eSun Holdings Limited
豐德麗控股有限公司
(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

Stock Code 股份代號: 571

ANNUAL REPORT
年度報告

Year ended 31 July 2018
二零一八年七月三十一日止

Weathering challenges with steady rental portfolio

攻堅克難 租賃組合表現穩健

Cover Photo:

May Flower Plaza – A property of the Company's subsidiary Lai Fung Holdings Limited located at Shanghai, China

封面圖片：

本公司附屬公司麗豐控股有限公司位於中國上海之物業 — 五月花生活廣場


4K ULTRA HD
GUARDIANS OF THE GALAXY
VOL. 2

3月2日
GIRLS
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五月天
LIFE
HONG KONG


GRAND

CONTENTS

CORPORATE INFORMATION

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Executive Directors

Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Chew Fook Aun
Lam Hau Yin, Lester
Yip Chai Tuck

Non-executive Directors

U Po Chu
Andrew Y. Yan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Chew Fook Aun
Lui Siu Tsuen, Richard

COMPANY SECRETARY

Wong Lai Chun

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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

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

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

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

LISTING INFORMATION

Shares

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

Stock Code/Board Lot

571/2,000 shares

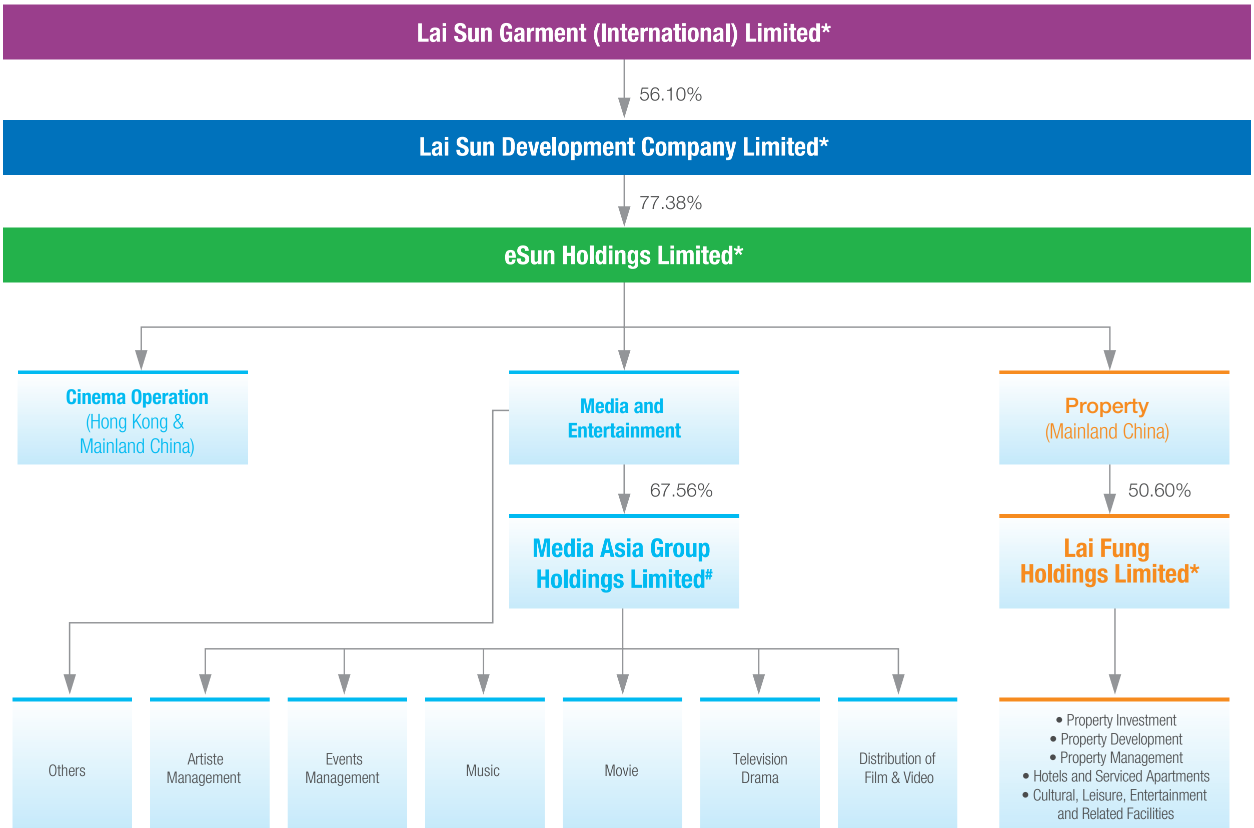
WEBSITE

www.esun.com

INVESTOR RELATIONS

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

CORPORATE PROFILE



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

Corporate Structure as at 25 October 2018

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

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

Since 9 June 2011, Media Asia Group Holdings Limited ("**MAGHL**", formerly known as "Rojam Entertainment Holdings Limited") has become a subsidiary of the Company. MAGHL is a company listed on GEM of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (Stock Code: 8075). The Company currently holds about 67.56% of the issued shares in MAGHL and the principal activities of MAGHL and its subsidiaries include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programmes; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

In addition, the Company's 50.60%-owned subsidiary, Lai Fung Holdings Limited ("**Lai Fung**"), is a company listed on the Main Board of the Stock Exchange (Stock Code: 1125). The principal activities of Lai Fung and its subsidiaries consist of property development for sale and property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities in Mainland China.

In August 2013, the Company acquired an 85% equity interest in Intercontinental Group Holdings Limited ("**IGHL**", formerly known as "Kadokawa Intercontinental Group Holdings Limited") which has become a subsidiary of the Company. IGHL is one of the leading film and video distribution companies in Hong Kong, releasing around 30 films every year and distributing a variety of video products. IGHL is also one of the leading multiplex cinema operators in Hong Kong, operating a total of 12 cinemas in Hong Kong and Mainland China as well as having a 30% joint venture interest in The Grand Cinema at the Elements, MTR Kowloon Station.

CHAIRMAN'S STATEMENT

"Continuously explore strategic alliances and investment opportunities to enrich the Group's portfolio and broaden its income stream"

Low Chee Keong
Chairman

I am pleased to present the audited consolidated results of eSun Holdings Limited ("**Company**") and its subsidiaries (collectively, "**Group**") for the year ended 31 July 2018.

OVERVIEW OF ANNUAL RESULTS

For the year ended 31 July 2018, the Group recorded a turnover of HK$2,183.9 million, representing a decrease of 18.4% from that of HK$2,677.4 million last year. The decrease is primarily due to lower turnover from sale of properties of Lai Fung Holdings Limited ("**Lai Fung**", a non-wholly-owned subsidiary of the Company) and its subsidiaries (collectively, "**Lai Fung Group**") for the year ended 31 July 2018 as compared to last year. The gross profit decreased by approximately 6.3% to HK$1,013.4 million (2017: HK$1,081.4 million).

For the year ended 31 July 2018, net profit attributable to owners of the Company was approximately HK$263.8 million (2017: HK$514.2 million). Basic earnings per share was HK$0.177 (2017: HK$0.378). The significant decrease in net profit attributable to owners of the Company for the year under review is primarily due to:

(a) a lower tax indemnity amount received by Lai Fung from Lai Sun Development Company Limited ("**LSD**", the controlling shareholder of the Company as at 31 July 2018) pursuant to the tax indemnity deed in connection with the listing of Lai Fung on The Stock Exchange of Hong Kong Limited in 1997;

(b) a lower fair value gain arising on the cross currency swaps in relation to Lai Fung's RMB1.8 billion senior notes which matured in April 2018;

(c) the absence of a gain on disposal of an available-for-sale investment; and

(d) a consolidated loss from Media Asia Group Holdings Limited ("**MAGHL**", a non-wholly-owned subsidiary of the Company) and its subsidiaries (collectively, "**MAGHL Group**") owing to unsatisfactory performance of the films released by MAGHL Group during the year under review.

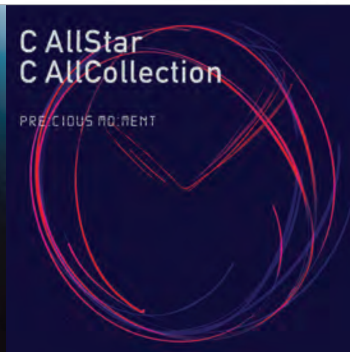
Net loss attributable to owners of the Company for the year ended 31 July 2018 excluding the effect of property revaluations was approximately HK$108.2 million (2017: net profit of HK$145.1 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK$0.073 per share (2017: net profit of HK$0.107 per share).

	For the year ended 31 July	
Profit/(loss) attributable to owners of the Company	**2018 HK$'million**	2017 HK$'million
Reported	**263.8**	514.2
Adjustments in respect of investment properties		
Revaluation of properties	**(496.1)**	(493.9)
Deferred tax on investment properties	**124.0**	123.5
Non-controlling interests' share of revaluation movements less deferred tax	**0.1**	1.3
Net profit/(loss) after tax and tax indemnity excluding revaluation gains of investment properties	**(108.2)**	145.1

Equity attributable to owners of the Company as at 31 July 2018 amounted to HK$9,259.5 million (31 July 2017: HK$9,118.2 million). Net asset value per share attributable to owners of the Company increased by 1.6% to HK$6.207 per share as at 31 July 2018 from HK$6.112 per share as at 31 July 2017.

FINAL DIVIDEND

The board of directors of the Company ("**Board**") does not recommend the payment of a dividend for the year ended 31 July 2018 (2017: Nil).



BUSINESS REVIEW AND OUTLOOK

Media and Entertainment/Film Production and Distribution/Cinema Operation

The Mainland China entertainment market continues to grow at an unprecedented pace. The Group continues to expand its media and entertainment businesses in Mainland China, optimising income from its film, TV, live entertainment, artiste management, music and cinema in this fast growing market. The Group is well positioned to capitalise on this trend with its solid foundation in the industry.

- Film – continued drive to increase original production of films which appeal to Chinese language audiences. "*When Robbers Meet The Monster*", an action comedy film featuring Louis Koo, Zhou Dongyu and Cheney Chen with director Andrew Lau, "*Bodies At Rest*", an action crime film by director Renny Harlin casting Nick Cheung and Richie Jen, "*Fagara in Mara*", a romance film produced by Ann Hui featuring Sammi Cheng, and "*I'm Living It*", a feature film produced by Cheang Pou Soi with Aaron Kwok and Miriam Yeung, are under post-production. Projects under development include an action film "*Knockout*" by director Roy Chow featuring Han Geng and a romance comedy film "*The Calling of a Bus Driver*" with Ivana Wong and director Patrick Kong.

- TV – expanded activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China as well as a way to provide exposure and training for the Group's stable of artistes. The drama series "*Shadow of Justice*" started broadcasting in Alibaba's Youku and Viu TV since September and have generated satisfactory viewership for the two platforms. The latest titles in our TV production pipelines include "*New Horizon*", a 50 episode romance drama series starring Zheng Kai and Chen Chiao-en, and we are discussing with various Chinese portals and video websites for new project development.

- Live Entertainment – successfully produced and promoted a number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The recent "*JJ Lin Sanctuary World Tour Hong Kong*" has earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion. In addition to our investment in coming "*Andy Lau My Love World Tour Hong Kong 2018*", we are planning to organise concerts for a number of artistes in 2019.

- Music – as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. With a vast and well-known Chinese music library under management and a continual supply of new hits, the Group is poised to capitalise on this new economic model. During the year under review, on top of the existing distribution licence with Warner Music, the Group has entered into an exclusive PRC distribution licence of our music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and these licences have been providing stable income contribution to the Group.

- Artiste Management – expanded its Chinese artiste roster as well as collaborated with high profile Asian artistes. The Group believes a strong talent roster will complement its media and entertainment businesses and will continue its effort in talent development.

- Cinema – acquisition of Intercontinental Group Holdings Limited in July 2013 bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and Mainland China. The MCL Telford Cinema in Kowloon Bay, Hong Kong was re-opened in December 2017 after renovation with advanced cinema technology and the introduction of House FX Theater and MX4D Motion Theater. During the year under review, the Group opened two new cinemas, one in Shatin, Hong Kong and the other one in Suzhou in Mainland China. The cinema in New Town Plaza in Shatin, Hong Kong named "Movie Town" is the largest cinema in the New Territories with more than 1,700 seats in 7 houses and introduced the latest revolutionary cinema technologies to the town including the HK-first Samsung "Onyx Cinema LED" and RealD Cinema, plus the HK-exclusive MX4D motion theatre and House FX. The Group has chosen Ufun Suzhou Shopping Mall to establish its first "GRAND Cinema" flagship site in Mainland China. The Grand Cinema City in Suzhou has 10 houses which are all equipped with 3D digital projection and Dolby Surround sound systems, providing a total of 1,440 seats. Two of the houses are in China Giant Screen formats, each also with the most advanced Dolby Atmos sound system, giant screen of 18.6m wide and 10.5m tall and dual-digital projection systems. The Group also secured one cinema project in Hong Kong, which is expected to commence business in the financial year ending 31 July 2019. We are excited by the outlook for cinemas in Hong Kong and Mainland China and we will continue to seek out opportunities to expand our footprint.

Architect's impression of Hengqin Novotown Phase I

Lionsgate Entertainment World™

National Geographic Ultimate Explorer

Hengqin Novotown Phase I Cultural Studios

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

Mainland China Property Market

Major economies around the world continue to navigate in uncertain waters during the year under review. The capital market has demonstrated steadiness backed by cautious optimism despite a delicate economic outlook, punctuated by global events such as elections in Europe, uncertainties surrounding the terms of Brexit, domestic terror events in the United States and Europe and the more recent trade disputes between the USA and China. Some of these events are likely to linger in the near future and continue to cast a shadow on the outlook.

Notwithstanding the seemingly turbulent environment, the Chinese Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. However some sectors such as exports, weakened further as a result of lackluster global economic performance and trade disputes with the USA. Some of the slowdown has been countered by promoting other sectors and raising domestic consumption, however the longer term impact remains to be seen. The property sector has been a beneficiary of this as observed in various land auctions and transaction values recently. We believe the property sector will remain an important economic pillar and continues to be shaped significantly by government policies. The Chinese Government's approach to the economy is certainly good news to the sector in the long run and supportive fiscal policy would be beneficial to investors and developers alike. Under the current leadership of the Chinese Government, we can expect continued stability and continuity going forward.

Architect's impression of Shanghai Northgate Plaza after redevelopment

Guangzhou Lai Fung Tower

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

The regional focus and rental-led strategy of Lai Fung has demonstrated resilience in recent years. The rental portfolio of approximately 3.3 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. The asset swap transaction as jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. The total gross floor area ("**GFA**") of this property owned by Lai Fung Group increased to approximately 705,500 square feet excluding car-parking spaces from approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

Lai Fung Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 3.3 million square feet to approximately 6.6 million square feet through developing the existing projects on hand over the next few years. Foundation works for the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and Hui Gong Building commenced in September 2017. The redevelopment plan includes an office tower, a shopping arcade and underground car-parking spaces 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.

The construction works of Phase I of the Novotown project in Hengqin ("**Novotown**") commenced at the end of 2015 and is now progressing at a good pace. The completion is expected to be in the first half of 2019. Lai Fung Group and Dr. Ing. h.c. F. Porsche AG ("**Porsche**") did not reach a final agreement in relation to the licensing of Porsche's intellectual property rights and the provision of consultation services for the development of the auto experience theme centre in Phase II of Novotown prior to the expiration of the framework agreement entered into in September 2017. In November 2017, Lai Fung Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up an Innovation Leadership Academy Hengqin ("**ILA Hengqin**") in Hengqin, Zhuhai. The cooperation aims to enhance the general education experience in Hengqin and across the region catering for learning needs of local and overseas families residing within the Pearl River Delta area, including Hengqin, Zhuhai, Macau and the Greater Bay Area. The ILA Hengqin is planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between Lai Fung Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing. Lai Fung Group is proactively exploring business opportunities with various international brands to create unique personalised entertainment offerings.

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Hengqin Novotown Phase I are expected to contribute to the income statement of Lai Fung Group in the coming financial years. Lai Fung Group will continue its prudent and flexible approach in growing its landbank.

From May to August 2018, the Company went through a voluntary general cash offer ("**eSun Offer**") made by LSD in May 2018 to acquire all of the issued shares of the Company that were not already owned by LSD. The eSun Offer closed on 22 August 2018. The mandatory general offer to Lai Fung triggered by the eSun Offer closed on 13 September 2018. As at the date of this Chairman's Statement, LSD's interest in the Company increased from that of 36.94% as at 31 July 2018 to 77.38% and the Company has become a subsidiary of LSD post year end. Lai Fung remains a 50.60%-owned subsidiary of the Company.

As at 31 July 2018, the Group's consolidated cash position of HK$3,209.8 million (HK$341.9 million excluding Lai Fung Group and MAGHL Group) (31 July 2017: HK$3,304.6 million (HK$273.8 million excluding Lai Fung Group and MAGHL Group)) with a reasonable net debt to equity ratio of 53.9% as at 31 July 2018 (31 July 2017: 35.3%) provides the Group with full confidence and the means to review opportunities more actively. The Group will continue its prudent and flexible approach in managing its financial position.

APPRECIATION

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

Low Chee Keong
Chairman
Hong Kong
25 October 2018

FINANCIAL SUMMARY AND HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 July				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
TURNOVER	**2,183,863**	2,677,388	3,369,275	3,329,495	2,344,796
PROFIT BEFORE TAX AND TAX INDEMNITY	**915,651**	1,106,540	718,532	1,182,410	934,921
Tax and tax indemnity	**(242,234)**	(79,326)	(405,526)	(560,534)	(286,533)
PROFIT FOR THE YEAR	**673,417**	1,027,214	313,006	621,876	648,388
Attributable to:					
Owners of the Company	**263,840**	514,233	80,825	258,231	268,618
Non-controlling interests	**409,577**	512,981	232,181	363,645	379,770
	673,417	1,027,214	313,006	621,876	648,388

Assets, Liabilities and Non-controlling Interests

	As at 31 July				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Property, plant and equipment	**3,790,965**	3,041,562	2,768,546	2,580,696	2,836,175
Properties under development (classified as non-current assets)	**410,157**	1,346,220	1,188,387	1,631,376	644,353
Investment properties	**18,601,100**	16,903,419	15,065,759	14,914,881	13,909,411
Film rights	**11,205**	20,960	23,682	25,197	37,360
Film products	**80,217**	125,921	123,768	81,947	80,298
Music catalogs	**9,657**	11,438	14,918	14,832	16,371
Goodwill	**82,440**	82,440	123,440	123,440	123,440
Other intangible assets	**586**	16,557	28,605	–	–
Investments in joint ventures	**1,868,316**	1,438,287	1,161,752	1,231,634	1,136,546
Investments in associates	**16,278**	28,587	26,894	28,875	32,842
Available-for-sale investments	**114,361**	123,435	138,592	167,092	154,553
Long-term deposits, prepayments and other receivables	**120,116**	124,362	323,905	124,273	156,124
Long-term pledged and restricted time deposits	**–**	–	–	135,669	204,957
Deferred tax assets	**4,189**	6,050	6,101	5,072	5,421
Derivative financial instruments	**2,531**	–	–	–	–
Current assets	**6,937,701**	5,973,510	7,407,402	7,811,709	7,189,555
TOTAL ASSETS	**32,049,819**	29,242,748	28,401,751	28,876,693	26,527,406
Current liabilities	**(3,311,059)**	(4,968,225)	(3,175,552)	(4,753,177)	(2,323,937)
Non-current liabilities – Long-term deposits received, finance lease payables, bank and other borrowings, derivative financial instruments, loans from a joint venture, loans from a related company, convertible notes, guaranteed notes and fixed rate senior notes	**(7,774,859)**	(3,947,369)	(6,152,509)	(4,176,022)	(4,990,148)
Deferred tax liabilities	**(3,318,953)**	(3,104,284)	(2,808,906)	(2,804,979)	(2,633,212)
TOTAL LIABILITIES	**(14,404,871)**	(12,019,878)	(12,136,967)	(11,734,178)	(9,947,297)
NON-CONTROLLING INTERESTS	**(8,385,483)**	(8,104,670)	(7,665,526)	(7,977,835)	(7,653,924)
Equity attributable to owners of the Company	**9,259,465**	9,118,200	8,599,258	9,164,680	8,926,185

FINANCIAL SUMMARY AND HIGHLIGHTS

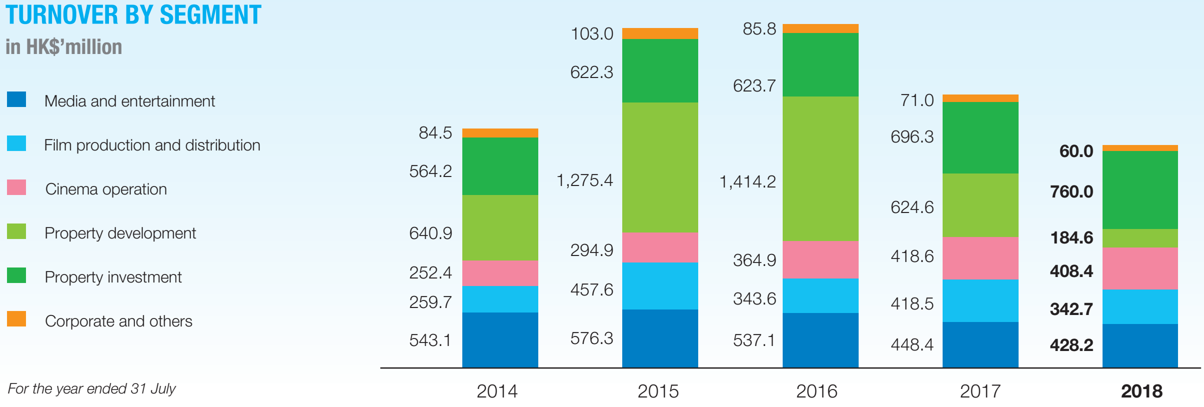
FINANCIAL HIGHLIGHTS

		Year ended 31 July 2018	Year ended 31 July 2017	Approximate percentage change
Turnover	(HK$'M)	**2,183.9**	2,677.4	-18.4%
Gross profit	(HK$'M)	**1,013.4**	1,081.4	-6.3%
Gross profit margin	(%)	**46.4%**	40.4%	
Operating profit	(HK$'M)	**767.5**	987.2	-22.3%
Operating profit margin	(%)	**35.14%**	36.87%	
Profit/(loss) attributable to owners of the Company	(HK$'M)			
– as reported		**263.8**	514.2	-48.7%
– adjusted *(Note 1)*		**(108.2)**	145.1	-174.6%
Net profit margin	(%)			
– as reported		**12%**	19%	
– adjusted		**-5%**	5%	
Basic earnings/(loss) per share *(Note 2)*	(HK$)			
– as reported		**0.177**	0.378	-53.2%
– adjusted		**(0.073)**	0.107	-168.2%
Net assets attributable to owners of the Company	(HK$'M)	**9,259.5**	9,118.2	1.5%
Net borrowings	(HK$'M)	**4,989.2**	3,220.7	54.9%
Net asset value per share *(Note 3)*	(HK$)	**6.207**	6.112	1.6%
Share price as at 31 July	(HK$)	**1.27**	0.98	29.6%
Price earnings ratio	(times)			
– as reported		**7.2**	2.6	
– adjusted		**N/A**	9.2	
Market capitalisation as at 31 July	(HK$'M)	**1,894.7**	1,462.0	29.6%
Return on shareholders' equity	(%)			
– as reported		**3%**	6%	
– adjusted		**-1%**	2%	
Gearing – net debt to equity	(%)	**53.9%**	35.3%	
Interest cover *(Note 4)*	(times)			
– as reported		**0.61**	1.56	
– adjusted		**-0.25**	0.44	
EBITDA *(Note 5)*/Interest expenses	(times)	**1.90**	2.66	
Current ratio	(times)	**2.1**	1.2	
Discount to net asset value	(%)	**80%**	84%	

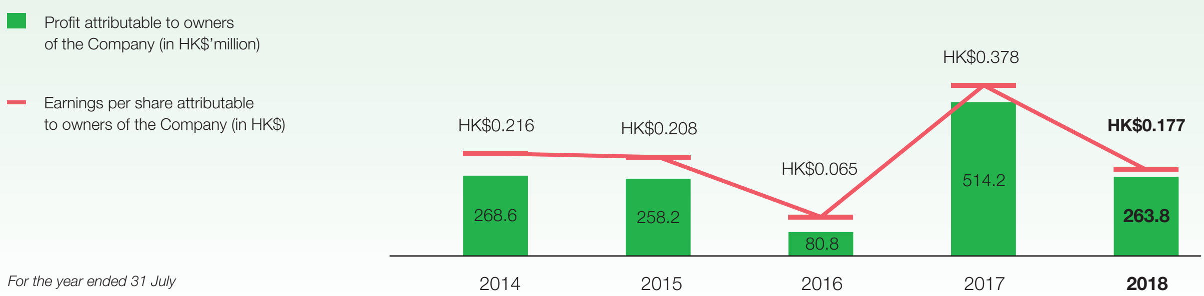
Notes:

1. *Excluding revaluation gains of investment properties*
2. *Calculated based on the profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year*
3. *Calculated based on the number of ordinary shares in issue as at the end of respective reporting periods*
4. *Calculated as profit attributable to owners of the Company over cash interest expenses*
5. *EBITDA = Profit before tax and tax indemnity – Property revaluation gain/loss + Depreciation + Amortisation + Finance costs*

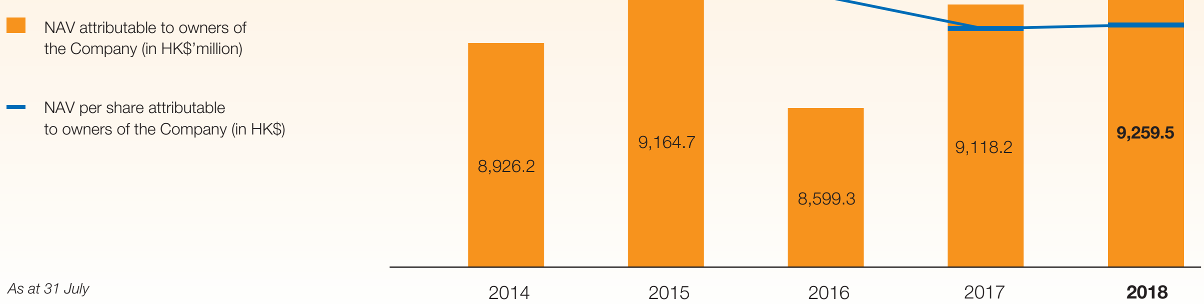
TURNOVER BY SEGMENT



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



NET ASSETS & NET ASSET VALUE ("NAV") PER SHARE



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Media and Entertainment

For the year ended 31 July 2018, this segment recorded a turnover of HK$428.2 million (2017: HK$448.4 million) and segment results decreased to HK$21.8 million from that of HK$25.5 million last year.

