, the Shares held by the Subsidiary Directors would be excluded from the public float of the Company. The public float of the Company as at the date of the Public Float Announcement was approximately 24.39%.

As disclosed in the Company's announcement on 22 July 2020 ("**Restoration Announcement**"), the Company had been informed that Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, directors of the Company had disposed of an aggregate of 4,330,086 Shares, representing approximately 1.10% of the total issued Shares ("**Disposal**") as at the date of the Restoration Announcement, to independent third parties ("**Purchasers**"). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchasers were not core connected persons (as defined under the Listing Rules) of the Company and were members of the public (within the meaning of Rule 8.24 of the Listing Rules). Immediately after the completion of the Disposal, 99,076,443 Shares, representing approximately 25.24% of the total issued Shares, were held by the public. Accordingly, the Company's public float had been restored at the Minimum Prescribed Percentage.

Save as disclosed above, based on 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 of this Annual Report on pages 80 to 97.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EQUITY-LINKED AGREEMENTS

For the year ended 31 July 2020, the Company has not entered into any equity-linked agreements, save for options granted under the section of Share Option Schemes set out in this Annual Report.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three members, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu, all INEDs of the Company. 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 independent auditor of the Company for the ensuing year will be put to the forthcoming AGM for Shareholders' approval.

On behalf of the Board

Chew Fook Aun

Executive Director and Deputy Chairman

Hong Kong
23 October 2020

Shareholders' Information

KEY DATES

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

For Financial Year 2019/2020	
Annual results announcement	23 October 2020
Last time and date for lodging transfer documents with share registrars to ascertain entitlement to attending and voting at the 2020 annual general meeting (" 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

ANNUAL REPORT

To ensure that all shareholders have equal and timely access to important corporate information, the Company makes extensive use of its website to deliver up-to-date information. This 2019-2020 Annual Report is printed in both English and Chinese and is available on the Company's website at www.laisun.com.

AGM

The AGM will be held on 18 December 2020. Details of the AGM are set out in the notice of the AGM which constitutes part of the circular of the Company dated 19 November 2020. Notice of the AGM and the proxy form are also available on the Company's website.

Independent Auditor's Report



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

OPINION

We have audited the consolidated financial statements of Lai Sun Garment (International) Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 142 to 328, 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 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.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of a hotel property located in Hong Kong</i>	
<p>Included in property, plant and equipment is a hotel property (the "HK Hotel") located in Hong Kong, which is stated at cost less accumulated depreciation and impairment losses, if any. The carrying amounts of the HK Hotel and the related right-of-use assets as at 31 July 2020 were approximately HK\$3,232 million and HK\$1,549 million, respectively. Significant judgements and assumptions, including those related to cash flow projections, such as the forecast average daily room rate, forecast occupancy rate and discount rate, are required to assess whether a provision for impairment is required. To support management's impairment assessment, the Group engaged an external valuer to perform a valuation using the cash flow projections.</p> <p>Related disclosures are disclosed in notes 3, 14 and 16 to the consolidated financial statements.</p>	<p>Our audit procedures included, among others, involving our internal valuation specialists to assist us to evaluate (i) the methodologies used in the valuation, and (ii) the key assumptions used in the valuation, including the forecast average daily room rate, forecast occupancy rate and discount rate, by comparing with the Group's historical data and future plans, market data of comparable companies and other industry specific statistics. We also evaluated the objectivity, independence and competency of the valuer.</p>
<i>Estimation of fair values of investment properties</i>	
<p>Investment properties are stated at fair value. The carrying amount of investment properties as at 31 July 2020 was approximately HK\$37,743 million. Significant judgements and assumptions are required to determine the fair values of the investment properties. To support management's determination of the fair value, the Group engaged external valuers to perform valuations on the investment properties at the end of the reporting period.</p> <p>Related disclosures are disclosed in notes 3 and 15 to the consolidated financial statements.</p>	<p>Our audit procedures included, among others, involving our internal valuation specialists to assist us to evaluate the assumptions and methodologies used in the valuations. We also evaluated the objectivity, independence and competency of the valuers. We then assessed the Group's disclosures of investment properties.</p>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

Independent Auditor's Report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Wan Fung, Jacky.

Ernst & Young

Certified Public Accountants

22/F CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

23 October 2020

Consolidated Income Statement

Year ended 31 July 2020

	Notes	2020 HK\$'000	2019 HK\$'000
TURNOVER	6	5,324,153	6,609,847
Cost of sales		(3,665,399)	(4,203,126)
Gross profit		1,658,754	2,406,721
Other revenue and gains	6	548,595	331,907
Selling and marketing expenses		(187,720)	(187,158)
Administrative expenses		(999,008)	(1,029,027)
Other operating expenses	7	(1,684,648)	(1,153,180)
Write-down of completed properties for sale to net realisable value		(587,099)	—
Fair value (losses)/gains on investment properties, net	15	(2,015,027)	700,710
Loss on remeasurement of existing interest in an associate upon business combination	52(b)	—	(2,985,631)
Gain on bargain purchase on acquisition of subsidiaries	52(b)	—	6,761,861
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	7	(3,266,153)	4,846,203
Finance costs	8	(735,274)	(513,586)
Share of profits and losses of associates		(21,186)	31,353
Share of profits and losses of joint ventures		(423,021)	649,322
(LOSS)/PROFIT BEFORE TAX		(4,445,634)	5,013,292
Tax	11	82,874	(166,945)
(LOSS)/PROFIT FOR THE YEAR		(4,362,760)	4,846,347
Attributable to:			
Owners of the Company		(1,965,907)	2,797,488
Non-controlling interests		(2,396,853)	2,048,859
		(4,362,760)	4,846,347
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		(HK\$5.067)	HK\$7.249
Diluted		(HK\$5.067)	HK\$7.176

Consolidated Statement of Comprehensive Income

Year ended 31 July 2020

	2020 HK\$'000	2019 HK\$'000
(LOSS)/PROFIT FOR THE YEAR	(4,362,760)	4,846,347
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
<i>Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:</i>		
Financial assets at fair value through other comprehensive income:		
Changes in fair values	(1,618)	7,347
Reclassification adjustment for gain on disposal included in the consolidated income statement	(2,641)	—
	(4,259)	7,347
Exchange realignments	(418,908)	(495,192)
Share of other comprehensive (expense)/income of associates	(1,876)	9,258
Share of other comprehensive (expense)/income of joint ventures	(63)	10,911
	(425,106)	(467,676)
<i>Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair values of financial assets at fair value through other comprehensive income	(192,048)	(3,765)
Release of reserves upon remeasurement of existing interest in an associate upon business combination	—	265,508
Release of reserve upon winding-up and disposal of subsidiaries	—	(10,636)
	—	254,872
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	(617,154)	(216,569)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	(4,979,914)	4,629,778
Attributable to:		
Owners of the Company	(2,087,441)	2,801,510
Non-controlling interests	(2,892,473)	1,828,268
	(4,979,914)	4,629,778

Consolidated Statement of Financial Position

31 July 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	7,922,772	10,604,613
Right-of-use assets	16(b)	5,281,458	—
Prepaid land lease payments	16(a)	—	1,623,441
Investment properties	15	38,699,089	41,962,537
Properties under development	17	—	3,045,937
Film rights	18	7,055	24,608
Film and TV program products	19	65,121	75,022
Music catalogs	20	25,047	56,718
Goodwill	21	271,958	227,033
Other intangible assets	22	151,228	113,945
Investments in associates	23	402,972	423,002
Investments in joint ventures	24	6,763,682	7,411,355
Financial assets at fair value through other comprehensive income	25	1,840,594	2,136,331
Financial assets at fair value through profit or loss	26	989,193	688,656
Derivative financial instruments	27	20,231	53,784
Deposits, prepayments, other receivables and other assets	28	336,968	312,453
Deferred tax assets	39	4,259	39,371
Pledged and restricted bank balances and time deposits	29	88,393	106,343
Total non-current assets		62,870,020	68,905,149
CURRENT ASSETS			
Properties under development	17	3,824,360	3,881,234
Completed properties for sale	30	5,983,249	2,277,466
Films and TV programs under production and film investments	31	313,384	417,242
Inventories		56,547	58,443
Financial assets at fair value through profit or loss	26	153,251	230,273
Debtors	33	311,688	302,852
Deposits, prepayments, other receivables and other assets	28	910,519	1,089,899
Prepaid tax		42,231	42,031
Pledged and restricted bank balances and time deposits	29	1,906,399	1,498,767
Cash and cash equivalents	29	4,187,778	3,893,697
Assets classified as held for sale	32	17,689,406 48,067	13,691,904 142,883
Total current assets		17,737,473	13,834,787

	Notes	2020 HK\$'000	2019 HK\$'000
CURRENT LIABILITIES			
Creditors, other payables and accruals	34	3,462,177	3,259,951
Deposits received, deferred income and contract liabilities	35	1,106,385	1,682,573
Derivative financial instruments	27	5,852	—
Lease liabilities	16(c)	279,984	—
Tax payable		446,370	307,390
Bank borrowings	37	8,441,293	4,296,923
Other borrowings	38	41,050	41,440
Total current liabilities		13,783,111	9,588,277
NET CURRENT ASSETS		3,954,362	4,246,510
TOTAL ASSETS LESS CURRENT LIABILITIES		66,824,382	73,151,659
NON-CURRENT LIABILITIES			
Lease liabilities	16(c)	1,093,350	—
Bank borrowings	37	8,101,635	9,665,545
Other borrowings	38	685,943	670,100
Guaranteed notes	36	5,717,879	5,736,654
Deferred tax liabilities	39	5,078,720	5,535,762
Other payables	34	—	87,410
Long-term deposits received	35	206,328	266,482
Total non-current liabilities		20,883,855	21,961,953
		45,940,527	51,189,706
EQUITY			
Equity attributable to owners of the Company			
Share capital	40	1,297,237	1,250,152
Reserves	42	20,574,363	21,362,184
Non-controlling interests		21,871,600	22,612,336
		24,068,927	28,577,370
		45,940,527	51,189,706

Lam Kin Ming
Director

Chew Fook Aun
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2020

	Attributable to owners of the Company										Total HK\$'000	
	Share capital HK\$'000	Fair value reserve HK\$'000	Share option reserve HK\$'000	Capital reduction reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		Non- controlling interests HK\$'000
At 1 August 2018	1,232,007	454,919	100,916	6,973	55,494	1,814,711	30,070	(257,644)	16,399,897	19,837,343	14,261,184	34,098,527
Profit for the year	—	—	—	—	—	—	—	—	2,797,488	2,797,488	2,048,859	4,846,347
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:												
Changes in fair values of financial assets at fair value through other comprehensive income	—	7,347	—	—	—	—	—	—	—	7,347	—	7,347
Exchange realignments	—	—	—	—	—	—	—	(173,318)	—	(173,318)	(321,874)	(495,192)
Share of other comprehensive (expense)/income of associates	—	—	—	—	—	—	—	(4)	—	(4)	9,262	9,258
Share of other comprehensive income of joint ventures	—	—	—	—	—	—	—	2,331	—	2,331	8,580	10,911
Other comprehensive (expense)/income that will not be reclassified to profit or loss in subsequent periods:												
Changes in fair values of financial assets at fair value through other comprehensive income	—	(1,110)	—	—	—	—	—	—	—	(1,110)	(2,655)	(3,765)
Release of reserves upon remeasurement of existing interest in an associate upon business combination	—	692	—	—	—	—	—	170,339	—	171,031	94,477	265,508
Release of reserve upon winding-up and disposal of subsidiaries	—	—	—	—	—	—	—	(2,255)	—	(2,255)	(8,381)	(10,636)
Total comprehensive income/(expense) for the year	—	6,929	—	—	—	—	—	(2,907)	2,797,488	2,801,510	1,828,268	4,629,778
Final 2018 dividend declared (note 12)	—	—	—	—	—	—	—	—	(28,500)	(28,500)	—	(28,500)
Transfer of fair value reserve upon disposal of financial assets at fair value through other comprehensive income (note 25)	—	19,692	—	—	—	—	—	—	(19,692)	—	—	—
Shares issued in lieu of cash dividend (note 40(a))	16,069	—	—	—	—	—	—	—	—	16,069	—	16,069
Shares issued by subsidiaries in lieu of cash dividend (note 50(a), (b))	—	—	—	—	—	(12,146)	—	—	—	(12,146)	20,329	8,183
Dividends paid/payable to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(81,735)	(81,735)
Repayment to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	(7,000)	(7,000)
Capital contributions from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	27,143	27,143
Release of reserve upon cancellation and lapse of share options issued by a subsidiary	—	—	—	—	—	—	—	—	8,445	8,445	(8,445)	—
Equity-settled share option arrangements of a subsidiary	—	—	—	—	—	—	—	—	—	—	2,322	2,322
Share options exercised (note 40(b))	2,076	—	(413)	—	—	—	—	—	—	1,663	—	1,663
Transfer to statutory reserve	—	—	—	—	—	—	1,298	—	(1,298)	—	—	—
Acquisition of subsidiaries (note 52(b))	—	—	—	—	—	—	—	—	—	—	12,557,112	12,557,112
Acquisition of additional interest in subsidiaries (note 50(c))	—	—	—	—	—	(12,048)	—	—	—	(12,048)	(25,771)	(37,819)
Release of reserves upon remeasurement of existing interest in an associate upon business combination	—	—	(2,401)	—	—	(92,647)	(30,070)	—	125,118	—	—	—
Disposal of subsidiaries (note 53)	—	—	—	—	—	—	—	—	—	—	3,963	3,963
At 31 July 2019	1,250,152	481,540*	98,102*	6,973*	55,494*	1,697,870*	1,298*	(260,551)*	19,281,458*	22,612,336	28,577,370	51,189,706

	Attributable to owners of the Company										Total HK\$'000	
	Share capital HK\$'000	Fair value reserve HK\$'000	Share option reserve HK\$'000	Capital reduction reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		Non- controlling interests HK\$'000
At 1 August 2019	1,250,152	481,540	98,102	6,973	55,494	1,697,870	1,298	(260,551)	19,281,458	22,612,336	28,577,370	51,189,706
Loss for the year	—	—	—	—	—	—	—	—	(1,965,907)	(1,965,907)	(2,396,853)	(4,362,760)
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:												
Financial assets at fair value through other comprehensive income:												
Changes in fair values	—	(1,618)	—	—	—	—	—	—	—	(1,618)	—	(1,618)
Reclassification adjustment for gain on disposal included in the consolidated income statement	—	(2,641)	—	—	—	—	—	—	—	(2,641)	—	(2,641)
Exchange realignments	—	—	—	—	—	—	—	(11,667)	—	(11,667)	(407,241)	(418,908)
Share of other comprehensive expense of associates	—	—	—	—	—	—	—	(973)	—	(973)	(903)	(1,876)
Share of other comprehensive expense of joint ventures	—	—	—	—	—	—	—	(26)	—	(26)	(37)	(63)
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:												
Changes in fair values of financial assets at fair value through other comprehensive income	—	(104,609)	—	—	—	—	—	—	—	(104,609)	(87,439)	(192,048)
Total comprehensive expense for the year	—	(108,868)	—	—	—	—	—	(12,666)	(1,965,907)	(2,087,441)	(2,892,473)	(4,979,914)
Final 2019 dividend declared (note 12)	—	—	—	—	—	—	—	—	(28,629)	(28,629)	—	(28,629)
Shares issued in lieu of cash dividend (note 40(c))	15,902	—	—	—	—	—	—	—	—	15,902	—	15,902
Share options exercised (note 40(d))	31,183	—	(6,210)	—	—	—	—	—	—	24,973	—	24,973
Shares issued by subsidiaries in lieu of cash dividend (notes 50(a), (b))	—	—	—	—	—	88,670	—	—	—	88,670	(83,958)	4,712
Shares issued by subsidiaries upon exercise of share options (notes 50(a), (b))	—	—	—	—	—	(25,474)	—	—	—	(25,474)	31,049	5,575
Dividends paid/payable to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(62,576)	(62,576)
Repayment to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	(1,150)	(1,150)
Capital contributions from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	9,294	9,294
Release of reserve upon cancellation and lapse of share options issued by subsidiaries	—	—	—	—	—	—	—	—	1,610	1,610	(1,610)	—
Equity-settled share option arrangements of subsidiaries	—	—	—	—	—	—	—	—	—	—	3,922	3,922
Transfer to statutory reserve	—	—	—	—	—	—	2,950	—	(2,950)	—	—	—
Acquisition of subsidiaries (note 52(a))	—	—	—	—	—	—	—	—	—	—	12,527	12,527
Acquisition of additional interests in subsidiaries (notes 50(b), (d), (e))	—	—	—	—	—	1,326,034	—	(56,381)	—	1,269,653	(1,523,468)	(253,815)
At 31 July 2020	1,297,237	374,972*	91,892*	6,973*	55,494*	3,087,100*	4,248*	(329,598)*	17,285,582*	21,871,600	24,068,927	45,940,527

* These reserve accounts comprise the consolidated reserves of HK\$20,574,363,000 (2019: HK\$21,362,184,000) 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			
(Loss)/profit before tax		(4,445,634)	5,013,292
Adjustments for:			
Finance costs	8	735,274	513,586
Share of profits and losses of associates		21,186	(31,353)
Share of profits and losses of joint ventures		423,021	(649,322)
Loss on remeasurement of existing interest in an associate upon business combination	52(b)	—	2,985,631
Gain on bargain purchase on acquisition of subsidiaries	52(b)	—	(6,761,861)
Fair value losses/(gains) on investment properties, net	15	2,015,027	(700,710)
Depreciation of property, plant and equipment	7	502,500	407,206
Depreciation of right-of-use assets	7	448,745	—
Amortisation of prepaid land lease payments	7	—	43,405
Impairment of property, plant and equipment	7	124,234	51,760
Impairment of right-of-use assets	7	303,803	—
Impairment of goodwill	7	1,319	—
Loss on disposal/write-off of items of property, plant and equipment	7	1,645	3,405
Write-down of properties under development to net realisable value	7	15,037	92,003
Write-down of completed properties for sale to net realisable value		587,099	—
Impairment of films and TV programs under production	7	12,439	64,310
Amortisation of film rights	7	29,689	6,357
Amortisation of film and TV program products	7	128,011	69,019
Amortisation of music catalogs	7	31,671	26,957
Amortisation of other intangible assets	7	1,334	981
Impairment of debtors	7	15,084	693
Impairment of advances and other receivables	7	24,965	22,209
Write-back of impairment of advances and other receivables	7	—	(567)
Impairment of amounts due from joint ventures	7	1,468	1,763
Impairment of amounts due from associates	23	99	—
Write-back of impairment of music catalogs		—	(8,842)
Write-back of impairment of film rights		—	(18,000)
Impairment of inventories	7	6,730	2,480
Gain on disposal of subsidiaries	7	(11)	(4,720)
Gain on disposal of an associate	6	—	(19,705)
Gain on disposal of joint ventures	6	—	(8,158)
Fair value (gains)/losses on financial assets at fair value through profit or loss, net	7	(203,863)	18,455
(Gains)/losses on disposal of financial assets at fair value through profit or loss	7	(461)	8,388
Fair value losses/(gains) on cross currency swaps	7	33,553	(45,082)
Fair value losses on foreign currency forward contract	7	5,852	—
Fair value gains on debt investments at fair value through other comprehensive income (transfer from equity on disposal)	6	(2,641)	—
Derecognition loss on rental receivables	7	19,739	—
Interest income	6	(80,446)	(85,316)
Rent concessions related to COVID-19	6	(47,156)	—
Other rent concessions	6	(9,897)	—
Dividend income from financial assets at fair value through other comprehensive income	6	(21,194)	(40,671)
Equity-settled share option expenses	7	3,922	2,322
Foreign exchange differences, net		(29,730)	1,175
		652,413	961,090

	Notes	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Increase in properties under development		(789,631)	(2,115,104)
Decrease in completed properties for sale		1,519,166	1,729,290
Decrease in assets classified as held for sale		124,501	—
Decrease/(increase) in inventories		2,619	(2,700)
Additions of films and TV programs under production	31	(141,825)	(236,994)
Increase in film investments	31	(8,458)	(8,591)
Additions of film and TV program products	19	(1,655)	(2)
Decrease in film and TV program products	19	117,535	150,913
Additions of film rights		(12,136)	(1,760)
Increase in debtors		(41,138)	(73,464)
Decrease in financial assets at fair value through profit or loss		17,574	—
Decrease/(increase) in deposits, prepayments, other receivables and other assets		44,893	(175,302)
(Decrease)/increase in creditors, other payables and accruals		(109,974)	99,796
Decrease in deposits received, deferred income and contract liabilities		(662,000)	(978,894)
Cash generated from/(used in) operations		711,884	(651,722)
Interest received		77,500	85,316
Interest paid on bank borrowings		(604,008)	(578,043)
Interest paid on other payable		(2,413)	(2,585)
Interest paid on guaranteed notes		(282,214)	(280,639)
Hong Kong profits tax paid, net		(48,610)	(49,525)
Mainland China taxes paid, net		(103,149)	(197,562)
Overseas taxes paid, net		(23,862)	(15,644)
Net cash flows used in operating activities		(274,872)	(1,690,404)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(635,365)	(1,633,842)
Additions to investment properties		(955,095)	(1,668,580)
Additions to right-of-use assets		(8,823)	—
Deposits paid for purchase of items of property, plant and equipment		(332)	(15,180)
Deposits paid for additions to investment properties		(2,429)	(2,142)
Acquisition of financial assets at fair value through other comprehensive income		—	(101,890)
Acquisition of financial assets at fair value through profit or loss		(93,450)	(241,535)
Proceeds from disposal of equity investments at fair value through other comprehensive income		—	16,515
Proceeds from disposal of equity investments at fair value through profit or loss		105,584	492
Proceeds from disposal of debt investments at fair value through other comprehensive income		100,233	—
Proceeds from disposal of items of property, plant and equipment		1,056	167
Proceeds from disposal of joint ventures		—	1,414,380
Proceeds from disposal of an associate		—	23,800
Acquisition of subsidiaries	52(a), (b)	(58,900)	1,400,920
Disposal of subsidiaries	53	—	(5,372)

Consolidated Statement of Cash Flows

Year ended 31 July 2020

	Notes	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)			
Acquisition of joint ventures		(273,050)	—
Acquisition of an associate		—	(243)
Advances to associates		(14,448)	(172,241)
Repayment from associates		5,650	56,982
Dividends received from associates		2,516	5,930
Advances to joint ventures		(20,864)	(8,026)
Repayment from joint ventures		442,461	680,007
Dividends received from joint ventures		70,000	1,774,100
Capital contributions to joint ventures		—	(2,500)
Dividends received from financial assets at fair value through other comprehensive income		21,194	40,671
Increase in pledged and restricted bank balances and time deposits		(425,025)	(83,917)
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)/from investing activities		(1,699,778)	1,439,187
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings raised		8,067,611	6,559,207
Repayment of bank borrowings		(5,471,455)	(6,051,682)
Bank financing charges		(51,990)	(10,606)
Principal portion of lease payments	16(c)	(226,710)	—
Loans from a joint venture		—	462,834
Repayment of loans from a joint venture		—	(1,095,915)
Increase in other borrowings		—	41,560
Increase in put option liabilities		—	280,532
Acquisition of additional interest in subsidiaries		(153,381)	(37,819)
Dividend paid		(12,727)	(12,431)
Dividends paid to non-controlling interests of subsidiaries		(57,865)	(56,342)
Amount received from a potential non-controlling interest of a subsidiary		220,848	—
Repayment to non-controlling interests of a subsidiary		(1,150)	(7,000)
Capital contributions from non-controlling interests of subsidiaries		9,294	9,933
Proceeds from exercise of share options of subsidiaries		5,575	—
Proceed from exercise of share options		24,973	1,663
Net cash flows from financing activities		2,353,023	83,934
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		378,373	(167,283)
Cash and cash equivalents at beginning of year		3,854,388	4,098,043
Effect of foreign exchange rate changes, net		(44,983)	(76,372)
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,187,778	3,854,388

	2020	2019
	HK\$'000	HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	3,208,442	3,039,881
Non-pledged and non-restricted time deposits	979,336	853,816
Cash and cash equivalents as stated in the consolidated statement of financial position	4,187,778	3,893,697
Non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	—	(39,309)
Cash and cash equivalents as stated in the consolidated statement of cash flows	4,187,778	3,854,388

Notes to Financial Statements

31 July 2020

1. CORPORATE AND GROUP INFORMATION

Lai Sun Garment (International) Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

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

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

Details of the principal subsidiaries are set out in note 50 to the financial statements.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Notes to Financial Statements

31 July 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Other than as explained below regarding the impact of HKFRS 16 and Amendment to HKFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group 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 profits at 1 August 2019, and the comparative information for prior periods was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) HKFRS 16 Leases (continued)

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

Impact on transition

Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, using the incremental borrowing rate at 1 August 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 August 2019 was about 3.83%. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

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

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

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

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

Notes to Financial Statements

31 July 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) HKFRS 16 Leases (continued)

Financial impact at 1 August 2019

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	5,811,100
Property, plant and equipment	(2,887,251)
Prepaid land lease payments	(1,623,441)
Deposits, prepayments, other receivables and other assets	(4,544)
Increase in total assets	1,295,864
Liabilities	
Lease liabilities	1,346,668
Creditors, other payables and accruals	(50,804)
Increase in total liabilities	1,295,864

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	1,499,224
Add: Payments for optional extension periods not recognised as at 31 July 2019	70,295
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 July 2020 and commitments relating to leases of low-value assets	(12,043)
Total future interest expenses	(210,808)
Discounted operating lease commitments and lease liabilities as at 1 August 2019	1,346,668

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendment to HKFRS 16 Covid-19-Related Rent Concessions

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the year ended 31 July 2020, certain monthly lease payments for the leases of the Group's cinema properties and shop units have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 July 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$47,156,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to the consolidated income statement for the year ended 31 July 2020.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ No mandatory effective date yet determined but available for adoption

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

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

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

Fair value measurement

The Group measures its completed investment properties, certain investment properties under construction, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments and certain financial assets 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 properties under development, completed properties for sale, inventories, deferred tax assets, financial assets, investment properties, assets classified as held for sale and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

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

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

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:

Buildings	Over the remaining lease terms
Hotel properties	Over the remaining lease terms
Leasehold improvements	20% or over the terms of the related leases, whichever is shorter
Theme parks, excluding buildings	10% – 20%
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	10% – 30%
Computers	18% – 33%
Motor vessels	25%

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

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2019: leasehold interest under an operating lease for a property) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include land held for a currently undetermined future use and properties which are constructed for future use as investment properties.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

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

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

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

For a transfer from investment property to owner-occupied property or inventory, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

Properties under development

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

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

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

Non-current assets held for sale

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

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

(i) Trademarks

Trademarks are stated at cost less impairment losses.