Live Entertainment

The Group remains highly active on the live entertainment front. During the year under review, the Group organised and invested in 138 (2017: 168) shows by popular local, Asian and internationally renowned artistes, including Miriam Yeung, Grasshopper, C AllStar, at17, Ivana Wong and Hins Cheung, Liza Wang, Vivian Chow, Wanna One, MayDay and Rene Liu.

Music Production, Distribution and Publishing

For the year ended 31 July 2018, the Group released 53 (2017: 30) albums, including titles by Sammi Cheng, Miriam Yeung, William So, C AllStar, Tang Siu Hau, at17, Cherry Ngan and Michael Lai. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Programme Production and Distribution

For the year ended 31 July 2018, this segment recorded a turnover of HK$342.7 million (2017: HK$418.5 million) and segment results of a loss of HK$258.7 million (2017: HK$126.2 million).

During the year under review, the Group released a total of 5 films (2017: 6), including *Legend of the Naga Pearls, The Adventurers, Manhunt* and *Girls vs Gangsters* and distributed 39 (2017: 31) films and 480 (2017: 488) videos with high profile titles including *Memoirs of a Murderer, The Post, Uncle Drew, Black Panther, Coco, Thor: Ragnarok* and *Star Wars: The Last Jedi*.

Cinema Operation

For the year ended 31 July 2018, this segment recorded a turnover of HK$408.4 million (2017: HK$418.6 million). The Group currently operates nine cinemas in Hong Kong and three cinemas in Mainland China as well as one joint venture cinema in Hong Kong. The MCL Telford Cinema in Kowloon Bay, Hong Kong was re-opened in December 2017 after renovation with advanced cinema technology and the introduction of House FX Theater and MX4D Motion Theater. During the year under review, the Group opened two new cinemas, one in Shatin, Hong Kong and the other one in Suzhou, Mainland China. The cinema in New Town Plaza in Shatin, Hong Kong named “Movie Town” is the largest cinema in the New Territories with more than 1,700 seats in 7 houses and introduced the latest revolutionary cinema technologies to the town including the HK-first Samsung “Onyx Cinema LED” and RealD Cinema, plus the HK-exclusive MX4D motion theatre and House FX. The Group has chosen Ufun Suzhou Shopping Mall to establish its first “GRAND Cinema” flagship site in Mainland China. The Grand Cinema City in Suzhou has 10 houses which are all equipped with 3D digital projection and Dolby Surround sound systems, providing a total of 1,440 seats. Two of the houses are in China Giant Screen formats, each also with the most advanced Dolby Atmos sound system, giant screen of 18.6m wide and 10.5m tall and dual-digital projection systems. The Group also secured one cinema project in Hong Kong, which is expected to commence business in the financial year ending 31 July 2019. The cinema operation provides a complementary distribution channel for the Group’s film production and distribution businesses.

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

Cinema	Attributable interest to the Group (%)	No. of screens *(Note 1)*	No. of Seats *(Note 1)*
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		**22**	**2,951**
Hong Kong			
Movie Town (including MX4D theatre)	100	7	1,702
Festival Grand Cinema	85	8	1,196
MCL Metro City Cinema *(Note 2)*	85	7	957
MCL Telford Cinema (including MX4D theatre)	85	6	789
STAR Cinema	85	6	622
Grand Kornhill Cinema (including MX4D theatre)	85	5	706
MCL South Horizons Cinema	85	3	555
MCL Green Code Cinema	85	3	285
Grand Windsor Cinema	85	3	246
The Grand Cinema	25.5	12	1,566
Subtotal		**60**	**8,624**
Total		**82**	**11,575**

Notes:

1. *On 100% basis*

2. *Renovation in phases is in progress and with effect from 1 November 2018, rental spaces of one cinema house will be handed back to the landlord and the cinema will provide 694 seats in 6 houses.*

Property Investment

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2018.

Rental Income

For the year ended 31 July 2018, Lai Fung Group's rental operations recorded a turnover of HK$766.2 million (2017: HK$702.1 million), representing a 9.1% increase over last year. Excluding the effect of currency translation, the growth for Renminbi denominated rental income was 3.3%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			For the year ended 31 July			
	2018# **HK$'million**	2017# HK$'million	Approximate change (%)	**2018** **RMB'million**	2017 RMB'million	Approximate change (%)	**Year end occupancy** (%)
Shanghai							
Shanghai Hong Kong Plaza	**416.9**	399.4	4.4	**346.4**	350.6	-1.2	Retail: 96.8 Office: 94.8 Serviced Apartments: 91.5
Shanghai May Flower Plaza	**75.9**	75.4	0.7	**63.1**	66.2	-4.7	Retail: 48.2* Hotel: 72.2
Shanghai Regents Park	**25.0**	20.0	25.0	**20.7**	17.5	18.3	100.0
Guangzhou							
Guangzhou May Flower Plaza	**113.2**	105.5	7.3	**94.1**	92.6	1.6	99.2
Guangzhou West Point	**19.8**	18.4	7.6	**16.5**	16.1	2.5	100.0
Guangzhou Lai Fung Tower	**105.2**	74.9	40.5	**87.4**	65.7	33.0	Retail: 100.0 Office: 100.0**
Zhongshan							
Zhongshan Palm Spring	**10.2**	8.5	20.0	**8.5**	7.5	13.3	Retail: 75.5** Serviced Apartments: 51.9
Total	**766.2**	702.1	9.1	**636.7**	616.2	3.3	

\# *The exchange rates adopted for the years ended 31 July 2018 and 2017 are 0.8310 and 0.8777, respectively.*

* *The drop in the occupancy rate is due to the early termination of the lease of Lotte Mart on 3 July 2018. Lai Fung Group is currently discussing with several prospective tenants to fill the vacancy.*

** *Excluding self-use area*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The strong growth from Guangzhou Lai Fung Tower is primarily due to its being fully leased during the year under review.

The asset swap transaction with Guangzhou Light Industry Real Estate Development Company as jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. The total GFA of this property owned by Lai Fung Group increased to approximately 705,500 square feet excluding car-parking spaces from approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

Property Development

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2018.

Recognised Sales

For the year ended 31 July 2018, Lai Fung Group's property development operations recorded a turnover of HK$184.6 million (2017: HK$624.6 million) from sale of properties, representing a 70.4% decrease over last year.

Total recognised sales was primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 7,521 and 84,936 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$50.2 million and HK$90.5 million, respectively.

For the year ended 31 July 2018, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$1,649 per square foot (2017: HK$983 per square foot). Sales of residential units and retail units of Guangzhou Dolce Vita performed well and achieved average selling price of HK$3,616 and HK$5,445 per square foot, respectively. This is recognised as a component of "Share of profits and losses of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2018 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA	Average selling price#	Turnover*	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Guangzhou Eastern Place					
Residential Units – Phase V	7	7,521	6,980	50.2	41.7
Guangzhou King's Park					
Commercial Unit	1	3,337	2,380	7.5	6.3
Zhongshan Palm Spring					
Residential High-rise Units	70	84,936	1,148	90.5	75.2
Others				1.1	0.9
Subtotal	**78**	**95,794**	**1,649**	**149.3**	**124.1**
Guangzhou King's Park					
Car-parking Spaces	6			4.6	3.8
Guangzhou Eastern Place					
Car-parking Spaces	27			30.7	25.5
Total				**184.6**	**153.4**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	42	92,288	3,616	313.8	260.8
Retail Units**(47.5% basis)	–	665	5,445	3.4	2.8
Subtotal	**42**	**92,953**	**3,629**	**317.2**	**263.6**
Car-parking Spaces**(47.5% basis)	45			16.1	13.4
Total				**333.3**	**277.0**

Before business tax and value-added tax inclusive

The exchange rate adopted for the year ended 31 July 2018 is 0.8310.

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2018, 89 residential units and 1 retail unit were sold and the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK$667.9 million (excluding car-parking spaces) and approximately 195,690 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$33.8 million.*

Contracted Sales

As at 31 July 2018, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$51.8 million and HK$246.9 million from sales of residential units in Zhongshan Palm Spring and studios of Hengqin Novotown Phase I, respectively and HK$3.4 million from sales of 6 car-parking spaces in Guangzhou King's Park, Guangzhou Eastern Place and Zhongshan Palm Spring. Sales of the studios of Hengqin Novotown Phase I were strong and achieved an average selling price of HK$5,207 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, studios and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 July 2018 amounted to RMB251.0 million (31 July 2017: RMB125.7 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 July 2018 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$302.5 million (31 July 2017: HK$402.8 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 July 2018 amounted to RMB251.3 million (31 July 2017: RMB353.6 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2018 is as follows:

Contracted basis	No. of units	Approximate GFA	Average selling price#	Turnover#	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Zhongshan Palm Spring					
Residential High-rise Units	31	34,614	1,497	51.8	43.0
Hengqin Novotown					
Studios	11	47,420	5,207	246.9	205.2
Subtotal	**42**	**82,034**	**3,641**	**298.7**	**248.2**
Guangzhou King's Park					
Car-parking Spaces	2			1.6	1.3
Guangzhou Eastern Place					
Car-parking Space	1			1.2	1.0
Zhongshan Palm Spring					
Car-parking Spaces	3			0.6	0.5
Subtotal				**302.1**	**251.0**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Car-parking Space**(47.5% basis)	1			0.4	0.3
Subtotal				**0.4**	**0.3**
Total (excluding car-parking spaces)	**42**	**82,034**	**3,641**	**298.7**	**248.2**
Total (including car-parking spaces)				**302.5**	**251.3**

Before business tax and value-added tax inclusive

The exchange rate adopted for the year ended 31 July 2018 is 0.8310.

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2018, the contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$0.8 million.*

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2018, cash and bank balances held by the Group amounted to HK$3,209.8 million (2017: HK$3,304.6 million) of which around 22.9% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 76.9% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 July 2018 was HK$341.9 million (2017: HK$273.8 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2018, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$8,199.0 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 July 2018, the Group had guaranteed general banking facilities granted by certain banks. As at 31 July 2018, the Group had outstanding bank loans of HK$147.8 million and utilised letter of credit and letter of guarantee facilities of HK$5.9 million. All bank loans are repayable within 1 year and are on floating rate basis and are denominated in HKD.

Apart from the bank loans, the Group had an outstanding loan of HK$450.0 million from Hibright Limited ("**Hibright**"), which is a wholly-owned subsidiary of LSD. The loan is on floating rate basis, denominated in HKD and is repayable in the second year. The Group has the undrawn facilities of HK$302.8 million as at 31 July 2018.

In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$91.1 million for the said unsecured other borrowings as at 31 July 2018. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2018.

MAGHL

During the year, TFN Convertible Notes with principal amount of HK$130.0 million and Specific Mandate Convertible Notes with an aggregate principal amount of HK$166.8 million (including a principal amount of HK$100.0 million issued to the Group) were redeemed upon maturity on 14 May 2018 and 3 July 2018 respectively. As at 31 July 2018, MAGHL has unsecured and interest-bearing loans from Hibright and the Company of HK$200.0 million and HK$100.0 million respectively. The loans are on floating rate basis, denominated in HKD and are repayable in the second year.

Lai Fung

As at 31 July 2018, Lai Fung Group had total borrowings in the amount of HK$7,445.6 million comprising bank loans of HK$3,773.2 million, guaranteed notes of HK$2,725.5 million, loans from a subsidiary of the Company of HK$248.5 million, loans from a joint venture of HK$644.7 million and other borrowing of HK$53.7 million. The maturity profile of Lai Fung Group's borrowings of HK$7,445.6 million is well spread with HK$419.2 million repayable within 1 year, HK$1,184.2 million repayable in the second year, HK$5,648.1 million repayable in the third to fifth years, and HK$194.1 million repayable beyond the fifth year. The undrawn facilities of Lai Fung Group was HK$3,552.0 million as at 31 July 2018.

Approximately 45% and 51% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of Lai Fung Group's borrowings were interest free.

Apart from the guaranteed notes, Lai Fung Group's other borrowings of HK$4,720.1 million were 53% denominated in RMB, 37% in HKD and 10% in USD.

Lai Fung Group's guaranteed notes of HK$2,725.5 million were denominated in USD. Lai Fung Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

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

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings and banking facility of the Group, including investment properties with a total carrying amount of approximately HK$11,575.2 million, properties under development with a total carrying amount of approximately HK$1,371.4 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,282.7 million, construction in progress with a total carrying amount of approximately HK$909.7 million and time deposits and bank balances of approximately HK$650.8 million.

As at 31 July 2018, the consolidated net assets attributable to the owners of the Company amounted to HK$9,259.5 million (2017: HK$9,118.2 million). The gearing ratio, being net debt (total borrowings of HK$8,199.0 million less pledged and restricted bank balances and time deposits of HK$1,073.8 million and cash and cash equivalents of HK$2,136.0 million) to net assets attributable to the owners of the Company was approximately 53.9%.

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 July 2018 are set out in note 49 to the Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2018, the Group employed a total of around 1,880 (2017: 2,010) 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.

PARTICULARS OF MAJOR PROPERTIES

COMPLETED PROPERTIES HELD FOR RENTAL

Property name	Location	Group interest	Tenure	Approximate attributable gross floor area (square feet)			No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	50.60%	The property is held for a term of 50 years commencing on 16 September 1992	237,028	183,221	420,249	177
May Flower Plaza	Sujiaxiang, Jing'an District	50.60%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	162,079	–	162,079	–
Regents Park	88 Huichuan Road, Changning District	48.07%	The property is held for a term of 70 years commencing on 4 May 1996	39,447	–	39,447	–
Subtotal of major completed properties held for rental in Shanghai:				**438,554**	**183,221**	**621,775**	**177**
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	50.60%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	180,857	40,192	221,049	69
West Point	Zhongshan Qi Road, Liwan District	50.60%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	87,016	–	87,016	–
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	50.60%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	50,121	306,886	357,007	158
Subtotal of major completed properties held for rental in Guangzhou:				**317,994**	**347,078**	**665,072**	**227**
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	50.60%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	74,588	–	74,588	–
Subtotal of major completed properties held for rental in Zhongshan:				**74,588**	**–**	**74,588**	**–**
Total of major completed properties held for rental:				**831,136**	**530,299**	**1,361,435**	**404**

COMPLETED HOTEL PROPERTIES AND SERVICED APARTMENTS

Property name	Location	Group interest	Tenure	No. of rooms	Approximate attributable gross floor area (square feet)	No. of car-parking spaces attributable to the Group
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	50.60%	The property is held for a term of 50 years commencing on 16 September 1992	300	179,765	–
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	50.60%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	72,786	–
Subtotal of major completed hotel properties and serviced apartments in Shanghai:				**539**	**252,551**	**–**
Zhongshan						
STARR Resort Residence Zhongshan	Caihong Planning Area, Western District	50.60%	The property is held for a term expiring on 23 October 2073	90	49,869	–
Subtotal of major completed hotel properties and serviced apartments in Zhongshan:				**90**	**49,869**	**–**
Total of major completed hotel properties and serviced apartments:				**629**	**302,420**	**–**

PARTICULARS OF MAJOR PROPERTIES

PROPERTIES UNDER DEVELOPMENT

Property name	Location	Group interest	Stage of construction	Expected completion date	Approximate site area (square feet) (Note 1)	Approximate attributable gross floor area (square feet) Commercial/ Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Guangzhou											
Haizhu Plaza	Chang Di Main Road, Yuexiu District	50.60%	Resettlement in progress	Q4 2022	90,708	46,514	258,495 (Note 2)	–	–	305,009	151
Subtotal of major properties under development in Guangzhou:						46,514	258,495	-	-	305,009	151
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	50.60%	Construction work in progress	Phase 3: Q3 2020 Phase 4: Q2 2021	2,547,298 (Note 3)	66,535	–	–	995,641	1,062,176	891
Subtotal of major properties under development in Zhongshan:						66,535	-	-	995,641	1,062,176	891
Shanghai											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	50.60%	Construction work in progress	Q4 2021	107,223	47,652	303,310	–	–	350,962	280
Wuli Bridge project	Wuliqiao Road, 104 Jie Fang, Huangpu District	50.60%	Construction work in progress	Q2 2019	74,112	–	–	–	42,351	42,351	49
Subtotal of major properties under development in Shanghai:						47,652	303,310	-	42,351	393,313	329
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	60.48%	Construction work in progress	H1 2019	1,401,184	591,538	476,209	620,747	–	1,688,494	1,263
Subtotal of major properties under development in Hengqin:						591,538	476,209	620,747	-	1,688,494	1,263
Total of major properties under development:						752,239	1,038,014	620,747	1,037,992	3,448,992	2,634

Notes:
1. *On project basis*
2. *Office/office apartments*
3. *Including portions of the projects that have been completed for sale/lease*

COMPLETED PROPERTIES HELD FOR SALE

Property name	Location	Group interest	Approximate attributable gross floor area (square feet)				No. of car-parking spaces attributable to the Group
			Commercial/ Retail	Residential	Office	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	50.60%	17,052	246,160	–	263,212	627
Subtotal of major completed properties held for sale in Zhongshan:			**17,052**	**246,160**	**–**	**263,212**	**627**
Shanghai							
May Flower Plaza	Sujiaxiang, Jing'an District	50.60%	–	–	–	–	232
Regents Park, Phase II	88 Huichuan Road, Changning District	48.07%	–	–	–	–	195
Subtotal of major completed properties held for sale in Shanghai:			**–**	**–**	**–**	**–**	**427**
Guangzhou							
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	50.60%	–	–	–	–	10
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	24.04%	4,520	–	–	4,520	14
King's Park	Donghua Dong Road, Yuexiu District	50.60%	–	–	–	–	7
West Point	Zhongshan Qi Road, Liwan District	50.60%	–	–	–	–	64
Subtotal of major completed properties held for sale in Guangzhou:			**4,520**	**–**	**–**	**4,520**	**95**
Total of major completed properties held for sale:			**21,572**	**246,160**	**–**	**267,732**	**1,149**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance ("**ESG**") report discloses the management approach, strategies and performance of the Company and its subsidiaries (together, "**Group**") in accordance with the Environmental, Social and Governance Reporting Guide published by The Stock Exchange of Hong Kong Limited. Unless otherwise specified, this Report covers the ESG performance of the Group for the year ended 31 July 2018. This report has been approved and confirmed by the management team and by the board of directors of the Company.

The scope of this Report is defined with reference to the businesses relevant to the Group's corporate structure. Due to the diversified nature of the businesses, separate management teams with expertise in the environmental, health and safety issues of each business sector will oversee the formulation of ESG policies and procedures and review relevant ESG risks for that business sector.

STAKEHOLDER ENGAGEMENT

In addition to utilising the regular communication channels during its daily operations, the Company has previously engaged an independent consultant to conduct stakeholder engagement online surveys to understand stakeholders' perspectives and priorities of ESG issues relevant to the business. ESG topics were prioritised in accordance with the materiality results from stakeholders' perspectives and the importance of relevant ESG topics to business development.

MATERIALITY ANALYSIS

While we pay attention to all ESG issues which affect our businesses and stakeholders, we have identified the two most material issues in each sector of our business which we have paid additional focus on. Materiality of these issues is identified through stakeholder engagement exercises, management reviews and industry analysis.

There are no material changes in the Group's business operations during the reporting year and we continue to adopt the material issues previously identified. Issues which are considered more material are indicated in the following table.

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

OVERALL ENVIRONMENTAL MANAGEMENT APPROACH

We endeavour to minimise negative environmental impact in our business operations and have therefore established environmental management policies to manage and control our output in emissions, waste management, energy usage and environmental impact. All relevant laws and regulations on environmental protection are observed and are important references for our environmental management strategies. During the reporting year, the Group has no recordable non-compliance cases in relevant laws and regulations, as illustrated in the following sections.

Environmental Management and Air Emissions

Air emissions may be generated in moderate amounts through some processes of our businesses. Where applicable, we take a proactive approach in managing our emissions through abatement procedures or by minimising emissions at source. This approach is adopted at Group level and to all business sectors.

Policies and Initiatives in Cinema Business

The main source of emission of our cinema operation is the indirect carbon emission from energy consumption. Therefore, to minimise the environmental impact of our operation, we have established a management plan on the reduction of energy consumption, including measures such as keeping air conditioning and other energy intensive measures to a minimum when a cinema house is not in use. Through these energy saving measures, we aim at reducing our indirect carbon emission and contribute in protecting the environment.

Policies and Initiatives in Property Business

During property development phases, emissions such as air pollutant, waste water, construction waste will be generated while properties are being constructed. To mitigate relevant emissions, the Group outlines agreements with contractors with reference terms to relevant local and national environmental requirements. Various procedures are carried out at construction sites with the objective to mitigate emissions generated on site.

New projects in compliance with local and national requirements on green building and are designed and planned with reference to “LEED v4 for Building Design and Construction”. Emission control such as waste disposal and sewage discharge are suggested by LEED consultant and are handled in responsible manner with required emission permit. Each construction project is required to pass the Environment Impact Assessment (“**EIA**”) to minimise the impact to the environment, and our selected contractors will be responsible to carry out the requirements listed in the EIA. The use of green building design and the compliance of EIA are to ensure air pollution, noise pollution, wastewater pollution and waste disposal will be strictly monitored and managed from design stage to construction stage.

In order to demonstrate our commitment in environmental management, Shanghai HKP Property Management Limited, a wholly-owned subsidiary of Lai Fung Holdings Limited (“**Lai Fung**”, a non-wholly-owned subsidiary of the Company), has certified for ISO 14001:2004 Environmental Management System since 2012 and is planning to improve its management system in according to updated ISO 14001:2015 Environmental Management System in the coming year.

There are no non-compliance cases in Environmental Protection Law of the People’s Republic of China (“**PRC**”), Atmospheric Pollution Prevention and Control Law of the PRC, Water Pollution Prevention and Control Law of the PRC, Law of the PRC on Prevention and Control of Pollution From Environmental Noise, Land Administration Law of the PRC and Regulations on the Administration of Construction Project Environmental Protection during the reporting year.

Waste Management

A waste management plan is in place as a means to manage and minimise waste generated in our daily operations. For easier management and to facilitate recycling, we separate waste into different categories, depending on the nature of waste generated. Recycling is highly encouraged in our operations. Where applicable and feasible, recycling bins are located in our office areas and properties. Where feasible, we support the reuse of resources in our operations while non-recyclable waste will be managed by qualified waste management companies.

Policies and Initiatives in Property Businesses

During the construction phase of each of our projects, we ensure that relevant waste management procedures are in place and are in compliance with Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes. For example, we request contractors to provide us with a written waste disposal plan and waste management procedures in order to clarify on management procedures of waste generated during the process. Waste materials commonly generated at our construction sites include general refuse, inert construction waste, non-inert construction waste, recyclable metals waste and chemical waste. We apply the 3R principle in our waste disposal plan to reduce, reuse and recycle materials through on-site sorting, while the rest of the construction waste is disposed of by licensed contractors. All chemical waste and hazardous waste identified in the Directory of National Hazardous Wastes were handled by authorised third party.

Resources Management and Conservation

We encourage all businesses to be conscious in the use and management of natural resources such as electricity, fuel and water sources, etc. Conscious use of resources and recycling initiatives are generally supported within the Company and across all business sectors.

Policies and Initiatives in Cinema Business

We consciously monitor the resource consumption within our cinema operation. The main type of resources consumed within our cinema operation is energy. To reduce our electricity consumption, we have established some guiding principles in managing the electricity consumption. We continuously review and reinforce the energy usage within our cinemas.

Policies and Initiatives in Property Business

In the overall environmental management of our properties and the built environment, we seek to continuously monitor our energy and water consumption and will seek for conservation opportunities in our existing property portfolio. A resource and energy management plan is formulated to encourage water and energy saving initiatives. The use of recycling water for irrigation and cleaning are encouraged. Monthly monitoring of energy and water consumption are carried out to manage the use of energy and to prevent water leakage. We also carry out energy saving asset enhancement projects where appropriate to achieve higher energy efficiency. We would continually review the energy consumption performances of other leasing and investment properties and will seek to further reduce energy consumption and electricity consumption.

Co-existence with the Natural Environment

We strive to balance the development of our businesses and the associated environmental impacts. By outlining a set of policies and guidelines to minimise adverse environmental impacts across all the business sectors of the Group, we seek to minimise our businesses' negative impacts to the environment.

Policies and Initiatives in Property Business

The Company is aware of the possible impact of construction projects on natural resources and the surrounding environment. We endeavour to incorporate green building elements in new building where feasible. We make with reference to the "LEED v4 for Building Design and Construction" in Mainland China, for all of our new projects from design stage to demolition stage, to reduce the impact of our buildings to the surrounding environment. Besides requiring our contractors to submit the environmental management plan, actual performance on site will be reviewed against the environmental management plan to ensure that the planned mitigation measures are carried out. One of our projects, Guangzhou Lai Fung Tower, is a certified green building with Gold rating in LEED 2009 for Building Design and Construction, while Guangzhou Haizhu Plaza is planned to with reference to Gold rating requirement in LEED.

OVERALL APPROACH ON EMPLOYMENT

Employment

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. Across all business sectors in Hong Kong, the Group complies with Chapter 57 Employment Ordinance, Chapter 282 Employees' Compensation Ordinance and Chapter 608 Minimum Wage Ordinance and in Mainland China, we comply with the Labour Law of the PRC and Labour Contract Law of the PRC (collectively, "**PRC Labour Laws**") and have outlined relevant terms and conditions of employment in our staff handbook. The Company has signed the Good Employer Charter of the Labour Department as a commitment to be employee-oriented and to adopt progressive human resource management practice for a better working environment. With the aim to promote a harmonious and respectful workplace, employees' rights and benefits, including compensation and dismissal, recruitment, working hours, leave management, prevention on sexual harassment and our expectations to employees' conduct and behaviour are also stipulated in our staff handbook.

Employees' benefits within the Group include mandatory provident fund, enrolment to medical or commercial insurance scheme for respective eligible employees, social security and housing fund, etc. Employees who have worked with the Group for over twelve months of services are eligible to participate in a tuition scheme to receive subsidy and sponsorship for training and development course in the respective region.

The Group has also complied with Chapter 480 Sex Discrimination Ordinance, Chapter 487 Disability Discrimination Ordinance, Chapter 527 Family Status Discrimination Ordinance and Chapter 602 Race Discrimination Ordinance (collectively, "**Ordinances**") to ensure that there are minimal risk of discrimination and harassment case in our workplace. As a demonstration of our commitment to the issue, the Group has established policy in accordance with the Ordinances to ensure that employees are aware of the issue. All complaints regarding harassment in the workplace will be addressed and handled in a confidential yet professional manner in order to protect the rights of the victim(s).

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

Health and Safety

We endeavour to minimise all health and safety related risks in our various business sectors and ensure that all necessary safety precautionary arrangements are met. The management teams across various business sectors continuously seek to manage and control the health and safety risks which our employees are exposed to during their work, while ensuring that all health and safety issues that are present at our premises are fully addressed and will not affect our customers, guests and patrons. We will continue to identify potential risks in our operations and will maintain zero tolerance to work-related incidents and fatalities.

There are no non-compliance cases in Chapter 509 Occupational Safety and Health Ordinance in Hong Kong operation and Work Safety Law of the PRC, Law of the PRC on the Prevention and Control of Occupational Diseases and Construction Law of the PRC in Mainland China during the reporting year.

Policies and Initiatives in Property Business

We are committed to eliminating the health and safety risks which may affect our employees. We are in compliance with relevant laws and regulations on the Prevention and Control of Occupational Diseases, and we seek to provide safe working conditions for our employees. Employees will receive health and safety training regarding safety measures in relation to personal safety and the use of equipment. First aid classes and talks on workplace health and safety were conducted this year. We will also ensure that safety measures are implemented in all property projects and will continuously strive to increase employees' awareness on health and safety issues. For example we encourage our property managers to apply for relevant certifications such as OHSAS 18001:2007 Occupational Health and Safety Management.

We concern about mental wellness as well as physical health of employees and hence providing wellness seminar and activities on a voluntary basis. We have regular weekly sports activities to gather our employee to have fun and relax after work.

It is our priority to safeguard the occupational health and safety standards at our construction sites. Selected contractors are required to submit on-site safety management plans and safety officers will be hired for each project to oversee health and safety issues. The safety officer is responsible for overseeing on-site occupational risks and organising safety training to new joiners. With the objective to oversee safety conditions on site and to fulfil our target of minimising work-related injuries and fatalities, weekly meetings with safety officers and other related parties are held to identify safety issues in the project and to ensure that corrective and preventive measures are carried out accordingly.

Occupational health and safety within the built environment are equally important, hence we provide relevant trainings to our property management employees and increase their awareness on potential risks and associated safety measures. Property management safety handbooks are readily available for property management teams for residential or commercial building.

Development and Training

Our employees are important assets for our growth, hence the Company arranges numerous internal and external development programmes to meet the needs of our operational development and employee career development. Regardless of business sector, employees with over twelve months of services with the Group of respective location will be entitled to apply for our tuition scheme, where sponsorship of the tuition fee will be granted for further training and development course suitable for the employees' position and scope of work. We seek to enhance employees' training with subsidised courses and assist them in achieving professional and personal goals.

Policies and Initiatives in Property Business

Our property management employees regularly receive training such as on-board training, health and safety training, customer service training and skill-based training targeted for the needs of their specific positions. To strive for continuous improvement in customer services, we would provide additional tailored training to employees to ensure they all have capabilities to provide high quality service.

As a way to retain our talents, different levels of employees would have the opportunities to attend trainings on property safety management and customer service skill, etc. Through these trainings, employees can enhance their occupational skills for future career growth. They can also take this chance to share their experiences with each other for further knowledge exchange.

Labour Standards

We consider it is imperative that we safeguard the rights of our employees. Improper use of labour in the form of child labour and forced labour is strictly prohibited in all business sectors. For operations in Hong Kong, the Group ensures full compliance with relevant regulations and refers to Chapter 57B Employment of Children Regulations and Chapter 57C Employment of Young Persons (Industry) Regulations. We have equally stringent requirements for our contractors, and they are required to observe and comply with the same regulations.

For operations in Mainland China, the Group ensures full compliance to the PRC Labour Laws and Provisions on the Prohibition of Using Child Labour which stipulate the prevention of the use of child labour of ages under 16 and the prevention of any unlawful way of forced labour. Labour rights are protected and there are no forced overtime work. Should overtime work be required, workers will be paid as per relevant legal requirements. We have equality stringent requirements for our contractors who are required to observe and comply with the same applicable regulations at relevant jurisdictions.

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

Employee Welfare

With employees as our valued assets, the Group strives to enhance employee relations through provision of staff benefits and caring for their well-being. We regularly organise activities to reinforce our relationship with our employees and encourage a work-life balanced lifestyle. For example, in Hong Kong we organise "Lunch Talk" sessions for our staff on a monthly basis, providing talks on various topics, such as knowledge on MPF investment, occupational safety and health talks, and numerous interest classes. In Mainland China, two seminars were held during the reporting year on health and wellness, in the collaboration with external health centres to increase employee awareness on health and wellness. Employees were invited to attend seminars on voluntary basis to learn health care knowledge.

The Company also organises large-scale annual events for our employees, including annual dinner party, sports activities and leisure tour, etc. In general, these activities were well-received by our employees and we believe that our employees will benefit from the activities, which are also great opportunities for team-building and bonding with other colleagues.

OVERALL APPROACH ON MANAGING OPERATIONAL PRACTICES

Supply Chain Management

Policies and Initiatives in Property Business

We value the importance of openness and fairness in our tendering process and other supply chain related issues. We have formulated a clear tendering process outlining required number of quotations for construction projects of different scales.

Environmental and safety issues of our contractors are issues that we take responsibility in through outlining standards and requirements to contractors which are in line with local regulations. During the tendering process, environmental and safety measures of potential contractors are elements will be taken into consideration as part of our selection criteria. All contractors will be required to submit an environmental management plan and safety management plan upon selection.

During the construction, we require our contractors to follow the environmental control plan to eliminate pollution and waste to surrounding and to follow the mitigation measurement in the EIA of the project. Our management team will hold on-site meetings with site management and licensed third party consultants, including resident engineering, clerk of works and building services inspector, etc, to ensure the quality of work and the health and safety standards of the project.

Data Protection and Privacy

We are dedicated to protect our clients' privacy rights. To ensure compliance with Chapter 486 Personal Data (Privacy) Ordinance, we are committed to protect the privacy rights of our clients. Whenever copies of personal data are to be collected, a Personal Information Collection Statement is provided to the data provider on or before personal particulars are collected, to ensure that the use of data are done so with consent.

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

Policies and Initiatives in Cinema Business

As a cinema operator, we will collect customers' personal data and information only for the purpose of essential functions of memberships. Only information such as members' name, birthday, email and telephone number will be collected for registration and promotional use. We are cautious with the handling procedures of such information and clear steps of data collection and information disposal are available in our Personal Information Collection Statement to all relevant staff with the objective to ensure safety of our customers' information. No personally identifiable information are required for the collection of customer feedback and ticket sales. Should personally identifiable information be collected, they will be disposed of in a confidential manner after use.

Policies and Initiatives in Property Business

We have clear written procedures on the handling of personal data received during the property sales and management process. For example, at the point where there is a need for the collection of data such as client's personal data, a Personal Information Collection Statement will be provided to the data provider to ensure that purposes of data collection are understood. Such data and sales records, and other information which are obtained during the sales process are kept in our internal system. Only management level will be granted with access right to such information, while general staff need approval from the management level for client's information. During the property sales and marketing process, general staff can only access the information of its own clients and the collected information. All information collected would be kept as confidential and only for the purpose of the agreed sales. Measures are in place to ensure that client data would be not be misused for other marketing purposes.

Policies and Initiatives in Entertainment Business

Collection of personal data from employees, suppliers and artists are strictly limited to processes where such information are essentially required. Personal Information Collection Statements are provided where copies of documents containing personal data are to be obtained.

Responsible and Ethical Practices

Policies and Initiatives in Cinema Business

Snacks and beverages are served at our cinemas and we pay great attention to food safety issues which is an integral part of our cinema operation. We adhere to the Hygiene Manager and Hygiene Supervisor Scheme by Food and Environmental Hygiene Department, and have deployed management staff as hygiene supervisor for all cinemas. The hygiene supervisor is responsible for supervising food handlers on proper food handling practices and conduct daily checking on the food conditions to ensure the quality of food sold to our customers.

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

Policies and Initiatives in Property Business

We comply with relevant laws and regulations of Urban Real Estate Administration Law of the PRC regarding the sales process of our property and our marketing material is counselled by our legal and management level to ensure the compliance. We follow strictly to the government laws and regulations in order to receive the official sales permit from the Real Estate Administrative Department. Different departments, our financial, project management, sales and marketing departments are involved to ensure the marketing material is fair and accurate to represent the actual project planning and nearby facilities, in which there is not exaggerate and misleading marketing information.

There are no non-compliance cases in Administration Law of the PRC regarding the sales process of our property and our marketing material during the reporting year.

Service Excellence

Policies and Initiatives in Cinema Business

We cherish comments from our customers. Feedback from our customers can provide us with insights to further improve our services. Thus, we have established a comprehensive feedback mechanism via customer hotline and email to handle customers' comment. All comments and complaints will be handled by our customer service representatives. We also set up service target time for our staff to answer our customers. All communications with our customers via these feedback channels will be overseen by the management team to ensure timely and accurate responses. We will continue to maintain the comprehensive feedback system to collect customers' comments and improve our service quality.

Policies and Initiatives in Property Business

We are committed to providing high quality of experience to our customers in our property management operation. We regularly send out questionnaire to our customers to understand their opinion and satisfaction rate to our services, including customer service, security service, environment and greening, and construction management. For example, we received high customer satisfaction rate in three properties in Guangzhou, in which Lai Fung Tower, West Point and May Flower Plaza received 97%, 94% and 95% overall satisfaction rate respectively. Feedbacks and comments would be contributed to our continuous enhancement on property management services.

We strive to provide excellent services to our clients. Standard complaint handling guidelines and procedures are provided to our property management employees to standardise their responses and to equip them with the ability to handle customers' and tenants' complaints. We also emphasise the importance of ensuring that complaints are followed through thorough communication with our customers. All cases are documented and recorded for continuous improvement purposes.

Policies and Initiatives in Entertainment Business

We strive our best in providing quality cultural and entertainment products and events to our customers. We put great effort in ensuring the quality of our films, television programmes and music productions for our audience and customers.

Our project management would also monitor the process for live show to provide the best live experience for our audience.

Intellectual Property Rights

We respect and protect intellectual property rights and ensure that appropriate security measures and confidentiality agreements are observed. Across all business segments and within the Group, we ensure that agreements on collaborations with third parties are reviewed by our legal team to minimise opportunities for infringement.

Policies and Initiatives in Entertainment Business

We are committed to ensuring the intellectual property rights of all creative works. We ensure compliance with all 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. Our producers and their team for films, television programmes and music productions are aware of the procedures to clear the rights for any creative works prior to using or referencing such in the Group's productions. In case there is any perceived infringement, the Group will take immediate action to clear the rights or address relevant issues.

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

Integrity and Discipline

Integrity, fairness and discipline are the Group's core values. We expect high level of ethics and integrity from our employees and we request strict adherence to rules and procedures in accordance with Chapter 201 Prevention of Bribery Ordinance in Hong Kong and Criminal Law of the PRC and Law of the PRC on Anti-Corruption and Bribery in Mainland China. We make it a priority to ensure that no cases of fraud or corruption are present in any of our business segments. There are no non-compliance cases in the aforementioned laws and regulations in Hong Kong and Mainland China during the reporting year.

In order to steer clear from potential risks for corruption, we provide employees with clear definition of "advantages" which needs to be declared and outline clear procedures for our employees to handle any presents or gifts involved in the business. Anyone in violation of our policy and procedures would be penalised, while those who violate relevant government ordinances would be subject to legal consequences.

We have a whistleblowing procedure as a monitoring process to maintain integrity and discipline within all levels of the Company. People who discover any inappropriate act or violation of Chapter 201 Prevention of Bribery Ordinance are encouraged to report to our management level for immediate investigation into the case.

OVERALL APPROACH ON COMMUNITY DEVELOPMENT

We value the concept of giving back to the society and seek to utilise resources within our business to give back to the society. We focus on helping with local employment and providing assistance to the disabled. We work closely with the local charities where we operate, to meet the needs of our community.

For example, during festive seasons we purchase festive food products from social enterprises for our employees in Hong Kong, such as the Fair Taste mooncake of a Fair Trade brand, which is the Group's efforts in supporting to protect the environment, to create local employment opportunities and to encourage the utilisation of neighbourhood craftsmanship.

In Hong Kong, the Group also supports the Yuen Long District Secondary School Students Summer Internship Programme by providing internship placements for secondary school students of Yuen Long District. Students joining the Group were not only provided work experience which helps them build self-confidence and enhances their generic skills. The Group also arranged career talks and classes on office manner and job search skills to prepare students for their future career planning and development.

Policies and Initiatives in Cinema Business

During the reporting year, our cinema business has offered twelve special screenings for the underprivileged families and Children's Cancer Foundation at Grand Kornhill, MCL Metro City and Festival Grand Cinema. In the future, we will continue to contribute to our community and support community development as our long-term goal.

Policies and Initiatives in Property Business

We provide continuous support by donation and through charity walk to alleviate poverty issues within our local community.

We have been offering donation to charities for Poverty Alleviation. The donations were used to fund poverty alleviation projects in Mainland China, for example, to provide housing maintenance services and to provide housekeeping assistance to those in need and education opportunities.

We also seek to innovate on our business segments and collaborate with partners to create interactive ways of creating a harmonious society.

One of the most notable example is Novotown, an integrated tourism and entertainment development project situated in Zhuhai, Guangdong. As a project due for completion by 2019, we have included designs to incorporate elements from Lionsgate Entertainment World™ and National Geographic Ultimate Explorer. Lionsgate Entertainment World™ is a combination of film and reality. Our guests can get first-hand experience of various Lions Gate® movies. National Geographic Ultimate Explorer is an integration of museum, gaming and role-playing with the aid of the latest technology. The project enables our guests to experience different natural scenes around the globe as an explorer.

SUMMARY OF ENVIRONMENTAL PERFORMANCE

Property	Unit	Total
A1.2 Greenhouse gas ("GHG") emissions in total and, where appropriate, intensity		
Direct GHG emissions (Scope 1) *Note 1*	tonnes CO_2	445
Indirect GHG emissions (Scope 2) *Note 2*	tonnes CO_2	48,884
Total GHG emissions	**tonnes CO_2**	**49,329**
Total GHG intensity	**tonnes CO_2/m^2**	**0.0631**
A1.3 Total hazardous waste produced, where appropriate, intensity ***Note 3***		
Fluorescent lamp waste	kg	581
Total hazardous waste disposed intensity	**kg/m^2**	**0.0024**
A1.4 Total non-hazardous waste produced, where appropriate, intensity ***Note 4***		
General construction waste	kg	247,677
Soil excavation	kg	101,100,000
Steel recycled	kg	36,000
Renovation waste	kg	8,158,590
Total non-hazardous waste	**kg**	**109,542,267**
Total non-hazardous waste disposed intensity	**kg/m^2**	**191.86**
A2.1 Direct and/or indirect energy consumption by type in total and intensity		
Electricity consumption	kWh	73,653,943
Diesel oil consumption for electric generator	L	170,100
Total energy consumption	**kWh**	**75,347,973**
Total energy consumption intensity	**kWh/m^2**	**96.79**
A2.2 Water consumption in total and intensity		
Water consumption	m^3	1,848,423
Total water consumption intensity	**m^3/m^2**	**2.37**

Note 1: CO_2e emission from fuel is calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Note 2: CO_2e emission from electricity is calculated based on the carbon emission factors of power grids in China refer to the "Emission Factors for purchased electricity within Mainland China 2015" published by the PRC's National Development and Reform Commission in 2015.

Note 3: The reporting scope of hazardous waste includes Shanghai Hong Kong Plaza, Shanghai May Flower Plaza, Regents Park, Guangzhou May Flower Plaza, West Point and Palm Spring, all properties held by Lai Fung.

Note 4: The reporting scope of non-hazardous waste includes Shanghai Hong Kong Plaza, Shanghai May Flower Plaza, Regents Park, Guangzhou May Flower Plaza, West Point, Lai Fung Tower, Palm Spring, Northgate Plaza Redevelopment Project, Wuli Bridge project and Palm Spring, all properties held by Lai Fung.

Cinema *Note 5*	Unit	Total
A1.2 Greenhouse gas ("GHG") emissions in total and, where appropriate, intensity		
Indirect GHG emissions (Scope 2) *Note 6*	tonnes CO_2	2,223
Total GHG intensity	**tonnes CO_2/m^2**	**0.1114**
A1.3 Total hazardous waste produced, where appropriate, intensity		
Fluorescent lamp waste	kg	72.75
Total hazardous waste disposed intensity	**kg/m^2**	**0.0036**
A1.4 Total non-hazardous waste produced, where appropriate, intensity		
General waste	kg	36,706
Total non-hazardous waste disposed intensity	**kg/m^2**	**1.84**
A2.1 Direct and/or indirect energy consumption by type in total and intensity		
Electricity consumption	kWh	3,761,957
Total energy consumption intensity	**kWh/m^2**	**188.51**
A2.2 Water consumption in total and intensity		
Water consumption	m^3	9,087
Total water consumption intensity	**m^3/m^2**	**0.4553**

Note 5: The reporting scope for cinema includes the cinemas in Hong Kong held by the Group (Festival Grand Cinema, MCL Metro City Cinema, MCL Telford Cinema, STAR Cinema, Grand Kornhill Cinema, MCL South Horizons Cinema, MCL Green Code Cinema, Grand Windsor Cinema).

Note 6: CO_2e emission from electricity is calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Entertainment *Note 7*	**Unit**	**Total**
A1.2 Greenhouse gas ("GHG") emissions in total and, where appropriate, intensity		
Direct GHG emissions (Scope 1) *Note 8*	tonnes CO_2	16.03
Indirect GHG emissions (Scope 2) *Note 9*	tonnes CO_2	87.83
Total GHG emissions	**tonnes CO_2**	**103.86**
Total GHG emissions intensity	**tonnes CO_2/m^2**	**0.0057**
A2.1 Direct and/or indirect energy consumption by type in total and intensity		
Electricity Consumption	kWh	172,215
Gasoline consumption for transportation	L	5,920
Total energy consumption	**kWh**	**224,660**
Total energy consumption intensity	**kWh/m²**	**12.39**

Note 7: The reporting scope of the summary of environmental performance includes the major office in Wyler Centre, Kwai Chung, New Territories. The total hazardous waste, non-hazardous waste and water consumption is managed by the central property management of the office building, thus, they are not applicable for this Report. The total packaging material used for finished products is not material for Media Asia Group Holdings Limited (a non-wholly-owned subsidiary of the Company), thus, it is not applicable for this Report.

Note 8: CO_2e emission from fuel is calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

Note 9: CO_2e emission from electricity is calculated based on the default factors provided by the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition).

CONTENT INDEX

<table>
<tr><th colspan="2">Subject Areas, Aspects, and General Disclosure</th><th>Sections</th></tr>
<tr><td colspan="3">A. Environmental</td></tr>
<tr><td>Aspect A1: Emissions</td><td>General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</td><td>Environmental Management and Air Emissions; Waste Management</td></tr>
<tr><td>Aspect A2: Use of Resources</td><td>General Disclosure
Policies on the efficient use of resources, including energy, water and other raw materials.</td><td>Resources Management and Conservation</td></tr>
<tr><td>Aspect A3: The Environment and Natural Resources</td><td>General Disclosure
Policies on minimising the issuer's significant impact on the environment and natural resources.</td><td>Co-existence with the Natural Environment</td></tr>
<tr><td colspan="3">B. Social</td></tr>
<tr><td colspan="3">Employment and Labour Practices</td></tr>
<tr><td>Aspect B1: Employment</td><td>General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</td><td>Employment; Employee Welfare</td></tr>
<tr><td>Aspect B2: Health and Safety</td><td>General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</td><td>Health and Safety</td></tr>
<tr><td>Aspect B3: Development and Training</td><td>General Disclosure
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</td><td>Development and Training</td></tr>
<tr><td>Aspect B4: Labour Standards</td><td>General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</td><td>Labour Standards</td></tr>
</table>

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

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 from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**" and "**Stock Exchange**", respectively).

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2018 ("**Year**") save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**Executive Directors**"). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

(2) BOARD OF DIRECTORS

(2.1) Responsibilities and Delegation

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

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

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

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

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

(2.2) Composition of the Board

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

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

Executive Directors
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Mr. Chew Fook Aun
Mr. Lam Hau Yin, Lester
Mr. Yip Chai Tuck

Non-executive Directors
Madam U Po Chu
Mr. Andrew Y. Yan

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

An update list of Directors and their respective roles and functions can also be found on the Company's website at www.esun.com and the Stock Exchange's website at www.hkexnews.hk. The brief biographical particulars of the existing Directors are set out in the section headed "*Biographical Details of Directors*" of this Annual Report on pages 57 to 61.

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

(2.3) Attendance Record at Board Meetings

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

During the Year, the Board held six meetings and the attendance record of each Director is set out below:

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*	6/6
Mr. Chew Fook Aun	5/6 (Note)
Mr. Lam Hau Yin, Lester	6/6
Mr. Yip Chai Tuck	6/6
Non-executive Directors	
Madam U Po Chu	2/6
Mr. Andrew Y. Yan	4/6
Independent Non-executive Directors	
Mr. Low Chee Keong *(Chairman)*	6/6
Mr. Lo Kwok Kwei, David	6/6
Dr. Ng Lai Man, Carmen	6/6
Mr. Alfred Donald Yap	6/6

Note: Mr. Chew Fook Aun did not attend one Board Meeting held during the Year due to the conflict of interests.