(ii) Customer relationship

Customer relationship is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of 8 to 10 years.

Completed properties for sale

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Music catalogs

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

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

Film and TV program products, and films and TV programs under production

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 August 2019) (continued)

Group as a lessee (continued)

(a) *Right-of-use assets*

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

Prepaid land lease payments	Over the unexpired lease terms
Cinema related properties	2 to 16 years
Other properties	2 to 17 years
Equipment	5 years

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

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties under development" and "Completed properties for sale".

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

(b) *Lease liabilities*

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 August 2019) (continued)

Group as a lessee (continued)

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

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

Group as a lessor

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

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

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

Leases (applicable before 1 August 2019)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

The Group has certain investments in film projects and entertainment events which entitle the Group to receive a fixed and/or variable income based on the Group's investment amount and/or expected rate of return as specified in the respective agreements. All film investments and investments in entertainment events which give rise to cash flows that are not SPPI on the principal amount outstanding are stated at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the income statement.

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

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

Gains and losses on these financial assets are never recycled to the income statement. Dividends are recognised as other revenue in the income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other revenue in the income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

Derecognition of financial assets

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

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

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

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for debtors which apply the simplified approach as detailed below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

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.

Notes to Financial Statements

31 July 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

Put option liabilities

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

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

Financial guarantee contracts

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments (continued)

Current versus non-current classification

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

Notes to Financial Statements

31 July 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, 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 joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Mainland China Land Appreciation Tax (“LAT”)

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

Government grants

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

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

Revenue recognition

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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

- (a) *Sale of properties*
Revenue from the sale of completed properties is recognised at a point in time when the control of the property is transferred to the purchaser.
- (b) *Building management services*
Revenue from the provision of building management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.
- (c) *Service from hotel operation*
Revenue from the provision of services from hotel operation is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.
- (d) *Revenue from restaurant operation*
Revenue from restaurant operation is recognised at the point in time when the control of the assets is transferred to the customer, generally upon consumption of the food and beverage items by the customer.
- (e) *Revenue from theme park operation*
Revenue from admission tickets sold is recognised over time when the theme park service is provided to the customer or at a point in time when tickets expire.
- (f) *Entertainment events*
Revenue from entertainment events organised by the Group is recognised when the events are completed.
- (g) *Film distribution*
Income from films licensed to movie theatres is recognised when the films are exhibited.
- (h) *Film licence fee*
Licence income from films and TV programs licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract is recognised where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees.

Licence income from films and TV programs licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period is recognised when the films and TV programs are available for showing or telecast.
- (i) *Sale of products and albums*
Sale of products and albums are recognised when control of the asset is transferred to the customers, generally on delivery of the products or in accordance with the terms of the relevant agreements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

- (j) *Distribution commission*
Distribution commission income is recognised when albums, film materials or TV program materials have been delivered to the wholesalers, distributors and licensees.
- (k) *Album licensing and music publishing*
Album licence income and music publishing income are recognised when the licence is used by the customer or the customer simultaneously receives and consumes the benefits provided by the Group in accordance with the terms of the relevant agreements.
- (l) *Box-office takings*
Revenue from gross box-office takings for film exhibition is recognised at a point in time, upon the sale of tickets and when the film is exhibited.
- (m) *Advertising, artiste management, producer and consultancy services*
Advertising income, artiste management fee income, producer fee income and consultancy service income from entertainment events and TV programs and commission income and handling income from entertainment events are recognised in the period in which the relevant services are rendered to the customer or when the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other source

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

Other revenue

- (a) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.
- (b) Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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31 July 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Dividends

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

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

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

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

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

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

Notes to Financial Statements

31 July 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Share-based payments

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Paid leave carried forward

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

Retirement benefits

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Impairment of non-financial assets (other than goodwill)

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

Impairment of a hotel property located in Hong Kong (the “HK Hotel”) and the related right-of-use assets/prepaid land lease payments

The HK Hotel is stated at cost less accumulated depreciation and impairment losses, if any. In determining whether there is any indication of impairment, the Group has to exercise judgement, particularly in assessing the appropriate key assumptions to be applied in preparing cash flow projections. To support the impairment assessment, the Group engaged an external valuer to perform a valuation on the HK Hotel and the related right-of-use assets/prepaid land lease payments. Changing the assumptions selected by the valuer to determine whether there is any indication of impairment, including those related to the cash flow projections, such as the forecast average daily room rate, forecast occupancy rate and discount rate, could materially affect the net present value used in the impairment test. The carrying amounts of the HK Hotel and the related right-of-use assets/prepaid land lease payments as at 31 July 2020 were approximately HK\$3,232 million (2019: HK\$3,299 million) and HK\$1,549 million (2019: HK\$1,606 million), respectively.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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

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

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

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

Put option liabilities

As explained in note 34 to the financial statements, put option liabilities arising from the buy-back of the investment upon the occurrence of certain triggering events during the six-year investment period are recognised as financial liabilities. When determining the classification and measurement of the put option liabilities, judgements are exercised, including determining whether the Group has the present ownership interest in the shares subject to the put options, the timing that the triggering events would occur and the possibility that the buy-back would be exercised.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group includes the renewal period as part of the lease term for leases of leased properties.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment assessment of film and TV program products and films and TV programs under production

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

The estimated costs to be incurred to complete production, projected revenues and related future cash flows can change significantly due to a variety of factors. Based on both internal and external information available on the films and TV programs under production, film and TV program products, management reviews the estimated costs to be incurred to complete production, the projected revenues and the related future cash flows of the relevant assets, as appropriate, to assess whether there is any impairment or reversal of impairment. Any change in estimates may have a significant impact on the Group's financial performance. The carrying amounts of film and TV program products and films and TV programs under production are disclosed in notes 19 and 31 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimation of fair values of investment properties and certain financial asset at fair value through comprehensive income

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) independent valuations; (ii) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The carrying amount of investment properties measured at fair value as at 31 July 2020 was approximately HK\$37,743 million (2019: HK\$40,960 million) and that of a financial asset at fair value through comprehensive income, of which the principal asset is an investment property, as at 31 July 2020 was approximately HK\$1,563 million (2019: HK\$1,696 million).

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

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

Provision for ECLs on debtors and other receivables

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's debtors is disclosed in note 33 to the financial statements.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for ECLs on debtors and other receivables (continued)

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

- Determining criteria for a significant increase in credit risk;
- Identifying economic indicators for forward-looking measurement; and
- Estimating future cash flows for the other receivables.

The information about the provision for ECLs on the Group's other receivables is disclosed in note 28 to the financial statements.

Useful lives and residual values of items of property, plant and equipment

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

Business combinations and goodwill

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

Impairment of goodwill and trademarks with indefinite useful lives

The Group determines whether goodwill and trademarks with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units or the fair value of a trademark to which the goodwill and trademarks with indefinite useful lives are allocated. Estimating the value in use and fair value requires the Group to make an estimate of the expected future cash flows from the cash-generating units or trademarks and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of goodwill and trademarks with indefinite useful lives are disclosed in notes 21 and 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

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

Provision for LAT

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

4. SEGMENT INFORMATION

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

- (a) the property development and sales segment engages in property development and sale of properties;
- (b) the property investment segment invests in commercial and office buildings for their rental income potential and provides building management services;
- (c) the hotel operation segment engages in the operation of and provision of consultancy services to hotels and serviced apartments;
- (d) the restaurant operation segment engages in the operation of and provision of consultancy services to restaurants;
- (e) the media and entertainment segment engages in the investment in and the production of entertainment events and provision of related advertising services, the provision of artiste management services, album sales and the distribution and licensing of music and trading of gaming products;

Notes to Financial Statements

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4. SEGMENT INFORMATION (CONTINUED)

- (f) the film and TV program segment engages in the investment in, production of, sale, distribution and licensing of films and TV programs, the provision of related advertising services as well as the distribution of video format products derived from these films and films licensed-in by the Group;
- (g) the cinema operation segment engages in the operation of cinemas in Hong Kong and Mainland China;
- (h) the theme park operation segment engages in the development and operation of theme parks in Mainland China. Such segment information was included in the property investment segment in the prior year. Accordingly, the comparative segment information has been reclassified to conform to the current year's presentation; and
- (i) the "others" segment mainly comprises luxury yachting business, the provision of property management services, leasing agency services and building services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that write-down of completed properties for sale to net realisable value, fair value (losses)/gains on investment properties, net, loss on remeasurement of existing interest in an associate upon business combination, gain on bargain purchase on acquisition of subsidiaries, finance costs, share of profits and losses of associates, share of profits and losses of joint ventures and other unallocated income and expenses are excluded from such measurement.

Segment assets mainly exclude investments in associates, investments in joint ventures, financial assets at fair value through other comprehensive income, certain financial assets at fair value through profit or loss, derivative financial instruments, deferred tax assets, prepaid tax, certain pledged and restricted bank balances and time deposits, certain cash and cash equivalents, assets classified as held for sale and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities mainly exclude bank borrowings, other borrowings, guaranteed notes, tax payable, deferred tax liabilities, derivative financial instruments, put option liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

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4. SEGMENT INFORMATION (CONTINUED) Segment assets and liabilities

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

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Media and entertainment		Film and TV program		Cinema operation		Theme park operation		Others		Consolidated		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	10,017,192	9,520,095	39,449,263	42,582,223	9,692,806	9,563,989	615,008	583,366	352,992	474,906	763,534	877,035	1,169,897	719,620	1,712,839	1,727,560	1,004,884	64,776,608	67,143,678		
Investments in associates	2,099	2,251	74,553	84,373	178,033	182,812	(10,105)	(10,105)	—	—	—	—	—	—	—	—	2,975	247,736	262,306		
Investments in associates — unallocated																		155,236	160,696		
Investments in joint ventures	1,133,702	1,329,107	5,523,518	6,062,373	92,916	—	—	—	11,599	17,804	1,947	2,071	—	—	—	—	—	6,763,682	7,411,335		
Unallocated assets																		8,616,164	7,619,018		
Assets classified as held for sale	14,952	142,883	—	—	—	—	—	—	—	—	—	—	—	—	33,115	—	—	48,067	142,883		
Total assets																		80,607,493	82,739,936		
Segment liabilities	905,354	1,325,075	1,471,041	1,407,982	751,426	664,478	211,133	61,600	117,541	181,795	381,929	417,061	1,144,518	205,151	157,577	120,822	425,061	5,468,651	4,808,425		
Bank borrowings																		16,542,928	13,962,468		
Guaranteed notes																		5,717,879	5,736,654		
Other borrowings																		726,993	711,540		
Unallocated liabilities																		6,210,515	6,331,143		
Total liabilities																		34,666,966	31,550,230		

4. SEGMENT INFORMATION (CONTINUED)

Other segment information

The following table presents the other segment information for the Group's reportable segments:

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Media and entertainment		Film and TV program		Cinema operation		Theme park operation		Others		Consolidated				
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Amortisation of prepaid land lease payments	—	—	—	—	—	43,405	—	—	—	—	—	—	—	—	—	—	—	—	—	—	43,405		
Depreciation of property, plant and equipment	921	1,533	9,959	24,284	231,846	233,690	38,985	44,583	1,340	1,387	508	508	56,597	68,135	143,785	2,097	8,103	11,963	—	—	492,044	389,380	
Depreciation of property, plant and equipment — unallocated	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	10,456	17,826	
Depreciation of right-of-use assets	1,259	—	35,445	—	119,296	—	66,638	—	3,407	—	6,382	—	154,233	—	18,447	—	17,441	—	—	—	502,500	407,206	
Depreciation of right-of-use assets — unallocated	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	422,548	—	
Impairment of property, plant and equipment	—	—	—	—	—	—	26,083	2,900	638	—	273	—	94,832	40,850	—	—	—	2,408	—	—	448,745	—	
Impairment of property, plant and equipment — unallocated	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	124,234	43,750	
Impairment of right-of-use assets	—	—	—	—	—	—	23,059	—	2,656	—	5,183	—	272,073	—	—	—	—	832	—	—	303,803	—	
Loss on disposal/write-off of items of property, plant and equipment	40	47	1,085	694	70	650	—	1,383	30	209	4	4	243	507	—	1	24	10	—	—	1,496	3,405	
Loss on disposal/write-off of items of property, plant and equipment — unallocated	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	149	—	
																						1,645	3,405

Notes to Financial Statements

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4. SEGMENT INFORMATION (CONTINUED) Other segment information (continued)

The following table presents the other segment information for the Group's reportable segments: (continued)

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Media and entertainment		Film and TV program		Cinema operation		Theme park operation		Others		Consolidated			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Write-down of properties under development to net realisable value	15,037	92,003	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	15,037	92,003	
Impairment of films and TV programs under production	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12,439	64,310
Amortisation of film rights	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	29,689	6,357
Amortisation of film and TV program products	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	128,011	69,019
Amortisation of music catalogs	—	—	—	—	—	—	—	—	31,671	26,957	—	—	—	—	—	—	—	—	—	—	31,671	26,957
Amortisation of other intangible assets	—	—	—	—	—	—	—	—	7,466	693	—	—	—	—	—	—	—	—	—	—	384	395
Impairment of debtors	—	—	7,487	—	—	—	—	—	—	—	131	—	—	—	—	—	—	—	—	—	15,084	693
Impairment of advances and other receivables	2,595	—	—	—	—	—	—	—	5,530	3,184	16,065	18,486	—	—	—	—	—	—	—	—	24,965	22,209
Write-back of impairment of advances and other receivables	—	—	—	—	—	—	—	—	—	(251)	—	(316)	—	—	—	—	—	—	—	—	—	(567)
Impairment of amounts due from joint ventures	—	—	—	—	—	—	—	—	703	1,763	765	—	—	—	—	—	—	—	—	—	1,468	1,763
Gain on disposal of subsidiaries	—	—	—	—	—	—	—	—	(11)	—	—	(4,720)	—	—	—	—	—	—	—	—	(11)	(4,720)
Gain on disposal of an associate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(19,705)
Gain on disposal of joint ventures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(8,158)
Decreognition loss on rental receivables	—	—	19,739	—	—	—	—	—	59	2,319	2,466	161	—	—	—	—	—	—	—	—	19,739	2,480
Impairment of inventories	—	—	—	—	—	—	—	—	—	—	—	—	—	20	—	—	—	—	—	—	4,185	6,730
Impairment of goodwill	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,319
Capital expenditure	1,957	990	1,002,984	2,554,020	621,663	908,246	59,212	18,082	1,539	4,798	2,705	725	144,340	86,510	21,510	24,734	1,942,420	3,576,963	9,092	723	1,951,512	3,577,686
Capital expenditure — unallocated	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

4. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	Hong Kong		Mainland China and Macau		United Kingdom		Vietnam		Others		Consolidated	
	2020	2019	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	HK\$'000	HK\$'000
Segment revenue												
Sales to external customers	3,083,195	4,121,464	1,637,902	1,824,391	108,042	113,561	308,384	306,970	186,630	243,461	5,324,153	6,609,847
Other revenue	159,650	115,517	49,222	39,831	138	253	601	262	2,625	—	212,236	155,863
Total	3,242,845	4,236,981	1,687,124	1,864,222	108,180	113,814	308,985	307,232	189,255	243,461	5,536,389	6,765,710
Segment assets												
Non-current assets	24,001,768	25,922,560	24,302,996	28,113,380	3,251,828	3,021,774	569,682	533,105	412,156	373,783	52,538,430	57,964,602
Current assets	2,869,256	3,493,834	8,839,104	5,088,677	92,847	48,726	162,121	205,285	274,850	342,554	12,238,178	9,179,076
Total	26,871,024	29,416,394	33,142,100	33,202,057	3,344,675	3,070,500	731,803	738,390	687,006	716,337	64,776,608	67,143,678

Information about major customers

For both the years ended 31 July 2020 and 31 July 2019, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

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5. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	2020 HK\$'000	2019 HK\$'000
Rental expenses/lease payments and building management fees paid or payable to an associate	(i), (ii)	1,022	2,444
Interest income received or receivable from advance to joint ventures	(i)	11,072	11,376
Interest expenses paid or payable for loans from a joint venture	8, (i)	—	7,125
Production fee paid or payable to joint ventures	(i)	1,170	2,770
Management and other service fees paid or payable to a subsidiary of a substantial shareholder of Lai Fung Holdings Limited ("Lai Fung")	(i)	7,001	9,039

Notes:

- (i) These transactions were entered into based on terms stated in the respective agreements or contracts and were charged on bases mutually agreed by the respective parties.
- (ii) In addition to the variable lease payments and lease payments for short term leases to the related parties, right-of-use assets of approximately HK\$1,887,000 and lease liabilities of approximately HK\$1,914,000 upon adoption of HKFRS 16 related to the leases with a related party were recognised in the consolidated statement of financial position as at 31 July 2020. During the year ended 31 July 2020, depreciation of these right-of-use assets of approximately HK\$946,000 and finance costs on these lease liabilities of approximately HK\$65,000 were recognised in the consolidated income statement.

(b) Compensation of key management personnel of the Group

	2020 HK\$'000	2019 HK\$'000
Short term employee benefits	78,855	81,834
Post-employment benefits	273	273
Total compensation paid to key management personnel	79,128	82,107

Further details of directors' and the chief executive officer's emoluments are included in note 9 to the financial statements.

6. TURNOVER AND OTHER REVENUE AND GAINS

An analysis of turnover is as follows:

	2020 HK\$'000	2019 HK\$'000
Turnover from contracts with customers:		
Sale of properties	1,690,213	2,279,822
Building management fee income	197,793	208,501
Income from hotel operation	673,359	686,057
Income from restaurant operation	421,764	514,784
Distribution commission income, licence fee income and sales of film and TV program products and film rights	368,548	320,965
Box-office takings, concessionary income and related income from cinemas	229,264	521,104
Entertainment event income	68,922	309,321
Sale of game products	156,520	176,965
Album sales, licence income and distribution commission income from music publishing and licensing	89,197	86,609
Artiste management fee income	11,965	18,900
Advertising income	1,667	5,031
Income from theme park operation	19,153	285
Others	181,403	213,900
	4,109,768	5,342,244
Turnover from other source:		
Rental income	1,214,385	1,267,603
Total turnover	5,324,153	6,609,847
Timing of recognition of turnover from contracts with customers:		
At a point in time	3,555,643	4,820,936
Over time	554,125	521,308
	4,109,768	5,342,244

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6. TURNOVER AND OTHER REVENUE AND GAINS (CONTINUED)

(a) Disaggregated revenue information

Type of goods or services	For the year ended 31 July 2020									
	Property development and sales	Property investment	Hotel operation	Restaurant operation	Media and entertainment	Film and TV program	Cinema operation	Theme park operation	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of properties	1,690,213	—	—	—	—	—	—	—	—	1,690,213
Building management fee income	—	197,793	—	—	—	—	—	—	—	197,793
Income from hotel operation	—	—	673,359	—	—	—	—	—	—	673,359
Income from restaurant operation	—	—	—	421,764	—	—	—	—	—	421,764
Distribution commission income, licence fee income and sales of film and TV program products and film rights	—	—	—	—	—	368,548	—	—	—	368,548
Box-office takings, concessionary income and related income from cinemas	—	—	—	—	—	—	229,264	—	—	229,264
Entertainment event income	—	—	—	—	68,922	—	—	—	—	68,922
Sale of game products	—	—	—	—	156,520	—	—	—	—	156,520
Album sales, licence income and distribution commission income from music publishing and licensing	—	—	—	—	89,197	—	—	—	—	89,197
Artiste management fee income	—	—	—	—	11,965	—	—	—	—	11,965
Advertising income	—	—	—	—	—	1,667	—	—	—	1,667
Income from theme park operation	—	—	—	—	—	—	—	19,153	—	19,153
Others	—	—	—	—	—	—	—	—	181,403	181,403
Total turnover from contracts with customers	1,690,213	197,793	673,359	421,764	326,604	370,215	229,264	19,153	181,403	4,109,768
Turnover from other source — rental income	—	1,214,385	—	—	—	—	—	—	—	1,214,385
Total turnover	1,690,213	1,412,178	673,359	421,764	326,604	370,215	229,264	19,153	181,403	5,324,153

6. TURNOVER AND OTHER REVENUE AND GAINS (CONTINUED)

(a) Disaggregated revenue information (continued)

	For the year ended 31 July 2020									
	Property development and sales	Property investment	Hotel operation	Restaurant operation	Media and entertainment	Film and TV program	Cinema operation	Theme park operation	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical markets										
Hong Kong	1,265,650	87,023	248,307	346,612	205,370	57,778	213,003	—	41,975	2,465,718
Mainland China and Macau	424,563	98,367	116,668	75,152	87,916	298,554	16,261	19,153	—	1,136,634
United Kingdom	—	12,403	—	—	515	22	—	—	—	12,940
Vietnam	—	—	308,384	—	—	—	—	—	—	308,384
Others	—	—	—	—	32,803	13,861	—	—	139,428	186,092
Total turnover from contracts with customers	1,690,213	197,793	673,359	421,764	326,604	370,215	229,264	19,153	181,403	4,109,768
Turnover from other source — rental income	—	1,214,385	—	—	—	—	—	—	—	1,214,385
Total turnover	1,690,213	1,412,178	673,359	421,764	326,604	370,215	229,264	19,153	181,403	5,324,153
Timing of recognition of turnover from contracts with customers										
At a point in time	1,690,213	—	425,099	421,764	256,004	370,215	229,264	—	163,084	3,555,643
Over time	—	197,793	248,260	—	70,600	—	—	19,153	18,319	554,125
Total turnover from contracts with customers	1,690,213	197,793	673,359	421,764	326,604	370,215	229,264	19,153	181,403	4,109,768
Turnover from other source — rental income	—	1,214,385	—	—	—	—	—	—	—	1,214,385
Total turnover	1,690,213	1,412,178	673,359	421,764	326,604	370,215	229,264	19,153	181,403	5,324,153

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6. TURNOVER AND OTHER REVENUE AND GAINS (CONTINUED)

(a) Disaggregated revenue information (continued)

	For the year ended 31 July 2019									
	Property development and sales	Property investment	Hotel operation	Restaurant operation	Media and entertainment	Film and TV program	Cinema operation	Theme park operation	Others	Consolidated
	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000
Type of goods or services										
Sale of properties	2,279,822	—	—	—	—	—	—	—	—	2,279,822
Building management fee income	—	208,501	—	—	—	—	—	—	—	208,501
Income from hotel operation	—	—	686,057	—	—	—	—	—	—	686,057
Income from restaurant operation	—	—	—	514,784	—	—	—	—	—	514,784
Distribution commission income, licence fee income and sales of film and TV program products and film rights	—	—	—	—	—	320,965	—	—	—	320,965
Box-office takings, concessionary income and related income from cinemas	—	—	—	—	—	—	521,104	—	—	521,104
Entertainment event income	—	—	—	—	309,321	—	—	—	—	309,321
Sale of game products	—	—	—	—	176,965	—	—	—	—	176,965
Album sales, licence income and distribution commission income from music publishing and licensing	—	—	—	—	86,609	—	—	—	—	86,609
Artiste management fee income	—	—	—	—	18,900	—	—	—	—	18,900
Advertising income	—	—	—	—	—	5,031	—	—	—	5,031
Income from theme park operation	—	—	—	—	—	—	—	285	—	285
Others	—	—	—	—	—	—	—	—	213,900	213,900
Total turnover from contracts with customers	2,279,822	208,501	686,057	514,784	591,795	325,996	521,104	285	213,900	5,342,244
Turnover from other source — rental income	—	1,267,603	—	—	—	—	—	—	—	1,267,603
Total turnover	2,279,822	1,476,104	686,057	514,784	591,795	325,996	521,104	285	213,900	6,609,847

6. TURNOVER AND OTHER REVENUE AND GAINS (CONTINUED)

(a) Disaggregated revenue information (continued)

	For the year ended 31 July 2019									
	Property development and sales	Property investment	Hotel operation	Restaurant operation	Media and entertainment	Film and TV program	Cinema operation	Theme park operation	Others	Consolidated
	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000
Geographical markets										
Hong Kong	1,666,500	87,157	221,072	494,205	433,761	90,436	485,213	—	48,754	3,527,098
Mainland China and Macau	613,322	108,480	158,015	18,821	116,106	200,931	35,891	285	—	1,251,851
United Kingdom	—	12,864	—	—	—	—	—	—	—	12,864
Vietnam	—	—	306,970	—	—	—	—	—	—	306,970
Others	—	—	—	1,758	41,928	34,629	—	—	165,146	243,461
Total turnover from contracts with customers	2,279,822	208,501	686,057	514,784	591,795	325,996	521,104	285	213,900	5,342,244
Turnover from other source — rental income	—	1,267,603	—	—	—	—	—	—	—	1,267,603
Total turnover	2,279,822	1,476,104	686,057	514,784	591,795	325,996	521,104	285	213,900	6,609,847
Timing of recognition of turnover from contracts with customers										
At a point in time	2,279,822	—	436,094	514,784	535,061	325,996	521,104	—	208,075	4,820,936
Over time	—	208,501	249,963	—	56,734	—	—	285	5,825	521,308
Total turnover from contracts with customers	2,279,822	208,501	686,057	514,784	591,795	325,996	521,104	285	213,900	5,342,244
Turnover from other source — rental income	—	1,267,603	—	—	—	—	—	—	—	1,267,603
Total turnover	2,279,822	1,476,104	686,057	514,784	591,795	325,996	521,104	285	213,900	6,609,847

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6. TURNOVER AND OTHER REVENUE AND GAINS (CONTINUED)

(a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Sale of properties	765,116	1,543,000
Other operations	186,214	—
	951,330	1,543,000

(b) Performance obligations

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 operation and building management operation

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

Entertainment events

Revenue from entertainment events organised by the Group is recognised at a point in time when the events are completed. Payment is generally due within 30 to 60 days from the date of billing.

Film and TV program licence fee income

The performance obligation is satisfied at a point in time (i) when the films or TV programs licensed to movie theatres are exhibited, (ii) where an assignment is granted to the licensee which permits the licensee to exploit those rights freely and where the Group has no remaining obligations to perform and when the materials have been delivered to licensee, or (iii) when the films or TV programs are available for showing or telecast. Partial payment in advance for licence income is normally required and the remaining balance is billed according to the payment schedule as stipulated in agreements or upon completion of exhibition of the films or TV programs which is generally due within 30 to 60 days from the date of billing.

(c) Transaction price allocated to the remaining performance obligations

The amounts of 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\$1,017,277,000) and is expected to be recognised as revenue within one year.