For the Year, apart from the Board meetings, consents and/or approvals of the Board were also obtained by way of written resolutions on a number of matters/transactions.

(2.4) Independent Non-executive Directors

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

Mr. Lo Kwok Kwei ("**Mr. Lo**") and Dr. Ng Lai Man, Carmen ("**Dr. Ng**") (both INEDs) will retire by rotation as Directors at the forthcoming AGM and, being eligible, offer themselves for re-election. Mr. Lo and Dr. Ng have served on the Board over 9 years since March 2009. Being long-serving Directors, both of them have developed an in-depth understanding of the Company's operations and business, and have expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long services of Mr. Lo and Dr. Ng would impair their independent judgements. The Board is satisfied that each of Mr. Lo and Dr. Ng will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of each of Mr. Lo and Dr. Ng as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

(2.5) Directors' and Officers' Liabilities Insurance

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

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

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

In January 2018, the Company has organised for the Directors a two-days' visit to certain investment properties held by Lai Fung Holdings Limited ("**Lai Fung**", a non-wholly-owned subsidiary of the Company) in Guangzhou and Hengqin, Mainland China. Directors had toured around the investment properties such as Lai Fung Tower and May Flower Plaza. They also met with local management team to develop a deeper understanding of the current property development projects, particularly Phase I of the Novotown project which is 80% owned by Lai Fung and 20% owned by the Company.

(4) BOARD COMMITTEES

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

(4.1) Remuneration Committee

On 16 September 2005, the Board established a Remuneration Committee which currently comprises five members, including three INEDs, namely Mr. Low Chee Keong (Chairman), Dr. Ng Lai Man, Carmen and Mr. Alfred Donald Yap, and two Executive Directors, namely Mr. Chew Fook Aun and Mr. Lui Siu Tsuen, Richard.

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

(a) Duties of the Remuneration Committee

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

(b) Work Performed by the Remuneration Committee

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

(c) Attendance Record at Remuneration Committee Meeting

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

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

(4.2) Audit Committee

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

(a) Duties of the Audit Committee

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

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

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

In compliance with new requirements relating to risk management and internal control stipulated in the CG Code, which came into effect for accounting periods beginning on 1 January 2016, the Board has delegated the duties of overseeing and reviewing the Company's risk management and internal control systems to the Audit Committee in March 2016. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

(b) Work Performed by the Audit Committee

The Audit Committee held three meetings during the Year and has reviewed, among other things, the audited final results of the Company for the year ended 31 July 2017; the unaudited interim results of the Company for the six months ended 31 January 2018; the Group's budget for the ensuing year; the Company's internal control review reports and the report on enterprise risk management prepared by Deloitte Touche Tohmatsu (an independent advisor of the Company ("**Independent Advisor**")); and put forward relevant recommendations to the Board for approval.

On 24 October 2018, the Audit Committee reviewed the draft consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditor. It also reviewed this Corporate Governance Report, the Company's internal control review report and report on enterprise risk management prepared by the Independent Advisor.

(c) Attendance Record at Audit Committee Meetings

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

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

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

(4.3) Independent Board Committee

Reference is made to the joint announcement dated 27 May 2018 issued by the Company, Lai Sun Garment (International) Limited, Lai Sun Development Company Limited ("**LSD**") and Transtrend Holdings Limited ("**Offeror**", a wholly-owned subsidiary of LSD) and Lai Fung, in respect of, among others, the conditional voluntary general cash offer to be made by The Hongkong and Shanghai Banking Corporation Limited on behalf of the Offeror to acquire all of the issued shares of the Company (other than those already owned or agreed to be acquired by LSD, the Offeror or their respective subsidiaries) and to cancel all the outstanding share options of the Company ("**eSun Offers**"). The Board has established the Independent Board Committee, comprising Dr. Ng Lai Man, Carmen (Chairman), Mr. Lo Kwok Kwei, David, Mr. Alfred Donald Yap and Mr. Low Chee Keong (all INEDs) and Mr. Andrew Y. Yan (a NED) to make a recommendation to the Shareholders and the optionholders under the share option schemes of the Company as to whether the eSun Offers are, or are not, fair and reasonable and as to acceptance. Details of which are set out in the composite offer and response document jointly issued by LSD, the Offeror and the Company dated 23 July 2018 in relation to the eSun Offers.

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

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Non-executive Director	
Mr. Andrew Y. Yan	1/2
Independent Non-executive Directors	
Dr. Ng Lai Man, Carmen *(Chairwoman)*	2/2
Mr. Low Chee Keong	2/2
Mr. Lo Kwok Kwei, David	2/2
Mr. Alfred Donald Yap	2/2

(5) CHAIRMAN AND CHIEF EXECUTIVE

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

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

(6) NON-EXECUTIVE DIRECTORS

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

(7) NOMINATION OF DIRECTORS

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies and procedures for the selection and nomination of Directors, and arrangements for the performance of other duties of the nomination committee have also been disclosed therein. No candidate has been proposed for appointment as a Director during the Year.

(8) BOARD DIVERSITY POLICY

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

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

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

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

The Company considers that the current composition of the Board, two out of its ten members being women, is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills. The current Directors have extensive experience and skills in, including but not limited to, property development and investment, hospitality as well as media and entertainment businesses, corporate advisory, business development and investment banking, laws, accounting and auditing services and corporate finance, etc.

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(10) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

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

(11) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

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

(12) INDEPENDENT AUDITOR'S REMUNERATION

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor (i.e. Ernst & Young, Certified Public Accountants ("**Ernst & Young**")) for the Year amounted to approximately HK$10,459,000 and HK$4,017,000, respectively. The non-audit services mainly consisted of certain agreed-upon procedures, tax advisory and other reporting services. An analysis of such fees is set out below:

	Audit service HK$'000	**Non-audit service** HK$'000
The Group (excluding Lai Fung and Media Asia Group Holdings Limited ("**MAGHL**") and their respective subsidiaries)	5,028	1,223
MAGHL and its subsidiaries	2,146	595
Lai Fung and its subsidiaries	3,285	2,199
Total	**10,459**	**4,017**

(13) RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Company's report on enterprise risk management and internal control review report prepared by the Independent Advisor 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 that the Group's risk management and internal control systems are effective.

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

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with the requirements of Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in the Company's announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

(14) COMPANY SECRETARY

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

(15) SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(16) COMMUNICATION WITH SHAREHOLDERS

(16.1) Shareholders' Communication Policy

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

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

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

(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 Company and the Stock Exchange;

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

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

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

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

(16.2) Directors' Attendance at Annual General Meeting

During the Year, the Company held an AGM and the attendance record of each Director is set out below:

Directors	Number of Meeting Attended/ Number of Meeting Held Annual General Meeting
Executive Directors	
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*	1/1
Mr. Chew Fook Aun	1/1
Mr. Lam Hau Yin, Lester	0/1
Mr. Yip Chai Tuck	1/1
Non-executive Directors	
Madam U Po Chu	0/1
Mr. Andrew Y. Yan	0/1
Independent Non-executive Directors	
Mr. Low Chee Keong *(Chairman)*	1/1
Mr. Lo Kwok Kwei, David	1/1
Dr. Ng Lai Man, Carmen	1/1
Mr. Alfred Donald Yap	1/1

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being the AGM for 2017 ("**2017 AGM**"), was held on Friday, 15 December 2017 at 10:00 a.m., at Harbour View Rooms I & II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong. At the 2017 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2017 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Mr. Yip Chai Tuck as an Executive Director, Mr. Andrew Y. Yan as a NED and Mr. Low Chee Keong and Mr. Alfred Donald Yap as INEDs as well as the authorisation of the Board to fix the remuneration of the Directors; (iii) the re-appointment of Ernst & Young as the Independent Auditor for the Year and the authorisation for the Board to fix their remuneration; and (iv) the granting to the Directors a general mandate to issue, allot and deal with additional Shares not exceeding 20% of the total issued shares of the Company ("**Shares**") and to buy back Shares not exceeding 10% of the total issued Shares; and the extension of the general mandate granted to the Directors to issue Shares by adding the number of Shares to be bought back.

The notice of the 2017 AGM and the poll results announcement in respect of the 2017 AGM were published on the respective websites of the Company and the Stock Exchange on 16 November 2017 and 15 December 2017, respectively.

(17) INVESTOR RELATIONS

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

Since 1 August 2017, the Company has met with a number of research analysts and investors as well as attended non-deal roadshows and conference as follows:

Month	Event	Organiser	Location
October 2017	Post results non-deal roadshow	CLSA	Hong Kong
October 2017	Post results non-deal roadshow	DBS	Singapore
November 2017	Post results non-deal roadshow	BNP	London
November 2017	Post results non-deal roadshow	BNP	New York/ Los Angeles
January 2018	Deal roadshow – Lai Fung USD guaranteed notes	DBS/HSBC/OCBC/UBS	Singapore
January 2018	Deal roadshow – Lai Fung USD guaranteed notes	DBS/HSBC/OCBC/UBS	Hong Kong
January 2018	The Pulse of Asia Conference	DBS	Singapore
March 2018	Post results non-deal roadshow	DBS	Hong Kong
March 2018	Post results non-deal roadshow	DBS	Singapore
April 2018	Post results non-deal roadshow	DBS	London
April 2018	Post results non-deal roadshow	Daiwa	New York
May 2018	Post results non-deal roadshow	DBS	Kuala Lumpur
September 2018	2018 SCB Annual Investor Reverse Roadshow	Standard Chartered Bank	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@esun.com.

(18) CONSTITUTIONAL DOCUMENTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

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

Mr. Lui Siu Tsuen, Richard, aged 62, was appointed the Chief Executive Officer of the Company in January 2011 and is presently a member of both the Executive Committee and the Remuneration Committee of the Company. He joined the Company in April 2010 as the chief operating officer of its Media and Entertainment Division and became an Executive Director with effect from July 2010. Mr. Lui is also an executive director of MAGHL and he was an executive director of LSG, LSD and Lai Fung respectively from 1 January 2011 to 31 October 2012. In addition, Mr. Lui has been appointed the Convenor of Multi-media and Cultural Creation Industrial Committee of The Chinese Manufacturers' Association of Hong Kong for a term of three years from 1 January 2018 to 31 December 2021.

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

Mr. Lui has over 32 years of experience in property investment, corporate finance and media and entertainment businesses. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Chartered Institute of Management Accountants, United Kingdom and holds a Master of Business Administration Degree from The University of Adelaide in Australia.

Mr. Chew Fook Aun, aged 56, was appointed an Executive Director on 5 June 2012 and is presently a member of both the Executive Committee and Remuneration Committee of the Company. He is also the deputy chairman and an executive director of LSG and LSD as well as the chairman and an executive director of Lai Fung.

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

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

The Company and Mr. Chew have entered into an employment contract with no fixed term but such contract is determinable by either the Company or Mr. Chew serving the other party not less than 3 months' written notice or payment in lieu thereof. In accordance with the provisions of the Bye-laws of the Company ("**Bye-laws**"), Mr. Chew will be subject to retirement from office as a Director by rotation once every three years if re-elected at the forthcoming annual general meeting of the Company ("**AGM**") and will also be eligible for re-election at future AGMs.

Mr. Chew presently receives an annual remuneration of about HK$3,869,640 from each of the Company and Lai Fung as well as other allowances (where applicable), and such remuneration and discretionary bonus as may be determined by the respective boards of the Company and Lai Fung from time to time with reference to the results of the Company and Lai Fung, his performance, duties, responsibilities and time allocated to the Company and Lai Fung as well as the prevailing market conditions.

Save as disclosed above, Mr. Chew has not held any directorship in any other listed public companies in the last three years and does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, except (i) 600,000 shares of Lai Fung ("**Lai Fung Shares**") held by his controlled corporation and the share option granted to him to subscribe for 1,009,591 Lai Fung Shares pursuant to the share option scheme of Lai Fung adopted in 2003; (ii) 400,000 shares of LSD ("**LSD Shares**") held by his controlled corporation and the share option granted to him to subscribe for 3,773,081 LSD Shares pursuant to the share option scheme of LSD adopted in 2006 ("**2006 LSD Scheme**"); and (iii) 202,422 shares of LSG ("**LSG Shares**") held by his controlled corporation and the share option granted to him to subscribe for 3,819,204 LSG Shares pursuant to the share option scheme of LSG adopted in 2015 ("**2015 LSG Scheme**"), Mr. Chew does not have any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**").

In accordance with the Bye-laws, Mr. Chew will retire as a Director at the forthcoming AGM and being eligible, offer himself for re-election thereat. Save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company ("**Shareholders**") and there is no information to be disclosed pursuant to the requirements under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

Mr. Lam Hau Yin, Lester, aged 37, was appointed an Executive Director on 1 November 2012 and is currently a member of the Executive Committee of the Company. He is also an executive director of both LSG and LSD, as well as an executive director and the chief executive officer of Lai Fung. Further, Mr. Lam is also an alternate director to Madam U Po Chu (also a non-executive Director of the Company ("**NED**")) in her capacity as an executive director of LSG.

Mr. Lam is a grandson of Madam U and a son of Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**", a substantial shareholder of the Company within the meaning of Part XV of the SFO). Apart from the aforesaid, Mr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

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

Mr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Bye-laws, Mr. Lam will be subject to retirement from office as a 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. He presently does not receive any remuneration from the Company while receives an annual remuneration of about HK$1,545,600 from Lai Fung as well as other allowances (where applicable), and such remuneration and discretionary bonus as may be determined by the respective boards of the Company and Lai Fung from time to time with reference to the results of the Company and Lai Fung, his performance, duties, responsibilities and time allocated to the Company and Lai Fung as well as the prevailing market conditions.

Save as disclosed above, Mr. Lam has not held any directorship in any other listed public companies in the last three years. As at the date of this Annual Report, except for (i) his personal interest in 2,794,443 shares of the Company (representing about 0.19% of the total issued share capital of the Company); (ii) the share option granted to him to subscribe for 3,219,182 Lai Fung Shares pursuant to the share option scheme of Lai Fung adopted in 2012; (iii) the share option granted to him to subscribe for 4,173,081 LSD Shares pursuant to the 2006 LSD Scheme; and (iv) his personal interest in 12,283,938 LSG Shares and the share options granted to him to subscribe for a total of 7,571,626 LSG Shares pursuant to the share option scheme of LSG adopted in 2006 and the 2015 LSG Scheme, Mr. Lam does not have any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

In accordance with the Bye-laws, Mr. Lam will retire as a Director at the forthcoming AGM and being eligible, offer himself for re-election thereat. Save as disclosed above, there are no other matters which need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Yip Chai Tuck, aged 44, was appointed an Executive Director on 14 February 2014 and is currently a member of the Executive Committee of the Company. He is also the chief executive officer of LSG and an executive director of MAGHL. He has extensive experience in corporate advisory, business development and investment banking. Prior to joining the Company, Mr. Yip was a managing director and head of Mergers and Acquisitions ("**M&A**") for China of Goldman Sachs. He had also worked for PCCW Limited, a Hong Kong listed company, as Vice President of Ventures and M&A, responsible for strategic investments and M&A transactions.

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

NON-EXECUTIVE DIRECTORS

Madam U Po Chu, aged 93, is a NED and was first appointed as Director in October 1996. She is also an executive director of LSG and Lai Fung as well as a non-executive director of LSD.

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

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

Mr. Andrew Y. Yan, aged 61, was appointed a NED on 1 September 2011. He joined SAIF Partners in 2001 and is currently its founding managing partner. He holds a Master's degree in International Political Economy from the Princeton University in the United States and a Bachelor's degree in Engineering from the Nanjing Aeronautic Institute (presently the Nanjing University of Aeronautics and Astronautics) in Mainland China.

Mr. Yan is currently a non-executive director of China Huiyuan Juice Group Limited and Guodian Technology & Environment Group Corporation Limited as well as an independent non-executive director of China Resources Land Limited. The issued shares of all aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

Mr. Yan is also currently an independent director of BlueFocus Communication Group (listed on the ChiNext in the Shenzhen Stock Exchange) and TCL Corporation (listed on the Shenzhen Stock Exchange) as well as a director of ATA Inc. (listed on the NASDAQ Global Market).

In addition, Mr. Yan was an independent non-executive director of Fosun International Limited (23 March 2007 to 25 September 2014), CPMC Holdings Limited (17 March 2014 to 31 August 2016), Cogobuy Group (18 July 2014 to 1 June 2017) (all listed on the Stock Exchange) and China Petroleum & Chemical Corporation (11 May 2012 to 14 May 2018) (listed on the Stock Exchange, Shanghai Stock Exchange, London Stock Exchange and New York Stock Exchange ("**NYSE**")); and a non-executive director of Digital China Holdings Limited (19 December 2007 to 30 June 2016) and Ozner Water International Holding Limited (28 March 2017 to 26 September 2017) (both listed on the Stock Exchange). He was also an independent director of Sky Solar Holdings, Ltd. (13 November 2014 to 1 June 2017) (listed on NASDAQ); and a director of Acorn International Inc. (December 2006 to 30 December 2014) (listed on the NYSE) and ATA Online (Beijing) Education Technology Co., Ltd. (16 July 2015 to 30 August 2018) (delisted on the New Third Board, the over-the-counter stock exchange in Mainland China, with effect from 11 October 2017).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Low Chee Keong, aged 58, has been the Chairman of the board of directors of the Company ("**Board**") since June 2010 and is currently an independent non-executive director of the Company ("**INED**"), a member of the Audit Committee and the chairman of the Remuneration Committee of the Company. Mr. Low first joined the Board in August 1999 as an INED, was re-designated as a NED in June 2010, and was further re-designated as an INED on 1 September 2011. Serving as a member of the Remuneration Committee since October 2009, he was the chairman of the Remuneration Committee from October 2009 to late March 2011 and re-assumed the Remuneration Committee chairmanship on 1 September 2011.

Mr. Low graduated from the Chartered Institute of Marketing in the United Kingdom in 1986. He has over 23 years' experience in the property development and maintenance industry in Singapore.

Mr. Lo Kwok Kwei, David, aged 58, joined the Board as a NED in March 2009 and has been re-designated from a NED to an INED with effect from 1 September 2011. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984 and has been a member of The Law Society of Hong Kong since 1987. Mr. Lo has been practicing as a solicitor in Hong Kong for over 29 years and is a partner of a law firm David Lo & Partners. In addition, he is currently an independent non-executive director of Man Yue Technology Holdings Limited and Futong Technology Development Holdings Limited. Mr. Lo was an independent non-executive director of ENM Holdings Limited from 17 June 2010 to 3 June 2016. All issued shares of the aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

Mr. Lo does not have a service contract with the Company. However, in accordance with the provisions of the Bye-laws, Mr. Lo will be subject to retirement from office as a 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. Lo presently receives an annual director's fee of HK$290,000 from the Company and other allowances (where applicable), and such remuneration and discretionary bonus may be determined by the Board from time to time with reference to the results of the Company, his performance, duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Mr. Lo has served on the Board for over 9 years since March 2009. Being a long-serving director, Mr. Lo 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. Lo would impair his independent judgement. The Board is satisfied that Mr. Lo will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Lo as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

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

In accordance with the Bye-laws, Mr. Lo will retire as a Director at the forthcoming AGM and being eligible, offer himself for re-election thereat. Save as disclosed above, there are no other matters which need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to the requirements under Rule 13.51(2) of the Listing Rules.

Dr. Ng Lai Man, Carmen, aged 54, was appointed an INED in March 2009 and is presently the chairwoman of the Audit Committee and a member of the Remuneration Committee of the Company. She has over 30 years of experience in professional accounting services and corporate finance in Hong Kong, Mainland China, Singapore, the United States, Canada and Europe.

Dr. Ng is a practising certified public accountant in Hong Kong and is currently a director of Cosmos CPA Limited in Hong Kong and she is the responsible officer licensed with the Securities and Futures Commission for Hong Kong Asset Management Limited since 10 May 2018. She is a fellow member of the HKICPA and The Association of Certified Chartered Accountants in the United Kingdom, and an associate member of The Institute of Chartered Accountants in England and Wales. Dr. Ng received her Doctor of Business Administration from The Hong Kong Polytechnic University, Degree of Juris Doctor from The Chinese University of Hong Kong, Master of Laws in Corporate and Financial Laws from The University of Hong Kong, Master of Business Administration from The Chinese University of Hong Kong, Master of Professional Accounting from The Hong Kong Polytechnic University as well as Master of Science in Global Finance jointly offered by Leonard N. Stern Business School of New York University and The Hong Kong University of Science & Technology.

In addition, Dr. Ng is an independent non-executive director of Lion Rock Group Limited (formerly known as "1010 Printing Group Limited") and Global International Credit Group Limited as well as a non-executive director (was re-designated from an independent non-executive director on 16 December 2016 and retired as non-executive director on 20 August 2018) of Precision Tsugami (China) Corporation Limited. All issued shares of the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. She was an independent non-executive director of Goldin Properties Holdings Limited (delisted on the Stock Exchange with effect from 18 August 2017) from 13 February 2004 to 25 August 2017.

Dr. Ng does not have a service contract with the Company. However, in accordance with the provisions of the Bye-laws, Dr. Ng will be subject to retirement from office as a 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.

Dr. Ng presently receives an annual director's fee of HK$290,000 and HK$100,000 for the chairmanship or the Audit Committee from the Company and other allowances (where applicable), and such remuneration and discretionary bonus may be determined by the Board from time to time with reference to the results of the Company, her performance, duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Dr. Ng has served on the Board for over 9 years since March 2009. Being a long-serving director, Dr. Ng 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 Dr. Ng would impair her independent judgement. The Board is satisfied that Dr. Ng will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Dr. Ng as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

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

In accordance with the Bye-laws, Dr. Ng will retire as a Director at the forthcoming AGM and being eligible, offer herself for re-election thereat. Save as disclosed above, there are no other matters which need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Alfred Donald Yap, J.P., aged 79, is an INED and a member of both the Audit Committee and the Remuneration Committee of the Company. He was first appointed to the Board in December 1996. Mr. Yap is presently a consultant of K. C. Ho & Fong, Solicitors and Notaries. He was a former president of both The Law Society of Hong Kong and The Law Association for Asia and the Pacific (LAWASIA). He was also a former Hong Kong Affairs Adviser appointed by the Chinese Government. Mr. Yap is an independent non-executive director of Hung Hing Printing Group Limited and Wong's International Holdings Limited (the issued shares of both companies are listed and traded on the Main Board of the Stock Exchange).

REPORT OF THE DIRECTORS

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2018 ("**Financial Statements**" and "**Year**", respectively).

PRINCIPAL ACTIVITIES

During the Year, the Company acted as an investment holding company and the principal activities of its subsidiaries included the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products, cinema operation, property development for sale and property investment for rental purposes as well as the development and operation of and investment in cultural, leisure, entertainment and related facilities. During the Year, the Company has disposed of a number of its subsidiaries engaged in the sale of cosmetic products to an independent third party.

Particulars of the Company's principal subsidiaries as at 31 July 2018 are set out in note 51 to the Financial Statements. Other than the aforesaid disposal, there were no significant changes in the nature of the Group's principal activities during the Year and up to the date of this Report.

BUSINESS REVIEW

A review of the Group's businesses during the Year and a discussion and analysis of the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the "*Chairman's Statement*" and "*Management Discussion and Analysis*" on pages 4 to 11 and pages 16 to 23 of this Annual Report, respectively. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the "*Financial Summary and Highlights*" on pages 12 to 15 of this Annual Report. The financial risk management objectives and policies of the Group are set out in note 48 to the Financial Statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the "*Environmental, Social and Governance Report*" and "*Corporate Governance Report*" on pages 28 to 41 and pages 42 to 56 of this Annual Report, respectively. These discussion form part of this Report.

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the Group's financial position as at 31 July 2018 are set out in the Financial Statements and their accompanying notes on pages 92 to 220.

The board of Directors ("**Board**") does not recommend the payment of a final dividend in respect of the Year (2017: Nil). No interim dividend was paid or declared in respect of the Year (2017: Nil).

DIRECTORS

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

Executive Directors ("Executive Directors")
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Mr. Chew Fook Aun
Mr. Lam Hau Yin, Lester
Mr. Yip Chai Tuck

Non-executive Directors ("NEDs")
Madam U Po Chu
Mr. Andrew Y. Yan

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

In accordance with Bye-law 87 of the Bye-laws of the Company ("**Bye-laws**"), Directors shall retire from office by rotation once every three years since their last election. Mr. Chew Fook Aun ("**Mr. FA Chew**") and Mr. Lam Hau Yin, Lester ("**Mr. Lester Lam**") (both Executive Directors), Mr. Lo Kwok Kwei, David ("**Mr. Lo**") and Dr. Ng Lai Man, Carmen ("**Dr. Ng**") (both INEDs) (together, "**Retiring Directors**") will retire from office by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election. Mr. Lo and Dr. Ng have served the Company for more than 9 years. Pursuant to the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**" and "**Stock Exchange**", respectively), their re-election will be subject to separate resolutions to be approved at the forthcoming AGM.

Details of the Retiring Directors proposed for re-election at the forthcoming AGM, required to be disclosed under Rule 13.51(2) of the Listing Rules are set out in the sections headed "*Biographical Details of Directors*" of this Annual Report and "*Directors' and Chief Executive's Interests*" of this Report respectively.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the existing Directors are set out on pages 57 to 61 of this Annual Report. Directors' other particulars are contained elsewhere in this Report and this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors' and Chief Executive's Interests*" in this Report below and in note 39 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Four Executive Directors, namely Mr. Lui Siu Tsuen, Richard ("**Mr. Richard Lui**"), Mr. FA Chew, Mr. Lester Lam and Mr. Yip Chai Tuck ("**Mr. CT Yip**") as well as Madam U Po Chu ("**Madam U**"), a NED, held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of media and entertainment and/or property development and investment and/or development and operation of and investment in cultural, leisure, entertainment and related facilities in Hong Kong and/or Mainland China. Mr. Andrew Y. Yan ("**Mr. Andrew Yan**"), a NED, controlled certain investment funds which also made investment in companies engaged in the businesses of media and entertainment.

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

SHARE OPTION SCHEMES

1. The Company

On 11 December 2015, the Company adopted a new share option scheme ("**2015 Scheme**") and terminated its share option scheme adopted on 23 December 2005 ("**2005 Scheme**"). Upon the termination of the 2005 Scheme, no further share options will be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable. The 2015 Scheme which became effective on 23 December 2015 remains in force for a period of 10 years commencing on its adoption date. The details of the 2015 Scheme are set out in the circular of the Company dated 12 November 2015. The maximum number of the Company's shares ("**Shares**") issuable pursuant to the 2015 Scheme is 124,321,216, being 10% of the total issued Shares on the date of the approval of the 2015 Scheme.

As at 31 July 2018, the Company had a total of 32,850,665 underlying Shares comprised in options outstanding (representing approximately 2.20% of the total issued Shares as at the date of this Report (i.e. 1,491,854,598)), of which share options comprising 32,450,665 underlying Shares were granted under the 2005 Scheme and a share option comprising 400,000 underlying Shares was granted under the 2015 Scheme.

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

Category/Name of participants	Date of grant (dd/mm/yyyy) (Note 1)	Number of underlying Shares comprised in share options: As at 1 August 2017	Granted during the Year	Lapsed during the Year	As at 31 July 2018	Exercise period (dd/mm/yyyy)	Exercise price per Share (HK$) (Note 2)
Directors							
Chew Fook Aun (Note 3)	05/06/2012	6,216,060	–	–	6,216,060	05/06/2012 – 04/06/2022	0.92
Lam Hau Yin, Lester (Note 4)	18/01/2013	12,432,121	–	–	12,432,121	18/01/2013 – 17/01/2023	1.612
Lui Siu Tsuen, Richard (Note 5)	18/01/2013	3,729,636	–	–	3,729,636	18/01/2013 – 17/01/2023	1.612
Subtotal		**22,377,817**	**–**	**–**	**22,377,817**		
Employees and other eligible participants							
Lam Kin Ngok, Peter ("**Dr. Peter Lam**") (Note 6)	18/01/2013	1,243,212	–	–	1,243,212	18/01/2013 – 17/01/2023	1.612
Employees (in aggregate)	18/01/2013	8,029,636	–	(1,000,000)	7,029,636	18/01/2013 – 17/01/2023	1.612
	21/01/2015	1,800,000	–	–	1,800,000	21/01/2015 – 20/01/2025	0.728
	19/01/2018 (Note 7)	–	400,000	–	400,000	19/01/2018 – 18/01/2028	1.36
Subtotal		**11,072,848**	**400,000**	**(1,000,000)**	**10,472,848**		
Total		**33,450,665**	**400,000**	**(1,000,000)**	**32,850,665**		

Notes:

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

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

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

4. *Pursuant to the terms of the 2005 Scheme, all share options of the Company would lapse upon the close of eSun Share Offer. Therefore, Mr. Lester Lam's option of relating to 12,432,121 underlying Shares has lapsed on 22 August 2018.*

5. *Mr. Richard Lui tendered acceptances to eSun Option Offer by the Offeror to cancel all the outstanding share options in respect of his option relating to 3,729,636 underlying Shares on 31 July 2018. The eSun Option Offer has become unconditional in all respects and such option has been cancelled on 8 August 2018.*

6. *Dr. Peter Lam, a substantial shareholder of the Company (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("***SFO***")), was an Executive Director from 15 October 1996 to 13 February 2014. Pursuant to the terms of the 2005 Scheme, all share options of the Company would lapse upon the close of eSun Share Offer. Therefore, his option relating to 1,243,212 underlying Shares has lapsed on 22 August 2018.*

7. *The closing price of each Share immediately before the date on which the share option was granted (i.e. 19 January 2018) was HK$1.31.*

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2005 Scheme and the 2015 Scheme during the Year. Further details of the 2005 Scheme and the 2015 Scheme are disclosed in note 39(a) to the Financial Statements.

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

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

2. Media Asia Group Holdings Limited (“MAGHL”)

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

In compliance with Chapter 23 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”), MAGHL’s shareholders passed a resolution at its annual general meeting held on 11 December 2015 to refresh scheme limit under the 2012 MAGHL Scheme, allowing MAGHL to grant options to subscribe for up to a total of 213,605,682 MAGHL’s shares (“**Refreshment**”), representing 10% of its total issued shares as at the date of passing the relevant resolution. The Refreshment was also approved by the Shareholders at the AGM held on 11 December 2015 pursuant to the requirements of Rule 17.01(4) of the Listing Rules and Rule 23.01(4) of the GEM Listing Rules.

No share options have been granted under the MAGHL Scheme since its adoption on 18 December 2012. Further details of the MAGHL Scheme are disclosed in note 39(b) to the Financial Statements.

3. Lai Fung

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

On 14 August 2017, the shareholders of Lai Fung at its extraordinary general meeting approved that every fifty (50) issued and unissued ordinary shares of HK$0.10 each in the share capital of Lai Fung be consolidated into one (1) ordinary share of HK$5.00 each in the share capital of Lai Fung (“**Lai Fung Shares**”) which became effective on 15 August 2017 (“**Share Consolidation**”). As a result of Share Consolidation, the exercise price of the outstanding share options and number of shares comprised in the outstanding share options had been adjusted.

As at 31 July 2018 and the date of this Report, Lai Fung had a total of 10,234,117 underlying Lai Fung Shares comprised in options outstanding (representing about 3.13% of total issued Lai Fung Shares as at the date of this Report (i.e. 327,044,134)), of which a share option comprising 1,009,591 underlying Lai Fung Shares was granted under the 2003 Lai Fung Scheme and share options comprising 9,224,526 underlying Lai Fung Shares were granted under the 2012 Lai Fung Scheme.

The movements of the share options granted under the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the Year are as follows:

		Number of underlying Lai Fung Shares comprised in share options (Note 1)						
Category/Name of participants	Date of grant (dd/mm/yyyy) (Note 2)	As at 1 August 2017	Granted during the Year	Exercised during the Year	Lapsed during the Year	As at 31 July 2018	Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share (HK$) (Note 3)
Directors of Lai Fung								
Chew Fook Aun	12/06/2012	1,009,591	–	–	–	1,009,591	12/06/2012 – 11/06/2020	6.65
Lam Hau Yin, Lester	18/01/2013	3,219,182	–	–	–	3,219,182	18/01/2013 – 17/01/2023	11.40
Cheng Shin How	18/01/2013	643,836	–	–	–	643,836	18/01/2013 – 17/01/2023	11.40
Lee Tze Yan, Ernest	18/01/2013	640,000	–	–	–	640,000	18/01/2013 – 17/01/2023	11.40
Subtotal		**5,512,609**	**–**	**–**	**–**	**5,512,609**		
Employees and other eligible participants (in aggregate)								
Batch 1	18/01/2013	4,151,508 (Note 4)	–	(220,000) (Note 5)	(60,000)	3,871,508	18/01/2013 – 17/01/2023	11.40
Batch 2	26/07/2013	220,000	–	–	–	220,000	26/07/2013 – 25/07/2023	9.50
Batch 3	16/01/2015	180,000	–	–	–	180,000	16/01/2015 – 15/01/2025	8.00
Batch 4	19/01/2018 (Note 6)	–	450,000	–	–	450,000	19/01/2018 – 18/01/2028	13.52
Subtotal		**4,551,508**	**450,000**	**(220,000)**	**(60,000)**	**4,721,508**		
Total		**10,064,117**	**450,000**	**(220,000)**	**(60,000)**	**10,234,117**		

Notes:

1. *The number of underlying Lai Fung Shares has been adjusted as a result of the Share Consolidation (except the share options granted on 19 January 2018).*

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

3. *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. Save for the share options granted on 19 January 2018, the exercise prices of the outstanding share options have been adjusted as a result of the Share Consolidation.*

4. *Dr. Peter Lam, a substantial shareholder of Lai Fung (within the meaning of Part XV of the SFO), was granted a share option to subscribe for a total of 321,918 Lai Fung Shares (after the effect of the Share Consolidation) on 18 January 2013.*

5. *During the Year, a total of 220,000 Lai Fung Shares were issued in respect of share options exercised under the 2012 Lai Fung Scheme by eligible participants of Lai Fung (not being a director of Lai Fung) at an exercise price of HK$11.40 per Lai Fung Share. The weighted average closing price of Lai Fung Shares immediately before the exercise dates of the said share options was HK$13.17 per Lai Fung Share.*

6. *The closing price of each Lai Fung Share immediately before the date on which the share option was granted (i.e. 19 January 2018) was HK$13.50.*

Amendments to the 2003 Lai Fung Scheme

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

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the Year. Further details of the 2003 Lai Fung Scheme (as amended on 8 August 2018) and the 2012 Lai Fung Scheme are disclosed in note 39(c) to the Financial Statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2018 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as otherwise known by the Directors:

(I) Interests in the Company

		Long positions in the Shares and underlying Shares				
		Number of Shares		Share options		
Name of Directors	Capacity	Personal interests	Corporate interests	Personal interests	Total	Approximate percentage of total issued Shares (Note 1)
Andrew Y. Yan	Owner of controlled corporations	Nil	150,000,000 (Note 2)	Nil	150,000,000	10.05%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	12,432,121 (Note 3)	15,226,564	1.02%
Chew Fook Aun	Beneficial owner	Nil	Nil	6,216,060 (Note 3)	6,216,060	0.42%
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	3,729,636 (Note 3)	3,729,636	0.25%

Notes:

1. *The total number of issued Shares as at 31 July 2018 (1,491,854,598 Shares) has been used in the calculation of the approximate percentage.*

2. *Mr. Andrew Yan, a NED, was deemed to be interested in 150,000,000 Shares owned by SAIF Partners IV LP, as the said limited partnership was indirectly controlled by Mr. Andrew Yan as a director and the sole shareholder of SAIF IV GP Capital Limited which was the sole general partner of SAIF IV GP LP which in turn was the sole general partner of SAIF Partners IV LP.*

3. *Details of the share options granted to Mr. Lester Lam and Mr. FA Chew (both Executive Directors) and Mr. Richard Lui (an Executive Director and the Chief Executive Officer) under the 2005 Scheme are shown in the section headed "Share Option Schemes" of this Report.*

(II) Interests in Associated Corporations

(a) Lai Fung

Name of Directors	Capacity	Long positions in Lai Fung Shares and underlying Lai Fung Shares: Number of Lai Fung Shares — Personal interests	Number of Lai Fung Shares — Corporate interests	Lai Fung share options — Personal interests	Total	Approximate percentage of total issued Lai Fung Shares (Note 1)
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	3,219,182 (Note 2)	3,219,182	0.98%
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	600,000 (Note 3)	1,009,591 (Note 4)	1,609,591	0.49%

Notes:

1. *The total number of issued Lai Fung Shares as at 31 July 2018 (327,044,134 Lai Fung Shares) has been used in the calculation of the approximate percentage.*

2. *Details of the share option granted to Mr. Lester Lam (currently also the chief executive officer and an executive director of Lai Fung) under the 2012 Lai Fung Scheme are shown in the section headed "Share Option Schemes" of this Report.*

3. *Mr. FA Chew (currently also the chairman and an executive director of Lai Fung), was deemed to be interested in the 600,000 Lai Fung Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.*

4. *Details of the share option granted to Mr. FA Chew under the 2003 Lai Fung Scheme are shown in the section headed "Share Option Schemes" of this Report.*

Save as disclosed above, as at 31 July 2018, none of the Directors and the chief executive of the Company and their respective close associates was interested, or was deemed to be interested, in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

On 25 July 2018, the eSun Share Offer became unconditional as to the receipt of valid acceptances of share offer in respect of such number of the Shares which, together with the Shares already held or agreed to be acquired by LSD and the Offeror, would result in LSD and the Offeror holding in aggregate more than 50% of the voting shares in the Company. Details of which are set out in the joint announcement of LSD, the Company and the Offeror dated 25 July 2018.

On 8 August 2018, all resolutions in relation to the eSun Offers proposed at the general meetings of LSG and LSD were duly passed by way of poll. Accordingly, all of the conditions to the eSun Offers have been fulfilled or waived by the Offeror and the eSun Offers became unconditional in all respects on 8 August 2018. Details of which are set out in the joint announcement of LSG, LSD, the Company, Lai Fung and the Offeror on 8 August 2018. Since then, LSG has become the ultimate holding company of the Company, and LSD is a non-wholly-owned subsidiary of LSG and the intermediate holding company of the Company.

As disclosed in the Closing Announcement, the Offeror had received the valid acceptances of the eSun Share Offer in respect of 603,369,886 Shares, together with the 551,040,186 Shares held by the Offeror and LSD, amounted to 1,154,410,072 Shares (representing approximately 77.38% of the total issued Shares).

The following Directors and the chief executive of the Company who held office as at the date of this Report and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of LSG and LSD (the associated corporations of the Company within the meaning of the SFO):

(b) LSG

		Long positions in shares and underlying shares in LSG ("LSG Shares")				
		Number of LSG Shares		LSG share options		Approximate percentage of total issued LSG Shares (Note 1)
Name of Directors	Capacity	Personal interests	Corporate interests	Personal interests	Total	
Lam Hau Yin, Lester	Beneficial owner	12,283,938	Nil	7,571,626 (Note 2)	19,855,564	5.16%
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	202,422 (Note 3)	3,819,204 (Note 4)	4,021,626	1.04%
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	185,600 (Note 5)	185,600	0.05%
U Po Chu	Beneficial owner	825,525	Nil	Nil	825,525	0.21%

Notes:

1. *The total number of issued LSG Shares as at 31 July 2018 (385,137,657 LSG Shares) has been used in the calculation of the approximate percentage.*

2. *A share option was granted by LSG to Mr. Lester Lam (currently also an executive director of LSG) on 18 January 2013 to subscribe for a total of 3,752,422 LSG Shares (after the effect of the share consolidation of LSG) at an exercise price of HK$6.05 per LSG Share (after the effect of the share consolidation of LSG) during the period from 18 January 2013 to 17 January 2023.*

   A share option was granted by LSG to Mr. Lester Lam on 19 June 2017 to subscribe for a total of 3,819,204 LSG Shares (after the effect of the share consolidation of LSG) at an exercise price of HK$15.00 per LSG Share (after the effect of the share consolidation of LSG) during the period from 19 June 2017 to 18 June 2027.

3. *Mr. FA Chew (currently also the deputy chairman and an executive director of LSG) was deemed to be interested in the 202,422 LSG Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.*

4. *A share option was granted by LSG to Mr. FA Chew on 19 June 2017 to subscribe for a total of 3,819,204 LSG Shares (after the effect of the share consolidation of LSG) at an exercise price of HK$15.00 per LSG Share (after the effect of the share consolidation of LSG) during the period from 19 June 2017 to 18 June 2027.*

5. *A share option was granted by LSG to Mr. Richard Lui on 18 January 2013 to subscribe for a total of 185,600 LSG Shares (after the effect of the share consolidation of LSG) at an exercise price of HK$6.05 per LSG Share (after the effect of the share consolidation of LSG) during the period from 18 January 2013 to 17 January 2023.*

(c) LSD

		Long positions in shares and underlying shares in LSD ("LSD Shares")				
		Number of LSD Shares		LSD share options		
Name of Directors	Capacity	Personal interests	Corporate interests	Personal interests	Total	Approximate percentage of total issued LSD Shares (Note 1)
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	4,173,081 (Note 2)	4,173,081	0.69%
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	400,000 (Note 3)	3,773,081 (Note 4)	4,173,081	0.69%
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	104,000 (Note 5)	104,000	0.02%
U Po Chu	Beneficial owner	26,919	Nil	Nil	26,919	0.01%

Notes:

1. *The total number of issued LSD Shares as at 31 July 2018 (606,076,614 LSD Shares) has been used in the calculation of the approximate percentage.*

2. *A share option was granted by LSD to Mr. Lester Lam (currently also an executive director of LSD) on 18 January 2013 to subscribe for a total of 4,173,081 LSD Shares (after the effect of the share consolidation of LSD) at an exercise price of HK$16.10 per LSD Share (after the effect of the share consolidation of LSD) during the period from 18 January 2013 to 17 January 2023.*

3. *Mr. FA Chew (currently also the deputy chairman and an executive director of LSD), was deemed to be interested in the 400,000 LSD Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.*

4. *A share option was granted by LSD to Mr. FA Chew on 5 June 2012 to subscribe for a total of 3,773,081 LSD Shares (after the effect of the share consolidation of LSD) at an exercise price of HK$5.35 per LSD Share (after the effect of the share consolidation of LSD) during the period from 5 June 2012 to 4 June 2022.*

5. *A share option was granted by LSD to Mr. Richard Lui on 18 January 2013 to subscribe for a total of 104,000 LSD Shares (after the effect of the share consolidation of LSD) at an exercise price of HK$16.10 per LSD Share (after the effect of the share consolidation of LSD) during the period from 18 January 2013 to 17 January 2023).*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2018, 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 (one being an existing Director), who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

	Long positions in the Shares and underlying Shares		
Name	**Capacity**	**Number of Shares and underlying Shares held**	**Approximate percentage of total issued Shares** *(Note 1)*
Substantial Shareholders			
Lai Sun Development Company Limited *(Note 2)*	Owner of controlled corporation	795,884,619	53.35% *(Note 4)*
Lai Sun Garment (International) Limited *(Note 3)*	Owner of controlled corporations	795,884,619	53.35% *(Note 4)*
Dr. Lam Kin Ngok, Peter	Beneficial owner and owner of controlled corporations	799,922,274	53.62% *(Note 4)*
SAIF Partners IV LP	Beneficial owner	150,000,000	10.05% *(Note 5)*
SAIF IV GP LP	Owner of controlled corporation	150,000,000	10.05% *(Note 5)*
SAIF IV GP Capital Limited	Owner of controlled corporations	150,000,000	10.05% *(Note 5)*
Mr. Andrew Y. Yan	Owner of controlled corporations	150,000,000	10.05% *(Note 5)*
Other Persons			
Mr. Yu Cheuk Yi	Beneficial Owner	149,080,000	9.99% *(Note 5)*
Ms. Yu Siu Yuk	Beneficial Owner	149,080,000	9.99% *(Note 5)*

Notes:

1. *The total number of issued Shares as at 31 July 2018 (1,491,854,598 Shares) has been used in the calculation of the approximate percentage.*

2. *As at 31 July 2018, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, were also executive directors of LSD. Madam U, a NED, was also a non-executive director of LSD.*

3. *As at 31 July 2018, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, and Madam U, a NED, were also executive directors of LSG. Mr. CT Yip, an Executive Director, was also the chief executive officer of LSG.*

4. *As at 31 July 2018, excluding the valid acceptances of the eSun Share Offer which has become unconditional in all respects on 8 August 2018, the Offeror held, controlled or directed 551,040,186 Shares, representing approximately 36.94% of the total issued Shares. Dr. Peter Lam (an Executive Director from 15 October 1996 to 13 February 2014) and LSD were deemed to be interested in the same 551,040,186 Shares.*

   As at 31 July 2018, the Offeror has received valid acceptances of the eSun Share Offer in respect of 244,844,433 Shares, together with the 551,040,186 Shares held by the Offeror and LSD, amounted to 795,884,619 Shares (based on the disclosure of interests notice filed by LSD). Dr. Peter Lam and LSG were deemed to be interested in the same 795,884,619 Shares held by LSD. As at 31 July 2018, Dr. Peter Lam was deemed to be interested in 795,884,619 Shares (approximately 53.35% of the total issued Shares) indirectly owned by LSD by virtue of his personal and deemed interests of approximately 41.87% (excluding share option) of the issued share capital of LSG. LSD was approximately 56.10% directly and indirectly owned by LSG. As at the date of this Report, the Offeror held a total of 1,154,410,072 Shares (representing approximately 77.38% of the total issued Shares).

   As at 31 July 2018, Dr. Peter Lam also holds 2,794,443 Shares as beneficial owner and he was granted an option by the Company on 18 January 2013 to subscribe for 1,243,212 Shares (details of which are shown in the section headed "Share Option Schemes" of this Report).

5. *Mr. Andrew Yan, a NED, was deemed to be interested in the same 150,000,000 Shares owned by SAIF Partners IV LP, SAIF IV GP LP and SAIF IV GP Capital Limited. SAIF Partners IV LP has instructed its broker to tender acceptances to the eSun Share Offer by the Offeror in respect of 150,000,000 Shares on 15 August 2018 and all such Shares were deducted from the brokerage account of SAIF Partners IV LP on 21 August 2018. Please also refer to Note 2 of paragraph (I) in the "Directors' and Chief Executive's Interests" section above for further details.*

6. *Based on the disclosure of interests notices received by the Company, as at 31 July 2018, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 149,080,000 Shares (approximately 9.99% of the total issued Shares), which were held jointly by them.*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) which/who, as at 31 July 2018, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

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

CONNECTED TRANSACTION

The Company had the following connected transaction during the Year:

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

The formation of the joint venture company, Love Grubers, constituted a connected transaction for the Company under Chapter 14A of the Listing Rules as Cosmic Dragon is an indirect-non-wholly-owned subsidiary of LSD which in turn is the controlling shareholder and a connected person of the Company.

Further details of the above connected transaction are set out in the Company's announcement dated 6 December 2017 ("**CT Announcement**").

CONTINUING CONNECTED TRANSACTIONS

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

1. Letting and/or licensing of premises – Memorandum of Agreement of the Lai Sun Group

Pursuant to an announcement dated 24 May 2013 issued jointly by members of the Lai Sun Group (i.e. the Company, LSG (together with its subsidiaries, "**LSG Group**"), LSD (together with its subsidiaries, "**LSD Group**"), Lai Fung (together with its subsidiaries, "**Lai Fung Group**") and MAGHL (together with its subsidiaries, "**MAGHL Group**")), on 24 May 2013, LSG, LSD, Lai Fung, MAGHL and the Company entered into a memorandum of agreement ("**Original Agreement**") to record the basis for governing the pre-existing CCTs and future CCTs with regard to the letting and/or licensing of various premises owned or held by other members of the Lai Sun Group ("**Transactions**"). Each of the Company, Lai Fung and MAGHL had respectively adopted a maximum annual aggregate amount for such Transactions that might subsist from time to time in respect of each of the financial years ended 31 July 2013 and 31 July 2014.

On 14 February 2014, each listed member of the Lai Sun Group entered into a new memorandum of agreement ("**Existing Agreement**") to renew the Original Agreement for a period of three years from 1 August 2014 to 31 July 2017 based on the same terms and conditions of the Original Agreement. The Company had adopted the annual cap amount of HK$14,200,000, HK$14,800,000 and HK$16,800,000 for the financial years ended 31 July 2015, 2016 and 2017. Details of which were disclosed in an announcement date 14 February 2014 jointly published by the Company, LSG, LSD, Lai Fung and MAGHL.

In view of the expiry of the Existing Agreement on 31 July 2017, each member of the Lai Sun Group entered into a new memorandum of agreement ("**Renewal Agreement**") on 31 July 2017 to renew the Existing Agreement for a period of three years commenced on 1 August 2017 and expiring on 31 July 2020 based on the same terms and conditions of the Existing Agreement.

In summary, the terms and conditions of the Renewal Agreement are:

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

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

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

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

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

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

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

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

For the Year, rental and management fee received or receivable from, and rental and management fee paid or payable to LSD Group amounted to HK$67,000 and HK$12,207,000, respectively.