6. TURNOVER AND OTHER REVENUE AND GAINS (CONTINUED)

(c) Transaction price allocated to the remaining performance obligations (continued)

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

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

(d) Other revenue and gains

An analysis of other revenue and gains is as follows:

	Notes	2020 HK\$'000	2019 HK\$'000
Other revenue and gains			
Interest income from bank deposits		42,552	45,505
Other interest income		37,894	39,811
Dividend income from financial assets at fair value through other comprehensive income		21,194	40,671
Fair value change from entertainment events organised by co-investors		2,962	9,109
Write-back of impairment of advances and other receivables	28	—	567
Gain on disposal of subsidiaries		11	4,720
Gain on disposal of an associate	23	—	19,705
Gain on disposal of joint ventures	24	—	8,158
Fair value gains on cross currency swaps	27	—	45,082
Fair value gains on debt investments at fair value through other comprehensive income (transfer from equity on disposal)		2,641	—
Fair value gains on financial assets at fair value through profit or loss		203,863	—
Government grants*		47,012	1,969
Foreign exchange differences, net		44,184	7,202
Rent concessions related to COVID-19	16(c),(d)	47,156	—
Other rent concessions	16(c),(d)	9,897	—
Others		89,229	109,408
		548,595	331,907

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

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7. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	Notes	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold		432,100	453,386
Cost of completed properties sold		1,518,919	1,836,830
Cost of film rights, licence rights and film and TV program products		324,814	347,347
Cost of artiste management services and services for entertainment events provided		101,980	292,758
Cost of theatrical releasing and concessionary sales		83,250	187,365
Depreciation of property, plant and equipment [^]	14	502,500	407,206
Depreciation of right-of-use assets [^]	16(b), (d)	448,745	—
Amortisation of prepaid land lease payments [*]	16(a)	—	43,405
Impairment of property, plant and equipment [*]	14	124,234	51,760
Impairment of right-of-use assets [*]	16(b), (d)	303,803	—
Loss on disposal/write-off of items of property, plant and equipment [*]		1,645	3,405
Write-down of properties under development to net realisable value [*]	17	15,037	92,003
Staff costs (including directors' and chief executive officer's remuneration — note 9):			
Wages and salaries		1,347,883	1,318,365
Pension scheme contributions ^{##}		37,993	38,686
Equity-settled share option expenses		3,922	2,322
		1,389,798	1,359,373
Capitalised in films and TV programs under production		—	(7,964)
Capitalised in properties under development/ investment properties under construction/ property, plant and equipment/construction in progress		(144,123)	(132,425)
		1,245,675	1,218,984
Auditor's remuneration		17,603	16,818
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events [#]		—	6,159
Cinemas [*]		—	183,983
Others		—	115,203
Contingent rents incurred for:			
Entertainment events [#]		—	40,631
Cinemas [*]		—	11,812
Others		—	11,280
		—	369,068
Capitalised in properties under development/ investment properties under construction/ construction in progress		—	(10,599)
Total ^{**}		—	358,469
Lease payments not included in the measurement of lease liabilities ^{**}	16(d)	24,228	—

7. (LOSS)/PROFIT FROM OPERATING ACTIVITIES (CONTINUED)

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

	Notes	2020 HK\$'000	2019 HK\$'000
Minimum lease income under operating leases		(1,212,079)	(1,262,798)
Contingent rents		(2,306)	(4,805)
Total operating lease income		(1,214,385)	(1,267,603)
Less: Outgoings		319,272	314,312
Net rental income		(895,113)	(953,291)
Impairment of films and TV programs under production [#]	31	12,439	64,310
Fair value change from entertainment events organised by co-investors [@]		(2,962)	(9,109)
Fair value change from film investments [*]	31	5,014	—
Amortisation of film rights [#]		29,689	6,357
Amortisation of film and TV program products [#]	19	128,011	69,019
Amortisation of music catalogs [#]		31,671	26,957
Amortisation of other intangible assets [*]	22	1,334	981
Impairment of debtors [*]	33	15,084	693
Impairment of advances and other receivables [*]	28	24,965	22,209
Write-back of impairment of advances and other receivables [@]	28	—	(567)
Impairment of amounts due from joint ventures [*]	24	1,468	1,763
Gain on disposal of subsidiaries [@]		(11)	(4,720)
Gain on disposal of an associate [@]	23	—	(19,705)
Gain on disposal of joint ventures [@]	24	—	(8,158)
Fair value losses/(gains) on cross currency swaps	27	33,553*	(45,082) [@]
Fair value losses on foreign currency forward contract [*]	27	5,852	—
Fair value (gains)/losses on financial assets at fair value through profit or loss, net		(203,863)[@]	18,455*
Fair value gains on debt investments at fair value through other comprehensive income (transfer from equity on disposal) [@]		(2,641)	—
(Gains)/losses on disposal of financial assets at fair value through profit or loss		(461)[@]	8,388*
Derecognition loss on rental receivables [*]		19,739	—
Impairment of inventories [#]		6,730	2,480
Impairment of goodwill [*]	21	1,319	—
Foreign exchange differences, net [@]		(44,184)	(7,202)
Service fee for operation of a club in hotel operation in Vietnam [*]		36,989	39,461

Notes to Financial Statements

31 July 2020

7. (LOSS)/PROFIT FROM OPERATING ACTIVITIES (CONTINUED)

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

- # These items are included in "cost of sales" on the face of the consolidated income statement. The contingent rents were charged based on certain percentages of the gross ticket proceeds collected in respect of the entertainment events.
- @ These items are included in "other revenue and gains" on the face of the consolidated income statement.
- * These items are included in "other operating expenses" on the face of the consolidated income statement. The contingent rents were charged based on certain percentages of the gross box-office takings in respect of the cinema operation.
- ^ Depreciation charge of approximately HK\$865,854,000 (2019: HK\$374,653,000) is included in "other operating expenses" on the face of the consolidated income statement.
- ** Lease payments of approximately HK\$9,967,000 (2019: HK\$253,071,000) are included in "other operating expenses" on the face of the consolidated income statement.
- ## As at 31 July 2020 and 31 July 2019, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.

8. FINANCE COSTS

	Notes	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings		605,323	520,456
Interest on guaranteed notes		316,197	313,815
Interest on other borrowings		17,111	17,342
Interest on loans from a joint venture	5(a)	—	7,125
Interest on lease liabilities	16(c), (d)	56,395	—
Bank financing charges		63,066	73,955
Interest expenses arising from revenue contracts		7,854	36,355
		1,065,946	969,048
Less: Amount capitalised in construction in progress	14	(32,072)	(133,544)
Amount capitalised in properties under development	17	(124,748)	(177,470)
Amount capitalised in investment properties under construction	15	(173,852)	(144,448)
		735,274	513,586

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, capitalisation rates ranging from 4.0% to 5.7% (2019: 4.0% to 5.6%) have been applied to the expenditure on the individual assets for the year ended 31 July 2020.

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

Directors' and chief executive officer's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 HK\$'000	2019 HK\$'000
Fees	3,152	2,612
Other emoluments:		
Salaries, allowances and benefits in kind	75,703	79,222
Pension scheme contributions	273	273
	75,976	79,495
	79,128	82,107
Capitalised in properties under development/investment properties under construction/construction in progress	(7,981)	(11,298)
	71,147	70,809

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9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (CONTINUED)

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

	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2020					
Executive directors:					
Lam Kin Ming	(a)	298	1,950	—	2,248
Lam Kin Ngok, Peter	(b)	228	32,362	36	32,626
Chew Fook Aun	(c)	—	18,802	72	18,874
Lam Hau Yin, Lester (also alternate to U Po Chu)	(d)	—	3,479	36	3,515
Lam Kin Hong, Matthew	(e)	48	1,524	75	1,647
U Po Chu	(f)	298	7,847	—	8,145
		872	65,964	219	67,055
Independent non-executive directors:					
Chow Bing Chiu		350	—	—	350
Lam Bing Kwan	(g)	1,050	—	—	1,050
Leung Shu Yin, William	(h)	700	—	—	700
		2,100	—	—	2,100
Chief executive officer:					
Yip Chai Tuck	(i)	180	9,739	54	9,973
		3,152	75,703	273	79,128

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (CONTINUED)

	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2019					
Executive directors:					
Lam Kin Ming	(a)	298	1,950	—	2,248
Lam Kin Ngok, Peter	(b)	168	34,382	36	34,586
Chew Fook Aun	(c)	—	19,906	72	19,978
Lam Hau Yin, Lester (also alternate to U Po Chu)	(d)	—	3,637	36	3,673
Lam Kin Hong, Matthew	(e)	48	1,524	75	1,647
U Po Chu	(f)	298	7,880	—	8,178
		812	69,279	219	70,310
Independent non-executive directors:					
Chow Bing Chiu		300	—	—	300
Lam Bing Kwan	(g)	900	—	—	900
Leung Shu Yin, William	(h)	600	—	—	600
		1,800	—	—	1,800
Chief executive officer:					
Yip Chai Tuck	(i)	—	9,943	54	9,997
		2,612	79,222	273	82,107

Notes:

- (a) The amounts included fees and salaries paid by Lai Sun Development Company Limited (“LSD”) of HK\$250,000 and Lai Fung of HK\$1,140,000 (2019: paid by LSD of HK\$250,000 and eSun Holdings Limited (“eSun”) and its subsidiaries (collectively the “eSun Group”) of HK\$1,140,000).
- (b) The amounts included fees, salaries and pension scheme contributions paid by LSD of HK\$14,586,000, the eSun Group of HK\$11,834,000 and Lai Fung of HK\$2,914,000 (2019: paid by LSD of HK\$15,495,000 and the eSun Group of HK\$15,598,000).
- (c) The amounts included salaries and pension scheme contributions paid by LSD of HK\$8,695,000, the eSun Group of HK\$4,357,000 and Lai Fung of HK\$4,357,000 (2019: paid by LSD of HK\$9,205,000 and the eSun Group of HK\$9,223,000).
- (d) The amounts included salaries and pension scheme contributions paid by LSD of HK\$1,839,000 and Lai Fung of HK\$1,676,000 (2019: paid by LSD of HK\$1,921,000 and the eSun Group of HK\$1,752,000).
- (e) The amounts included fees, salaries and pension scheme contributions paid by Lai Fung of HK\$1,197,000 (2019: paid by the eSun Group of HK\$1,197,000).

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9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (CONTINUED)

Notes: (continued)

- (f) The amounts included fees and salaries paid by LSD of HK\$250,000 and Lai Fung of HK\$4,247,000 (2019: paid by LSD of HK\$250,000 and the eSun Group of HK\$4,280,000).
- (g) The amounts included fees paid by LSD of HK\$350,000 and Lai Fung of HK\$350,000 (2019: paid by LSD of HK\$300,000 and the eSun Group of HK\$300,000).
- (h) The amounts included fees paid by LSD of HK\$350,000 (2019: HK\$300,000).
- (i) The amounts included salaries and pension scheme contributions paid by LSD of HK\$4,842,000 and the eSun Group of HK\$2,714,000 (2019: paid by LSD of HK\$4,943,000 and the eSun Group of HK\$2,586,000).
- (j) Lai Fung ceased to be a subsidiary of eSun since May 2020 as set out in note 50(b) to the financial statements. For the year ended 31 July 2020, the amounts paid by the eSun Group excluded the amounts paid by Lai Fung (2019: the amounts paid by the eSun Group included the amounts paid by Lai Fung).

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 or the chief executive officer waived or agreed to waive any remuneration during the year (2019: Nil).

10. EMPLOYEES' REMUNERATION

The five highest paid employees during the year included three (2019: three) directors and the chief executive officer (2019: one), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2019: one) highest paid employee who is neither a director nor the chief executive officer of the Company are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	8,063	7,529
Equity-settled share options expenses	3,922	—
Pension scheme contributions	36	18
	12,021	7,547
Capitalised in properties under development/investment properties under construction/construction in progress	(2,481)	(5,283)
	9,540	2,264

10. EMPLOYEES' REMUNERATION (CONTINUED)

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

	Number of employees	
	2020	2019
HK\$7,500,001 to HK\$8,000,000	—	1
HK\$12,000,001 to HK\$12,500,000	1	—
	1	1

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

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11. TAX (CONTINUED)

	2020 HK\$'000	2019 HK\$'000
Current tax		
— Hong Kong		
Charge for the year	42,548	101,851
Overprovision in prior years	(16,176)	(47,586)
	26,372	54,265
— Mainland China		
Corporate income tax		
Charge for the year	143,304	78,900
(Overprovision)/underprovision in prior years	(60)	380
LAT		
Charge for the year	85,788	118,898
Underprovision in prior years	—	20,301
	229,032	218,479
— Elsewhere		
Charge for the year	21,878	18,531
Underprovision in prior years	4,363	377
	26,241	18,908
	281,645	291,652
Deferred tax (note 39)	(364,519)	(124,707)
Tax (credit)/charge for the year	(82,874)	166,945

11. TAX (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before tax	(4,445,634)	5,013,292
Add/(less): Share of profits and losses of associates	21,186	(31,353)
Share of profits and losses of joint ventures	423,021	(649,322)
(Loss)/profit before tax attributable to the Group	(4,001,427)	4,332,617
Tax at the statutory tax rate of 16.5% (2019: 16.5%)	(660,235)	714,882
Higher tax rate for other countries	(122,516)	32,604
Adjustments in respect of current income tax of previous periods	(11,873)	(46,829)
Income not subject to tax	(40,305)	(776,535)
Expenses not deductible for tax purposes	536,509	81,988
Tax losses utilised from previous periods	(20,364)	(14,144)
Tax losses not recognised	291,392	184,251
Effect of two-tiered profit tax rates regime	(165)	(165)
Effect on deferred tax to reflect tax consequence of recovering the carrying amount of the relevant properties through sales	86,448	—
Provision for LAT	85,787	139,199
Tax effect of provision for LAT	(21,447)	(34,800)
Other temporary differences	(217,241)	(102,547)
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	—
Tax (credit)/charge for the year	(82,874)	166,945

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12. 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) – HK7.40 cents (2019: HK7.40 cents) per ordinary share	28,629	28,500
Proposed final dividend – Nil (2019: HK7.40 cents) per ordinary share	—	28,629

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

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share	(1,965,907)	2,797,488
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	—	(10,175)
(Loss)/earnings for the purpose of diluted (loss)/earnings per share	(1,965,907)	2,787,313
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	387,997	385,927
Effect of dilutive potential ordinary shares arising from share options (Note)	—	2,488
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	387,997	388,415

Note: No adjustment has been made to the basic loss per share amount presented for the year ended 31 July 2020 in respect of a dilution as the impact of the share options of the Company, LSD and Lai Fung had an anti-dilutive effect on the basic loss per share amount presented.

14. PROPERTY, PLANT AND EQUIPMENT

Notes	Hotel properties HK\$'000	Leasehold buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Computers HK\$'000	Motor vessels HK\$'000	Theme parks HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:										
At 1 August 2018	487,581	343,714	181,786	130,034	22,140	18,924	38,540	—	4,759,310	5,982,029
Finance cost capitalised	—	—	—	—	—	—	—	—	133,544	133,544
Additions	73,114	—	121,217	108,054	5,359	49,195	71	—	1,439,843	1,796,853
Transfer in/(out)	3,209,180	—	—	—	—	—	—	1,550,160	(4,759,340)	—
Transfer to prepaid land lease payments	—	—	—	—	—	—	—	—	(1,648,000)	(1,648,000)
Transfer to assets classified as held for sale	(149,878)	—	—	—	—	—	—	—	—	(149,878)
Acquisition of subsidiaries	2,700,808	369,104	255,454	114,334	5,553	7,980	—	—	1,735,427	5,188,660
Reclassification from investment properties upon business combination	—	224,700	—	—	—	—	—	—	—	224,700
Disposal of subsidiaries	—	—	—	—	—	(34)	—	—	—	(34)
Disposals/write-off	(9)	—	(2,073)	(9,789)	(1,476)	(223)	—	—	—	(13,570)
Exchange realignment	(22,195)	(1,667)	(3,414)	(289)	(197)	(723)	—	—	(20,930)	(49,415)
At 31 July 2019	6,298,601	935,851	552,970	342,344	31,379	75,119	38,611	1,550,160	1,639,854	11,464,889
Effect of adoption of HKFRS 16	(1,955,006)	(480,173)	—	—	—	—	—	(182,557)	(398,060)	(3,015,796)
At 1 August 2019 (restated)	4,343,595	455,678	552,970	342,344	31,379	75,119	38,611	1,367,603	1,241,794	8,449,093
Finance cost capitalised	—	—	—	—	—	—	—	—	32,072	32,072
Additions	65,080	2,768	79,320	64,919	5,773	16,841	1,851	49,857	533,529	819,938
Transfer in/(out)	1,608,235	—	—	—	—	—	—	173,601	(1,781,836)	—
Transfer from investment properties	—	—	—	—	—	—	—	—	59,000	59,000
Transfer to assets classified as held for sale	—	(7,781)	—	—	—	—	—	—	—	(7,781)
Disposals/write-off	(367)	(4,764)	(1,953)	(14,308)	(1,380)	(1,644)	—	—	—	(24,416)
Exchange realignment	(4,344)	(9,992)	(9,507)	(1,052)	(384)	(218)	—	(29,984)	(25,559)	(81,040)
At 31 July 2020	6,012,199	435,909	620,830	391,903	35,388	90,098	40,462	1,561,077	59,000	9,246,866

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Notes	Hotel properties HK\$'000	Leasehold buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Computers HK\$'000	Motor vessels HK\$'000	Theme parks HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Accumulated depreciation and impairment:											
At 1 August 2018		125,299	50,725	114,800	70,640	17,913	10,773	37,715	—	—	427,865
Depreciation provided during the year	7	201,099	28,913	98,318	65,607	3,747	9,009	513	—	—	407,206
Impairment during the year	7	—	8,010	42,496	1,221	—	33	—	—	—	51,760
Transfer to assets classified as held for sale		(7,072)	—	—	—	—	—	—	—	—	(7,072)
Disposals/write-off		—	—	(540)	(8,061)	(1,348)	(49)	—	—	—	(9,998)
Exchange realignment		(2,955)	(658)	(4,742)	(862)	(104)	(164)	—	—	—	(9,485)
At 31 July 2019		316,371	86,990	250,332	128,545	20,208	19,602	38,228	—	—	860,276
Effect of adoption of HKFRS 16		(81,091)	(47,454)	—	—	—	—	—	—	—	(128,545)
At 1 August 2019 (restated)		235,280	39,536	250,332	128,545	20,208	19,602	38,228	—	—	731,731
Depreciation provided during the year	7	190,379	15,178	74,468	61,000	4,322	15,186	795	141,172	—	502,500
Impairment during the year	7	—	—	104,936	17,695	97	1,506	—	—	—	124,234
Transfer to assets classified as held for sale		—	(2,117)	—	—	—	—	—	—	—	(2,117)
Disposals/write-off		—	(4,287)	(1,585)	(13,703)	(686)	(1,454)	—	—	—	(21,715)
Exchange realignment		(924)	(801)	(7,837)	(1,154)	(201)	(117)	—	495	—	(10,539)
At 31 July 2020		424,735	47,509	420,314	192,383	23,740	34,723	39,023	141,667	—	1,324,094
Net carrying amount:		5,587,464	388,400	200,516	199,520	11,648	55,375	1,439	1,419,410	59,000	7,922,772
At 31 July 2020		5,982,230	848,861	302,638	213,799	11,171	55,517	383	1,550,160	1,639,854	10,604,613

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 July 2020, the HK Hotel comprising hotel properties, leasehold improvements, furniture, fixtures and equipment and computers, named "Hong Kong Ocean Park Marriott Hotel", with carrying amounts of approximately HK\$3,148,422,000, HK\$43,267,000, HK\$27,376,000 and HK\$13,305,000 respectively, totalling HK\$3,232,370,000; certain serviced apartments under hotel properties (including related leasehold improvements) and certain construction in progress with aggregate carrying amounts of approximately HK\$378,353,000 and HK\$50,521,000, respectively, were pledged to banks to secure banking facilities granted to the Group (note 37).

At 31 July 2019, the HK Hotel comprising hotel properties, leasehold improvements, furniture, fixtures and equipment, motor vehicles and computers of Hong Kong Ocean Park Marriott Hotel, with carrying amounts of approximately HK\$3,198,571,000, HK\$48,875,000, HK\$34,472,000, HK\$84,000 and HK\$17,241,000, respectively, totalling HK\$3,299,243,000; and certain serviced apartments under hotel properties (including related leasehold improvements) with an aggregate carrying amount of HK\$1,937,198,000 were pledged to banks to secure banking facilities granted to the Group (note 37).

As at 31 July 2020, the Group had conducted an impairment test on property, plant and equipment of certain loss-making subsidiaries. The carrying amounts of the cash-generating units, which included these property, plant and equipment, were in excess of their recoverable amounts as a result of the continuing operating losses incurred and the market conditions and the impact after the outbreak of COVID-19 were out of management's expectation. Accordingly, a provision for impairment of approximately HK\$124,234,000 (2019: HK\$51,760,000) was charged to the consolidated income statement for the year. The estimated recoverable amounts as at 31 July 2020 were determined based on their value in use amounts estimated by using discount rates ranging from 8.55% to 12.4% (2019: 12% to 15.8%).

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15. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
Completed investment properties	34,446,226	34,366,160
Investment properties under construction, at fair value	3,296,777	6,593,776
	37,743,003	40,959,936
Investment properties under construction, at cost*	956,086	1,002,601
	38,699,089	41,962,537

* 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 cannot be reliably measurable.

	Notes	2020 HK\$'000	2019 HK\$'000
Carrying amount at beginning of year		41,962,537	21,460,590
Additions		985,256	1,780,834
Acquisition of subsidiaries	52(b)	—	18,601,100
Finance costs capitalised	8	173,852	144,448
Reclassification to property, plant and equipment upon business combination	14	—	(224,700)
Transfer to construction in progress	14	(59,000)	—
Transfer to right-of-use assets	16(b)	(39,514)	—
Transfer to properties under development	17	(2,001,486)	—
Fair value (losses)/gains, net		(2,015,027)	700,710
Exchange realignment		(307,529)	(500,445)
Carrying amount at end of year		38,699,089	41,962,537

15. INVESTMENT PROPERTIES (CONTINUED)

Most of the investment properties of the Group are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

Certain investment properties of the Group with an aggregate carrying amount of approximately HK\$31,605,942,000 (2019: HK\$32,187,940,000) were pledged to banks to secure banking facilities granted to the Group (note 37).

Valuation process

The directors of the Company have determined that investment properties are completed properties held for rental and investment properties under construction, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 July 2020 based on valuations performed by Savills Valuation and Professional Services Limited, Savills (UK) Limited and Knight Frank Petty Limited, independent professionally qualified valuers, at HK\$17,102,820,000 (2019: HK\$18,545,410,000), HK\$3,234,660,000 (2019: HK\$2,995,650,000) and HK\$17,405,523,000 (2019: HK\$19,418,876,000), respectively. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting.

Fair value measurement using significant unobservable inputs (Level 3)

For completed investment properties, valuations are based on the income approach and the market approach. The income approach is based on capitalisation of the net income and the reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are with 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 in London, the fair values are determined on the basis that they will be redeveloped and completed in accordance with the Group's latest development plans. The valuation is mainly determined by the residual method, and wherever appropriate, by the income approach. The residual method involves calculating the gross development value ("GDV") and deducting the estimated development costs and developer's profit. The income approach capitalises the remaining income profiles of the existing buildings until the latest expiry.

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

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15. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques

Information about fair value measurement using significant unobservable inputs (Level 3) 2020

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Completed properties in Hong Kong	Income approach	Average monthly market rent per square foot	HK\$12 to HK\$355	The higher the market rent, the higher the fair value
		Capitalisation rate	2.7% to 4.4%	The higher the capitalisation rate, the lower the fair value
Completed properties in Mainland China	Income approach	Average monthly market rent per square metre	HK\$29 to HK\$336	The higher the market rent, the higher the fair value
		Capitalisation rate	3.75% to 7.5%	The higher the capitalisation rate, the lower the fair value
Commercial properties in Mainland China	Market approach	Average market unit rate per square metre	HK\$13,800	The higher the market unit rate, the higher the fair value
Residential properties in Mainland China	Market approach	Average market unit rate per square metre	HK\$161,000	The higher the market unit rate, the higher the fair value

15. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

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

2020 (continued)

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties (continued)				
Completed properties in London (with future redevelopment plan)	Residual method	GDV per square foot	HK\$16,062	The higher the GDV, the higher the fair value
		Estimated development costs	HK\$11.1 billion	The higher the estimated development costs, the lower the fair value
		Developer's profit margin	15%	The higher the developer's profit margin, the lower the fair value
Investment properties under construction				
Commercial properties in Mainland China	Residual method	GDV per square metre	HK\$34,000 to HK\$78,000	The higher the GDV, the higher the fair value
		Budgeted costs to completion	HK\$807,200,000	The higher the budgeted costs to completion, the lower the fair value
		Developer's profit margin	4%	The higher the developer's profit margin, the lower the fair value

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15. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

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

2019

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Completed properties in Hong Kong	Income approach	Average monthly market rent per square foot	HK\$15 to HK\$404	The higher the market rent, the higher the fair value
		Capitalisation rate	2.7% to 4.4%	The higher the capitalisation rate, the lower the fair value
Completed properties in Mainland China	Income approach	Average monthly market rent per square metre	HK\$44 to HK\$354	The higher the market rent, the higher the fair value
		Capitalisation rate	4.3% to 7.5%	The higher the capitalisation rate, the lower the fair value
Residential properties in Mainland China	Market approach	Average market unit rate per square metre	HK\$157,000	The higher the market unit rate, the higher the fair value

15. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

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

2019 (continued)

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties (continued)				
Completed properties in London (with future redevelopment plan)	Residual method	GDV per square foot	HK\$15,064	The higher the GDV, the higher the fair value
		Estimated development costs	HK\$10.4 billion	The higher the estimated development costs, the lower the fair value
		Developer's profit margin	15%	The higher the developer's profit margin, the lower the fair value
Investment properties under construction				
Commercial properties in Mainland China	Residual method	GDV per square metre	HK\$14,200 to HK\$79,000	The higher the GDV, the higher the fair value
		Budgeted costs to completion	HK\$283,700,000 to HK\$985,200,000	The higher the budgeted costs to completion, the lower the fair value
		Developer's profit margin	2.0% to 4.5%	The higher the developer's profit margin, the lower the fair value

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).