2. Ascott Management Agreement

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

On 5 May 2009, Shanghai Li Xing Real Estate Development Co., Ltd. ("**Li Xing**", a company established in Mainland China and a 95%-owned subsidiary of Lai Fung as at the date of the announcement) and Ascott Property Management (Shanghai) Co., Ltd. ("**Ascott**", a company established in Mainland China and a wholly-owned subsidiary of CapitaLand Limited (a company established in Singapore, a substantial shareholder and therefore a connected person of Lai Fung under the Listing Rules)) entered into an agreement ("**Ascott Management Agreement**") in relation to Ascott's provision of management services to Li Xing for certain units of a serviced apartment tower owned by the Lai Fung Group and situated at 282 Huaihaizhong Road, Huangpu District, Shanghai, the People's Republic of China. Transactions contemplated under the Ascott Management Agreement constitute CCTs of Lai Fung and CCTs of the Company (as the ultimate holding company of Lai Fung). The Ascott Management Agreement covers an initial term of 10 years from 1 May 2010 and is renewable for two successive terms of five years at the option of Ascott and subject to the agreement of Li Xing. Further details of the said agreement can be found in Lai Fung's announcement dated 5 May 2009.

The board of directors of Lai Fung expected that the total fees payable by Li Xing to Ascott during the initial term of the Ascott Management Agreement would not exceed RMB19 million per annum. For the Year, total fees paid or payable to Ascott amounted to RMB7,838,000 (approximately HK$9,432,000).

3. Licence Arrangement – The receipt of Service Fee

The Shareholders Agreement mentioned in the CT Announcement contemplates Love Grubers entering into a licence arrangement concerning the space for Grubers Cafe from Multiplex Cinema Limited ("**MCL**", a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly-owned subsidiary of the Company).

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

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

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

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

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

For the Year, total Service Fee received or receivable by MCL amounted to HK$966,000.

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

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

(b) on normal commercial terms or better; and

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

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

(i) have not been approved by the Board;

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

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

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

Reference is made to the joint announcement dated 27 July 2018 published by LSG, LSD and the Company in respect of, among others, (i) LSD's provision of a term loan facility in the principal amount of up to HK$200 million to MAGHL on 10 May 2018 ("**MAGHL Loan**") and (ii) LSD's provision of a term loan facility in the principal amount of up to HK$700 million to the Company on 27 July 2018 ("**eSun Loan**").

As LSD is the controlling shareholder of the Company as at the date of the joint announcement, the eSun Loan and the MAGHL Loan therefore constituted connected transactions of the Company under the Listing Rules. As the eSun Loan and the MAGHL Loan are both loans provided to the Group by Hibright Limited, a wholly-owned subsidiary of LSD, within the past 12-month period, they are aggregated for the purpose of computing the relevant percentage ratios pursuant to Rule 14A.81 of the Listing Rules. Both the eSun Loan and the MAGHL Loan were conducted on normal commercial terms and were not secured by the assets of the Group. Therefore, they are fully-exempt connected transactions of the Company pursuant to Rule 14A.90 of the Listing Rules.

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

RELATED PARTY TRANSACTIONS

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

SHARE CAPITAL

Details of the Company's share capital are set out in note 38 to the Financial Statements.

CONVERTIBLE NOTES, FIXED RATE SENIOR NOTES AND GUARANTEED NOTES

Details of the convertible notes, fixed rate senior notes and guaranteed notes issued by the Group are set out in notes 32, 33 and 34 to the Financial Statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 July 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) ("**Companies Act**"), comprised retained profits of HK$78,701,000 and contributed surplus of HK$845,455,000.

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

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

(ii) the realisable value of the Company's assets would thereby be less than the aggregate amount of its liabilities and its issued share capital and share premium account.

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

SUFFICIENCY OF PUBLIC FLOAT

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

As disclosed in the Closing Announcement, immediately following the close of the eSun Offers, subject to the due registration by the Company's branch share registrar in Hong Kong of the transfer of the Shares in respect of which valid acceptances had been received, 331,855,640 Shares are held by the public (within the meaning of the Listing Rules), representing approximately 22.24% of the total issued Shares as at the date of the Closing Announcement. Accordingly, the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules was not satisfied after the close of the eSun Offers. Reference is made to the Company's announcement dated 31 August 2018, the Company has made an application to the Stock Exchange for and the Stock Exchange has granted, a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period commenced from 22 August 2018 to 25 January 2019 to allow the Offeror a reasonable time to restore the public float of the Company. Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate pursuant to the Listing Rules.

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

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

PRE-EMPTIVE RIGHTS

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

DONATIONS FOR CHARITABLE AND OTHER PURPOSES

During the Year, the Group made contributions for charitable or other purposes totalling HK$4,045,000 (2017: HK$7,277,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the Year. Purchases from the Group's five largest suppliers accounted approximately 31% of the Group's total purchases, while the largest supplier accounted for approximately 11% of the Group's total purchases for the Year.

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

BANK LOANS AND OTHER BORROWINGS

Details of the Company's bank loans and other borrowings as at 31 July 2018 are set out in notes 30 and 31 to the Financial Statements, respectively.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out in the section headed "*Financial Summary and Highlights*" on pages 12 to 15 of this Annual Report. This summary does not form part of the Financial Statements.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 42 to 56.

EQUITY-LINK AGREEMENT

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the note 53 to the Financial Statements, the Group did not have any material subsequent event after the reporting period and up to the date of this Report.

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

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

On Behalf of the Board

Low Chee Keong
Chairman
Hong Kong
25 October 2018

SHAREHOLDERS' INFORMATION

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

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

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

(b) Bermuda

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

(c) Consultation with professional advisers

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

KEY DATES

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

	For Financial Year 2017/2018
Annual results announcement for the year ended 31 July 2018	25 October 2018
Latest time and date to lodge transfer documents with the Hong Kong branch share registrar for entitlement to attending and voting at the 2018 annual general meeting ("**AGM**")	4:30 p.m. on 17 December 2018
2018 AGM	10:00 a.m. on 21 December 2018

	For Financial Year 2018/2019
Interim results announcement for the six months ending 31 January 2019	on or before 31 March 2019
Annual results announcement for the year ending 31 July 2019	on or before 31 October 2019
2019 AGM	December 2019

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of eSun Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 92 to 220, which comprise the consolidated statement of financial position as at 31 July 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of investment properties	
The Group's investment properties measured at fair value amounted to HK$17,157 million as at 31 July 2018. Significant estimation and judgement are required by management to determine the fair value of the investment properties. To support management's determination of the fair value, the Group engaged an external valuer to perform valuations on the investment properties at the end of the reporting period. The related disclosures are included in notes 2, 3 and 14 to the financial statements.	We evaluated the objectivity, independence and competency of the valuer. We also involved our internal valuation specialists to assist us to evaluate the valuation techniques used. We also tested the underlying key estimations and assumptions for selected samples through enquiry with management and by reference to the historical and open market information.
Land appreciation tax in Mainland China	
The Group is subject to land appreciation tax ("**LAT**") in respect of the Group's property development projects in Mainland China. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. Significant management's judgement and estimations are required in determining the LAT provision for these projects. Changes in assumptions about the decisions that might be taken by the relevant tax authorities can materially impact the level of LAT provision recorded in the financial statements. The final outcome could be different from the amounts that were initially recorded. The related disclosures are included in notes 2, 3 and 10 to the financial statements.	We involved our internal tax specialists to assist us in the assessment of the LAT calculation prepared by management, including analysing and evaluating the estimates and assumptions used by management as well as the adequacy and completeness of the LAT provision.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Amortisation and impairment/write-off of film rights, film products and films under production	
As at 31 July 2018, the Group had films under production, film rights and film products of approximately HK$470 million, HK$11 million and HK$80 million, respectively. Films under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Upon completion and release, these films under production are reclassified as film products. Film products are stated at cost less accumulated amortisation and any impairment losses. Film rights and film products, less estimated residual value and accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to the estimated projected revenues. The accounting for the rate of amortisation and/or impairment/write-off of films under production, film rights and film products requires significant management's judgement and are directly affected by management's estimates of projected revenues as further detailed in note 3 to the financial statements. Based on the information available on the results of films under production, film rights and film products, management reviews and updates the estimated projected revenues and related cash flows at least at the end of each reporting period. Any change in estimations may result in a change in the rate of amortisation and/or the impairment/write-down of the carrying amounts of the assets to their recoverable amounts. This could have a significant impact on the Group's financial performance. The related disclosures are included in notes 2, 3, 15, 16 and 24 to the financial statements.	**Amortisation of film rights and film products** We evaluated management's assessment of the amortisation method for film rights and film products based on our understanding of the Group's business model and industry practice. We assessed management's processes of estimating projected revenues by obtaining evidence to support management's judgements and assumptions for estimating future cash flows. **Impairment of film rights, film products and films under production** We evaluated management's impairment assessment for film rights, film products and films under production at the end of the reporting period, including the identification of any impairment indicators. We assessed the methodology used by management in determining the recoverable amounts of film rights, film products and films under production. We assessed management's processes of estimating projected revenues and related cash flows, of the relevant film rights, film products and films under production by obtaining evidence to support management's judgements and assumptions for estimating future cash flows. We performed a sensitivity analysis on certain key assumptions for projected revenues and related cash flows as appropriate.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 Chung Yuk Man.

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

25 October 2018

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
TURNOVER	6	**2,183,863**	2,677,388
Cost of sales		**(1,170,479)**	(1,596,001)
Gross profit		**1,013,384**	1,081,387
Other revenue	6	**247,475**	188,705
Selling and marketing expenses		**(153,458)**	(235,458)
Administrative expenses		**(681,328)**	(621,289)
Other operating expenses, net		**(515,893)**	(479,462)
Gain on disposal of an available-for-sale investment	22	**–**	109,534
Fair value gains on cross currency swaps		**–**	111,657
Fair value gains on investment properties	14	**857,297**	832,118
PROFIT FROM OPERATING ACTIVITIES		**767,477**	987,192
Finance costs	8	**(240,612)**	(199,214)
Share of profits and losses of joint ventures		**402,888**	313,866
Share of profits and losses of associates		**(14,102)**	4,696
PROFIT BEFORE TAX AND TAX INDEMNITY	7	**915,651**	1,106,540
Income tax expense	10	**(334,929)**	(573,262)
Tax indemnity	10	**92,695**	493,936
PROFIT FOR THE YEAR		**673,417**	1,027,214
Attributable to:			
Owners of the Company		**263,840**	514,233
Non-controlling interests		**409,577**	512,981
		673,417	1,027,214
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic		**HK$0.177**	HK$0.378
Diluted		**HK$0.175**	HK$0.378

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR		**673,417**	1,027,214
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange realignment on translation of foreign operations		**(209,229)**	(147,591)
Release of exchange reserve upon disposal of subsidiaries	42	**(880)**	–
Change in fair value of an available-for-sale investment	22	**(14,677)**	(7,876)
Share of other comprehensive loss of joint ventures		**(7,964)**	(5,529)
Share of other comprehensive loss of an associate		**(15)**	–
Release of reserve upon maturity of cross currency swaps	35	**(35,055)**	–
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	35	**161,845**	(101,887)
Reclassification adjustments for exchange gain/(loss) included in the consolidated income statement	35	**(134,959)**	69,653
		26,886	(32,234)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(240,934)**	(193,230)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**432,483**	833,984
Attributable to:			
Owners of the Company		**129,523**	409,141
Non-controlling interests		**302,960**	424,843
		432,483	833,984

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,790,965**	3,041,562
Properties under development	13	**410,157**	1,346,220
Investment properties	14	**18,601,100**	16,903,419
Film rights	15	**11,205**	20,960
Film products	16	**80,217**	125,921
Music catalogs	17	**9,657**	11,438
Goodwill	18	**82,440**	82,440
Other intangible assets	19	**586**	16,557
Investments in joint ventures	20	**1,868,316**	1,438,287
Investments in associates	21	**16,278**	28,587
Available-for-sale investments	22	**114,361**	123,435
Deposits, prepayments and other receivables	23	**120,116**	124,362
Deferred tax assets	37	**4,189**	6,050
Derivative financial instruments	35	**2,531**	–
Total non-current assets		**25,112,118**	23,269,238
CURRENT ASSETS			
Properties under development	13	**1,722,872**	215,303
Completed properties for sale		**852,588**	993,460
Films under production	24	**469,585**	463,105
Inventories	25	**21,874**	35,111
Debtors	26	**181,599**	212,675
Deposits, prepayments and other receivables	23	**441,526**	427,715
Prepaid tax		**37,856**	43,033
Pledged and restricted time deposits and bank balances	27	**1,073,762**	571,142
Cash and cash equivalents	27	**2,136,039**	2,733,435
		6,937,701	5,694,979
Asset classified as held for sale	28	**–**	278,531
Total current assets		**6,937,701**	5,973,510
CURRENT LIABILITIES			
Creditors and accruals	29	**1,961,568**	1,551,782
Deposits received and deferred income		**658,487**	362,831
Tax payable		**123,973**	128,554
Interest-bearing bank loans	30	**348,489**	261,392
Convertible notes	32	**–**	182,346
Fixed rate senior notes	33	**–**	2,080,366
Derivative financial instruments	35	**–**	208,223
Loans from a joint venture	20	**218,542**	192,731
Total current liabilities		**3,311,059**	4,968,225
NET CURRENT ASSETS		**3,626,642**	1,005,285
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,738,760**	24,274,523

	Notes	2018 HK$'000	2017 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,738,760**	24,274,523
NON-CURRENT LIABILITIES			
Long-term deposits received		**142,880**	138,875
Interest-bearing bank loans	30	**3,572,464**	2,906,097
Other borrowings	31	**257,841**	252,618
Guaranteed notes	34	**2,725,518**	–
Loans from a joint venture	20	**426,156**	649,779
Loans from a related company	36	**650,000**	–
Deferred tax liabilities	37	**3,318,953**	3,104,284
Total non-current liabilities		**11,093,812**	7,051,653
Net assets		**17,644,948**	17,222,870
EQUITY			
Equity attributable to owners of the Company			
Issued capital	38	**745,927**	745,927
Reserves	40	**8,513,538**	8,372,273
		9,259,465	9,118,200
Non-controlling interests		**8,385,483**	8,104,670
Total equity		**17,644,948**	17,222,870

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2018

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (Note 1)	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Hedge reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2017		745,927	4,257,351	891,289	15,293	17,176	5,373	(561,572)	574,951	115,261	3,057,151	9,118,200	8,104,670	17,222,870
Profit for the year		–	–	–	–	–	–	–	–	–	263,840	263,840	409,577	673,417
Other comprehensive income/(loss) for the year, net of tax:														
Exchange realignment on translation of foreign operations		–	–	–	–	–	–	(110,838)	–	–	–	(110,838)	(98,391)	(209,229)
Release of exchange reserve upon disposal of subsidiaries	42	–	–	–	–	–	–	(880)	–	–	–	(880)	–	(880)
Change in fair value of an available-for-sale investment		–	–	–	–	(14,677)	–	–	–	–	–	(14,677)	–	(14,677)
Share of other comprehensive loss of joint ventures		–	–	–	–	–	–	(3,824)	–	–	–	(3,824)	(4,140)	(7,964)
Share of other comprehensive loss of an associate		–	–	–	–	–	–	(8)	–	–	–	(8)	(7)	(15)
Net gain on cash flow hedges		–	–	–	–	–	13,648	–	–	–	–	13,648	13,238	26,886
Release of reserve upon maturity of cross currency swaps		–	–	–	–	–	(17,738)	–	–	–	–	(17,738)	(17,317)	(35,055)
Total comprehensive income/(loss) for the year		–	–	–	–	(14,677)	(4,090)	(115,550)	–	–	263,840	129,523	302,960	432,483
Capital contributions from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	2,362	2,362
Release of reserve upon lapse of share options		–	–	–	(477)	–	–	–	–	–	563	86	(86)	–
Equity-settled share option arrangements		–	–	–	238	–	–	–	–	–	–	238	2,441	2,679
Redemption of convertible notes by a subsidiary	32	–	–	–	–	–	–	–	–	–	47,086	47,086	(47,086)	–
Shares issued by a subsidiary in lieu of cash dividend	51(b)	–	–	–	–	–	(1,283)	–	(27,979)	–	–	(29,262)	43,395	14,133
Shares issued by a subsidiary upon exercise of share options	51(b)	–	–	–	–	–	–	–	(6,406)	–	–	(6,406)	8,914	2,508
Transfer to statutory reserve		–	–	–	–	–	–	–	–	6,583	(6,583)	–	–	–
Share of statutory reserve of joint ventures		–	–	–	–	–	–	–	–	15,996	(15,996)	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(32,087)	(32,087)
At 31 July 2018		**745,927**	**4,257,351***	**891,289***	**15,054***	**2,499***	**–***	**(677,122)***	**540,566***	**137,840***	**3,346,061***	**9,259,465**	**8,385,483**	**17,644,948**

* *These reserve accounts comprise the consolidated reserves of HK$8,513,538,000 (2017: HK$8,372,273,000) in the consolidated statement of financial position.*

Notes:

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

2. *No dividend was paid or proposed during the year ended 31 July 2018 (2017: Nil), nor has any dividend been proposed since the end of the reporting period.*

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (Note 1)	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Hedge reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2016		621,606	4,230,797	891,289	15,293	25,052	21,813	(480,796)	616,112	70,732	2,587,360	8,599,258	7,665,526	16,264,784
Profit for the year		–	–	–	–	–	–	–	–	–	514,233	514,233	512,981	1,027,214
Other comprehensive loss for the year, net of tax:														
Exchange realignment on translation of foreign operations		–	–	–	–	–	–	(77,729)	–	–	–	(77,729)	(69,862)	(147,591)
Change in fair value of an available-for-sale investment		–	–	–	–	(7,876)	–	–	–	–	–	(7,876)	–	(7,876)
Share of other comprehensive loss of joint ventures		–	–	–	–	–	–	(3,047)	–	–	–	(3,047)	(2,482)	(5,529)
Net loss on cash flow hedges		–	–	–	–	–	(16,440)	–	–	–	–	(16,440)	(15,794)	(32,234)
Total comprehensive income/(loss) for the year		–	–	–	–	(7,876)	(16,440)	(80,776)	–	–	514,233	409,141	424,843	833,984
Issue of shares	38	124,321	29,837	–	–	–	–	–	–	–	–	154,158	–	154,158
Share issue expenses	38	–	(3,283)	–	–	–	–	–	–	–	–	(3,283)	–	(3,283)
Acquisition of additional interests in subsidiaries		–	–	–	–	–	–	–	(2,447)	–	–	(2,447)	(13,608)	(16,055)
Capital contributions from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	3,867	3,867
Release of reserve upon lapse of share options of a subsidiary		–	–	–	–	–	–	–	–	–	87	87	(87)	–
Shares issued by a subsidiary under share-based payments		–	–	–	–	–	–	–	(7)	–	–	(7)	687	680
Shares issued by a subsidiary in lieu of cash dividend	51(b)	–	–	–	–	–	–	–	(25,710)	–	–	(25,710)	35,088	9,378
Shares issued by a subsidiary upon exercise of share options	51(b)	–	–	–	–	–	–	–	(12,997)	–	–	(12,997)	16,987	3,990
Transfer to statutory reserve		–	–	–	–	–	–	–	–	14,346	(14,346)	–	–	–
Share of statutory reserve of joint ventures		–	–	–	–	–	–	–	–	30,183	(30,183)	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(28,633)	(28,633)
At 31 July 2017		745,927	4,257,351*	891,289*	15,293*	17,176*	5,373*	(561,572)*	574,951*	115,261*	3,057,151*	9,118,200	8,104,670	17,222,870

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax and tax indemnity		**915,651**	1,106,540
Adjustments for:			
Fair value gains on investment properties	14	**(857,297)**	(832,118)
Fair value gains on cross currency swaps	7	**(38,049)**	(111,657)
Gain on disposal of an available-for-sale investment	22	**–**	(109,534)
Finance costs	8	**240,612**	199,214
Share of profits and losses of joint ventures		**(402,888)**	(313,866)
Share of profits and losses of associates		**14,102**	(4,696)
Interest income	6	**(43,385)**	(26,519)
Loss/(gain) on disposal of items of property, plant and equipment	7	**2,347**	(576)
Gain on disposal of subsidiaries	7	**(2,487)**	–
Gain on swap of properties	7	**(41,379)**	–
Depreciation	7	**178,701**	158,691
Amortisation of film rights	7	**9,755**	4,853
Amortisation of film products	7	**320,773**	222,801
Amortisation of music catalogs	7	**1,781**	3,480
Amortisation of other intangible assets	7	**15,971**	12,632
Write-off of items of property, plant and equipment	7	**932**	176
Impairment of goodwill	7	**–**	41,000
Impairment of property, plant and equipment	7	**10,000**	–
Impairment of investment properties under construction at cost	7	**55,658**	–
Write-down of properties under development to net realisable value	7	**38,222**	–
Reversal of write-down of completed properties for sale to net realisable value	7	**(426)**	(3,829)
Impairment/write-off of films under production	7	**5,614**	82,754
Impairment of film rights	7	**–**	599
Provision for doubtful debts	7	**429**	1,181
Provision for advances and other receivables	7	**15,924**	2,895
Reversal of provision for advances and other receivables	7	**(618)**	(2,061)
Reversal of provision for amounts due from joint ventures	7	**(172)**	(2,193)
Provision/(reversal of provision) for inventories	7	**(1,680)**	3,907
Equity-settled share option expenses	7	**2,679**	–
Share-based payment expense		**–**	680
Ineffective portion of the effective hedge recognised in profit or loss	7	**–**	7,925
Foreign exchange differences, net	7	**37,607**	61,336
		478,377	503,615

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Increase in properties under development		**(537,140)**	(488,333)
Decrease in completed properties for sale		**122,365**	601,425
Increase in asset classified as held for sale		**–**	(23,374)
Decrease/(increase) in inventories		**2,014**	(5,252)
Additions of film rights	15	**–**	(2,730)
Additions of films under production	24	**(292,633)**	(318,445)
Additions of film products, net	16	**927**	(1,148)
Decrease in debtors		**20,708**	170,652
Decrease/(increase) in deposits, prepayments and other receivables		**(32,578)**	774
Increase in long-term deposits received		**4,005**	14,486
Increase in creditors and accruals		**40,987**	63,618
Increase/(decrease) in deposits received and deferred income		**306,493**	(402,221)
Cash generated from operations		**113,525**	113,067
Tax indemnity received	10	**92,695**	493,936
Hong Kong profits tax paid, net		**(2,207)**	(1,714)
Mainland China taxes paid, net		**(78,099)**	(539,140)
Net cash flows generated from operating activities		**125,914**	66,149
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**43,385**	26,519
Additions of investment properties		**(448,080)**	(677,066)
Dividend income from joint ventures		**–**	31
Dividend income from an associate		**3,000**	4,200
Proceeds from disposal of items of property, plant and equipment		**13**	2,030
Purchases of items of property, plant and equipment		**(673,144)**	(360,012)
Deposits paid for acquisition of items of property, plant and equipment		**–**	(7,677)
Additions of other intangible assets		**–**	(584)
Capital contribution to joint ventures		**(4,000)**	–
Advances to joint ventures		**(32,255)**	(8,523)
Capital contribution to associates		**(314)**	(283)
Advances to associates		**(5,486)**	(982)
Repayment from joint ventures		**1,322**	13,075
Repayment from associates		**992**	68
Disposal of subsidiaries	42	**(3,395)**	–
Net proceeds from disposal of an available-for-sale investment		**–**	98,713
Refund of partial capital of an available-for-sale investment		**10,079**	2,638
Purchase of an available-for-sale investment		**(15,682)**	–
Decrease/(increase) in pledged and restricted time deposits and bank balances		**(502,620)**	495,352
Net cash flows used in investing activities		**(1,626,185)**	(412,501)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares	38	**–**	150,875
Proceeds from exercise of share options of a subsidiary		**2,508**	3,990
Proceeds from issue of guaranteed notes, net of issue expenses	34	**2,712,758**	–
New bank loans, net of direct costs		**1,348,018**	588,468
Repayment of bank loans		**(590,123)**	(846,085)
Loans from a joint venture		**–**	609,490
Loans from a related company		**650,000**	–
Repayments of loans from a joint venture		**(207,929)**	(342,143)
Redemption of convertible notes	32	**(196,840)**	–
Repayment of fixed rate senior notes	33	**(2,243,270)**	–
Net cash outflow from maturity of cross currency swaps	35	**(45,915)**	–
Interest and bank financing charges paid		**(434,517)**	(329,450)
Capital contributions from non-controlling shareholders of a subsidiary		**2,362**	3,867
Acquisition of additional interests in subsidiaries		**–**	(16,055)
Dividend paid to non-controlling shareholders of subsidiaries		**(17,954)**	(19,255)
Net cash flows generated from/(used in) financing activities		**979,098**	(196,298)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(521,173)**	(542,650)
Cash and cash equivalents at beginning of year		**2,733,435**	3,299,148
Effect of foreign exchange rate changes, net		**(76,223)**	(23,063)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,136,039**	2,733,435
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	27	**1,751,756**	2,328,476
Non-pledged and non-restricted time deposits	27	**384,283**	404,959
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**2,136,039**	2,733,435

1. CORPORATE AND GROUP INFORMATION

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

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

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

Details of the principal subsidiaries are set out in note 51 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under construction, derivative financial instruments and certain available-for-sale investments, which have been measured at fair value. Non-current asset classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4. 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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 43 to the financial statements.