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16. LEASES

The Group as a lessee

The Group has lease contracts for certain cinema related properties, other properties and equipment for its operations. Leases of cinema related properties generally have lease terms between 2 and 16 years, while other properties generally have lease terms between 2 and 17 years. Leases of equipment generally have lease term of 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

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

	Notes	HK\$'000
Carrying amount at 1 August 2018		18,846
Transfer from construction in progress	14	1,648,000
Amortisation provided for the year	7	(43,405)
Carrying amount at 31 July 2019		1,623,441

(b) Right-of-use assets

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

	Notes	Prepaid land lease payments HK\$'000	Cinema related properties HK\$'000	Other properties HK\$'000	Equipment HK\$'000	Total HK\$'000
At 1 August 2019	2.2	4,510,692	897,644	402,585	179	5,811,100
Additions		6,055	84,617	50,648	3,810	145,130
Lease modification		—	137,657	(12,703)	(305)	124,649
Transfer from investment properties under construction	15	39,514	—	—	—	39,514
Acquisition of subsidiaries	52(a)	—	—	1,671	—	1,671
Termination		—	—	(701)	—	(701)
Depreciation charged	7, 16(d)	(180,726)	(150,471)	(116,666)	(882)	(448,745)
Impairment loss recognised	7, 16(d)	—	(272,073)	(31,091)	(639)	(303,803)
Transfer to assets classified as held for sale		(27,451)	—	—	—	(27,451)
Exchange realignment		(40,712)	(1,142)	(18,167)	115	(59,906)
At 31 July 2020		4,307,372	696,232	275,576	2,278	5,281,458

During the year ended 31 July 2020, the impairment loss of HK\$303,803,000 represented the write-down of the carrying amounts of right-of-use assets of certain cinema related properties, other properties and equipment to their recoverable amounts because the market conditions and the impact after the outbreak of COVID-19 were out of the management's expectation. The estimated recoverable amounts as at 31 July 2020 were determined based on their value in use amounts estimated by using discount rates ranging from 8.55% to 12.4%.

At 31 July 2020, certain of the Group's right-of-use assets with a carrying amount of HK\$2,971,406,000 (2019: prepaid land lease payments of HK\$1,605,623,000), of which HK\$1,549,183,000 (2019: prepaid land lease payments of HK\$1,605,623,000) was in relation to the land on which the HK Hotel is situated, were pledged to secure banking facilities granted to the Group (note 37).

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) Lease liabilities

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

	Notes	2020 HK\$'000
Carrying amount at 1 August 2019	2.2	1,346,668
Additions		127,807
Acquisition of subsidiaries	52(a)	1,671
Accretion of interest recognised during the year	8	56,395
Lease modification		126,669
Payments		(226,710)
Termination		(701)
Rent concessions related to COVID-19	6, 16(d)	(47,156)
Other rent concessions	6, 16(d)	(9,897)
Exchange realignment		(1,412)
Carrying amount at 31 July 2020		1,373,334
Analysed into:		
Current portion		279,984
Non-current portion		1,093,350
		1,373,334

The maturity analysis of lease liabilities is disclosed in note 48 (iv) to the financial statements.

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

	Notes	2020 HK\$'000
Interest on lease liabilities	8	56,395
Depreciation charge of right-of-use assets	7, 16(b)	448,745
Impairment of right-of-use assets	7, 16(b)	303,803
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 July 2020 and low-value assets	7	16,224
Variable lease payments not included in the measurement of lease liabilities	7	8,004
Rent concessions related to COVID-19	6, 16(c)	(47,156)
Other rent concessions	6, 16(c)	(9,897)
Total amount charged to consolidated income statement		776,118

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16. LEASES (CONTINUED)

The Group as a lessee (continued)

(e) Variable lease payments

The Group leased a number of properties which contain variable lease payment terms that are based on the Group's turnover generated from the properties. There are also minimum annual base rental arrangements for these leases.

- (f) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 54(b) and 44(c), respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$1,214,385,000 (2019: HK\$1,267,603,000), details of which are included in note 6 to the financial statements.

At 31 July 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	999,811	1,038,353
In the second to fifth years, inclusive	1,264,529	1,486,611
After five years	279,111	181,247
	2,543,451	2,706,211

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. PROPERTIES UNDER DEVELOPMENT

	Notes	2020 HK\$'000	2019 HK\$'000
At beginning of year, at cost		6,927,171	2,057,612
Acquisition of subsidiaries	52(b)	—	4,667,700
Additions		789,631	2,183,274*
Interest and bank financing charges capitalised	8	124,748	177,470
Transfer from investment properties	15	2,001,486	—
Transfer to completed properties for sale		(5,850,241)	(2,006,111)
Write-down of properties under development to net realisable value	7	(15,037)	(92,003)
Exchange realignment		(153,398)	(60,771)
At end of year, at cost		3,824,360	6,927,171
Analysed into:			
Current		3,824,360	3,881,234
Non-current		—	3,045,937
		3,824,360	6,927,171

* Included in the additions was an amount of HK\$68,170,000 representing the interest recognised and capitalised on the sales proceeds received from customers in connection with the pre-sale of properties upon the adoption of HKFRS 15 on 1 August 2018.

As at 31 July 2020, certain of the Group's properties under development with a total carrying amount of approximately HK\$2,236,013,000 (2019: HK\$1,946,895,000) were pledged to banks to secure banking facilities granted to the Group (note 37).

18. FILM RIGHTS

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

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

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19. FILM AND TV PROGRAM PRODUCTS

	Notes	HK\$'000
Cost:		
At 1 August 2018		—
Acquisition of subsidiaries	52(b)	80,217
Additions		2
Disposal of subsidiaries		(24)
Transfer from films and TV programs under production	31	214,870
Sale of film products		(150,913)
Exchange realignment		(1,346)
At 31 July 2019 and 1 August 2019		142,806
Additions		1,655
Transfer from films and TV programs under production	31	234,266
Sale of film and TV program products		(117,535)
Exchange realignment		(2,388)
At 31 July 2020		258,804
Accumulated amortisation:		
At 1 August 2018		—
Provided during the year	7	69,019
Disposal of subsidiaries		(24)
Exchange realignment		(1,211)
At 31 July 2019 and 1 August 2019		67,784
Provided during the year	7	128,011
Exchange realignment		(2,112)
At 31 July 2020		193,683
Net carrying amount:		
At 31 July 2020		65,121
At 31 July 2019		75,022

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

20. MUSIC CATALOGS

Music catalogs represent song catalogs, music video recording rights and publishing rights of songs acquired.

The Group undertakes a review of its library of music catalogs to assess the marketability/future economic benefits of respective music catalogs and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2020 and 31 July 2019 were determined based on the present value of expected future cash flows generated from the music catalogs, which were discounted using a discount rate of approximately 13% (2019: 13%).

21. GOODWILL

	Notes	HK\$'000
Cost:		
At 1 August 2018		235,778
Exchange realignment		(8,745)
At 31 July 2019 and 1 August 2019		227,033
Acquisition of subsidiaries	52(a)	36,101
Exchange realignment		10,143
At 31 July 2020		273,277
Accumulated impairment:		
At 1 August 2018, 31 July 2019 and 1 August 2019		—
Provided during the year	7	1,319
At 31 July 2020		1,319
Net carrying amount:		
At 31 July 2020		271,958
At 31 July 2019		227,033

Impairment testing of goodwill

CNI CGU

Goodwill of HK\$232,015,000 (2019: HK\$221,872,000) arising from the acquisition of additional equity interests in CNI (as defined in note 50 to the financial statements) and its subsidiaries during the year ended 31 July 2018 was allocated to a cash-generating unit (the "CNI CGU"), which is included in the components of others segment for impairment testing.

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

Details of the impairment test of the CNI CGU are set out in note 22 to the financial statements.

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21. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

F&B CGU A

Goodwill of HK\$3,842,000 (2019: HK\$5,161,000) arising from the acquisition of additional equity interests in three subsidiaries during the year ended 31 July 2016 was allocated to a cash-generating unit (the “**F&B CGU A**”), which is included in the components of the restaurant operation segment for impairment testing.

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

As at 31 July 2020, the carrying amount of the cash-generating unit, which included the goodwill, was in excess of its recoverable amount as a result of the continuing operating losses incurred. Accordingly, an impairment of approximately HK\$1,319,000 (2019: Nil) was recognised in the consolidated income statement for the year.

The recoverable amount of the F&B CGU A has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a two-year period (2019: three-year period) with a growth rate approved by senior management, which is based on management’s expectation for market development. The discount rate applied to the cash flow projections is 12% (2019: 16%).

Assumptions were used in the value in use calculation of the F&B CGU A for the years ended 31 July 2020 and 31 July 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

F&B CGU B

Goodwill of HK\$36,101,000 arising from the F&B Acquisition as disclosed in note 52(a) to the financial statement during the current year was allocated to a cash-generating unit (the “**F&B CGU B**”), which is included in the components of the restaurant operation segment for impairment testing.

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

Details of the impairment test of the F&B CGU B are set out in note 22 to the financial statements.

22. OTHER INTANGIBLE ASSETS

	Notes	Trademarks HK\$'000	Customer relationship HK\$'000	Online movie platform HK\$'000	Total HK\$'000
Cost:					
At 1 August 2018		116,241	4,065	—	120,306
Acquisition of subsidiaries	52(b)	—	—	586	586
Exchange realignment		(5,771)	(204)	—	(5,975)
At 31 July 2019 and 1 August 2019		110,470	3,861	586	114,917
Acquisition of subsidiaries	52(a)	20,272	13,164	—	33,436
Exchange realignment		5,043	176	—	5,219
At 31 July 2020		135,785	17,201	586	153,572
Accumulated amortisation:					
At 1 August 2018		—	—	—	—
Provided during the year	7	—	395	586	981
Exchange realignment		—	(9)	—	(9)
At 31 July 2019 and 1 August 2019		—	386	586	972
Provided during the year	7	—	1,334	—	1,334
Exchange realignment		—	38	—	38
At 31 July 2020		—	1,758	586	2,344
Net carrying amount:					
At 31 July 2020		135,785	15,443	—	151,228
At 31 July 2019		110,470	3,475	—	113,945

Trademarks

Trademarks are regarded as having an indefinite useful life because the trademarked products and services are expected to generate net cash inflows indefinitely.

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22. OTHER INTANGIBLE ASSETS (CONTINUED)

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

The recoverable amount of the CNI CGU has been determined based on a value in use calculation using three-year (2019: three-year) cash flow projections based on financial budgets approved by senior management, which is based on management's expectation for market development. The growth rate used to extrapolate the cash flow of the CNI CGU beyond the three-year (2019: three-year) period is 1.5% (2019: 3%). The discount rate applied to the cash flow projections is 11% (2019: 14%).

Assumptions were used in the value in use calculation of the CNI CGU for the years ended 31 July 2020 and 31 July 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

Impairment testing of goodwill and trademarks with an indefinite useful life allocated to F&B CGU B

The recoverable amount of the F&B CGU B has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which is based on management's expectation for market development. The discount rate applied to the cash flow projections is 12%.

Assumptions were used in the value in use calculation of F&B CGU B for the year ended 31 July 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

23. INVESTMENTS IN ASSOCIATES

	2020 HK\$'000	2019 HK\$'000
Share of net assets	87,294	98,466
Amounts due from associates	415,996	409,907
Provision for impairment	(100,318)	(85,371)
	315,678	324,536
Total	402,972	423,002

The amounts due from associates are unsecured, interest-free, except for amounts due from associates of approximately HK\$9,045,000 (2019: HK\$9,948,000) to the Group as at 31 July 2020 which bear interest at the prevailing market rate, and repayable on demand but are not expected to be repayable in the next 12 months from the end of the reporting period. In the opinion of the directors, these balances are considered as part of the Group's net investments in the associates.

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

	2020 HK\$'000	2019 HK\$'000
At beginning of year	85,371	85,954
Adoption of Amendments to HKAS 28	15,529	—
	100,900	85,954
Impairment loss recognised	99	—
Exchange realignment	(681)	(583)
At end of year	100,318	85,371

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

The associates are accounted for using the equity method in these financial statements. During the year, the Group received dividend income amounting to HK\$2,516,000 (2019: HK\$5,930,000) from associates.

During the year ended 31 July 2019, the Group disposed of an associate for a cash consideration of HK\$23,800,000, and the gain on disposal of HK\$19,705,000, net of professional expenses of HK\$439,000, was recognised in the consolidated income statement.

As at 31 July 2020 and 31 July 2019, there were no material associates which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

Aggregate financial information of associates that are not individually material:

	Year ended 31 July 2020 HK\$'000	Year ended 31 July 2019 HK\$'000
The Group's share of (losses)/profits	(21,186)	31,353
The Group's share of other comprehensive (expense)/income	(1,876)	9,258
The Group's share of total comprehensive (expense)/income	(23,062)	40,611

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24. INVESTMENTS IN JOINT VENTURES

	2020 HK\$'000	2019 HK\$'000
Share of net assets	6,027,368	6,195,230
Amounts due from joint ventures	782,946	1,220,722
Provision for impairment [#]	(46,632)	(4,597)
	736,314	1,216,125
Total	6,763,682	7,411,355

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

The amounts due from joint ventures are unsecured, interest-free and repayable on demand but are not expected to be repayable within the next 12 months from the end of the reporting period, except for an amount of HK\$11,349,000 due from a joint venture which bears interest at The People's Bank of China Benchmark Loan Interest Rate as at 31 July 2019. In the opinion of the directors, these amounts due from joint ventures are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investment in the joint ventures.

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

	2020 HK\$'000	2019 HK\$'000
At beginning of year	4,597	2,834
Adoption of Amendments to HKAS 28	41,138	—
	45,735	2,834
Impairment loss recognised (note 7)	1,468	1,763
Exchange realignment	(571)	—
At end of year	46,632	4,597

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

All the joint ventures are accounted for using the equity method in these financial statements. During the year ended 31 July 2020, the Group received dividend income amounting to HK\$70,000,000 (2019: HK\$1,774,100,000) from the joint ventures.

Details of the principal joint ventures are set out in note 51 to the financial statements.

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

24. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Best Value International Limited and its subsidiaries (the “Best Value Group”)

The Best Value Group, a 50%-owned joint venture of LSD, principally held a property for rental in Hong Kong. The property, “8 Observatory Road”, is located at 8 Observatory Road, Tsim Sha Tsui, Hong Kong. During the year ended 31 July 2019, the Group sold its entire equity interest in the Best Value Group and a gain of approximately HK\$8,158,000 was recognised in “other revenue and gains” on the face of the consolidated income statement.

	Year ended 31 July 2019 HK\$'000
Turnover	65,519
Loss and total comprehensive expense for the year	(1,933)
The above loss and total comprehensive expense for the year include the following:	
Interest expense	(32,611)

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24. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Diamond Path Limited and its subsidiaries (the “Diamond Path Group”)

The Diamond Path Group, a 50%-owned joint venture of LSD, was principally engaged in the development of a residential/commercial project in Hong Kong. The project, “Alto Residences”, is located at Area 68A2, Tseung Kwan O, Hong Kong.

	31 July 2020 HK\$'000	31 July 2019 HK\$'000
Current assets	1,495,317	1,678,742
Non-current assets	1,390,777	1,517,939
Total assets	2,886,094	3,196,681
Current liabilities	(412,747)	(394,747)
Non-current liabilities	(1,217,340)	(1,672,884)
Total liabilities	(1,630,087)	(2,067,631)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	31,599	130,495
Non-current financial liabilities (excluding creditors, other payables and accruals)	(1,077,768)	(1,524,230)
	Year ended 31 July 2020 HK\$'000	Year ended 31 July 2019 HK\$'000
Turnover	403,827	5,368,864
Profit and total comprehensive income for the year	126,957	1,190,599
The above profit and total comprehensive income for the year include the following:		
Interest income	6,708	4,934

24. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Diamond Path Limited and its subsidiaries (the “Diamond Path Group”) (continued)

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

	31 July 2020 HK\$'000	31 July 2019 HK\$'000
Net assets of the Diamond Path Group	1,256,007	1,129,050
LSD's 50% ownership interest in the Diamond Path Group	628,003	564,525
Amount due from the Diamond Path Group	503,859	762,147
Carrying amount of the Group's interest in the Diamond Path Group	1,131,862	1,326,672

Diamond String Limited (“Diamond String”)

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

	31 July 2020 HK\$'000	31 July 2019 HK\$'000
Current assets	236,336	190,405
Non-current assets	11,850,032	12,961,314
Total assets	12,086,368	13,151,719
Current liabilities	(40,690)	(32,448)
Non-current liabilities	(1,785,686)	(1,781,567)
Total liabilities	(1,826,376)	(1,814,015)

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24. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Diamond String Limited (“Diamond String”) (continued)

	31 July 2020 HK\$'000	31 July 2019 HK\$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	284,121	237,495
Non-current financial liabilities (excluding creditors, other payables and accruals)	(1,753,804)	(1,751,091)
	Year ended 31 July 2020 HK\$'000	Year ended 31 July 2019 HK\$'000
Turnover	274,322	279,031
(Loss)/profit and total comprehensive (expense)/income for the year	(937,710)	172,797
The above (loss)/profit and total comprehensive (expense)/income for the year include the following:		
Interest income	2,591	2,953
Interest expense	(48,084)	(47,618)
Reconciliation of the above summarised financial information of Diamond String to the carrying amount of the interest in Diamond String recognised in the financial statements is as follows:		
	31 July 2020 HK\$'000	31 July 2019 HK\$'000
Net assets of Diamond String	10,259,992	11,337,702
LSD's 50% ownership interest in Diamond String	5,129,996	5,668,851
Amount due from Diamond String	393,522	393,522
Carrying amount of the Group's interest in Diamond String	5,523,518	6,062,373

24. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Aggregate financial information of joint ventures that are not individually material:

	Year ended 31 July 2020 HK\$'000	Year ended 31 July 2019 HK\$'000
The Group's share of losses	(17,645)	(31,410)
The Group's share of other comprehensive expense	(63)	(6,894)
The Group's share of total comprehensive expense	(17,708)	(38,304)
	2020 HK\$'000	2019 HK\$'000
Aggregate carrying amount of the Group's investments in joint ventures	108,302	22,310

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2020 HK\$'000	2019 HK\$'000
Financial assets at fair value through other comprehensive income			
Listed equity investment, at fair value	(i)	39,280	44,298
Unlisted equity investments, at fair value	(ii)	1,687,191	1,874,320
Listed debt investments, at fair value		114,123	217,713
		1,840,594	2,136,331

During the year ended 31 July 2019, the Group disposed of certain financial assets at fair value through other comprehensive income, of which the aggregate amount of fair values on the dates of sale and the accumulated losses recognised in other comprehensive income of HK\$19,692,000 were transferred to retained profits.

Notes:

- (i) The equity investment is an investment in a company listed on the Stock Exchange and was irrevocably designated at fair value through other comprehensive income as the Group considers such investment to be strategic in nature.
- (ii) As at 31 July 2020, included in unlisted equity investments was an equity interest in Bayshore Development Group Limited ("**Bayshore**") of approximately HK\$1,562,623,000 (2019: HK\$1,695,920,000). The principal activity of Bayshore is property investment.

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26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2020 HK\$'000	2019 HK\$'000
Listed equity investments	(i)	168	34,106
Unlisted equity investments	(i)	37,757	43,025
Unlisted debt investments	(ii)	121,485	93,341
Unlisted fund investments	(ii)	983,034	748,457
		1,142,444	918,929
Less: Portion classified as current		(153,251)	(230,273)
Non-current portion		989,193	688,656

Notes:

- (i) The equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.
- (ii) The unlisted debt investments and unlisted fund investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current financial assets — Cross currency swap agreements (the "CCSs")			
— For LSD 2017 Guaranteed Notes (the "CCS — LSD 2017 Notes")	(a)	13,410	33,203
— For Lai Fung 2018 Guaranteed Notes (the "CCS — LF 2018 Notes")	(b)	6,821	20,581
		20,231	53,784
Current financial liabilities — Foreign currency forward contract		5,852	—

27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The movements in the financial assets/(liabilities) arising from the derivative financial instruments during the year are as follows:

	CCS - LSD 2017 Notes HK\$'000	CCS - LF 2018 Notes HK\$'000	CCS - Total HK\$'000	Foreign currency forward contract HK\$'000
Carrying amount as at 1 August 2018	6,171	—	6,171	—
Acquisition of subsidiaries (note 52(b))	—	2,531	2,531	—
Fair value gains credited to the consolidated income statement (note 7)	27,032	18,050	45,082	—
Carrying amount as at 31 July 2019 and 1 August 2019	33,203	20,581	53,784	—
Fair value losses charged to the consolidated income statement (note 7)	(19,793)	(13,760)	(33,553)	(5,852)
Carrying amount as at 31 July 2020	13,410	6,821	20,231	(5,852)

(a) CCS — LSD 2017 Notes

During the year ended 31 July 2018, the Group has entered into the CCS — LSD 2017 Notes with financial institutions with an aggregate nominal amount of US\$400,000,000 in connection with the guaranteed notes as detailed in note 36(a) to the financial statements.

Pursuant to the terms of the CCS — LSD 2017 Notes, the Group receives an amount semi-annually in arrears calculated based on a fixed rate of 4.6% per annum on the aggregate notional amount of US\$400,000,000 during the term of five years, and pays an amount semi-annually in arrears calculated based on a fixed rate of 4.28% per annum on the aggregate notional amount of HK\$3,121,400,000 (being the HK\$ equivalent amount of US\$400,000,000 translated at a contracted exchange rate of US\$1 to HK\$7.8035) during the term of five years. Upon maturity, the Group will receive the aggregate notional amount of US\$400,000,000 and will pay the aggregate notional amount of HK\$3,121,400,000.

The CCS — LSD 2017 Notes are not designed for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the CCS — LSD 2017 Notes amounting to HK\$19,793,000 were charged to the consolidated income statement (2019: HK\$27,032,000 were credited to the consolidated income statement) during the year.

(b) CCS — LF 2018 Notes

During the year ended 31 July 2018, Lai Fung and its subsidiaries (the “Lai Fung Group”) has entered into the CCS — LF 2018 Notes with the financial institutions with an aggregate nominal amount of US\$350,000,000 in connection with the guaranteed notes as detailed in note 36(b) to the financial statements.

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27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) CCS — LF 2018 Notes (continued)

Pursuant to the terms of the CCS — LF 2018 Notes, the Lai Fung Group receives an amount semi-annually calculated based on a fixed rate of 5.65% per annum on the aggregate notional amount of US\$350,000,000 during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date — LF 2018 Notes (as defined in note 36(b)), and pays an amount semi-annually calculated based on a fixed rate of 5.37% per annum on the aggregate notional amount of HK\$2,738,225,000 (being the HK\$ equivalent amount of US\$350,000,000 translated at a contracted exchange rate of US\$1 to HK\$7.8235) during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date — LF 2018 Notes. Before 18 January 2023, the Lai Fung Group will receive the aggregate notional amount of US\$350,000,000 and will pay the aggregate notional amount of HK\$2,738,225,000.

The CCS — LF 2018 Notes are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the CCS — LF 2018 Notes amounting to HK\$13,760,000 were charged to the consolidated income statement (2019: HK\$18,050,000 were credited to the consolidated income statement) during the year.

28. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 July 2020 HK\$'000	31 July 2019 HK\$'000
Loan receivables:		
Variable-rate mortgage loan receivables	154,957	61,636
Fixed-rate other loan receivables	—	45,775
	154,957	107,411
Deposits, prepayments, other receivables and other assets	1,092,530	1,294,941
	1,247,487	1,402,352
Less: Portion classified as current	(910,519)	(1,089,899)
Non-current portion	336,968	312,453

28. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Movements in the loss allowance for impairment of financial assets included in deposits, prepayments, other receivables and other assets are as follows:

	2020 HK\$'000	2019 HK\$'000
At the beginning of the reporting period	21,178	—
Impairment (note 7)	24,965	22,209
Write-back of impairment loss recognised (note 7)	—	(567)
Write-off	(3,203)	(350)
Exchange realignment	(231)	(114)
At the end of the reporting period	42,709	21,178

As at 31 July 2020 and 2019, the ECLs were estimated by applying a credit risk approach with reference to the historical loss record of the Group as at 31 July 2020 and 2019. The loss allowance for impairment of financial assets included in deposits, prepayments, other receivables and other assets is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

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29. PLEDGED AND RESTRICTED BANK BALANCES AND TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	4,388,558	4,117,524
Time deposits	1,794,012	1,381,283
	6,182,570	5,498,807
Less: Non-current portion of pledged balances for bank borrowings:		
Bank balances	(31,118)	(31,174)
Time deposits	(57,275)	(75,169)
	(88,393)	(106,343)
Less: Current portion of pledged balances for bank borrowings or banking facilities:		
Bank balances pledged for bank borrowings	(759,943)	(861,036)
Bank balance pledged for banking facilities ^Δ	—	(86,480)
Time deposits pledged for bank borrowings	(536,589)	(436,793)
Time deposits pledged for banking facilities	(120)	(120)
	(1,296,652)	(1,384,429)
Less: Current portion of restricted balances*:		
Bank balances	(389,055)	(98,954)
Time deposits	(220,692)	(15,384)
	(609,747)	(114,338)
	(1,906,399)	(1,498,767)
Cash and cash equivalents	4,187,778	3,893,697

^Δ The balance was pledged to a bank in respect of guarantee letters issued by the bank in favour of a government authority.

* As at 31 July 2020, a cash balance of HK\$205,000,000 (2019: Nil) was held by a bank for certain banking facilities of the Group. Such cash balance is restricted to be used by the Group and such restriction will be uplifted upon the renewal or repayment of the banking facilities.

In accordance with the relevant laws and regulations imposed by the government authorities concerned or the terms and conditions set out in the relevant bank loan agreements, proceeds from the pre-sale of certain properties in Mainland China 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.

29. PLEDGED AND RESTRICTED BANK BALANCES AND TIME DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

* (continued)

In accordance with the relevant laws and regulations imposed by the government authorities concerned, estimated resettlement costs of certain sites for development in Mainland China 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 bank balances and deposits are required to be placed into designated bank accounts restricted as to use. As at 31 July 2020, the balances was HK\$15,785,000 (2019: HK\$15,479,000) in aggregate.

The conversion of Vietnamese Dong (“VND”)/Renminbi (“RMB”) denominated cash and bank balances and time deposits into foreign currencies and the remittance of such foreign currencies denominated balances out of Vietnam/the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the respective government authorities concerned. As at 31 July 2020, such VND and RMB denominated cash and bank balances and time deposits of the Group amounted to approximately HK\$76,984,000 (2019: HK\$107,995,000) and approximately HK\$2,362,066,000 (2019: HK\$2,571,931,000), respectively.

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

30. COMPLETED PROPERTIES FOR SALE

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

As at 31 July 2020, certain of the Group’s completed properties for sale with a total carrying amount of approximately HK\$1,019,245,000 (2019: Nil) were pledged to banks to secure banking facilities granted to the Group (note 37).

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31. FILMS AND TV PROGRAMS UNDER PRODUCTION AND FILM INVESTMENTS

	Notes	2020 HK\$'000	2019 HK\$'000
Films and TV programs under production	(i)	296,668	408,776
Film investments, at fair value	(ii)	16,716	8,466
		313,384	417,242

Notes:

(i) **Films and TV programs under production**

	Notes	2020 HK\$'000	2019 HK\$'000
At the beginning of the reporting period		408,776	—
Acquisition of subsidiaries	52(b)	—	469,585
Additions (including the capitalisation of staff costs of nil (2019: HK\$7,964,000))		141,825	236,994
Transfer to film and TV program products	19	(234,266)	(214,870)
Impairment [#]	7	(12,439)	(64,310)
Disposal of subsidiaries	53	—	(14,813)
Exchange realignment		(7,228)	(3,810)
At the end of the reporting period		296,668	408,776

[#] The impairment of films and TV programs under production was made based on the management's estimation of the recoverable amount against the carrying amount.

(ii) **Film investments, at fair value**

	2020 HK\$'000	2019 HK\$'000
Film investments classified as financial assets at fair value through profit or loss:		
At the beginning of the reporting period	8,466	—
Additions	13,472	8,591
Changes in fair value	(5,014)	—
Exchange realignment	(208)	(125)
At the end of the reporting period	16,716	8,466

32. ASSETS CLASSIFIED AS HELD FOR SALE

Balances as at 31 July 2020 and 2019 included two blocks of serviced apartments located in Zhongshan (namely, STARR Resort Residence Zhongshan) which were offered for sale with carrying amounts of approximately HK\$14,952,000 and HK\$142,883,000, respectively. 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.

Balance as at 31 July 2020 also included a property located in Macau in which a provisional sale and purchase agreement was entered into between the Group and an independent third party in relation to a disposal for a cash consideration of HK\$31,000,000. The disposal was completed subsequent to the end of the reporting period. As a result, the property with an aggregate carrying amount of HK\$33,115,000 previously classified as property, plant and equipment and right-of-use assets was transferred to assets classified as held for sale.

33. DEBTORS

The Group (other than the eSun Group) maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on a cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements. The Group's debtors related to a large number of diversified customers and there is no significant concentration of credit risk.

The trading terms of eSun Group with its customers are mainly on credit. Invoices are normally payable within 30 to 90 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. eSun Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Since eSun Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within eSun Group as the customer bases of the eSun Group's debtors are widely dispersed in different sectors and industries. The eSun Group's debtors are non-interest-bearing.

Other than rental deposits received, the Group does not hold any collateral or other credit enhancements over these balances.

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33. DEBTORS (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
Debtors:		
Not yet due or less than 30 days past due	247,864	241,259
31 — 60 days past due	20,095	28,119
61 — 90 days past due	8,816	7,390
Over 90 days past due	34,913	26,084
	311,688	302,852

The movements in loss allowance for the impairment of debtors are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of year	693	—
Impairment losses, net (note 7)	15,084	693
Write-off	(59)	—
Exchange realignment	875	—
At end of year	16,593	693

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for group of various customer segments with shared risks characteristics. The provision matrix reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's debtors using a provision matrix analysed by the payment due date:

As at 31 July 2020	Past due			Total
	Current to 30 days	30 to 90 days	Over 90 days	
Expected credit loss rate	0.1%	4%	30%	5%
Gross carrying amount (HK\$'000)	248,064	30,067	50,150	328,281
Expected credit losses (HK\$'000)	200	1,156	15,237	16,593

33. DEBTORS (CONTINUED)

As at 31 July 2019	Past due			Total
	Current to 30 days	30 to 90 days	Over 90 days	
Expected credit loss rate	0%	0%	3%	0.2%
Gross carrying amount (HK\$'000)	241,259	35,509	26,777	303,545
Expected credit losses (HK\$'000)	—	—	693	693

34. CREDITORS, OTHER PAYABLES AND ACCRUALS

An ageing analysis of the creditors, based on the date of receipt of the goods and services purchased/ payment due date, as at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
Creditors:		
Not yet due or less than 30 days past due	361,088	996,421
31 — 60 days past due	34,855	8,834
61 — 90 days past due	1,411	6,376
Over 90 days past due	19,512	10,263
	416,866	1,021,894
Other payables and accruals	2,768,225	2,045,747
Put option liabilities (Note)	277,086	279,720
	3,462,177	3,347,361
Less: Portion classified as current	(3,462,177)	(3,259,951)
Non-current portion	—	87,410

The creditors and other creditors are non-interest-bearing and normally with an average credit term of one to three months.

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34. CREDITORS, OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note:

On 31 December 2018, Rosy Commerce Holdings Limited ("**Rosy Commerce**", a company indirectly owned by Lai Fung and eSun as to 80% and 20%, respectively) and China Cinda (HK) Asset Management Co., Limited ("**Cinda**"), an independent third party, entered into two investment agreements (the "**Agreements**"). Pursuant to the Agreements, Cinda agrees to invest, by way of share subscription and/or share sale, in two wholly-owned subsidiaries of Rosy Commerce, namely Harmonic Run Limited ("**HRL**") and Glorious Stand Limited ("**GSL**") at a total consideration (the "**Consideration**") of approximately US\$35,752,000 (the "**Transaction**"). The Transaction was completed on 25 January 2019 and Cinda became a holder of 30% equity interests in HRL and GSL.

On 25 January 2019, Rosy Commerce and Cinda further entered into two shareholders' agreements, pursuant to the buy-back clause contained therein, upon the occurrence of certain triggering events during the six-year investment period, Rosy Commerce has a contractual obligation to buy-back the 30% equity interests in each of HRL and GSL from Cinda at an aggregate amount equal to the Consideration. Accordingly, financial liabilities of approximately US\$35,752,000 (equivalent to approximately HK\$277,086,000) (2019: US\$35,752,000 (equivalent to approximately HK\$279,720,000)) were recorded as put option liabilities under "Creditors, other payables and accruals" of the consolidated statement of financial position as at the end of the reporting period.

Further details of the Transaction are set out in a joint announcement of the Company, LSD, eSun and Lai Fung dated 2 January 2019.

35. DEPOSITS RECEIVED, DEFERRED INCOME AND CONTRACT LIABILITIES

An analysis of the deposits received, deferred income and contract liabilities is as follows:

	2020 HK\$'000	2019 HK\$'000
Deposits received and deferred income	803,892	807,483
Contract liabilities (Note)	508,821	1,141,572
	1,312,713	1,949,055
Less: Portion classified as current	(1,106,385)	(1,682,573)
Non-current portion	206,328	266,482

35. DEPOSITS RECEIVED, DEFERRED INCOME AND CONTRACT LIABILITIES (CONTINUED)

Note:

Details of contract liabilities are as follows:

	2020 HK\$'000	2019 HK\$'000
Contract liabilities arising from:		
Sales of properties	299,072	873,478
Other operations	209,749	268,094
	508,821	1,141,572

Contract liabilities mainly include sales proceeds received in advance from buyers in connection with the Group's sale and pre-sale of properties and interest on the sales proceeds received and consideration received in advance from customers and deferred revenue under media and entertainment and film and TV program operations. The decrease in contract liabilities during the years ended 31 July 2020 and 2019 was mainly due to the decrease in the sales proceeds received in advance from buyers as the properties are delivered to the buyers and the related sales proceeds are recognised as revenue.

36. GUARANTEED NOTES

	Notes	2020 HK\$'000	2019 HK\$'000
US\$400,000,000 4.6% guaranteed notes ("LSD 2017 Notes")	(a)	3,088,832	3,113,376
US\$350,000,000 5.65% guaranteed notes ("LF 2018 Notes")	(b)	2,629,047	2,623,278
		5,717,879	5,736,654
Analysed into:			
Guaranteed notes repayable:			
In the third to fifth years, inclusive		5,717,879	5,736,654

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36. GUARANTEED NOTES (CONTINUED)

Notes:

(a) LSD 2017 Notes

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

The net proceeds from the offering of the LSD 2017 Notes were approximately US\$396,000,000 and were used for refinancing the guaranteed notes issued in 2013 and general corporate purposes.

	2020 HK\$'000	2019 HK\$'000
Guaranteed notes	3,100,000	3,129,600
Issue expenses	(11,168)	(16,224)
Carrying amount at the end of the reporting period	3,088,832	3,113,376
Fair value of the LSD 2017 Notes	3,068,225	3,018,750

The fair value was determined by reference to the closing price of the LSD 2017 Notes published by a leading global financial market data provider as at 31 July 2020.

In connection with the LSD 2017 Notes, the Group entered into the CCS — LSD 2017 Notes with financial institutions, which have effectively converted the LSD 2017 Notes into fixed rate HK\$ denominated debts. Taking into account the CCS — LSD 2017 Notes, the effective interest rate of the LSD 2017 Notes is 4.28% per annum. Details of the CCS — LSD 2017 Notes are set out in note 27(a) to the financial statements.

(b) LF 2018 Notes

On 18 January 2018, Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of Lai Fung, issued US\$350,000,000 of 5.65% fixed rate guaranteed notes (“**LF 2018 Notes**”), which will mature on 18 January 2023 for bullet repayment. The LF 2018 Notes bear interest from 18 January 2018 and are payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2018 (each, an “**Interest Payment Date — LF 2018 Notes**”). The LF 2018 Notes are listed on the Stock Exchange.

The LF 2018 Notes were guaranteed by Lai Fung and also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from LSD.

36. GUARANTEED NOTES (CONTINUED)

Notes: (continued)

(b) LF 2018 Notes (continued)

The LF 2018 Notes were issued for the refinancing of the fixed rate senior notes which matured on 25 April 2018 and for general corporate purposes. The net proceeds from the LF 2018 Notes after deducting issue expenses amounted to approximately HK\$2,712,758,000.

The LF 2018 Notes recognised in the consolidated statement of financial position are calculated as follows:

	2020 HK\$'000	2019 HK\$'000
Carrying amount at the beginning of the reporting period	2,623,278	—
Acquisition of subsidiaries (note 52(b))	—	2,602,991
Amortisation during the year	30,265	28,453
Exchange realignment	(24,496)	(8,166)
Carrying amount at the end of the reporting period	2,629,047	2,623,278
Fair value of the LF 2018 Notes	2,528,148	2,667,667

The fair value was determined by reference to the closing price of the LF 2018 Notes published by a leading global financial market data provider as at 31 July 2020.

The effective interest rate of the LF 2018 Notes is 5.86% per annum.

In connection with the LF 2018 Notes, Lai Fung entered into the CCS — LF 2018 Notes with financial institutions, which have effectively converted the LF 2018 Notes into fixed rate HK\$ denominated debts. Taking into account the CCS — LF 2018 Notes, the effective interest rate of the LF 2018 Notes is 5.58% per annum. Details of the CCS — LF 2018 Notes are set out in note 27(b) to the financial statements.

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37. BANK BORROWINGS

	Effective annual interest rate (%)	2020 HK\$'000	2019 HK\$'000
Current			
Bank borrowings — secured	1.7 — 5.9 (2019: 2.9 — 6.1)	7,807,674	4,192,465
Bank borrowings — unsecured	2.1 — 6.7 (2019: 3.9 — 6.8)	633,619	104,458
		8,441,293	4,296,923
Non-current			
Bank borrowings — secured	1.7 — 5.9 (2019: 2.9 — 6.1)	6,305,076	8,468,210
Bank borrowings — unsecured	2.4 — 6.7 (2019: 5.3 — 6.8)	1,796,559	1,197,335
		8,101,635	9,665,545
		16,542,928	13,962,468
Analysed into:			
Bank borrowings repayable:			
Within one year		8,441,293	4,296,923
In the second year		417,465	4,483,689
In the third to fifth years, inclusive		6,667,219	4,041,828
Beyond five years		1,016,951	1,140,028
		16,542,928	13,962,468

37. BANK BORROWINGS (CONTINUED)

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

- (i) fixed charges over certain items of property, plant and equipment, certain right-of-use assets/prepaid land lease payments, certain investment properties and certain properties under development of the Group with carrying amounts of approximately HK\$3,232,370,000 (2019: HK\$3,299,243,000) (note 14), HK\$1,549,183,000 (2019: HK\$1,605,623,000) (note 16(b)), HK\$20,113,660,000 (2019: HK\$21,297,650,000) (note 15) and HK\$236,107,000 (2019: HK\$861,573,000) (note 17), respectively;
- (ii) floating charges over all assets of certain subsidiaries of the Group with an aggregate carrying amount of approximately HK\$13,711,719,000 (2019: HK\$14,442,962,000), of which the carrying amounts of the items of property, plant and equipment, right-of-use assets/prepaid land lease payments, investment properties and properties under development of approximately HK\$3,232,370,000 (2019: HK\$3,299,243,000), HK\$1,549,183,000 (2019: HK\$1,605,623,000), HK\$8,084,660,000 (2019: HK\$8,325,650,000) and HK\$236,107,000 (2019: HK\$861,573,000), respectively, are also included in note (i) above;
- (iii) mortgages over certain serviced apartments under hotel properties (including related leasehold improvements) of the Group with an aggregate carrying amount of HK\$378,353,000 (2019: HK\$1,937,198,000) (note 14);
- (iv) mortgage over certain construction in progress of the Group with an aggregate carrying amount of HK\$50,521,000 (2019: Nil) (note 14);
- (v) mortgage over certain right-of-use assets of the Group with an aggregate carrying amount of HK\$1,422,223,000 (2019: Nil) (note 16(b));
- (vi) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK\$1,999,906,000 (2019: HK\$1,085,322,000) (note 17);
- (vii) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK\$11,492,282,000 (2019: HK\$10,890,290,000) (note 15);
- (viii) mortgages over certain completed properties for sale of the Group with an aggregate carrying amount of HK\$1,019,245,000 (2019: Nil) (note 30);
- (ix) charges over certain bank balances and time deposits of the Group with an aggregate carrying amounts of approximately HK\$1,385,045,000 (2019: HK\$1,490,772,000) (note 29); and
- (x) charges over the shares of certain subsidiaries held by the Group (note 50).

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38. OTHER BORROWINGS

	Notes	Effective annual interest rate (%)	2020 HK\$'000	2019 HK\$'000
Current:				
Other borrowing — unsecured	(i)	—	41,050	41,440
Non-current:				
Interest-bearing borrowings — unsecured	(ii), (v)	5.0 (2019: 5.1)	274,188	266,900
Other borrowing — unsecured	(iii), (v)	—	51,738	53,006
Note payable — unsecured	(iv), (v)	5.0 (2019: 5.1)	360,017	350,194
			685,943	670,100
			726,993	711,540
Maturity profile:				
Within one year			41,050	41,440
In the second year			685,943	670,100
			726,993	711,540

Notes:

- (i) Rosy Commerce and Cinda entered into two shareholders' loan agreements on 25 January 2019, pursuant to which, Cinda provided non-interest-bearing initial shareholder loans of an aggregate amount of US\$ equivalent of RMB36,000,000 (equivalent to approximately HK\$41,050,000 (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, and the occurrence of the buy-back triggering events mentioned in note 34 to the financial statements.
- (ii) The unsecured other borrowings represented amounts due to the late Mr. Lim Por Yen which bear interest at The Hongkong and Shanghai Banking Corporation Limited prime rate per annum except for the accrued interest portion with an amount and HK\$129,505,000 (2019: HK\$122,217,000) which is interest-free.
- (iii) The unsecured other borrowing represented an amount due to the late Mr. Lim Por Yen which is interest-free.
- (iv) The unsecured note payable represented a loan note payable to the late Mr. Lim Por Yen which bears interest at The Hongkong and Shanghai Banking Corporation Limited prime rate per annum except for the accrued interest portion with an amount of HK\$165,017,000 (2019: HK\$155,194,000).
- (v) At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed to the Group that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from the end of the respective reporting periods.

39. DEFERRED TAX

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

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets	4,259	39,371
Deferred tax liabilities	(5,078,720)	(5,535,762)
	(5,074,461)	(5,496,391)

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

	Notes	Accelerated tax depreciation HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Revaluation of properties HK\$'000	Withholding tax HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 August 2018		(217,550)	—	—	—	34,921	(24,922)	(207,551)
Deferred tax (charged)/credited to the consolidated income statement during the year	11	(59,945)	239,114	(52,875)	10,959	(14,785)	2,239	124,707
Deferred tax utilised during the year		—	—	—	20,927	—	—	20,927
Acquisition of subsidiaries	52(b)	(594,132)	(2,731,003)	(2,074,939)	(124,844)	21,714	—	(5,503,204)
Exchange realignment		9,127	28,232	30,104	—	(68)	1,335	68,730
At 31 July 2019 and 1 August 2019		(862,500)	(2,463,657)	(2,097,710)	(92,958)	41,782	(21,348)	(5,496,391)
Deferred tax (charged)/credited to the consolidated income statement during the year	11	(54,775)	293,021	149,617	(9,293)	(11,027)	(3,024)	364,519
Deferred tax utilised during the year		—	—	—	3,489	—	—	3,489
Exchange realignment		14,632	(15,146)	55,447	—	96	(1,107)	53,922
At 31 July 2020		(902,643)	(2,185,782)	(1,892,646)	(98,762)	30,851	(25,479)	(5,074,461)

At 31 July 2020, the Group had tax losses arising in Hong Kong of approximately HK\$4.8 billion (2019: HK\$3.8 billion) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

As at 31 July 2020, the Group had tax losses arising in Mainland China of HK\$0.7 billion (2019: HK\$0.4 billion) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

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39. DEFERRED TAX (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is either 5% or 10% (2019: 5% or 10%). The Group is therefore liable for withholding taxes on dividends to be distributed by those subsidiaries and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

For the investment properties that are located in Mainland China, they are held by certain subsidiaries with a business model to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale, the presumption is rebutted and related deferred tax is determined based on recovery of use. For the remaining investment properties, the tax consequence is on the presumption that they are recovered entirely by sale.

At 31 July 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$21 million as at 31 July 2020 (2019: HK\$13 million).

40. SHARE CAPITAL

	2020		2019	
	Number of shares	Total amount HK\$'000	Number of shares	Total amount HK\$'000
Issued and fully paid ordinary shares	392,610,623	1,297,237	386,879,622	1,250,152

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

	Notes	Number of shares in issue	Total amount HK\$'000
At 1 August 2018		385,137,657	1,232,007
Shares issued in lieu of cash dividend	a	1,467,165	16,069
Share options exercised	b	274,800	2,076
At 31 July 2019 and 1 August 2019		386,879,622	1,250,152
Shares issued in lieu of cash dividend	c	1,603,337	15,902
Share options exercised	d	4,127,664	31,183
At 31 July 2020		392,610,623	1,297,237

40. SHARE CAPITAL (CONTINUED)

Notes:

- a. On 21 December 2018, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.074 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, 1,467,165 new shares were issued by the Company at a deemed price of HK\$10.952 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\$16,069,000 of the 2018 Final Dividend. The remaining balance of the 2018 Final Dividend of HK\$12,431,000 was satisfied by cash.

Further details of the 2018 Scrip Dividend Scheme are set out in the Company's circular dated 10 January 2019.

- b. During the year ended 31 July 2019, 274,800 ordinary shares were issued in respect of share options exercised under the Company's share option scheme at an exercise price of HK\$6.05 per share and total cash consideration of HK\$1,663,000 was received. The share option reserve of HK\$413,000 was released to the share capital.

- c. On 20 December 2019, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.074 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, 1,603,337 new shares were issued by the Company at a deemed price of HK\$9.918 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\$15,902,000 of the 2019 Final Dividend. The remaining balance of the 2019 Final Dividend of HK\$12,727,000 was satisfied by cash.

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

- d. During the year ended 31 July 2020, 4,127,664 ordinary shares were issued in respect of share options exercised under the Company's share option scheme at an exercise price of HK\$6.05 per share and total cash consideration of approximately HK\$24,973,000 was received. The share option reserve of HK\$6,210,000 was released to the share capital.

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41. SHARE OPTION SCHEMES

(a) The Company

2006 Share Option Scheme

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

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

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant except a substantial shareholder or an independent non-executive director of the Company or any of their associates (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the Company’s shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors of the Company. In addition, any grant of share options 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 share at the date of grant) in excess of HK\$5 million, within any 12-month period, is 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 28 days from the date of offer to be accompanied by payment of a consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors of the Company save that such period must not be more than 10 years from the date of grant of the share options.

41. SHARE OPTION SCHEMES (CONTINUED)

(a) The Company (continued)

2006 Share Option Scheme (continued)

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

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

2015 Share Option Scheme

At the annual general meeting of the Company held on 11 December 2015, the shareholders of the Company approved the adoption of a new share option scheme (the "2015 Share Option Scheme") which became effective on 23 December 2015 and the termination of the 2006 Share Option Scheme. Upon the termination of the 2006 Share Option Scheme, no further options can be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2006 Share Option Scheme.

The purpose of the 2015 Share Option Scheme is designed to recognise the contribution or future contribution of the eligible participants to the Group by granting share options to them as incentives or rewards and to attract and motivate high-calibre eligible participants in line with the performance goals of the relevant entities. Eligible participants include but are not limited to the directors and any employee of the Group. Unless otherwise cancelled or amended, the 2015 Share Option Scheme will remain in force for 10 years from 23 December 2015.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the 2015 Share Option Scheme (i) shall not exceed 10% of the shares of the Company in issue as at the date of adopting the 2015 Share Option Scheme; (ii) shall not exceed 30% of the shares of the Company in issue from time to time; and (iii) to each eligible participant and within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval of shareholders of the Company 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 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 in the respective general meetings.

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41. SHARE OPTION SCHEMES (CONTINUED)

(a) The Company (continued)

2015 Share Option Scheme (continued)

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of the Company, save that such period shall not be longer than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, which shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant.

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

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

	2020		2019	
	Number of the Company's underlying shares comprised in share options	Weighted average exercise price per share HK\$	Number of the Company's underlying shares comprised in share options	Weighted average exercise price per share HK\$
Outstanding at beginning of year	17,059,684	12.559	17,334,484	12.456
Exercised during the year	(4,127,664)	6.05	(274,800)	6.05
Outstanding at end of year	12,932,020	14.637	17,059,684	12.559

41. SHARE OPTION SCHEMES (CONTINUED)

(a) The Company (continued)

2015 Share Option Scheme (continued)

The exercise prices and exercise periods of the Company's share options outstanding as at the end of the reporting period are as follows:

2020			
Number of the Company's underlying shares comprised in share options	Exercise price per share* HK\$	Exercise period	
984,611	6.050	18/01/2013 to 17/01/2023	
116,000	6.400	26/07/2013 to 25/07/2023	
40,000	5.250	21/01/2015 to 20/01/2025	
7,971,741	15.000	19/06/2017 to 18/06/2027	
3,819,668	16.440	28/07/2017 to 27/07/2027	
12,932,020			
2019			
Number of the Company's underlying shares comprised in share options	Exercise price per share* HK\$	Exercise period	
5,112,275	6.050	18/01/2013 to 17/01/2023	
116,000	6.400	26/07/2013 to 25/07/2023	
40,000	5.250	21/01/2015 to 20/01/2025	
7,971,741	15.000	19/06/2017 to 18/06/2027	
3,819,668	16.440	28/07/2017 to 27/07/2027	
17,059,684			

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

The weighted average closing prices of the Company's shares immediately before and at the dates of exercise of share options during the year ended 31 July 2020 were HK\$7.950 (2019: HK\$11.118) and HK\$7.950 (2019: HK\$11.109) per share, respectively.

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

As at 31 July 2020, a total of 12,932,020 underlying shares comprised in share options were outstanding, of which 1,140,611 underlying shares relate to share options granted under the 2006 Share Option Scheme and 11,791,409 underlying shares relate to share options granted under the 2015 Share Option Scheme, representing approximately 0.29% and 3% of the Company's shares in issue, respectively, as at that date.

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41. SHARE OPTION SCHEMES (CONTINUED)

(b) LSD

LSD 2006 Share Option Scheme

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

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

41. SHARE OPTION SCHEMES (CONTINUED)

(b) LSD (continued)

LSD 2006 Share Option Scheme (continued)

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

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

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

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

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

LSD 2015 Share Option Scheme

On 11 December 2015, LSD adopted a new share option scheme (the "**LSD 2015 Share Option Scheme**") and terminated the LSD 2006 Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the LSD 2015 Share Option Scheme is to recognise the contribution or future contribution of the eligible participants to LSD by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of the relevant companies. Eligible participants include but are not limited to the directors and any employee of LSD. The LSD 2015 Share Option Scheme became effective on 23 December 2015. Unless otherwise cancelled or amended, the LSD 2015 Share Option Scheme will remain in force for 10 years from 23 December 2015.

Notes to Financial Statements

31 July 2020

41. SHARE OPTION SCHEMES (CONTINUED)

(b) LSD (continued)

LSD 2015 Share Option Scheme (continued)

The maximum number of shares which may be issued upon the exercise of all options to be granted under the LSD 2015 Share Option Scheme (i) shall not exceed 10% of the shares of LSD in issue at the date of adopting the LSD 2015 Share Option Scheme; (ii) shall not exceed 30% of the shares of LSD 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 LSD 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 LSD and the shareholders of the Company (so long as LSD is a subsidiary of the Company under the Listing Rules) in the respective general meetings.

Share options granted to a director, chief executive or substantial shareholder of LSD, or to any of their associates, are subject to approval in advance by the independent non-executive directors of each of LSD and the Company (so long as LSD is a subsidiary of the Company under the Listing Rules). In addition, any share options granted to a substantial shareholder or an independent non-executive director of LSD, or to any of their associates, in excess of 0.1% of the shares of LSD in issue at any time or with an aggregate value (based on the closing price of LSD'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 LSD and the shareholders of the Company (so long as LSD is a subsidiary of the Company under the Listing Rules) in the respective general meetings.

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of LSD, 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 LSD, which shall be at least the highest of (i) the closing price of LSD's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of LSD's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant.