Other than as explained above regarding the impact of Amendments to HKAS 7, the adoption of the above amendments to HKFRSs has had no significant financial effect on these financial statements.

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 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for annual periods beginning on or after 1 January 2019*
3 *Effective for annual periods beginning on or after 1 January 2021*
4 *No mandatory effective date yet determined but available for adoption*

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

HKFRS 9

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group commences to adopt HKFRS 9 from 1 August 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 August 2018. During the year ended 31 July 2018, the Group has performed an assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

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

HKFRS 9 (continued)

(a) Classification and measurement

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group expects to continue measuring at fair value all financial assets currently held at fair value.

Equity investments as at 31 July 2018, that are currently held as available-for-sale investments at cost less impairment, will be either measured at fair value through profit or loss, or fair value through other comprehensive income when the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. Other than these changes, the Group does not expect that the adoption of HKFRS 9 will result in any significant change to the classification and measurement of its financial assets.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group is in the progress of making an assessment of the impact on impairment upon initial recognition and does not expect that the adoption of HKFRS 9 will have a significant impact on the impairment of its financial assets.

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

HKFRS 15

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 August 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 August 2018. The Group has assessed the impact of the adoption of HKFRS 15 and does not expect that the standard will have significant impact, when applied, on the consolidated financial statements of the Group.

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. The Group expects that the adoption of HKFRS 15 may result in more extensive disclosures.

HKFRS 16

HKFRS 16, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 August 2019. The Group is in the process of making on assessment of the impact of HKFRS 16. Upon adoption of HKFRS 16, the Group expects that certain amounts included in note 44(c) to the financial statements may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

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

Interests in joint operations

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

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

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

or

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Investment properties

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

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

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

Properties under development

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

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

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

Intangible assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(i) Artiste management and service agreements

Artiste management and service agreements are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 3 years.

(ii) Online movie platform

Online movie platform is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 3 years.

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.

Completed properties for sale

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

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

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

Music catalogs

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

The costs of music catalogs less accumulated impairment loss are amortised based on the proportion of actual revenue earned during the year to total estimated projected revenue subject to a maximum of 15 years. Additional amortisation/impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at least at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Film rights, film products and films under production

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

Film rights are stated at cost less accumulated amortisation and any impairment losses. Film rights, less accumulated impairment loss, are amortised based on the proportion of actual revenues earned during the year to total estimated projected revenues. Additional amortisation/impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues and related cash flows are reviewed at least at the end of each reporting period.

Film products are stated at cost less accumulated amortisation and any impairment losses. Film products, less estimated residual value and accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to total estimated projected revenues. Cost of film products, accounted for on a project-by-project basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film.

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

An impairment loss is made if there has been a change in the estimates used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with policies set out for “Revenue recognition” below.

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

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

Loans and receivables

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

Available-for-sale financial investments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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, net of directly attributable transaction costs.

The Group's financial liabilities include creditors and accruals, deposits received, interest-bearing bank loans, other borrowings, loans from a joint venture and a related company, convertible notes, fixed rate senior notes, guaranteed notes and derivative financial instruments.

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

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

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

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

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

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

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Leases

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

(c) turnover from entertainment events organised by the Group, when the events are completed;

(d) net income from entertainment events organised by other co-investors, when the events are completed and in proportion as agreed with co-investors;

(e) income from films licensed to movie theatres, when the films are exhibited;

(f) licence income from films licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract, 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. Revenue recognised is limited to the amount of consideration received and subject to due allowance for contingencies;

(g) licence income from films licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period and when the films are available for showing or telecast;

(h) sale of products and albums, when significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the products and albums sold;

(i) distribution commission income, when the album or film materials have been delivered to the wholesalers, distributors and licensees;

(j) album licence income and music publishing income, on an accrual basis in accordance with the terms of the relevant agreements;

(k) income from gross box-office takings for film exhibition is recognised upon the sale of tickets and when the film is released;

(l) advertising income, artiste management fee income, producer fee income and consultancy service income on entertainment events, in the period in which the relevant services are rendered;

(m) service fee income, when the relevant services have been rendered;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

(o) dividend income, when the shareholder's right to receive payment has been established.

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes model and binomial option pricing model, further details of which are given in note 39 to the financial statements.

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

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

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

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

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)

Retirement benefit schemes

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

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

Borrowing costs

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

Foreign currencies

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

Dividends

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

Mainland China Land Appreciation Tax ("LAT")

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

Government grants

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

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

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

(ii) When fair value of 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(iii) Income tax

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

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

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

Estimation uncertainty

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

(i) Accounting for film rights, film products and films under production

Films under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Film rights and film products are stated at cost less accumulated amortisation and any impairment losses. Film rights and film products, less estimated residual value and accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to total estimated projected revenues. Additional amortisation/impairment is made if estimated projected revenues are adversely different from the previous estimation.

Management bases its estimates of total projected revenues of each film on the historical performance of similar films, incorporating factors such as the past box office records of the leading actors and actresses, the genre of the film, anticipated performance in the home entertainment, television and other ancillary markets, and/or agreements for future sales.

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises the estimated projected revenues and related cash flows at least at the end of each reporting period. Any change in revenue estimations may result in a change in the rate of amortisation and/or the impairment/write-down of the carrying amounts of the assets to their recoverable amounts. This could have a significant impact on the Group's financial performance. The carrying amounts of film rights, film products and films under production are disclosed in notes 15, 16 and 24 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ii) Estimation of fair value of investment properties

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

Further details, including the key assumptions used for fair value measurement, a sensitivity analysis and the carrying amount of investment properties, are given in note 14 to the financial statements.

(iii) 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.

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

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

(v) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill is disclosed in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

(vii) Impairment of trade and other receivables

The Group makes impairment of receivables based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment of receivables in the year in which such estimate has been changed. The carrying amounts of trade and other receivables are disclosed in notes 26 and 23 to the financial statements, respectively.

(viii) Fair value of derivative financial instruments

Where fair values of financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgements include considerations of inputs such as expected exposure at default, credit spread and loss given default ratio. Changes in assumptions about these factors could affect the reported fair values of derivative financial instruments. The fair value of the Group's derivative financial instruments is disclosed in note 35 to the financial statements.

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

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

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

4. OPERATING SEGMENT INFORMATION

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

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

(b) the property investment segment invests in serviced apartments, commercial and office buildings for their rental income potential as well as cultural, leisure, entertainment and related facilities in Mainland China;

(c) 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 distribution, licence of music and trading of gaming products;

(d) the film production and distribution segment engages in the investment in, production of, sale and distribution of television programmes, films and 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;

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

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

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

Segment assets exclude available-for-sale investments, deferred tax assets, prepaid tax, asset classified as held for sale, derivative financial instruments and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, loans from a joint venture and a related company, convertible notes, fixed rate senior notes, guaranteed notes, derivative financial instruments, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue/results:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Segment revenue:														
Sales to external customers	**184,633**	624,592	**759,963**	696,257	**428,198**	448,371	**342,684**	418,476	**408,342**	418,623	**60,043**	71,069	**2,183,863**	2,677,388
Intersegment sales	**–**	–	**6,226**	5,833	**–**	1,689	**11,453**	8,644	**1,595**	2,677	**3,039**	2,515	**22,313**	21,358
Other revenue	**2,599**	1,617	**137,970**	118,046	**7,898**	8,203	**2,227**	817	**32,130**	24,799	**12,060**	1,954	**194,884**	155,436
Total	**187,232**	626,209	**904,159**	820,136	**436,096**	458,263	**356,364**	427,937	**442,067**	446,099	**75,142**	75,538	**2,401,060**	2,854,182
Elimination of intersegment sales													**(22,313)**	(21,358)
Total revenue													**2,378,747**	2,832,824
Segment results	**(7,552)**	17,761	**1,252,698**	1,160,571	**21,817**	25,464	**(258,653)**	(126,248)	**(95,947)**	(32,769)	**(235,526)**	(263,122)	**676,837**	781,657
Unallocated interest and other revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**52,591**	33,269
Ineffective portion of the effective hedge recognised in profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(7,925)
Fair value gains on cross currency swaps	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**38,049**	111,657
Gain on disposal of an available-for-sale investment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	109,534
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	(18,440)	**–**	(22,560)	**–**	–	**–**	(41,000)
Profit from operating activities													**767,477**	987,192
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(240,612)**	(199,214)
Share of profits and losses of joint ventures	**403,368**	345,456	**–**	–	**1,912**	(4,795)	**(909)**	(26,795)	**–**	–	**(1,483)**	–	**402,888**	313,866
Share of profits and losses of associates	**–**	–	**(192)**	–	**(1)**	(69)	**(15,638)**	(1)	**1,729**	4,766	**–**	–	**(14,102)**	4,696
Profit before tax and tax indemnity													**915,651**	1,106,540
Income tax expense													**(334,929)**	(573,262)
Tax indemnity													**92,695**	493,936
Profit for the year													**673,417**	1,027,214

4. OPERATING SEGMENT INFORMATION (continued)

Segment assets/liabilities:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Segment assets	3,020,564	2,597,274	22,003,818	19,632,948	357,234	361,246	1,057,613	1,176,719	657,680	547,038	2,689,192	2,905,618	29,786,101	27,220,843
Investments in joint ventures	1,851,267	1,424,918	-	–	13,788	12,807	421	562	-	–	2,840	–	1,868,316	1,438,287
Investments in associates	-	–	5,932	343	-	–	3,706	19,343	6,640	8,901	-	–	16,278	28,587
Unallocated assets													379,124	276,500
Asset classified as held for sale													-	278,531
Total assets													32,049,819	29,242,748
Segment liabilities	685,496	439,278	1,133,855	767,421	136,122	155,663	443,455	328,844	206,362	169,120	157,645	193,162	2,762,935	2,053,488
Unallocated liabilities													11,641,936	9,966,390
Total liabilities													14,404,871	12,019,878

Other segment information:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Fair value gains on investment properties	-	–	(857,297)	(832,118)	-	–	-	–	-	–	-	–	(857,297)	(832,118)
Gain on swap of properties	-	–	(41,379)	–	-	–	-	–	-	–	-	–	(41,379)	–
Compensation received on return of land use right to the local authority	-	(6,801)	-	–	-	–	-	–	-	–	-	–	-	(6,801)
Gain on disposal of subsidiaries	-	–	-	–	-	–	-	–	-	–	(2,487)	–	(2,487)	–
Depreciation	1,887	2,248	109,652	102,297	1,617	1,509	2,236	964	53,671	41,631	9,638	10,042	178,701	158,691
Reversal of write-down of completed properties for sale to net realisable value	(426)	(3,829)	-	–	-	–	-	–	-	–	-	–	(426)	(3,829)
Loss/(gain) on disposal of items of property, plant and equipment	19	34	2,296	208	-	7	-	(1)	28	(832)	4	8	2,347	(576)
Impairment of investment properties under construction at cost	-	–	55,658	–	-	–	-	–	-	–	-	–	55,658	–
Write-down of properties under development to net realisable value	38,222	–	-	–	-	–	-	–	-	–	-	–	38,222	–
Impairment of property, plant and equipment	-	–	-	–	-	–	-	–	10,000	–	-	–	10,000	–
Impairment of film rights	-	–	-	–	-	–	-	599	-	–	-	–	-	599
Impairment/write-off of films under production	-	–	-	–	-	–	5,614	82,754	-	–	-	–	5,614	82,754
Amortisation of film rights	-	–	-	–	-	–	9,755	4,853	-	–	-	–	9,755	4,853
Amortisation of film products	-	–	-	–	-	–	320,773	222,801	-	–	-	–	320,773	222,801
Amortisation of music catalogs	-	–	-	–	1,781	3,480	-	–	-	–	-	–	1,781	3,480
Amortisation of other intangible assets	-	–	-	–	15,138	11,977	833	655	-	–	-	–	15,971	12,632
Provision for doubtful debts	-	–	-	–	325	361	104	–	-	–	-	820	429	1,181
Provision for advances and other receivables	-	–	-	–	3,031	236	12,893	2,659	-	–	-	–	15,924	2,895
Reversal of provision for advances and other receivables	-	–	-	–	(118)	(118)	(500)	(1,943)	-	–	-	–	(618)	(2,061)
Reversal of provision for amounts due from joint ventures	-	–	-	–	(172)	(2,193)	-	–	-	–	-	–	(172)	(2,193)
Provision/(reversal of provision) for inventories	-	–	-	–	(2,084)	2,373	319	971	-	–	85	563	(1,680)	3,907
Additions of property, plant and equipment	1,098	1,142	746,635	310,306	618	430	1,531	1,610	156,396	109,685	1,007	3,023	907,285	426,196
Additions of properties under development	537,140	488,333	-	–	-	–	-	–	-	–	-	–	537,140	488,333
Additions of investment properties	-	–	971,357	1,046,284	-	–	-	–	-	–	-	–	971,357	1,046,284
Additions of film rights	-	–	-	–	-	–	-	2,730	-	–	-	–	-	2,730
Additions of film products, net	-	–	-	–	-	–	(927)	1,148	-	–	-	–	(927)	1,148
Additions of films under production	-	–	-	–	-	–	292,633	318,445	-	–	-	–	292,633	318,445
Additions of other intangible assets	-	–	-	–	-	–	-	584	-	–	-	–	-	584

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information:

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Revenue:								
Sales to external customers	824,258	795,894	1,294,774	1,807,675	64,831	73,819	2,183,863	2,677,388
Assets:								
Segment assets:								
– non-current assets	627,662	669,026	24,328,387	22,433,048	99	818	24,956,148	23,102,892
– current assets	1,169,417	1,245,329	5,532,425	4,321,721	12,705	17,775	6,714,547	5,584,825
Unallocated assets							379,124	276,500
Asset classified as held for sale							-	278,531
Total assets							32,049,819	29,242,748
Other information:								
Additions of property, plant and equipment	102,164	110,790	805,091	315,263	30	143	907,285	426,196
Additions of properties under development	-	–	537,140	488,333	-	–	537,140	488,333
Additions of investment properties	-	–	971,357	1,046,284	-	–	971,357	1,046,284
Additions of film rights	-	2,730	-	–	-	–	-	2,730
Additions of film products, net	(927)	1,148	-	–	-	–	(927)	1,148
Additions of films under production	189,181	191,479	103,452	126,966	-	–	292,633	318,445
Additions of other intangible assets	-	584	-	–	-	–	-	584

Information about major customers:

No customers of the Group have individually accounted for over 10% of the Group's total revenue during the years ended 31 July 2018 and 2017.

5. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	**2018 HK$'000**	2017 HK$'000
Lai Sun Development Company Limited ("**LSD**") and its subsidiaries, and/or Lai Sun Garment (International) Limited and its subsidiaries, major shareholders of the Company:			
Rental expense and building management fee paid or payable	(i)	**13,231**	13,080
Rental income and management fee income received or receivable	(ii)	**67**	64
Tax indemnity received	10(b), (iii)	**92,695**	493,936
Interest expense	8, 36, (iv)	**1,946**	–
Sharing of corporate salaries on a cost basis allocated from		**52,241**	46,693
Sharing of administrative expenses on a cost basis allocated from		**6,212**	5,383
Sharing of corporate salaries on a cost basis allocated to		**8,343**	7,944
Sharing of administrative expenses on a cost basis allocated to		**3,335**	1,333
Joint ventures:			
Consultancy and production fee paid	(v)	**2,790**	2,290
Interest income	(vi)	**722**	683
Interest expense	8, 20, (vii)	**28,189**	25,668
Management and other service fees paid or payable to a related company	(viii)	**9,432**	8,698

5. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) *The rental expense and building management fee were charged with reference to market rates.*

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

(iii) *The related company is LSD and further details of this transaction are set out in note 10(b) to the financial statements.*

(iv) *The terms of loans are determined based on agreements entered into between the Group and a related company set out in note 36 to the financial statements.*

(v) *The consultancy and production fee was charged on bases mutually agreed by the respective parties.*

(vi) *The interest income was charged in accordance with contractual terms with respective parties.*

(vii) *The related party is a joint venture of the Group, Guangzhou Beautiwin Real Estate Development Company Limited ("**Guangzhou Beautiwin**"). The terms of the loans are determined based on agreements entered into between the Group and Guangzhou Beautiwin and set out in note 20 to the financial statements.*

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

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

(b) Compensation of key management personnel of the Group

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	**39,000**	37,112
Post-employment benefits	**104**	108
Total compensation paid to key management personnel	**39,104**	37,220

Further details of directors' emoluments are included in note 9 to the financial statements.

6. TURNOVER AND OTHER REVENUE

An analysis of the Group's turnover and other revenue is as follows:

	2018 HK$'000	2017 HK$'000
Turnover		
Sale of properties	**184,633**	624,592
Rental income from investment properties and serviced apartments	**759,963**	696,257
Entertainment event income	**197,686**	173,382
Distribution commission income and licence fee income from film products and film rights	**337,757**	416,471
Album sales, licence income and distribution commission income from music publishing and licensing	**68,858**	75,274
Box-office takings, concessionary income and related income from cinemas	**408,342**	418,623
Artiste management fee income	**38,311**	43,963
Advertising income	**4,927**	2,036
Sale of products	**183,386**	226,790
	2,183,863	2,677,388
Other revenue		
Property management fee income	**114,354**	105,606
Bank interest income	**41,947**	25,224
Other interest income	**716**	612
Interest income from an amount due from a joint venture, net	**722**	683
Government grants	**6,230**	2,088
Others	**83,506**	54,492
	247,475	188,705
	2,431,338	2,866,093

7. PROFIT BEFORE TAX AND TAX INDEMNITY

The Group's profit before tax and tax indemnity is arrived at after charging/(crediting):

	Notes	2018 HK$'000	2017 HK$'000
Cost of completed properties sold		**115,491**	535,637
Outgoings in respect of rental income		**169,149**	153,406
Cost of film rights, licence rights and film products		**403,516**	378,133
Cost of artiste management services, advertising services, and services for entertainment events provided		**180,722**	176,230
Cost of theatrical releasing and concessionary sales		**151,894**	162,594
Cost of inventories sold		**149,707**	190,001
Total cost of sales		**1,170,479**	1,596,001
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**609,470**	567,200
Equity-settled share option expenses		**2,679**	–
Pension scheme contributions ##		**7,795**	7,613
		619,944	574,813
Capitalised in films under production		**–**	(31,939)
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(117,663)**	(96,852)
		502,281	446,022
Auditor's remuneration		**10,459**	10,444
Depreciation ^	12	**178,701**	158,691
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		**5,342**	5,159
Cinemas *		**141,252**	108,587
Others		**46,880**	42,184
Contingent rents incurred for:			
Entertainment events #		**21,615**	17,742
Cinemas *		**11,585**	20,701
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(10,466)**	(8,695)
Total operating lease payments		**216,208**	185,678
Minimum lease income under operating leases		**(745,715)**	(683,145)
Contingent rents		**(14,248)**	(13,112)
Total rental income		**(759,963)**	(696,257)

7. PROFIT BEFORE TAX AND TAX INDEMNITY (continued)

The Group's profit before tax and tax indemnity is arrived at after charging/(crediting): (continued)

	Notes	2018 HK$'000	2017 HK$'000
Impairment of property, plant and equipment *	12	**10,000**	–
Write-down of properties under development to net realisable value *	13	**38,222**	–
Impairment of investment properties under construction at cost *	14	**55,658**	–
Impairment of film rights #	15	**–**	599
Impairment of goodwill *	18	**–**	41,000
Reversal of write-down of completed properties for sale to net realisable value *		**(426)**	(3,829)
Write-off of items of property, plant and equipment *		**932**	176
Impairment/write-off of films under production #	24	**5,614**	82,754
Share of net income from entertainment events organised by co-investors *		**(2,974)**	(3,069)
Amortisation of film rights #	15	**9,755**	4,853
Amortisation of film products #	16	**320,773**	222,801
Amortisation of music catalogs #	17	**1,781**	3,480
Amortisation of other intangible assets #	19	**15,971**	12,632
Provision for doubtful debts **	26	**429**	1,181
Provision for advances and other receivables *	23	**15,924**	2,895
Reversal of provision for advances and other receivables *	23	**(618)**	(2,061)
Reversal of provision for amounts due from joint ventures *		**(172)**	(2,193)
Compensation received on return of land use right to the local authority *		**–**	(6,801)
Gain on swap of properties *	28	**(41,379)**	–
Gain on disposal of subsidiaries *	42	**(2,487)**	–
Fair value gains on cross currency swaps **	35	**(38,049)**	(111,657)
Loss/(gain) on disposal of items of property, plant and equipment *		**2,347**	(576)
Provision/(reversal of provision) for inventories #		**(1,680)**	3,907
Ineffective portion of the effective hedge recognised in profit or loss *	35	**–**	7,925
Foreign exchange differences, net *		**37,607**	61,336

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

** *During the year ended 31 July 2018, the item is included in "Other operating expenses, net" on the face of the consolidated income statement. During the year ended 31 July 2017, the item was presented on the face of the consolidated income statement.*

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

\## *As at 31 July 2018 and 31 July 2017, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.*

^ *Depreciation charge of HK$151,665,000 (2017: HK$136,919,000) is included in "Other operating expenses, net" on the face of the consolidated income statement, of which HK$97,994,000 (2017: HK$95,288,000) is for serviced apartments and related leasehold improvements and HK$53,671,000 (2017: HK$41,631,000) is related to cinema operation.*

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	2018 HK$'000	2017 HK$'000
Interest on:			
Bank loans		**180,053**	146,871
Other borrowings		**5,647**	5,640
TFN Convertible Notes (as defined and disclosed in note 32)		**8,849**	10,561
Specific Mandate Convertible Notes (as defined and disclosed in note 32)		**5,645**	5,615
2013 Notes (as defined and disclosed in note 33)		**103,767**	140,957
Guaranteed notes		**78,557**	–
Loans from a joint venture	5	**28,189**	25,668
Loans from a related company	5	**1,946**	–
Amortisation of:			
Bank loans		**24,626**	25,891
2013 Notes	33	**6,349**	8,145
Guaranteed notes	34	**2,260**	–
Bank financing charges and direct costs		**13,376**	12,689
Other finance costs		**507**	534
		459,771	382,571
Less: Capitalised in properties under development	13	**(87,857)**	(92,740)
Capitalised in investment properties under construction	14	**(83,472)**	(64,421)
Capitalised in construction in progress	12	**(47,830)**	(26,196)
		(219,159)	(183,357)
Total finance costs		**240,612**	199,214

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5.7% (2017: 5.6%) has been applied to the expenditure on the individual assets for the year ended 31 July 2018.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

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

	2018 HK$'000	2017 HK$'000
Fees	**2,105**	2,105
Other emoluments:		
Salaries, allowances and benefits in kind	**21,314**	20,704
Pension scheme contributions	**104**	104
	21,418	20,808
	23,523	22,913
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(7,081)**	(6,483)
	16,442	16,430

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2018				
Executive directors:				
Lui Siu Tsuen, Richard^	120	3,808	14	3,942*
Chew Fook Aun	–	8,855	36	8,891**
Lam Hau Yin, Lester	–	1,652	18	1,670#
Yip Chai Tuck	–	2,429	36	2,465##
	120	16,744	104	16,968
Non-executive directors:				
U Po Chu	–	4,325	–	4,325#
Andrew Y. Yan	290	20	–	310
	290	4,345	–	4,635
Independent non-executive directors:				
Low Chee Keong	725	60	–	785
Alfred Donald Yap	290	60	–	350
Ng Lai Man, Carmen	390	60	–	450
Lo Kwok Kwei, David	290	45	–	335
	1,695	225	–	1,920
	2,105	21,314	104	23,523

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

* *The amounts included fees of HK$120,000 paid by Media Asia Group Holdings Limited ("**MAGHL**", together with its subsidiaries, "**MAGHL Group**").*

** *The amounts included salaries and pension scheme contributions of HK$4,446,000 paid by Lai Fung.*

The amounts were paid by Lai Fung.