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

41. SHARE OPTION SCHEMES (CONTINUED)

(b) LSD (continued)

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

	2020		2019	
	Number of LSD's underlying shares comprised in share options	Weighted average exercise price per LSD's share HK\$	Number of LSD's underlying shares comprised in share options	Weighted average exercise price per LSD's share HK\$
Outstanding at beginning of year	14,359,534	13.043	14,359,534	13.043
Granted during the year	800,000	9.920	—	—
Exercised during the year	(906,000)	5.350	—	—
Lapsed during the year	(166,400)	16.100	—	—
Outstanding at end of year	14,087,134	13.324	14,359,534	13.043

The exercise prices and exercise periods of LSD's share options outstanding as at the end of the reporting period are as follows:

2020		
Number of LSD's underlying shares comprised in share options	Exercise price per LSD's share* HK\$	Exercise period
9,988,053	16.100	18/01/2013 to 17/01/2023
2,867,081	5.350	05/06/2012 to 04/06/2022
83,200	11.250	26/07/2013 to 25/07/2023
228,800	8.350	21/02/2015 to 20/01/2025
60,000	4.700	22/01/2016 to 21/01/2026
60,000	8.150	20/01/2017 to 19/01/2027
800,000	9.920	19/08/2019 to 18/08/2029
14,087,134		

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41. SHARE OPTION SCHEMES (CONTINUED)

(b) LSD (continued)

The exercise prices and exercise periods of LSD's share options outstanding as at the end of the reporting period are as follows: (continued)

2019		
Number of LSD's underlying shares comprised in share options	Exercise price per LSD's share* HK\$	Exercise period
10,154,453	16.100	18/01/2013 to 17/01/2023
3,773,081	5.350	05/06/2012 to 04/06/2022
83,200	11.250	26/07/2013 to 25/07/2023
228,800	8.350	21/02/2015 to 20/01/2025
60,000	4.700	22/01/2016 to 21/01/2026
60,000	8.150	20/01/2017 to 19/01/2027
14,359,534		

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

The closing price of LSD's shares immediately before the date of grant of share options granted during the year was HK\$9.52 per share.

The fair value of the share options granted during the year was approximately HK\$3,248,000, HK\$4.06 each, of which the Group recognised the entire amount as an expense during the year.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial Option Pricing Model ("**Binomial Model**"), taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of valuation	20 August 2019
Closing share price (HK\$ per share)	9.75
Exercise price (HK\$ per share)	9.92
Expected life of options (years)	10
Risk-free interest rate (%)	1.035
Dividend yield (%)	0.982
Expected volatility (%)	38.839
Historical volatility (%)	38.839
Forfeiture rate (%)	0.0

41. SHARE OPTION SCHEMES (CONTINUED)

(b) LSD (continued)

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

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

The weighted average closing price of LSD's shares immediately before and at the dates of exercise of share options during the year was HK\$8.38 and HK\$8.32 per share, respectively.

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

As at 31 July 2020, a total of 14,087,134 underlying shares comprised in share options were outstanding, of which 13,167,134 underlying shares relate to share options granted under the 2006 Share Option Scheme and 920,000 underlying shares relate to share options granted under the 2015 Share Option Scheme, represented approximately 2.15% and 0.15% of LSD's shares in issue, respectively, as at that date.

Notes to Financial Statements

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41. SHARE OPTION SCHEMES (CONTINUED)

(c) eSun

2005 eSun Share Option Scheme

On 23 December 2005, eSun adopted the share option scheme (the “**2005 eSun Share Option Scheme**”) for the purpose of giving any eligible employee, director of eSun or any of its subsidiaries, agent or consultant of any member of the eSun Group, and employee of the shareholder or any member of the eSun Group or any holder of any securities issued by any member of the eSun Group (the “**Participants**”) an opportunity to have a personal stake in eSun and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of eSun. The 2005 eSun Share Option Scheme was adopted by eSun on 23 December 2005 and became effective on 5 January 2006 and unless otherwise cancelled or amended, the 2005 eSun Share Option Scheme will remain in force for 10 years from the latter date. The 2005 eSun Share Option Scheme was terminated upon the adoption of the 2015 Share Option Scheme (as defined below) on 11 December 2015.

The principal terms of the 2005 eSun Share Option Scheme are:

- (i) The total number of shares in respect of which options may be granted under the 2005 eSun Share Option Scheme and any other share option schemes of eSun shall not exceed 10% of the total number of eSun’s shares in issue unless the 10% limit has been refreshed on approval of shareholders of eSun. The 10% limit was refreshed on shareholders’ approval at a special general meeting of eSun held on 27 May 2011. The maximum number of shares issuable under share options granted to each Participant in the 2005 eSun Share Option Scheme within any 12-month period must not exceed 1% of the shares of eSun in issue. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting of eSun.
- (ii) Share options granted to a director, chief executive or substantial shareholder of eSun, or to any of their respective associates, are subject to approval by the independent non-executive directors of eSun. In addition, any share options granted to a substantial shareholder or an independent non-executive director of eSun, or to any of their respective associates, in excess of 0.1% of the shares of eSun in issue at any time and with an aggregate value (based on the closing price of eSun’s shares as stated in the Stock Exchange’s daily quotation sheet at the date of grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders’ approval in a general meeting of eSun.
- (iii) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors of eSun in its absolute discretion.

41. SHARE OPTION SCHEMES (CONTINUED)

(c) eSun (continued)

2005 eSun Share Option Scheme (continued)

- (iv) The exercise price of the share options is determinable by the directors of eSun, but shall be at least the highest of (i) the closing price of eSun's shares in the Stock Exchange's daily quotation sheet on the date of the offer of grant of the share options; (ii) the average closing price of eSun's shares in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a eSun's share.

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

2015 eSun Share Option Scheme

On 11 December 2015 (the "2015 eSun Adoption Date"), eSun adopted a new share option scheme (the "2015 eSun Share Option Scheme") and terminated the 2005 eSun Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2015 eSun Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to the eSun Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of the eSun Group. Unless otherwise cancelled or amended, the 2015 eSun Share Option Scheme will remain in force for 10 years from the 2015 eSun Adoption Date.

The principal terms of the 2015 eSun Share Option Scheme are:

- (i) The maximum number of shares in respect of which options may be granted under the 2015 eSun Share Option Scheme and any other share option schemes of eSun (i) shall not exceed 10% of the total number of eSun's shares in issue on the 2015 eSun Adoption Date; (ii) shall not exceed 30% of the shares of eSun in issue from time to time; and (iii) to each Eligible Participant in the 2015 eSun Share Option Scheme and within any 12-month period, is limited to 1% of the shares of eSun in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval of the shareholders of eSun and the shareholders of LSD (so long as eSun is a subsidiary of LSD under the Listing Rules) in the respective general meetings.

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41. SHARE OPTION SCHEMES (CONTINUED)

(c) eSun (continued)

2015 eSun Share Option Scheme (continued)

- (ii) Share options granted to a director, chief executive or substantial shareholder of eSun, or to any of their respective associates, are subject to approval by the independent non-executive directors of each of eSun and LSD (so long as eSun is a subsidiary of LSD under the Listing Rules). In addition, any share options granted to a substantial shareholder or an independent non-executive director of eSun, or to any of their respective associates, in excess of 0.1% of the shares of eSun in issue at any time and with an aggregate value (based on the closing price of eSun's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to the approval of the shareholders of eSun and the shareholders of LSD (so long as eSun is a subsidiary of LSD under the Listing Rules) in the respective general meetings.
- (iii) The offer of a grant of share options may be accepted within 30 days from the date of offer, to be accompanied by payment of a consideration of HK\$1 per share option by the grantee. The exercise period of the share options granted is determined by the board of directors of eSun in its absolute discretion.
- (iv) The subscription (or exercise) price of any share options is determinable by the directors, and shall be at least the highest of (i) the closing price of eSun's shares in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of eSun's shares in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a eSun's share on the date of the offer of grant.

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

Details of the share options outstanding granted under the 2005 eSun Share Option Scheme and the 2015 eSun Share Option Scheme during the year ended 31 July 2019 were as follows:

	2019	
	Number of eSun's underlying shares comprised in share options '000	Weighted average exercise price per eSun's share HK\$
Outstanding at the beginning of the year	32,851	1.43
Lapsed during the year	(19,705)	1.61
Cancelled during the year	(13,146)	1.16
Outstanding at the end of the year	—	—

41. SHARE OPTION SCHEMES (CONTINUED)

(c) eSun (continued)

As a result of the eSun Option Offer (as defined in note 52(b)) closed in August 2018, eSun's share options in respect of 13,145,696 and 19,704,969 underlying shares of eSun had been cancelled and had lapsed.

No share options have been granted under the 2015 eSun Share Option Scheme during the years ended 31 July 2020 and 2019.

(d) Media Asia Group Holdings Limited ("MAGHL")

MAGHL Share Option Scheme

On 18 December 2012, MAGHL adopted a share option scheme (the "**MAGHL Share Option Scheme**") which will remain in force for 10 years and terminated the share option scheme which was adopted by MAGHL on 19 November 2009 and became effective on 24 November 2009 as (i) MAGHL became a subsidiary of eSun in June 2011 and Rule 23.01(4) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") requires the relevant provisions of the MAGHL Share Option Scheme which are required to be approved by the shareholders/independent non-executive directors of MAGHL to be simultaneously approved by the shareholders/independent non-executive directors of eSun; and (ii) eSun would like to have a unified set of share option scheme rules for its subsidiaries. The purpose of the MAGHL Share Option Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to MAGHL and its subsidiaries (the "**MAGHL Group**") by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of the MAGHL Group or the affiliated companies. Eligible participants include any employee, director, officer or consultant of the MAGHL Group and the affiliated companies, and any other group or classes of participants which the board of the directors of MAGHL, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangements, to the development and growth of the MAGHL Group.

The principal terms of the MAGHL Share Option Scheme are:

- (a) The total number of MAGHL's shares which may be issued upon exercise of all share options to be granted under the MAGHL Share Option Scheme and all options to be granted under any other share option schemes of any member of MAGHL (the "**Other Schemes**") must not in aggregate exceed 10% of the total number of MAGHL's shares in issue as at 18 December 2012 (the "**MAGHL Scheme Limit**").

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41. SHARE OPTION SCHEMES (CONTINUED)

(d) MAGHL (continued)

MAGHL Share Option Scheme (continued)

- (b) Subject to (a) above and the approval of the shareholders of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules) at the respective general meetings, MAGHL may refresh the MAGHL Scheme Limit at any time, provided that such limit as refreshed must not exceed 10% of the total number of shares of MAGHL in issue as at the date of approval of such refreshed limit.
- (c) Subject to (a) above and the approval of the shareholders of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules) at the respective general meetings, MAGHL may grant the options beyond the 10% limit, provided that the options in excess of such limit are granted only to the eligible participants specifically identified by MAGHL before such shareholders' approval is sought.
- (d) The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the MAGHL Share Option Scheme and the Other Schemes must not in aggregate exceed 30% of the issued share capital of MAGHL from time to time. The refreshment of the MAGHL Scheme Limit was approved by MAGHL's and the eSun's shareholders at the respective annual general meetings held on 11 December 2015.
- (e) The maximum number of MAGHL'S shares issued and to be issued upon exercise of the share options granted to each eligible participant under the MAGHL Share Option Scheme and the Other Schemes (including both exercised and outstanding share options) in any 12-month period up to and including the date of grant must not exceed 1% of the total number of shares of MAGHL in issue at any time. Any further grant of share options in excess of this limit must be separately approved by the shareholders of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules) at the respective general meetings with such eligible participant and his associates abstaining from voting.
- (f) Any grant of share options to a director, chief executive or substantial shareholder of MAGHL, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors of each of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules).
- (g) Any grant of share options to a substantial shareholder or an independent non-executive director of MAGHL, or to any of their respective associates, in excess of 0.1% of the shares of MAGHL in issue at any time and with an aggregate value (based on the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, must be approved by the shareholders of MAGHL and eSun (so long as MAGHL is a subsidiary of eSun under the GEM Listing Rules) in advance at the respective general meetings.
- (h) The offer of a grant of share options may be accepted within 30 days from the date of offer, together with payment of a nominal consideration of HK\$1 for the grant by the grantee.

41. SHARE OPTION SCHEMES (CONTINUED)

(d) MAGHL (continued)

MAGHL Share Option Scheme (continued)

- (i) The exercise period of the share options granted is determined by the directors of MAGHL provided that such period must not be longer than 10 years from the date upon which any share option is granted in accordance with the MAGHL Share Option Scheme.
- (j) The exercise price of the share options is determined by the directors of MAGHL, but should be at least the highest of (i) the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of a MAGHL's share.

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

No share options have been granted by MAGHL under the MAGHL Share Option Scheme since its adoption.

(e) Lai Fung

2003 Lai Fung Share Option Scheme

On 21 August 2003, Lai Fung adopted a share option scheme (as amended on 8 August 2018) (the "2003 Lai Fung Share Option Scheme") for the purpose of providing incentives and rewards to Eligible Participants (as defined in the scheme) who contribute to the success of Lai Fung Group's operations. Eligible Participants of the 2003 Lai Fung Share Option Scheme include the directors and any employees of the Lai Fung Group. Unless otherwise cancelled or amended, the 2003 Lai Fung Share Option Scheme will remain in force for 10 years from that date. The 2003 Lai Fung Share Option Scheme was terminated upon the adoption of the 2012 Lai Fung Share Option Scheme (as defined below) on 18 December 2012.

The maximum number of share options permitted to be granted under the 2003 Lai Fung Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of Lai Fung in issue as approved in accordance with the 2003 Lai Fung Share Option Scheme. The maximum number of shares of Lai Fung issuable under share options to each Eligible Participant in the 2003 Lai Fung Share Option Scheme within any 12-month period is limited to 1% of the shares of Lai Fung in issue at any time. Any further grant of share options in excess of this limit is subject to its shareholders' approval in a general meeting of Lai Fung.

Share options granted to a director, chief executive or substantial shareholder of Lai Fung, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of Lai Fung. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Lai Fung, or to any of their respective associates, in excess of 0.1% of the shares of Lai Fung in issue at any time and with an aggregate value (based on the closing price of Lai Fung's shares at the date of grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to its shareholders' approval in advance in a general meeting of Lai Fung.

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41. SHARE OPTION SCHEMES (CONTINUED)

(e) Lai Fung (continued)

2003 Lai Fung Share Option Scheme (continued)

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of Lai Fung, save that such period shall not be longer than 8 years from the date of grant of the share options.

The exercise price of the share options is determined by the directors of Lai Fung, but may not be less than the highest of (i) the closing price of Lai Fung's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of Lai Fung's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Lai Fung's share.

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

2012 Lai Fung Share Option Scheme

On 18 December 2012 (the "2012 Adoption Date"), Lai Fung adopted a new share option scheme (the "2012 Lai Fung Share Option Scheme") and terminated the 2003 Lai Fung Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2012 Lai Fung Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to the Lai Fung Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-caliber Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of Lai Fung Group. Unless otherwise cancelled or amended, the 2012 Lai Fung Share Option Scheme will remain in force for 10 years from the 2012 Adoption Date.

The maximum number of shares of Lai Fung which may be issued upon the exercise of all options to be granted under the 2012 Lai Fung Share Option Scheme (i) shall not exceed 10% of the shares of Lai Fung in issue on the 2012 Adoption Date; (ii) shall not exceed 30% of the shares of Lai Fung in issue from time to time; and (iii) to each Eligible Participant and within any 12-month period, is limited to 1% of the shares of Lai Fung in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval of shareholders of Lai Fung and the shareholders of eSun (so long as Lai Fung is a subsidiary of eSun under the Listing Rules) in the respective general meetings.

41. SHARE OPTION SCHEMES (CONTINUED)

(e) Lai Fung (continued)

2012 Lai Fung Share Option Scheme (continued)

Share options granted to a director, chief executive or substantial shareholder of Lai Fung, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of each of Lai Fung and eSun (so long as Lai Fung is a subsidiary of eSun under the Listing Rules). In addition, any share options granted to a substantial shareholder or an independent non-executive director of Lai Fung, or to any of their respective associates, in excess of 0.1% of the shares of Lai Fung in issue at any time and with an aggregate value (based on the closing price of Lai Fung's shares on the date of grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to the approval of shareholders of Lai Fung and the shareholders of eSun (so long as Lai Fung is a subsidiary of eSun under the Listing Rules) in the respective general meetings.

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of Lai Fung, save that such period shall not be longer than 10 years from the date of grant of share options.

The exercise price of the share options is determinable by the directors of Lai Fung, which shall be at least the highest of (i) the Stock Exchange closing price of Lai Fung's shares on the date of grant; (ii) the average Stock Exchange closing price of Lai Fung's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Lai Fung's share on the date of grant.

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

On 14 August 2017, the shareholders of Lai Fung at its extraordinary general meeting approved that every fifty issued and unissued ordinary shares of HK\$0.10 each in the share capital of Lai Fung be consolidated into one ordinary share of HK\$5.00 each in the share capital of Lai Fung ("**Lai Fung Shares**") which became effective on 15 August 2017 ("**Lai Fung Share Consolidation**"). As a result of Lai Fung Share Consolidation, the exercise price of the outstanding share options and number of shares of Lai Fung comprised in the outstanding share options had been adjusted.

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41. SHARE OPTION SCHEMES (CONTINUED)

(e) Lai Fung (continued)

Details of the share options outstanding granted under the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme during the year are as follows:

	2020		2019	
	Number of Lai Fung's underlying shares comprised in share options	Weighted average exercise price per Lai Fung's share* HK\$	Number of Lai Fung's underlying shares comprised in share options	Weighted average exercise price per Lai Fung's 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 Lai Fung's underlying shares comprised in share options	Exercise price per Lai Fung's share* HK\$	Exercise period
8,134,526	11.400	18/1/2013 to 17/1/2023
220,000	9.500	26/7/2013 to 25/7/2023
180,000	8.000	16/1/2015 to 15/1/2025
190,000	13.520	19/1/2018 to 18/1/2028
460,000	10.180	22/1/2019 to 21/1/2029
500,000	6.784	19/8/2019 to 18/8/2029
9,684,526		

41. SHARE OPTION SCHEMES (CONTINUED)

(e) Lai Fung (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows: (continued)

2019			
Number of Lai Fung's underlying shares comprised in share options	Exercise price per Lai Fung's share* HK\$	Exercise period	
1,009,591	6.650	12/6/2012 to 11/6/2020	
8,374,526	11.400	18/1/2013 to 17/1/2023	
220,000	9.500	26/7/2013 to 25/7/2023	
180,000	8.000	16/1/2015 to 15/1/2025	
450,000	13.520	19/1/2018 to 18/1/2028	
580,000	10.180	22/1/2019 to 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 Lai Fung's share capital.

Other than the grant of share options comprising 500,000 underlying shares, the exercise of share options comprising 109,591 Lai Fung's underlying shares, the lapse of share options comprising 620,000 Lai Fung's underlying shares and the cancellation of share options comprising 900,000 Lai Fung's 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 Lai Fung'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) 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.

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41. SHARE OPTION SCHEMES (CONTINUED)

(e) Lai Fung (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of acceptance using the 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 of Lai Fung relating to share options granted under the 2012 Share Option Scheme were outstanding and represented approximately 2.93% of the Lai Fung's shares in issue as at that date. During the year ended 31 July 2020, all subsisting options, 900,000 underlying shares of Lai Fung relating to share options granted under the 2003 Lai Fung Share Option Scheme were cancelled.

42. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2020 and 2019 are presented in the consolidated statement of changes in equity.

Statutory reserve

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

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below. The summarised financial information below represents amounts after fair value adjustments and before intragroup eliminations.

LSD

	2020 HK\$'000	2019 HK\$'000
Current assets	17,656,430	13,606,951
Non-current assets	59,742,532	65,373,747
Total assets	77,398,962	78,980,698
Current liabilities	(13,285,022)	(9,484,926)
Non-current liabilities	(20,428,685)	(20,835,858)
Total liabilities	(33,713,707)	(30,320,784)
Equity attributable to owners of the Company	19,616,328	20,082,544
Non-controlling interests	24,068,927	28,577,370
Total equity	43,685,255	48,659,914

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43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

LSD (continued)

	Year ended 31 July 2020 HK\$'000	Year ended 31 July 2019 HK\$'000
Turnover	5,213,529	6,493,912
Cost of sales	(3,648,081)	(4,188,480)
Other revenue (including share of profits and losses of associates and joint ventures)	100,249	995,886
Fair value (losses)/gains on investment properties, net	(1,734,627)	649,274
Expenses	(3,428,058)	(2,963,215)
Write-down of completed properties for sale to net realisable value	(587,099)	—
Loss on remeasurement of existing interest in an associate upon business combination	—	(2,985,631)
Gain on bargain purchase upon acquisition of subsidiaries	—	6,761,861
(Loss)/profit for the year	(4,084,087)	4,763,607
(Loss)/profit attributable to owners of the Company	(1,687,234)	2,714,748
(Loss)/profit attributable to non-controlling interests	(2,396,853)	2,048,859
(Loss)/profit for the year	(4,084,087)	4,763,607
Other comprehensive expense attributable to owners of the Company	(115,552)	(55,922)
Other comprehensive expense attributable to non-controlling interests	(495,620)	(220,591)
Other comprehensive expense for the year	(611,172)	(276,513)
Total comprehensive (expense)/income attributable to owners of the Company	(1,802,786)	2,658,826
Total comprehensive (expense)/income attributable to non-controlling interests	(2,892,473)	1,828,268
Total comprehensive income for the year	(4,695,259)	4,487,094
Net cash flows used in operating activities	(293,668)	(1,717,178)
Net cash flows (used in)/from investing activities	(1,809,165)	1,443,041
Net cash flows from financing activities	2,629,576	74,891
Net increase/(decrease) in cash and cash equivalents	526,743	(199,246)

44. COMMITMENTS

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

	2020 HK\$'000	2019 HK\$'000
Contracted, but not provided for		
Purchase of items of property, plant and equipment	6,764	11,460
Additions to investment properties	14,977	9,773
Construction, development and resettlement costs	1,162,581	1,288,365
	1,184,322	1,309,598

- (b) Operating lease commitments as at 31 July 2019

The Group leased certain of its properties under operating lease arrangements. One of these leases had an original lease term of eight years with an option to terminate the leases upon expiry of three years, six years or eight years. The remaining operating lease arrangements are with leases negotiated for terms ranging from one to fifteen years.

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	313,281
In the second to fifth years, inclusive	955,140
After five years	359,394
	1,627,815

- (c) The Group has a lease contract that has not yet commenced as at 31 July 2020. The future lease payments for this non-cancellable lease contract are HK\$64,600,000 due in the second to fifth years, inclusive and HK\$131,000,000 due after five years.

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45. CONTINGENT LIABILITIES

Save as disclosed elsewhere in the financial statements, the Group also had the following contingent liabilities at the end of the reporting period:

- (a) Contingent liabilities not provided for in the financial statements:

	2020 HK\$'000	2019 HK\$'000
Guarantees given to a bank in connection with facilities granted to and utilised by a joint venture	152,100	—

- (b) The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible for repaying the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2020, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK\$659,069,000 (2019: HK\$566,825,000).
- (c) The Group has provided corporate guarantees to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK\$2,937,000 (2019: HK\$4,856,000) were utilised.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

31 July 2020

	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Due from associates	—	—	315,678	315,678
Due from joint ventures	—	—	736,314	736,314
Financial assets at fair value through other comprehensive income	—	1,840,594	—	1,840,594
Financial assets at fair value through profit or loss	1,142,444	—	—	1,142,444
Derivative financial instruments	20,231	—	—	20,231
Film investments	16,716	—	—	16,716
Debtors	—	—	311,688	311,688
Financial assets included in deposits, prepayments, other receivables and other assets	22,223	—	754,089	776,312
Pledged and restricted bank balances and time deposits	—	—	1,994,792	1,994,792
Cash and cash equivalents	—	—	4,187,778	4,187,778
	1,201,614	1,840,594	8,300,339	11,342,547

31 July 2019

	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Financial assets at fair value through other comprehensive income	—	2,136,331	—	2,136,331
Financial assets at fair value through profit or loss	918,929	—	—	918,929
Derivative financial instruments	53,784	—	—	53,784
Film investments	8,466	—	—	8,466
Debtors	—	—	302,852	302,852
Financial assets included in deposits, prepayments, other receivables and other assets	17,899	—	570,688	588,587
Pledged and restricted bank balances and time deposits	—	—	1,605,110	1,605,110
Cash and cash equivalents	—	—	3,893,697	3,893,697
	999,078	2,136,331	6,372,347	9,507,756

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46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial liabilities

31 July 2020

	Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Financial liabilities included in creditors, other payables and accruals	—	3,346,229	3,346,229
Financial liabilities included in deposits received, deferred income and contract liabilities	—	698,228	698,228
Derivative financial instruments	5,852	—	5,852
Lease liabilities	—	1,373,334	1,373,334
Bank borrowings	—	16,542,928	16,542,928
Other borrowings	—	726,993	726,993
Guaranteed notes	—	5,717,879	5,717,879
	5,852	28,405,591	28,411,443

31 July 2019

	Financial liabilities at amortised cost HK\$'000
Financial liabilities included in creditors, other payables and accruals	3,237,310
Financial liabilities included in deposits received, deferred income and contract liabilities	642,877
Bank borrowings	13,962,468
Other borrowings	711,540
Guaranteed notes	5,736,654
	24,290,849

47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments for which fair value is disclosed

Except for the guaranteed notes with fair value in aggregate of approximately HK\$5,596,373,000 (2019: HK\$5,686,417,000) as detailed in note 36, the directors consider the carrying amounts of all other financial assets and financial liabilities measured at amortised cost approximated to their fair values as at the end of the reporting period.

Financial instruments measured at fair value

	Notes	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 July 2020					
Financial assets					
Financial assets at fair value through other comprehensive income	25	153,403	—	1,687,191	1,840,594
Financial assets at fair value through profit or loss	26	168	982,368	159,908	1,142,444
Derivative financial instruments — CCSs	27	—	—	20,231	20,231
Financial assets included in deposits, prepayments, other receivables and other assets	28	—	—	22,223	22,223
Film investments	31	—	—	16,716	16,716
		153,571	982,368	1,906,269	3,042,208
Financial liabilities					
Derivative financial instruments — foreign currency forward contract	27	—	5,852	—	5,852
	Notes	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 July 2019					
Financial assets					
Financial assets at fair value through other comprehensive income	25	262,011	—	1,874,320	2,136,331
Financial assets at fair value through profit or loss	26	34,106	751,986	132,837	918,929
Derivative financial instruments	27	—	—	53,784	53,784
Financial assets included in deposits, prepayments and other receivables	28	—	—	17,899	17,899
Film investments	31	—	—	8,466	8,466
		296,117	751,986	2,087,306	3,135,409

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47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value (continued)

During the year ended 31 July 2020, there were no transfer of fair value measurement between Level 1 and Level 2 (2019: Nil).

During the years ended 31 July 2020, there were no transfers into or out of Level 3 for both financial assets and financial liabilities. During the year ended 31 July 2019, fair value measurement of a financial asset at fair value through other comprehensive income had been transferred out of Level 3 to Level 1 because there was a quoted market price in an active market.

The movements in fair value measurements in Level 3 during the year are as follows:

(i) Financial assets at fair value through other comprehensive income

	2020 HK\$'000	2019 HK\$'000
At beginning of year	1,874,320	1,818,354
Total (losses)/gains recognised in other comprehensive income	(187,129)	73,413
Additions	—	101,890
Transfer to Level 1	—	(119,337)
At end of year	1,687,191	1,874,320

(ii) Financial assets at fair value through profit loss

	2020 HK\$'000	2019 HK\$'000
At beginning of year	132,837	126,401
Total (losses)/gains recognised in the income statement	(1,544)	8,354
Additions	46,146	—
Disposal	(14,335)	—
Exchange realignment	(3,196)	(1,918)
At end of year	159,908	132,837

The movements in the financial assets arising from the derivative financial instruments and film investments are disclosed in notes 27 and 31, respectively, to the financial statements.

Valuation techniques

Fair value measurement using significant observable inputs (Level 2)

The fair values of certain financial assets at fair value through profit or loss are based on the fair values of the underlying investment portfolio provided by the fund managers.

47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques (continued)

Fair value measurement using significant unobservable inputs (Level 3)

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used to estimate the fair values of the principal financial instruments are stated as follows:

- (i) Fair value of the equity interest in Bayshore, classified as financial assets at fair value through other comprehensive income, has been estimated using the fair value of investment properties held by Bayshore, which is determined by the market approach and income approach. The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analysing such sales, which qualify as "arm's-length" transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available. The income approach is an approach to valuation that provides an indication of value by converting future cash flows to a single current capital value. The current capital value is projected based on discounted cash flow method. It is a process of valuing an investment property or asset by undertaking an estimation of future cash flows and taking into account the time value of money.
- (ii) Fair values of the equity interest in another investee company have been determined by equity value allocation model with Black-Scholes option pricing formula. Under this valuation methodology, the underlying total equity value has been determined based on the most recent transaction of share subscription by an independent third-party investor in the investee company.
- (iii) 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. The carrying amounts of the derivative financial instruments are the same as their fair values.

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47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques (continued)

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

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	Valuation technique	Significant unobservable inputs	Value of unobservable inputs	Notes
Financial assets at fair value through other comprehensive income	Income approach	Average monthly market rent per square foot	HK\$144	1
		Capitalisation rate	2.85%	2
	Market approach	Equity value volatility	67.9%	3
		Expected time to exit	1.8 years	4
Financial assets at fair value through profit or loss	Market approach	Equity value volatility	67.9%	3
		Expected time to exit	1.8 years	4
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$2.93 million to HK\$34.04 million	6
		Expected exposure at default — the Group	HK\$0.02 million to HK\$37.45 million	7
		Credit spread — counterparty	7.69 basis points to 111.58 basis points	8
		Credit spread — the Group	13.26 basis points to 484.14 basis points	9
		Loss given default ratio — counterparty non-performance risk	80%	10
		Loss given default ratio — own credit risk	60%	11

47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques (continued)

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

31 July 2019

	Valuation technique	Significant unobservable inputs	Value of unobservable inputs	Notes
Financial assets at fair value through other comprehensive income	Income approach	Average monthly market rent per square foot	HK\$158	1
		Capitalisation rate	2.85%	2
	Market approach	EV/Sales for the guideline public companies	5.76 times	5
Financial assets at fair value through profit or loss	Market approach	EV/Sales for the guideline public companies	5.76 times	5
Derivative financial instruments — CCSs	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$1.58 million to HK\$37.93 million	6
		Expected exposure at default — the Group	HK\$0.33 million to HK\$33.13 million	7
		Credit spread — counterparty	9.07 basis points to 106.44 basis points	8
		Credit spread — the Group	18.59 basis points to 517.02 basis points	9
		Loss given default ratio — counterparty non-performance risk	80%	10
		Loss given default ratio — own credit risk	60%	11

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 equity value volatility, the lower the fair value
4. The longer the expected time to exit, the lower the fair value
5. The higher the EV/Sales ratio for the guideline public companies, the higher the fair value
6. The higher the expected exposure at default — counterparty, the lower the fair value of CCS
7. The higher the expected exposure at default — the Group, the higher the fair value of CCS
8. The higher the credit spread — counterparty, the lower the fair value of CCS
9. The higher the credit spread — the Group, the higher the fair value of CCS
10. The higher the loss given default ratio — counterparty, the lower the fair value of CCS
11. The higher the loss given default ratio — the Group, the higher the fair value of CCS

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial assets held by the Group comprise financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, pledged and restricted bank balances and time deposits, and cash and cash equivalents. Management would, based on the Group's projected cash flow requirements, determine the types and levels of these financial instruments with a view to maintaining an appropriate level of funding for the Group's operations and to enhancing the returns generated from these financial instruments. The Group's principal financial liabilities comprise bank borrowings and guaranteed notes. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient funding for the Group's daily operations and to cope with expenditures incurred for various properties under development or investment projects. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are interest rate risks, foreign currency risk, credit risk and liquidity risk. The management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group has adopted relatively conservative strategies on its risk management and the Group has not used any derivatives and other instruments for hedging purposes during the year. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and determine policies for managing each of these risks and they are summarised as follows:

(i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument fluctuates because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's pledged and restricted bank balances and time deposits, cash and cash equivalents and bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group constantly reviews the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant and before any impact on tax, of the Group's income statement (through the impact on variable-rate mortgage loan receivables, pledged and restricted bank balances and time deposits, cash and cash equivalents, other payable, bank borrowings, net of amounts capitalised to properties under development, investment properties under construction, construction in progress and other borrowings at the prime rate) and the equity of the Group.

	Increase in interest rate (in percentage)	Decrease in profit and equity HK\$'000
2020	0.5	53,040
2019	0.5	44,037

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of changes in foreign exchange rates.

US\$

The Group's major assets and liabilities and transactions are denominated in HK\$ or US\$. As HK\$ is pegged against US\$, the Group believes that the corresponding exposure to exchange rate risk arising from US\$ is nominal and does not expect any significant movements in the exchange rate in the foreseeable future.

RMB

Certain subsidiaries (mainly the Lai Fung Group) of the Group have transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against HK\$.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

Pounds Sterling

The Group had made investments in the United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investments were financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure.

Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Euro, Malaysian Ringgit and VND and were insignificant as compared with the Group's total assets and liabilities. The Group manages its foreign currency risk by closely reviewing the movement of foreign currency rates and considers hedging significant foreign currency exposure should the additional need arise.

(iii) Credit risk

The Group (other than eSun Group) maintains various credit policies for different business operations as described in note 33 to the financial statements. In addition, debtor balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The eSun Group trades only with recognised and creditworthy third parties. It is the eSun Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the eSun Group's exposure to bad debts is not significant.

In respect of loan and interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and the current ability to pay, and take into account information specific to the borrowers. Certain of these loan and interest receivables are secured by share charges in respect of the equity interests of certain subsidiaries and unlisted equity investments of the respective borrowers.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 July. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

As at 31 July 2020

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Financial assets at fair value through other comprehensive income					
— debt investments	114,123	—	—	—	114,123
Due from associates					
Normal **	315,678	—	—	—	315,678
Doubtful **	—	—	100,318	—	100,318
Due from joint ventures					
Normal **	734,271	—	—	—	734,271
Doubtful **	—	—	48,675	—	48,675
Debtors *	—	—	—	328,281	328,281
Financial assets included in deposits, prepayments, other receivables and other assets					
Normal **	755,056	—	—	—	755,056
Doubtful **	—	—	33,809	—	33,809
Pledged and restricted bank balances and time deposits	1,994,792	—	—	—	1,994,792
Cash and cash equivalents	4,187,778	—	—	—	4,187,778
	8,101,698	—	182,802	328,281	8,612,781

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 July 2019

	12-month ECLs		Lifetime ECLs		Simplified approach HK\$'000	Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000			
Financial assets at fair value through other comprehensive income						
— debt investments	217,713	—	—	—	—	217,713
Debtors *	—	—	—	—	303,545	303,545
Financial assets included in deposits, prepayments, other receivables and other assets						
Normal **	565,533	—	—	—	—	565,533
Doubtful **	—	—	69,804	—	—	69,804
Pledged and restricted bank balances and time deposits	1,605,110	—	—	—	—	1,605,110
Cash and cash equivalents	3,893,697	—	—	—	—	3,893,697
	6,282,053	—	69,804	—	303,545	6,655,402

* For debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 33 to the financial statements.

** The credit quality of the financial assets included in due from associates, due from joint ventures, deposits, prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its capital expenditure and financial liabilities. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020			Total HK\$'000
	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Financial liabilities included in creditors, other payables and accruals	3,346,229	—	—	3,346,229
Financial liabilities included in deposits received, deferred income and contract liabilities	491,900	206,328	—	698,228
Lease liabilities	308,200	875,223	368,017	1,551,440
Bank borrowings	8,900,226	7,763,938	1,257,973	17,922,137
Other borrowings	41,050	702,927	—	743,977
Guaranteed notes	299,877	6,327,985	—	6,627,862
Inflows of derivative financial instruments	(751,510)	(6,327,985)	—	(7,079,495)
Outflows of derivative financial instruments	736,856	6,352,638	—	7,089,494
	13,372,828	15,901,054	1,625,990	30,899,872
	2019			
	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Financial liabilities included in creditors, other payables and accruals	3,149,900	87,410	—	3,237,310
Financial liabilities included in deposits received, deferred income and contract liabilities	384,581	258,296	—	642,877
Bank borrowings	4,809,667	9,573,148	1,285,665	15,668,480
Other borrowings	41,440	687,509	—	728,949
Guaranteed notes	293,133	6,497,411	—	6,790,544
Inflows of derivative financial instruments	(293,133)	(6,497,411)	—	(6,790,544)
Outflows of derivative financial instruments	275,365	6,444,883	—	6,720,248
	8,660,953	17,051,246	1,285,665	26,997,864

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(v) Capital management

The Group manages its capital structure to ensure that entities in the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group mainly consists of bank borrowings, other borrowings, guaranteed notes and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on the recommendation of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintenance of appropriate types and levels of debts.

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by equity attributable to owners of the Company. Net debt includes bank borrowings, other borrowings other payable, and guaranteed notes, less pledged and restricted bank balances and time deposits, and cash and cash equivalents. The gearing ratio as at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
Bank borrowings	16,542,928	13,962,468
Guaranteed notes	5,717,879	5,736,654
Other payable	62,871	65,618
Other borrowings	726,993	711,540
Less: Pledged and restricted bank balances and time deposits	(1,994,792)	(1,605,110)
Cash and cash equivalents	(4,187,778)	(3,893,697)
Net debt	16,868,101	14,977,473
Equity attributable to owners of the Company	21,871,600	22,612,336
Gearing ratio	77%	66%

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49. 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		
Property, plant and equipment	79	123
Right-of-use assets	504	—
Investment properties	724,500	784,900
Investments in subsidiaries	5,716,852	5,813,748
Investments in associates	9,079	1,207
Financial assets at fair value through other comprehensive income	123,183	127,351
Financial assets at fair value through profit or loss	32,883	39,496
Pledged bank balances and time deposits	2,075	2,914
Deferred rental benefits	80	95
Total non-current assets	6,609,235	6,769,834
CURRENT ASSETS		
Debtors	83	580
Deposits, prepayments and other receivables	6,174	5,208
Pledged bank balances and time deposits	21,545	20,829
Cash and cash equivalents	23,116	163,307
Total current assets	50,918	189,924
CURRENT LIABILITIES		
Creditors, other payables and accruals	68,157	70,051
Deposits received	4,942	3,952
Lease liabilities	356	—
Bank borrowings	407,253	14,000
Total current liabilities	480,708	88,003
NET CURRENT (LIABILITIES)/ASSETS	(429,790)	101,921
TOTAL ASSETS LESS CURRENT LIABILITIES	6,179,445	6,871,755
NON-CURRENT LIABILITIES		
Lease liabilities	153	—
Bank borrowings	—	677,253
Other borrowings	418,628	407,206
Deferred tax liabilities	1,400	—
Long-term deposits received	2,498	3,445
Total non-current liabilities	422,679	1,087,904
	5,756,766	5,783,851

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2020	2019
	HK\$'000	HK\$'000
EQUITY		
Share capital	1,297,237	1,250,152
Reserves (Note)	4,459,529	4,533,699
	5,756,766	5,783,851

Lam Kin Ming
Director

Chew Fook Aun
Director

Notes to Financial Statements

31 July 2020

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Asset revaluation reserve HK\$'000	Share option reserve HK\$'000	Fair value reserve HK\$'000	Capital reduction reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 August 2018	55,494	98,515	(6,960)	6,973	4,416,209	4,570,231
Loss for the year	—	—	—	—	(15,695)	(15,695)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Changes in fair values of financial assets at fair value through other comprehensive income	—	—	5,777	—	—	5,777
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:						
Changes in fair values of financial assets at fair value through other comprehensive income	—	—	2,299	—	—	2,299
Total comprehensive income/(expense) for the year	—	—	8,076	—	(15,695)	(7,619)
Final 2018 dividend declared (note 12)	—	—	—	—	(28,500)	(28,500)
Share options exercised (note 40(b))	—	(413)	—	—	—	(413)
At 31 July 2019	55,494	98,102	1,116	6,973	4,372,014	4,533,699
Loss for the year	—	—	—	—	(36,361)	(36,361)
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:						
Changes in fair values of financial assets at fair value through other comprehensive income	—	—	(1,247)	—	—	(1,247)
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:						
Changes in fair values of financial assets at fair value through other comprehensive income	—	—	(1,723)	—	—	(1,723)
Total comprehensive expense for the year	—	—	(2,970)	—	(36,361)	(39,331)
Final 2019 dividend declared (note 12)	—	—	—	—	(28,629)	(28,629)
Share options exercised (note 40(d))	—	(6,210)	—	—	—	(6,210)
At 31 July 2020	55,494	91,892	(1,854)	6,973	4,307,024	4,459,529

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2020 were as follows:

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bushell Limited ^{@@}	Hong Kong	HK\$2	—	56.22	Property development and sale
Camper & Nicholsons International S.A. ("CNI") ^{@@}	Luxembourg	EUR941,625	—	55.25	Brokerage, charter, marketing, management and crew placement of luxury yachts
Cape Nga Holding Company Limited ^{@@}	Thailand	THB1,225,000	—	56.22	Investment holding
Capital Court Limited ^{@@}	Hong Kong	HK\$1	—	56.22	Hotel development and operation
Chains Caravelle Hotel Joint Venture Company Limited ("CCHJV") ^{###@}	Vietnam	US\$23,175,577	—	14.62	Hotel operation
Charming Jade Limited ^{####@@}	Hong Kong	HK\$1	—	37.69	Restaurant operation
Frontier Dragon Limited ^{@@}	British Virgin Islands/ United Kingdom	US\$1	—	56.22	Property investment
Furama Hotel Enterprises Limited ^{@@}	Hong Kong	HK\$102,880,454	—	56.22	Investment holding
Furama Hotels and Resorts International Limited ^{@@}	British Virgin Islands/ Hong Kong	US\$1,000,000	—	56.22	Provision of management services
Fusion Century Limited ^{####@@}	Hong Kong	HK\$100	—	28.27	Restaurant operation

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Gainplace Limited ^{@@}	Hong Kong	HK\$1	—	56.22	Property development
Gilroy Company Limited ^{@@}	Hong Kong	HK\$10,000	—	56.22	Property investment
Glynhill Hotels and Resorts (Vietnam) Pte Ltd ^{@@}	Singapore/ Vietnam	S\$2	—	56.22	Provision of management and consultancy services to hotel owners
Glynhill Investments (Vietnam) Pte Ltd ("GIV") [@]	Singapore	S\$2	—	28.67	Investment holding
Gold Fusion Limited ^{@@}	Hong Kong	HK\$1	—	56.22	Property development
Greatful Limited ^{^^^^@@}	Hong Kong	HK\$100	—	37.69	Central kitchen
Hazelway Limited ^{@@}	Hong Kong	HK\$1	—	38.79	Restaurant operation
Intercontinental Development and Services Limited ^{@@}	Hong Kong	HK\$300,000	—	56.22	Property investment
King Faithful Limited ^{^^^^@@}	Hong Kong	HK\$100	—	34.68	Restaurant operation
Kingland Century Limited ^{@@}	Hong Kong	HK\$1	—	56.22	Property development and sale
Kingright International Limited ^{@@}	Hong Kong	HK\$1	—	56.22	Golf apparel retailing

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Joy Mind Limited	Hong Kong	HK\$2	100.00	—	Investment holding
Kolot Property Services Limited ^{@@}	Hong Kong	HK\$780,002	—	56.22	Property management
LSD (Listed on the Stock Exchange) (Note (a))	Hong Kong	HK\$4,063,735,761	—	56.22	Property investment and investment holding
Lai Sun Dining Limited ^{^^^@}	Hong Kong	HK\$1	—	37.69	Provision of management and consultancy services to restaurants
Lai Sun F&B Holding Company Limited ("LSF&B") ^{@@}	British Virgin Islands/ Hong Kong	HK\$434,475,507	—	37.69	Investment holding
Lai Sun International Finance (2012) Limited ^{@@}	British Virgin Islands/ Hong Kong	US\$1	—	56.22	Treasury operation
Lai Sun Real Estate Agency Limited ^{@@}	Hong Kong	HK\$2	—	56.22	Property management and real estate agency
Laurel Coast Limited ^{^^^@}	Hong Kong	HK\$1,000,000	—	37.69	Restaurant operation
LSD Bonds (2017) Limited ^{@@}	British Virgin Islands/ Hong Kong	US\$1	—	56.22	Treasury operation
Mazy Charm Limited ^{^^^@}	Hong Kong	HK\$1,000,000	—	34.68	Restaurant operation

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Mazy Lamp Limited ^{AAAA} @	Hong Kong	HK\$1,000,000	—	27.89	Restaurant operation
Milirich Investment Limited [@]	Hong Kong	HK\$2	—	56.22	Property development and sale
Modern Charm Limited ^{AAAA} @	Hong Kong	HK\$10,000	—	37.69	Restaurant operation
Oceania Gem Limited ^{AAAA} @	Hong Kong	HK\$1	—	37.69	Restaurant operation
Oriental Style Limited [@]	Hong Kong	HK\$1	—	56.22	Property development and sale
Peakflow Profits Limited [@]	British Virgin Islands/ Hong Kong	US\$1	—	56.22	Investment holding
Prochester Assets Limited (“Porchester”) [@]	British Virgin Islands/ Hong Kong	US\$100	—	28.67	Investment holding
Really Star Limited ^{AAAA} @	Hong Kong	HK\$4,600	—	35.65	Restaurant operation
Rife World Limited [@]	Hong Kong	HK\$1	—	56.22	Provision of finance
Rolling Star Limited [@]	Hong Kong	HK\$1	—	56.22	Provision of finance
Royal Team Limited ^{AAAA} @	Hong Kong	HK\$10,000	—	33.17	Restaurant operation
Silver Fusion Limited ^{AAAA} @	Hong Kong	HK\$500,000	—	37.69	Restaurant operation
Skyway Century Limited ^{AAAA} @	Hong Kong	HK\$1,000,000	—	37.69	Restaurant operation
Superise Limited ^{AAAA} @	Hong Kong	HK\$400	—	21.07	Restaurant operation

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Top Winsome Limited ^{****} @	Hong Kong	HK\$300,000	—	33.55	Restaurant operation
Transformation International Limited [@]	British Virgin Islands/ Hong Kong	US\$1	—	56.22	Investment holding
Transtrend Holdings Limited [@]	Hong Kong	HK\$20	—	56.22	Investment holding
Unipress Investments Limited	Hong Kong	HK\$1	—	100.00	Property investment
Winstead Limited [@]	Hong Kong	HK\$1	—	56.22	Property development and sale
Zimba International Limited	British Virgin Islands/ Hong Kong	US\$1	100.00	—	Investment holding
北京好酒好菜餐飲管理有限公司 ("北京好酒好菜") ^{****} @#	PRC/ Mainland China	RMB23,000,000 [#]	—	37.69	Restaurant operation
龍翠閣(上海)餐飲管理有限公司 ("上海龍翠閣") ^{****} @#	PRC/ Mainland China	RMB30,000,000 [#]	—	37.69	Restaurant operation
eSun (Listed on the Stock Exchange)	Bermuda/ Hong Kong	HK\$745,927,299	—	41.95	Investment holding
Capital Artists Limited ^{****}	Hong Kong	HK\$44,394,500	—	41.95	Music production and distribution
East Asia Films Distribution Limited ^{****}	British Virgin Islands/ Hong Kong	US\$1	—	41.95	Investment in and licensing of film rights

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
East Asia Music (Holdings) Limited ^{AAA}	Hong Kong	HK\$10,000	—	41.95	Music production and distribution
eSun High-Tech Limited ^{AAA}	Hong Kong	HK\$2	—	41.95	Investment in and licensing of film rights
eSun.Com Limited ^{AAA}	Hong Kong	HK\$2	—	41.95	Investment in and licensing of film rights
Fortune Spark Limited ^{AAA}	Hong Kong	HK\$10,000,000	—	41.95	Cinema operation
Glynhill International Limited ^{AAA}	Hong Kong	HK\$915,631,997	—	41.95	Investment holding
Grandeur Limited ^{AAA}	Hong Kong/ Macau	HK\$1	—	41.95	Property holding
Intercontinental Film Distributors (H.K.) Limited ^{AAA}	Hong Kong	HK\$700,400	—	39.85	Film distribution
Intercontinental Group Holdings Limited ("IGHL") (note (c)) ^{AAA}	Cayman Islands/ Hong Kong	US\$50,000	—	39.85	Investment holding
Intercontinental Video Limited ^{AAA}	Hong Kong	HK\$100	—	39.85	Distribution of movie video compact discs, digital video discs and blu-ray discs
Kaleidoscope International Limited ^{AAA}	British Virgin Islands/ Hong Kong	US\$1	—	41.95	Property holding

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lauro Game Entertainment Limited ^{AAA}	Hong Kong	HK\$100,000	—	39.85	Trading of gaming products
Media Asia Distribution Ltd. ^{AAA}	British Virgin Islands/ Hong Kong	US\$80	—	41.95	Film distribution, licensing of film rights and film investment
Media Asia Distribution (HK) Limited ^{AAA}	Hong Kong	HK\$2	—	41.95	Film distribution and film library management
Media Asia Entertainment Group Limited ^{AAA}	Bermuda/ Hong Kong	HK\$100	—	41.95	Investment holding
Media Asia Films (BVI) Ltd. ^{AAA}	British Virgin Islands/ Hong Kong	US\$7	—	41.95	Film production, licensing of films and investment holding
Media Asia Group Limited ^{AAA}	Hong Kong	HK\$2	—	41.95	Investment holding and provision of management services
Media Asia Holdings Ltd. ^{AAA}	British Virgin Islands/ Hong Kong	US\$6,831	—	41.95	Investment holding
Mega Star Video Distribution (HK) Limited ^{AAA}	Hong Kong	HK\$2	—	41.95	Licensing of film products and film rights and sale of video products

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Merit Worth Limited ^{^^^}	British Virgin Islands/ Hong Kong	US\$1	—	41.95	Investment holding
Multiplex Cinema Limited ^{^^^}	Hong Kong	HK\$71,000,000	—	39.85	Operation of cinemas
Perfect Advertising & Production Company Limited ^{^^^}	Hong Kong	HK\$10,000	—	39.85	Provision of advertising services, video duplication services, and translating and subtitling of television programs
Perfect Sky Holdings Limited ^{^^^}	British Virgin Islands/ Hong Kong	US\$1	—	41.95	Investment holding
Rich & Famous Talent Management Group Limited ^{^^^}	Hong Kong	HK\$100	—	31.47	Provision of artiste management services
Silver Glory Securities Limited ^{^^^}	British Virgin Islands/ Hong Kong	US\$1	—	41.95	Investment holding
Style International Management Group Limited ^{^^^}	Hong Kong	HK\$1	—	24.42	Provision of artiste management services

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sunny Horizon Investments Limited ^{^^^}	British Virgin Islands/ Hong Kong	US\$1	—	41.95	Investment holding
寰亞風尚演藝經紀(上海)有限公司 ^{^^^##}	PRC/ Mainland China	RMB2,000,000 [#]	—	24.42	Provision of artiste management services
洲立影藝(深圳)有限公司 ^{^^^##}	PRC/ Mainland China	HK\$10,000,000 [#]	—	39.85	Operation of cinemas
廣東五月花電影城有限公司 (“廣東五月花”) ^{^^^##}	PRC/ Mainland China	RMB100,000,000 [#]	—	41.95	Operation of cinemas
東亞豐麗演出經紀(北京)有限公司 ^{^^^##}	PRC/ Mainland China	RMB25,000,000 [#]	—	41.95	Provision of artiste management and performance agency services
MAGHL (Listed on the GEM of the Stock Exchange)	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK\$21,360,568	—	28.34	Investment holding
Champ Universe Limited [^]	Hong Kong	HK\$1	—	28.34	Provision of management services
Media Asia Distribution (Beijing) Co., Ltd. ^{^##}	PRC/ Mainland China	RMB50,000,000 [#]	—	28.34	Film distribution

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Media Asia Entertainment Limited [^]	Hong Kong	HK\$100	—	28.34	Entertainment activity production, and event and film investments
Media Asia Film International Limited [^]	British Virgin Islands	US\$100	—	28.34	Film investment and production and event investments
Media Asia Film Production Limited [^]	Hong Kong	HK\$100	—	28.34	Investment holding and film production
寰亞文化傳播(中國)有限公司 ^{^##}	PRC/ Mainland China	HK\$38,000,000 [#]	—	28.34	Entertainment activity production
Lai Fung (Listed on the Stock Exchange) (note (b))	Cayman Islands/ Hong Kong	HK\$1,655,167,215	—	30.67	Investment holding
Canvex Limited ^{^^}	Hong Kong	HK\$2	—	30.67	Property investment
Eastern Power Limited ^{^^}	Hong Kong	HK\$1	—	30.67	Investment holding
Eternal Medal Limited ^{^^}	Hong Kong	HK\$1	—	30.67	Investment holding
Fore Bright Limited ^{^^}	Hong Kong	HK\$1	—	30.67	Investment holding
Frank Light Development Limited ^{^^}	Hong Kong	HK\$19,999,999	—	30.67	Investment holding
Gentle Code Limited ^{^^}	Hong Kong	HK\$1	—	30.67	Investment holding

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Gentle Holdings Limited ^{^^}	Hong Kong	HK\$1	—	30.67	Investment holding
Goldthorpe Limited ^{^^}	British Virgin Islands/ Hong Kong	US\$1	—	30.67	Investment holding
Good Strategy Limited ^{^^}	British Virgin Islands/ Mainland China	US\$1	—	30.67	Property investment
Grand Wealth Limited ^{^^}	Hong Kong	HK\$2	—	30.67	Investment holding
Grosslink Investment Limited ^{^^}	Hong Kong	HK\$2	—	30.67	Investment holding
Guangzhou Gentle Code Real Estate Company Limited ^{^^##}	PRC/ Mainland China	US\$22,830,000 [#]	—	30.67	Property investment
Guangzhou Gentle Real Estate Company Limited ^{^^##}	PRC/ Mainland China	US\$17,080,000 [#]	—	30.67	Property development
Guangzhou Grand Wealth Properties Limited ^{^^###}	PRC/ Mainland China	HK\$280,000,000 [#]	—	30.67	Property development and investment
Guangzhou Guang Bird Property Development Limited ("Guangzhou Guang Bird") ^{^^###}	PRC/ Mainland China	US\$79,600,000 [#]	—	30.67	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited ^{^^###}	PRC/ Mainland China	RMB79,733,004 [#]	—	30.67	Property development and investment

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Jieli Real Estate Company Limited ^{^^##}	PRC/ Mainland China	HK\$168,000,000 [#]	—	30.67	Property investment
Hankey Development Limited ^{^^}	Hong Kong	HK\$10,000	—	30.67	Investment holding
Kingscord Investment Limited ^{^^}	Hong Kong	HK\$2	—	30.67	Investment Holding
Lai Fung Company Limited ^{^^}	Hong Kong	HK\$20	—	30.67	Investment holding
Manful Concept Limited ^{^^}	Hong Kong	HK\$2	—	30.67	Investment holding
Nicebird Company Limited ^{^^}	Hong Kong	HK\$2	—	30.67	Investment holding
Pearl Merge Limited ^{^^}	Hong Kong	HK\$1	—	24.54	Investment holding
Rosy Commerce ^{^^} (note (d))	British Virgin Islands/ Hong Kong	US\$100	—	35.78	Investment holding
Shanghai Hankey Real Estate Development Company Limited ^{^^##}	PRC/ Mainland China	US\$47,600,000 [#]	—	30.67	Property investment
Shanghai HKP Property Management Limited ^{^^##}	PRC/ Mainland China	US\$150,000 [#]	—	30.67	Property management
Shanghai Hu Xin Real Estate Development Company Limited ^{^^##}	PRC/ Mainland China	US\$40,000,000 [#]	—	30.67	Property development and investment

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Li Xing Real Estate Development Company Limited ^{^^##}	PRC/ Mainland China	US\$36,000,000 [‡]	—	30.67	Property investment
Shanghai Wa Yee Real Estate Development Company Limited ^{^^Δ}	PRC/ Mainland China	US\$10,000,000 [‡]	—	29.14	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited ^{^^##}	PRC/ Mainland China	US\$79,800,000 [‡]	—	30.67	Property investment
Sunlite Investment Limited ^{^^}	Hong Kong	HK\$2	—	30.67	Investment holding
Supreme Motion Limited ^{^^}	Hong Kong	HK\$1	—	30.67	Investment holding
Wide Angle Development Limited ^{^^}	Hong Kong	HK\$2	—	30.67	Investment holding
Winfield Concept Limited ^{^^}	Hong Kong	HK\$1	—	24.54	Investment holding
Win Merge Limited ^{^^}	Hong Kong	HK\$1	—	24.54	Investment holding
Zhongshan Bao Li Properties Development Company Limited ("Zhongshan Bao Li") ^{^^##}	PRC/ Mainland China	HK\$960,000,000 [‡]	—	30.67	Property development and investment
廣州高樂物業管理有限公司 ^{^^∅}	PRC/ Mainland China	RMB1,100,000 [‡]	—	30.67	Property management
上海麗港物業管理有限公司 ^{^^∅}	PRC/ Mainland China	RMB500,000 [‡]	—	30.67	Property management

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
上海麗星房地產發展有限公司 ^{^^##}	PRC/ Mainland China	RMB630,000,000 [#]	—	30.67	Property development
中山高樂物業管理有限公司 ^{^^0}	PRC/ Mainland China	RMB500,000 [#]	—	30.67	Property management
珠海橫琴創新方商業管理有限公司 ^{^^##}	PRC/ Mainland China	RMB5,000,000 [#]	—	30.67	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 [#]	—	24.54	Property development and investment
珠海橫琴創新方娛樂有限公司 ^{^^##}	PRC/ Mainland China	RMB500,000,000 [#]	—	24.54	Development and operation of and investment in cultural, leisure, entertainment and related facilities
珠海橫琴創新方文化創意有限公司 ^{^^##}	PRC/ Mainland China	RMB52,000,000 [#]	—	24.54	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 [#]	—	30.67	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 [#]	—	30.67	Development and operation of and investment in cultural, leisure, entertainment and related facilities

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Subsidiaries of LSD

The registered capital of 北京好酒好菜 was fully paid up. For 上海權翠閣, RMB13,302,000 (equivalent to approximately HK\$14,745,000) was unpaid as at 31 July 2020.

Subsidiaries of eSun

The registered capital of these subsidiaries were fully paid up, except for 廣東五月花 of which the capital of RMB13,000,000 (equivalent to approximately HK\$14,401,000) was unpaid as at 31 July 2020.

Subsidiaries of Lai Fung

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

Registered as co-operative joint ventures under the laws of the PRC

This subsidiary has registered capital rather than issued share capital.

△ Registered as equity joint ventures under the laws of the PRC

∅ Registered as domestic enterprises under the laws of the PRC

^ They are subsidiaries of MAGHL.

^^ They are subsidiaries of Lai Fung.

^^^ They are subsidiaries of eSun (other than the MAGHL Group).

^^^^ They are subsidiaries of LSF&B, a 67.04%-owned subsidiary of LSD.

⊗ LSD owns a 51% (2019: 51%) equity interest in Porchester, which in turn, through GIV, a wholly-owned subsidiary of Porchester, owns a 51% (2019: 51%) interest in CCHJV. By virtue of the 51% (2019: 51%) equity interest in CCHJV held by LSD through the 51%-owned Porchester, an effective equity interest of 26.01% (2019: 26.01%) in CCHJV was held by LSD. Accordingly, the Company holds effective equity interest of 28.67% (2019: 28.60%) in Porchester and 14.62% (2019: 14.58%) in CCHJV.

⊗⊗ They are subsidiaries of LSD (other than the eSun Group, the MAGHL Group and the Lai Fung Group).

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Shares of certain subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group (note 37).

As at 31 July 2020, the Group had unpaid capital contributions of approximately HK\$163,499,000 (2019: HK\$161,001,000) to four (2019: three) non-wholly-owned subsidiaries and a wholly-owned subsidiary (2019: one) which are not included in the above table.

Notes:

(a) Interests in LSD

For the year ended 31 July 2020

On 20 December 2019, LSD's shareholders approved at the annual general meeting a final dividend of HK\$0.108 per share payable in cash with a scrip dividend alternative (the "**LSD 2019 Scrip Dividend Scheme**") for the year ended 31 July 2019 (the "**LSD 2019 Final Dividend**"). During the year ended 31 July 2020, 3,803,900 new shares were issued by LSD at a deemed price of HK\$10.288 per share, credited as fully paid, to shareholders of LSD who had elected to receive scrip shares in lieu of cash under the LSD 2019 Scrip Dividend Scheme to settle HK\$39,135,000 of the LSD 2019 Final Dividend. The remaining balance of the LSD 2019 Final Dividend of HK\$26,363,000 was satisfied by cash. Further details of the 2019 Scrip Dividend Scheme are set out in LSD's circular dated 8 January 2020.

During the year ended 31 July 2020, 906,000 ordinary shares were issued in respect of a share option exercised under LSD's share option scheme at an exercise price of HK\$5.350 per share and a total cash consideration of approximately HK\$4,846,000 was received.

Due to the above arrangements, the Group's interest in LSD was increased from 56.07% to 56.22%. The change in the Group's shareholding interest in LSD resulted in an increase in the Group's other reserve of HK\$40,827,000 and a decrease in the non-controlling interests of HK\$31,620,000 in total in the consolidated statement of changes in equity.

For the year ended 31 July 2019

On 21 December 2018, LSD's shareholders approved at the annual general meeting a final dividend of HK\$0.108 per share payable in cash with a scrip dividend alternative (the "**LSD 2018 Scrip Dividend Scheme**") for the year ended 31 July 2018 (the "**LSD 2018 Final Dividend**"). During the year ended 31 July 2019, 387,511 new shares were issued by LSD at a deemed price of HK\$12.796 per share, credited as fully paid, to shareholders of LSD who had elected to receive scrip shares in lieu of cash under the LSD 2018 Scrip Dividend Scheme to settle HK\$4,958,000 of the LSD 2018 Final Dividend. The remaining balance of the LSD 2018 Final Dividend of HK\$60,498,000 was satisfied by cash. Due to the above arrangement, the Group's interest in LSD was decreased from 56.10% to 56.07%. The change in the Group's shareholding interest in LSD resulted in a decrease in other reserve of HK\$8,168,000 and an increase in the non-controlling interests of HK\$13,126,000 in the consolidated statement of changes in equity.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

(b) Interests in Lai Fung

For the year ended 31 July 2020

During the year ended 31 July 2020, Lai Fung issued 3,536,887 new shares to its shareholders who had elected to receive scrip shares in lieu of cash of HK\$35,397,000. The remainder of the dividend of HK\$30,102,000 was satisfied by cash.

During the year ended 31 July 2020, Lai Fung issued 109,591 ordinary shares in respect of a share option exercised under its share option scheme with a cash consideration of HK\$729,000.

Due to the above arrangements, the equity interest of the eSun Group in Lai Fung increased from 50.55% to 50.99% immediately after the above transactions. The change in the eSun Group's shareholding interest in Lai Fung resulted in an increase in the Group's other reserve HK\$22,369,000 and a decrease in non-controlling interests of HK\$21,289,000.

In May 2020, LSD (through its wholly-owned subsidiary) acquired additional equity interest in Lai Fung under a voluntary general cash offer at a cash consideration of approximately HK\$1.6 billion. As a result, the effective equity interest of LSD in Lai Fung increased from 38.05% to 54.56%. Since then, Lai Fung ceased to be a subsidiary of eSun. The change in the Group's shareholding interest in Lai Fung resulted in an increase in other reserve of HK\$1,327,606,000, a decrease in exchange fluctuation reserve of HK\$56,381,000 and a decrease in the non-controlling interests of HK\$1,425,105,000 in the consolidated statement of changes in equity of the Group.

Further details are set out in the joint announcement of LSD and Lai Fung dated 28 May 2020.

For the year ended 31 July 2019

During the year ended 31 July 2019, Lai Fung issued new shares to its shareholders who had elected to receive scrip shares in lieu of a cash dividend of HK\$3,225,000 under the scrip dividend scheme. As a result, the equity interest of the eSun Group in Lai Fung decreased from 50.60% to 50.55% as at 31 July 2019. The change in the Group's shareholding interest in Lai Fung resulted in a decrease in other reserve of HK\$3,978,000 and an increase in the non-controlling interests of HK\$7,203,000 in the consolidated statement of changes in equity.

(c) Interests in IGHL

For the year ended 31 July 2019

During the year ended 31 July 2019, the eSun Group acquired a 10% equity interest in IGHL at a cash consideration of HK\$37,500,000. As a result, the equity interest of the eSun Group in IGHL increased from 85% to 95%. The change in the Group's shareholding interest in IGHL resulted in a decrease in other reserve of HK\$12,048,000 and a decrease in non-controlling interests of HK\$25,771,000 in the consolidated statement of changes in equity.

(d) Interests in Rosy Commerce

In September 2019, LSD (through its wholly-owned subsidiary) acquired a 20% equity interest in Rosy Commerce from eSun for a consideration of approximately HK\$557 million. Prior to the acquisition, eSun held 20% equity interest in Rosy Commerce through a wholly-owned subsidiary (other than the 80% equity interest held by Lai Fung). Since then, Rosy Commerce became a 20%-owned subsidiary of LSD (other than the 80% equity interest held by Lai Fung). Lai Fung (through a wholly-owned subsidiary) continues to hold 80% equity interest in Rosy Commerce.

Further details are set out in a joint announcement of the Company, LSD and eSun dated 23 July 2019 and a circular of eSun dated 30 August 2019.

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

(d) Interests in Rosy Commerce (continued)

As a result, the effective equity interest in Rosy Commerce held by LSD increased from 45.10% to 50.18% immediately after the above transaction. The change in the Group's shareholding interest in Rosy Commerce resulted in a decrease in other reserve of HK\$302,000 and a decrease in non-controlling interests of HK\$99,133,000.

(e) Interests in Camper & Nicholsons Asia Limited ("CNA")

For the year ended 31 July 2020

During the year ended 31 July 2020, the Group acquired a 20% equity interest in CNA at a cash consideration of HK\$500,000. As a result, the equity interest of LSD in CNA increased from 80% to 100%. The change in the Group's shareholding interest in CNA resulted in a decrease in other reserve of HK\$1,270,000 and an increase in the non-controlling interests of HK\$770,000 in the consolidated statement of changes in equity of the Group.

51. PARTICULARS OF PRINCIPAL JOINT VENTURES

Particulars of the Group's principal joint ventures as at 31 July 2020 were as follows:

Name	Place of incorporation or registration and business	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Diamond Path Limited	British Virgin Islands/ Hong Kong	Ordinary	28.11	Investment holding (Diamond Path Group is principally engaged in property development and investment)
Diamond String	Hong Kong	Ordinary	28.11	Property investment

The above table lists the joint ventures of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors of the Company, result in particulars of excessive length.

52. ACQUISITION OF SUBSIDIARIES

(a) F&B Acquisition

On 15 January 2020, the Group acquired 70% equity interest in KiKi Fine Goods Inc. and its subsidiary (the “**Acquired Group**”) at a consideration of approximately HK\$65,332,000 (the “**F&B Acquisition**”). The Acquired Group principally engage in producing a range of homemade foods. The Group considers that the F&B Acquisition would diversify its F&B business.

The fair values of identifiable assets and liabilities of The Acquired Group as at the date of the F&B Acquisition were as follows:

	Notes	HK\$'000
Right-of-use assets	16(b)	1,671
Other intangible assets — Trademarks	22	20,272
Other intangible assets — Customer relationship	22	13,164
Inventories		1,038
Debtors		4,569
Prepayments, deposits, other receivables and other assets		37
Cash and cash equivalents		6,432
Creditors and other payables		(3,731)
Lease liabilities	16(c)	(1,671)
Tax payable		(23)
		41,758
Non-controlling interests		(12,527)
Total identifiable net assets at fair value		29,231
Goodwill on the F&B Acquisition	21	36,101
		65,332
Satisfied by:		
Cash consideration		65,332

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52. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) F&B Acquisition (continued)

The Group has elected to measure the non-controlling interests in The Acquired Group at the non-controlling interests' proportionate share of The Acquired Group's net identifiable assets and liabilities.

For the year ended 31 July 2020, goodwill of approximately HK\$36,101,000 was recognised upon the completion of the F&B Acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

The net assets recognised in these financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the fair values of identifiable assets and liabilities of The Acquired Group. The valuation had not been completed by the date of the approval of the financial statements. The allocation of the cost of the F&B Acquisition to the identifiable assets and liabilities is pending the completion of such valuation, which is expected to be completed during the year ending 31 July 2021. Accordingly, the above goodwill arising on the acquisition is a provisional amount and may change upon the completion of the valuation.

For the year ended 31 July 2020, the Group incurred transaction costs of approximately HK\$1,378,000 for the F&B Acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

Since the F&B Acquisition, The Acquired contributed approximately HK\$23,192,000 to the Group's revenue and profit of approximately HK\$7,155,000 to the Group's consolidated loss for the year ended 31 July 2020.

Had the F&B Acquisition taken place at the beginning of the year ended 31 July 2020, the revenue and the loss for the year ended 31 July 2020 of the Group would have been approximately HK\$5,338,262,000 and approximately HK\$4,359,459,000, respectively.

Both the fair value and the gross contractual amounts of debtors, deposits, prepayments, other receivables and other assets as at the date of the F&B Acquisition were HK\$4,606,000.

52. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) F&B Acquisition (continued)

An analysis of the cash flows in respect of the F&B Acquisition is as follows:

	HK\$'000
Cash consideration paid	(65,332)
Cash and bank balances acquired	6,432
Net outflow of cash and cash equivalents included in cash flows from investing activities	(58,900)
Transaction costs of the F&B Acquisition included in cash flows from operating activities	(1,378)
	(60,278)

(b) eSun Acquisition

Further to the joint announcement of the Company, LSD, eSun, Lai Fung and the Offeror as defined below dated 27 May 2018 and the Company's circular dated 23 July 2018 in respect of, among others, (1) the then conditional voluntary general cash offer by Transtrend Holdings Limited (the "Offeror"), a wholly-owned subsidiary of LSD, to acquire all of the issued shares of eSun (other than those already owned or agreed to be acquired by LSD, the Offeror or their respective subsidiaries) (the "eSun Share Offer") and to cancel all the outstanding share options of eSun (the "eSun Option Offer", and together with the eSun Share Offer, the "eSun Offers") and (2) the then possible unconditional mandatory general cash offer by the Offeror to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror, eSun or their respective subsidiaries) and to cancel all the outstanding share options of Lai Fung, LSD acquired additional 40.44% interest in eSun for approximately HK\$735 million. eSun became a subsidiary of the Group since 8 August 2018 (the "Completion Date") and upon completion of the eSun Offers, LSD held 77.38% equity interest in eSun. For details of the acquisition, please refer to the joint announcement of the Company, LSD, eSun, Lai Fung and the Offeror dated 8 August 2018, the joint announcement of LSD, Lai Fung and the Offeror dated 15 August 2018, the joint announcement of LSD, eSun and the Offeror dated 22 August 2018 and the joint announcement of LSD, Lai Fung and the Offeror dated 13 September 2018.

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52. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) eSun Acquisition (continued)

Prior to the eSun Offers, LSD held 36.94% equity interest in eSun (the “**Existing Shareholding**”). The fair value of the Existing Shareholding as at the Completion Date of approximately HK\$705 million was calculated with reference to the quoted share price of eSun of HK\$1.28 per share as at the Completion Date. The aggregate carrying amount of the Group’s interests in eSun and related reserves (including investment revaluation reserve and exchange fluctuation reserve) retained by the Group for the Existing Shareholding immediately before the Completion Date was approximately HK\$3,691 million.

Difference between the fair value of the Existing Shareholding and the aggregate carrying amount of the Group’s interests in eSun and related reserves retained by the Group for the Existing Shareholding as at the Completion Date of approximately HK\$2,986 million has been recognised in the consolidated income statement of the Company as a loss on remeasurement of the Existing Shareholding in eSun upon business combination.

The fair value of the Existing Shareholding at the Completion Date formed part of the acquisition cost and was included in the calculation of gain on bargain purchase in relation to LSD’s acquisition of 74.62% equity interest in eSun (the “**eSun Acquisition**”) after taking into account the Disposal as set out in (b) below, in accordance with HKFRS 3 *Business Combinations*.

The Group has elected to measure the non-controlling interests in eSun at the non-controlling interests’ proportionate share of eSun Group’s net identifiable assets and liabilities.

The consideration of the eSun Offers was determined after taking into account, among other things, the historical trading prices of eSun’s shares, eSun’s financial performance and the trading multiples of comparable companies, and represented a discount to the net asset value attributable to owners of eSun. Upon completion of the eSun Offers, the Group has recognised an overall net gain on bargain purchase of approximately HK\$3,776 million for the year ended 31 July 2019, which was resulted from discount of trading prices to the net asset value.

52. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) eSun Acquisition (continued)

The fair values of the identifiable assets and liabilities of eSun Group as at the Completion Date were as follows:

	Notes	HK\$'000
Property, plant and equipment	14	5,188,660
Investment properties	15	18,601,100
Properties under development	17	4,667,700
Film rights		11,205
Film and TV program products	19	80,217
Music catalogs		74,833
Other intangible assets	22	586
Investments in associates		16,278
Investments in joint ventures		1,877,476
Financial assets at fair value through profit or loss		213,226
Derivative financial instruments	27	2,531
Debtors		181,599
Deposits, prepayments, other receivables and other assets		561,642
Deferred tax assets	39	4,189
Pledged and restricted bank balances and time deposits		1,073,762
Completed properties for sale		1,758,600
Films and TV programs under production and film investments	31	469,585
Inventories		21,874
Prepaid tax		37,856
Cash and cash equivalents		2,136,039
Creditors, other payables and accruals		(1,961,570)
Deposits received, deferred income and contract liabilities		(801,367)
Tax payable		(123,973)
Bank borrowings	54	(3,920,953)
Loans from a joint venture	54	(644,698)
Loans from a related company		(650,000)
Other borrowings	54	(257,841)
Guaranteed notes	36(b), 54	(2,602,991)
Deferred tax liabilities	39	(5,507,393)
Non-controlling interests of eSun		(9,643,570)
		10,864,602
Adjustment of provision for tax indemnity		251,251
Non-controlling interests		(2,913,542)
Total identifiable net assets at fair value		8,202,311
Gain on bargain purchase of the eSun Acquisition		(6,761,861)
Total consideration		1,440,450

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52. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) eSun Acquisition (continued)

The fair values of the identifiable assets and liabilities of eSun Group as at the Completion Date were as follows: (continued)

	HK\$'000
Satisfied by:	
Cash consideration of the eSun Offers	735,119
Fair value of the Existing Shareholding	705,331
	1,440,450
Net impact on the consolidated income statement	
Loss on remeasurement of the Existing Shareholding in eSun upon business combination	2,985,631
Gain on bargain purchase on the eSun Acquisition	(6,761,861)
	Gain on bargain purchase, net (3,776,230)

The Group incurred total transaction costs of approximately HK\$47 million for the eSun Acquisition, of which approximately HK\$32 million was incurred for the year ended 31 July 2018. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

Since the eSun Acquisition, the eSun Group contributed approximately HK\$2,903 million to the Group's revenue and profit of approximately HK\$18 million to the Group's consolidated profit for the year ended 31 July 2019.

Had the eSun Acquisition taken place at the beginning of the year ended 31 July 2019, the revenue and the profit for the year ended 31 July 2019 of the Group would have been approximately HK\$6,610 million and approximately HK\$4,846 million, respectively.

52. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) eSun Acquisition (continued)

An analysis of the cash flows in respect of the eSun Acquisition is as follows:

	HK\$'000
Cash consideration paid	(735,119)
Cash and bank balances acquired	2,136,039
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,400,920
Transaction costs of the eSun Acquisition included in cash flows from operating activities	(14,849)
	1,386,071

(c) Disposal of shares in eSun

In order to restore the minimum percentage of shares in eSun held by the public as required under Rule 8.08(1)(a) of the Listing Rules, the Offeror entered into a legally binding and unconditional agreement on 25 January 2019 to sell an aggregate of 41,150,000 shares in eSun (“**Disposal Shares**”), representing approximately 2.76% of the then total issued share capital of eSun, to an independent third party (the “**Disposal**”).

Following the completion of the Disposal on 11 February 2019, the minimum public float of 25% of the then total issued share capital of eSun as required under Rule 8.08(1)(a) of the Listing Rules has been restored and LSD held 74.62% equity interest in eSun since then.

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53. DISPOSAL OF SUBSIDIARIES

For the year ended 31 July 2019

	Notes	2019 HK\$'000
Net assets/(liabilities) disposed of:		
Property, plant and equipment	14	34
Films and TV programs under production	31	14,813
Deposits, prepayments, other receivables and other assets		6,416
Cash and cash equivalents		5,372
Creditors, other payables and accruals		(34,723)
		(8,088)
Non-controlling interests		3,963
Release of exchange fluctuation reserve		(15)
		(4,140)
Gain on disposal of subsidiaries		4,720
Consideration		580
Satisfied by:		
Consideration receivables		580

An analysis of cash flows in respect of the disposal of the subsidiaries is as follows:

	2019 HK\$'000
Cash and cash equivalents disposed of and net cash outflow in respect of the disposal of the subsidiaries	(5,372)

54. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Notes	Bank borrowings HK\$'000	Guaranteed notes HK\$'000	Loans from a joint venture HK\$'000	Other borrowings HK\$'000	Put option liabilities HK\$'000	Dividend payable HK\$'000	Lease liabilities HK\$'000
At 1 August 2018		9,589,986	3,118,594	—	395,630	—	—	—
Changes from financing cash flows		497,831	—	(633,081)	41,560	280,532	(12,431)	—
Amortisation of bank financing charges		61,213	—	—	—	—	—	—
Interest expense		—	—	—	5,766	—	—	—
Amortisation of guaranteed note issue expenses		—	23,235	—	—	—	—	—
Interest on other borrowings		—	—	—	11,576	—	—	—
Final 2018 dividend declared	12	—	—	—	—	—	28,500	—
Final 2018 dividend settled with scrip dividend	40(a)	—	—	—	—	—	(16,069)	—
Arising from acquisition of subsidiaries	52(b)	3,920,953	2,602,991	644,698	257,841	—	—	—
Foreign exchange movements		(107,515)	(8,166)	(11,617)	(833)	(812)	—	—
At 31 July 2019		13,962,468	5,736,654	—	711,540	279,720	—	—
Effect of adoption of HKFRS 16		—	—	—	—	—	—	1,346,668
At 1 August 2019 (restated)		13,962,468	5,736,654	—	711,540	279,720	—	1,346,668
Changes from financing cash flows		2,596,156	—	—	—	—	(12,727)	(226,710)
Amortisation of bank financing charges		11,076	—	—	—	—	—	—
Interest expense		—	—	—	5,689	—	—	56,395
Amortisation of guaranteed note issue expenses		—	35,321	—	—	—	—	—
Additions		—	—	—	—	—	—	127,807
Acquisition of subsidiaries		—	—	—	—	—	—	1,671
Lease modification		—	—	—	—	—	—	126,669
Termination		—	—	—	—	—	—	(701)
Rent concessions related to COVID-19		—	—	—	—	—	—	(47,156)
Other rent concessions		—	—	—	—	—	—	(9,897)
Interest on other borrowings		—	—	—	11,422	—	—	—
Final 2019 dividend declared	12	—	—	—	—	—	28,629	—
Final 2019 dividend settled with scrip dividend	40(c)	—	—	—	—	—	(15,902)	—
Foreign exchange movements		(26,772)	(54,096)	—	(1,658)	(2,634)	—	(1,412)
At 31 July 2020		16,542,928	5,717,879	—	726,993	277,086	—	1,373,334

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54. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 HK\$'000
Within operating activities	(24,228)
Within investing activities	(8,823)
Within financing activities	(226,710)
	(259,761)

55. COMPARATIVE FIGURES

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 and note 6(a), due to the reorganisation of reportable segments during the year, certain comparative amounts have been restated to conform with the current year's presentation.

56. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 October 2020.