The amounts included salaries and pension scheme contributions of HK$1,233,000 paid by MAGHL.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2017				
Executive directors:				
Lui Siu Tsuen, Richard^	120	3,697	14	3,831*
Chew Fook Aun	–	8,515	36	8,551**
Lam Hau Yin, Lester	–	1,604	18	1,622#
Yip Chai Tuck	–	2,448	36	2,484##
	120	16,264	104	16,488
Non-executive directors:				
U Po Chu	–	4,275	–	4,275#
Andrew Y. Yan	290	10	–	300
	290	4,285	–	4,575
Independent non-executive directors:				
Low Chee Keong	725	45	–	770
Alfred Donald Yap	290	45	–	335
Ng Lai Man, Carmen	390	40	–	430
Lo Kwok Kwei, David	290	25	–	315
	1,695	155	–	1,850
	2,105	20,704	104	22,913

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

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

** *The amounts included salaries and pension scheme contributions of HK$4,275,000 paid by Lai Fung.*

The amounts were paid by Lai Fung.

The amounts included salaries and pension scheme contributions of HK$1,242,000 paid by MAGHL.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 July 2018 and 2017.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(b) Employees' remuneration

The five highest paid employees during the year included two (2017: two) directors, details of whose emoluments are set out above. Details of the remuneration for the year of the remaining three (2017: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**27,192**	26,888
Pension scheme contributions	**18**	18
	27,210	26,906
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(7,079)**	(4,547)
	20,131	22,359

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

	Number of employees	
	2018	2017
HK$4,000,001 – HK$4,500,000	**1#**	–
HK$5,000,001 – HK$5,500,000	**–**	1#
HK$7,000,001 – HK$7,500,000	**1@**	1@
HK$14,000,001 – HK$14,500,000	**–**	1^^
HK$15,500,001 – HK$16,000,000	**1^**	–
	3	3

\# *The amount was paid by MAGHL.*

@ *The amount was paid by Lai Fung.*

^ *The amount included salaries of HK$3,092,000 paid by Lai Fung and fees of HK$120,000 paid by MAGHL.*

^^ *The amount included salaries of HK$2,869,000 paid by Lai Fung and fees of HK$120,000 paid by MAGHL.*

10. INCOME TAX EXPENSE AND TAX INDEMNITY

(a) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Note	2018 HK$'000	2017 HK$'000
Current			
– Hong Kong			
Charge for the year		**1,550**	1,827
Overprovision in prior years		**(1,934)**	(190)
		(384)	1,637
– Mainland China			
CIT			
Charge for the year		**59,265**	73,131
Underprovision/(overprovision) in prior years		**(1,130)**	28
LAT			
Charge for the year		**27,157**	58,391
Underprovision in prior years		**–**	122,258
		85,292	253,808
– Elsewhere			
Charge for the year		**145**	321
		85,053	255,766
Deferred tax	37	**249,876**	317,496
Total tax charge for the year		**334,929**	573,262

10. INCOME TAX EXPENSE AND TAX INDEMNITY (continued)

(a) Income tax expense (continued)

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

	2018 HK$'000	2017 HK$'000
Profit before tax and tax indemnity	**915,651**	1,106,540
Tax at the applicable tax rates	**291,080**	304,002
Provision for LAT	**27,157**	58,391
Adjustments in respect of LAT in prior years	**–**	122,258
Tax effect of provision for LAT	**(6,789)**	(45,162)
Profits and losses attributable to joint ventures and associates	**(98,467)**	(81,926)
Income not subject to tax	**(23,797)**	(32,765)
Expenses and losses not deductible for tax	**56,492**	160,618
Other temporary differences	**(193)**	(1,702)
Estimated tax losses utilised from prior years	**(10,905)**	(10,149)
Estimated tax losses not recognised	**90,422**	56,855
Adjustments in respect of current tax of prior years	**(3,064)**	(162)
Withholding tax on the distributable earnings of the subsidiaries established in Mainland China	**12,993**	43,004
Tax charge at the Group's effective rate	**334,929**	573,262

(b) Tax indemnity

	2018 HK$'000	2017 HK$'000
Tax indemnity	**92,695**	493,936

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

10. INCOME TAX EXPENSE AND TAX INDEMNITY (continued)

(b) Tax indemnity (continued)

The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing Mainland China income tax and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Lai Fung Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Lai Fung Group as set out in the prospectus of Lai Fung dated 18 November 1997. During the year, tax indemnity of HK$92,695,000 (2017: HK$493,936,000) was received by the Lai Fung Group from LSD in relation to the CIT and LAT incurred and paid by the Lai Fung Group or its joint ventures which is attributable to the disposal of certain properties located in Guangzhou, Mainland China.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (2017: 1,361,061,866) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company, adjusted for the effect of dilutive potential ordinary shares arising from adjustment to the share of profit of Lai Fung based on dilution of its earnings per share. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and weighted average number of ordinary shares assumed to have been issued at no consideration as if all the Company's outstanding share options have been considered.

The conversion of the outstanding convertible notes issued by MAGHL has an anti-dilutive effect on the basic earnings per share amounts presented during the years ended 31 July 2018 and 2017.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

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

	2018 HK$'000	2017 HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**263,840**	514,233
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 *	**(1,572)**	(112)
Earnings for the purpose of diluted earnings per share	**262,268**	514,121

* *Balance represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK$1,572,000 (2017: HK$112,000) assuming all dilutive outstanding share options of Lai Fung were exercised to subscribe for ordinary shares of Lai Fung at the beginning of the year.*

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,491,854,598**	1,361,061,866
Effect of dilution – weighted average number of ordinary shares: Share options	**2,641,251**	200,445
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**1,494,495,849**	1,361,262,311

12. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
At 1 August 2016		325,214	2,289,376	523,340	172,584	31,064	24,187	414,874	3,780,639
Finance costs capitalised	8	–	–	–	–	–	–	26,196	26,196
Additions		1,706	7,725	85,280	33,539	1,282	4,174	292,490	426,196
Write-off		–	–	(5,829)	(8,885)	–	(43)	–	(14,757)
Disposals		–	–	(380)	(7,491)	(471)	(697)	–	(9,039)
Exchange realignment		(4,181)	(10,444)	(3,509)	(686)	(106)	(126)	(3,405)	(22,457)
At 31 July 2017 and 1 August 2017		322,739	2,286,657	598,902	189,061	31,769	27,495	730,155	4,186,778
Finance costs capitalised	8	–	–	–	–	–	–	47,830	47,830
Additions		–	–	97,468	69,111	3,550	3,297	733,859	907,285
Write-off		–	–	(19,886)	(15,792)	–	(86)	–	(35,764)
Disposals		–	(1,862)	(51)	(6,420)	(2,169)	(750)	–	(11,252)
Disposal of subsidiaries	42	–	–	(626)	(610)	(1,085)	(672)	–	(2,993)
Exchange realignment		(1,754)	(8,368)	(3,601)	(629)	17	(95)	(5,696)	(20,126)
At 31 July 2018		**320,985**	**2,276,427**	**672,206**	**234,721**	**32,082**	**29,189**	**1,506,148**	**5,071,758**
Accumulated depreciation and impairment:									
At 1 August 2016		90,526	468,705	293,103	114,784	27,324	17,651	–	1,012,093
Depreciation provided during the year		8,574	61,357	65,968	18,651	1,361	2,780	–	158,691
Write-off		–	–	(5,804)	(8,736)	–	(41)	–	(14,581)
Disposals		–	–	(320)	(6,139)	(471)	(655)	–	(7,585)
Exchange realignment		(356)	(1,150)	(1,465)	(307)	(69)	(55)	–	(3,402)
At 31 July 2017 and 1 August 2017		98,744	528,912	351,482	118,253	28,145	19,680	–	1,145,216
Depreciation provided during the year		8,700	62,818	78,620	24,179	1,389	2,995	–	178,701
Impairment provided during the year		–	–	10,000	–	–	–	–	10,000
Write-off		–	–	(19,485)	(15,266)	–	(81)	–	(34,832)
Disposals		–	–	(50)	(6,122)	(1,952)	(768)	–	(8,892)
Disposal of subsidiaries	42	–	–	(465)	(412)	(1,027)	(499)	–	(2,403)
Exchange realignment		(486)	(2,772)	(3,350)	(245)	(26)	(118)	–	(6,997)
At 31 July 2018		**106,958**	**588,958**	**416,752**	**120,387**	**26,529**	**21,209**	**-**	**1,280,793**
Net carrying amount:									
At 31 July 2018		**214,027**	**1,687,469**	**255,454**	**114,334**	**5,553**	**7,980**	**1,506,148**	**3,790,965**
At 31 July 2017		223,995	1,757,745	247,420	70,808	3,624	7,815	730,155	3,041,562

As at 31 July 2018, certain serviced apartments (including related leasehold improvements) and construction in progress with aggregate carrying amounts of HK$1,282,684,000 (2017: HK$1,372,936,000) and HK$909,720,000 (2017: HK$730,155,000), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 30(a) to the financial statements.

During the year ended 31 July 2018, the impairment loss of HK$10,000,000 (2017: Nil) represented the write-down of the carrying amounts of leasehold improvements of certain cinemas to their recoverable amounts because the market conditions were out of the management's expectation. The estimated recoverable amounts as at 31 July 2018 were determined based on their value in use amounts estimated by using a discount rate of 14.5%.

13. PROPERTIES UNDER DEVELOPMENT

	Note	2018 HK$'000	2017 HK$'000
At the beginning of the reporting period		**1,561,523**	1,991,022
Finance costs capitalised	8	**87,857**	92,740
Additions (including capitalisation of prepaid land lease payments of HK$15,835,000 (2017: HK$15,235,000))		**552,975**	503,568
Amortisation of prepaid land lease payments		**(15,835)**	(15,235)
Transfer to completed properties for sale		**–**	(993,190)
Write-down of properties under development to net realisable value		**(38,222)**	–
Exchange realignment		**(15,269)**	(17,382)
At the end of the reporting period		**2,133,029**	1,561,523
Amount classified as current assets		**(1,722,872)**	(215,303)
Non-current portion		**410,157**	1,346,220

As at 31 July 2018, certain properties under development with an aggregate carrying amount of HK$1,371,434,000 (2017: HK$500,644,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 30(b) to the financial statements.

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

	2018 HK$'000	2017 HK$'000
At the beginning of the reporting period	**895,396**	901,076
Additions	**–**	60,105
Amortised during the year	**(15,835)**	(15,235)
Transfer to completed properties for sale	**–**	(41,509)
Exchange realignment	**(6,304)**	(9,041)
At the end of the reporting period	**873,257**	895,396

14. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Completed investment properties	**12,826,200**	12,347,055
Investment properties under construction, at fair value	**4,330,900**	3,120,000
Investment property under construction, at cost *	**1,444,000**	1,436,364
	18,601,100	16,903,419

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

	Notes	2018 HK$'000	2017 HK$'000
At the beginning of the reporting period		**16,903,419**	15,065,759
Finance costs capitalised	8	**83,472**	64,421
Additions under swap of properties	28	**329,294**	–
Other additions		**642,063**	1,046,284
Transfer from completed properties for sale		**16,263**	16,179
Net gain from fair value adjustments		**857,297**	832,118
Impairment provided		**(55,658)**	–
Exchange realignment		**(175,050)**	(121,342)
At the end of the reporting period		**18,601,100**	16,903,419

The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 44(b) to the financial statements.

As at 31 July 2018, certain investment properties with an aggregate carrying amount of HK$11,575,170,000 (2017: HK$10,401,180,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 30(c) to the financial statements.

During the year ended 31 July 2018, the impairment loss of HK$55,658,000 (2017: Nil) represented the write-down of the carrying amount of an investment property under construction at cost to its recoverable amount. The recoverable amount of the impaired property as at 31 July 2018 of HK$1,444,000,000 was based on its value in use amount estimated by using a discount rate of 4.75%.

Valuation processes of the Group

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

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

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

14. INVESTMENT PROPERTIES (continued)

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

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

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

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

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

2018

Description	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Commercial properties	Income approach	Average unit market rent per month (HK$/sq.m.)	44 – 360	Note 1
		Capitalisation rate	4.25% – 7.50%	Note 2
Residential properties	Market approach	Average market unit rate (HK$/sq.m.)	159,000	Note 3
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m.)	14,400 – 88,000	Note 4
		Developer's profit margin	5% – 9%	Note 5
		Budgeted costs to completion (HK$)	1,156,700,000 – 2,062,500,000	Note 6

14. INVESTMENT PROPERTIES (continued)

Valuation techniques (continued)

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

2017

Description	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Commercial properties	Income approach	Average unit market rent per month (HK$/sq.m.)	45 – 370	Note 1
		Capitalisation rate	4.25% – 7.50%	Note 2
Residential properties	Market approach	Average market unit rate (HK$/sq.m.)	160,000	Note 3
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m.)	14,500 – 88,700	Note 4
		Developer's profit margin	5% – 20%	Note 5
		Budgeted costs to completion (HK$)	1,285,400,000 – 1,317,117,000	Note 6

Notes:

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

15. FILM RIGHTS

	HK$'000
Cost:	
At 1 August 2016	275,980
Additions	2,730
Disposal	(2,349)
At 31 July 2017 and 1 August 2017	276,361
Disposal	(25)
At 31 July 2018	**276,336**
Accumulated amortisation and impairment:	
At 1 August 2016	252,298
Provided during the year	4,853
Impairment during the year	599
Disposal	(2,349)
At 31 July 2017 and 1 August 2017	255,401
Provided during the year	9,755
Disposal	(25)
At 31 July 2018	**265,131**
Net carrying amount:	
At 31 July 2018	**11,205**
At 31 July 2017	20,960

In light of the circumstances of film industry, the Group regularly reviewed 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 2018 and 31 July 2017 were determined based on the present value of expected future revenues and related cash flows arising from the distribution and sub-licensing of the film rights, which was derived from discounting the projected cash flows by a discount rate of approximately 15% (2017: 15%).

16. FILM PRODUCTS

	Note	HK$'000
Cost:		
At 1 August 2016		1,069,764
Additions		1,148
Transfer from films under production	24	225,200
Exchange realignment		(708)
At 31 July 2017 and 1 August 2017		1,295,404
Additions, net		(927)
Transfer from films under production	24	275,819
Exchange realignment		(1,063)
At 31 July 2018		**1,569,233**
Accumulated amortisation and impairment:		
At 1 August 2016		945,996
Provided during the year		222,801
Exchange realignment		686
At 31 July 2017 and 1 August 2017		1,169,483
Provided during the year		320,773
Exchange realignment		(1,240)
At 31 July 2018		**1,489,016**
Net carrying amount:		
At 31 July 2018		**80,217**
At 31 July 2017		125,921

In light of the circumstances of film industry, the Group regularly reviewed its film products to assess marketability/future economic benefits of film products and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2018 and 31 July 2017 were determined based on the present value of expected future revenues and related cash flows arising from the distribution and sub-licensing of the film products and their residual values, which was derived from discounting the projected cash flows by a discount rate of 15% (2017: 15%).

17. MUSIC CATALOGS

	HK$'000
Cost:	
At 1 August 2016, 31 July 2017, 1 August 2017 and 31 July 2018	**150,834**
Accumulated amortisation and impairment:	
At 1 August 2016	135,916
Provided during the year	3,480
At 31 July 2017 and 1 August 2017	139,396
Provided during the year	1,781
At 31 July 2018	**141,177**
Net carrying amount:	
At 31 July 2018	**9,657**
At 31 July 2017	11,438

In light of the circumstances of music licensing industry, the Group undertook 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 2018 and 31 July 2017 were determined based on the present value of expected future cash flows generated from the music catalogs, which was discounted by a discount rate of approximately 13% (2017: 13%).

18. GOODWILL

	HK$'000
Cost:	
At 1 August 2016, 31 July 2017, 1 August 2017 and 31 July 2018	**126,917**
Accumulated impairment:	
At 1 August 2016	3,477
Impairment during the year	41,000
At 31 July 2017, 1 August 2017 and 31 July 2018	**44,477**
Net carrying amount:	
At 31 July 2018	**82,440**
At 31 July 2017	82,440

Impairment testing of goodwill

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

Intercontinental Group Holdings Limited and its subsidiaries (collectively known as the "**IGHL Group**") is a group of IGHL CGU which generates cash inflows that are largely independent of the cash inflows from other assets.

As at 31 July 2018, the recoverable amount of the IGHL CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which is based on past experience and the management's expectation for market development. The discount rate applied to the cash flow projections is 14.5% (2017: 14.5%). The growth rate used to extrapolate the cash flows of the IGHL CGU beyond the five-year period is 3% (2017: 3%).

Assumptions were used in the value-in-use calculation of the IGHL CGU for 31 July 2018 and 31 July 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted profit – The basis used to determine the value assigned to the budgeted profit is the average profit achieved in the markets, adjusted for expected efficiency improvement, and expected market development.

Discount rate – The discount rate used is before tax.

As at 31 July 2017, the estimated recoverable amount of IGHL CGU was below its carrying amount by HK$41,000,000 because the market conditions were out of the management's expectation and an impairment loss of HK$41,000,000 was recognised in the consolidated income statement.

19. OTHER INTANGIBLE ASSETS

	Artiste management and service agreements HK$'000	Online movie platform HK$'000	Total HK$'000
Cost:			
At 1 August 2016	35,932	1,916	37,848
Additions	–	584	584
At 31 July 2017, 1 August 2017 and 31 July 2018	**35,932**	**2,500**	**38,432**
Accumulated amortisation:			
At 1 August 2016	8,817	426	9,243
Provided during the year	11,977	655	12,632
At 31 July 2017 and 1 August 2017	20,794	1,081	21,875
Provided during the year	15,138	833	15,971
At 31 July 2018	**35,932**	**1,914**	**37,846**
Net carrying amount:			
At 31 July 2018	**–**	**586**	**586**
At 31 July 2017	15,138	1,419	16,557

Artiste management and service agreements

Artiste management and service agreements represented agreements with various artistes and an artiste management team which the Group had the right for the provision of artiste management services to the artistes and procured the artiste management team to manage the daily operation of the subsidiaries.

Online movie platform

Online movie platform represented the development cost of a licensed online system for the distribution of certain licensed film rights of the Group.

20. INVESTMENTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Share of net assets	**1,601,110**	1,206,181
Amounts due from joint ventures	**270,040**	235,112
Provision for impairment #	**(2,834)**	(3,006)
	267,206	232,106
Total investments in joint ventures	**1,868,316**	1,438,287
Loans from a joint venture	**644,698**	842,510
Amount classified as current liabilities	**(218,542)**	(192,731)
Non-current portion	**426,156**	649,779

\# *As at 31 July 2018, impairment of HK$2,834,000 (2017: HK$3,006,000) was recognised for amounts due from joint ventures with carrying amounts of HK$2,834,000 (2017: HK$3,006,000) (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 have no fixed terms of repayment 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$11,502,000 (2017: HK$11,593,000) due from a joint venture which is interest bearing at The People's Bank of China Benchmark Loan Interest Rate. In the opinion of the directors, these amounts due from joint ventures are considered as part of the Group's net investment in the joint ventures.

Except for loans from a joint venture of HK$426,156,000 (2017: HK$649,779,000) which bear interest at fixed rates of 3.05% to 4.20% per annum (2017: 3.05% to 4.20% per annum) and are repayable in the second to third years from the end of the reporting period, the loans from a joint venture are unsecured, bear interest at a fixed rate of 3.05% per annum (2017: 3.92% per annum) and are repayable within one year.

The joint ventures are accounted for using the equity method in these consolidated financial statements. During the year ended 31 July 2017, the Group received dividend income amounting to HK$31,000 from a joint venture.

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

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes. The joint ventures are accounted for using the equity method in the consolidated financial statements.

20. INVESTMENTS IN JOINT VENTURES (continued)

The summarised financial information below represents amounts shown, after fair value adjustments, in the consolidated financial statements of Beautiwin Limited ("**Beautiwin**") and Guangzhou Beautiwin, the holder of Dolce Vita project in Guangzhou (collectively referred to as the "**Beautiwin Group**") prepared in accordance with HKFRSs:

	2018 HK$'000	2017 HK$'000
Current assets (including cash and cash equivalents of HK$2,406,341,000 (2017: HK$2,963,774,000))	**3,394,419**	3,953,982
Non-current assets	**728,181**	1,428,507
Total assets	**4,122,600**	5,382,489
Current liabilities	**(166,934)**	(2,372,663)
Non-current liabilities	**(591,285)**	(371,263)
Total liabilities	**(758,219)**	(2,743,926)

Reconciliation of the above summarised financial information of the Beautiwin Group to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	2018 HK$'000	2017 HK$'000
Net assets of the Beautiwin Group	**3,364,381**	2,638,563
Less: Non-controlling interests	**(95,865)**	(160,540)
	3,268,516	2,478,023
Lai Fung's 50% interest in the Beautiwin Group	**1,634,258**	1,239,012
Amount due from the Beautiwin Group	**217,009**	185,906
Carrying amount of the Group's interests in the Beautiwin Group as recorded in the consolidated financial statements	**1,851,267**	1,424,918

20. INVESTMENTS IN JOINT VENTURES (continued)

	2018 HK$'000	2017 HK$'000
Revenue (including interest income of HK$78,819,000 (2017: HK$44,523,000))	**838,340**	4,167,559
Cost of sales	**(331,687)**	(2,296,892)
Expenses (including depreciation charges of HK$232,000 (2017: HK$841,000))	**(141,289)**	(40,581)
Income tax credit/(expense)	**484,134**	(1,159,652)
Profit for the year	**849,498**	670,434
Other comprehensive loss for the year	**(17,819)**	(8,747)
Total comprehensive income for the year	**831,679**	661,687
The Group's share of profit of the Beautiwin Group	**403,368**	345,456
The Group's share of other comprehensive loss of the Beautiwin Group	**(8,122)**	(4,697)
The Group's share of total comprehensive income of the Beautiwin Group	**395,246**	340,759

Aggregate financial information of joint ventures that are not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of losses	**(480)**	(31,590)
The Group's share of other comprehensive income/(loss)	**158**	(832)
The Group's share of total comprehensive loss	**(322)**	(32,422)
Aggregate carrying amount of the Group's investments in joint ventures	**17,049**	13,369

21. INVESTMENTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of net assets/(liabilities)	**(9,010)**	7,793
Amounts due from associates	**25,288**	20,794
	16,278	28,587

Balances with the associates are unsecured, interest-free and have no fixed terms of repayment but are not expected to be repayable in the next 12 months from the end of the reporting period. In the opinion of the directors, these amounts due from associates are considered as part of the Group's net investment in the associates.

21. INVESTMENTS IN ASSOCIATES (continued)

The associates are accounted for using the equity method in these consolidated financial statements. During the year, the Group received dividend income amounting to HK$3,000,000 (2017: HK$4,200,000) from an associate.

As at 31 July 2018 and 31 July 2017, 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

	2018 HK$'000	2017 HK$'000
The Group's share of profits and losses	**(14,102)**	4,696
The Group's share of other comprehensive loss	**(15)**	–
The Group's share of total comprehensive income/(loss)	**(14,117)**	4,696

22. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
Unlisted equity investments, at cost	**47,981**	42,378
Unlisted equity investment, at fair value	**66,380**	81,057
	114,361	123,435

As at 31 July 2018, unlisted equity investments of the Group with a carrying amount of HK$47,981,000 (2017: HK$42,378,000) were stated at cost less impairment because the variability in the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair value could not be measured reliably.

On 21 March 2017, the Group entered into a share purchase agreement with Alibaba Investment Limited ("**Alibaba**") and Pony Media Holdings Inc. ("**Pony Media**") in relation to the disposal of 1,480,994 Series C Preferred shares in Pony Media to Alibaba, at a gross cash consideration of US$14,902,230 (equivalent to approximately HK$115,708,000) which is subject to certain tax adjustments and deductions and a tax escrow arrangement (the "**Disposal**"). A gain on the Disposal of HK$109,534,000 has been recognised in the consolidated income statement for the year ended 31 July 2017. Further details of the Disposal are set out in the Company's announcement dated 21 March 2017.

During the year, the gross loss in respect of the Group's unlisted equity investment stated at fair value recognised in other comprehensive loss amounted to HK$14,677,000 (2017: HK$7,876,000).

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Deposits, prepayments and advances for artiste management, music production and film production	**182,369**	267,353
Other deposits, prepayments and other receivables	**379,273**	284,724
	561,642	552,077
Less: Portion classified as current	**(441,526)**	(427,715)
Non-current portion	**120,116**	124,362

Included in deposits, prepayments and other receivables as at 31 July 2018 are advances of HK$7,476,000 (2017: HK$7,535,000) due from film owners for the Group's investments in film projects. The advances are unsecured, repayable within next 12 months and have a fixed guarantee return of 16.5% (2017: 16.5%).

Net of advances for artiste management and other receivables is a provision of HK$63,550,000 (2017: HK$53,987,000).

Movements in the provision for advances and other receivables are as follows:

	2018 HK$'000	2017 HK$'000
At the beginning of the reporting period	**53,987**	57,191
Provision for advances and other receivables	**15,924**	2,895
Reversal of provision for advances and other receivables	**(618)**	(2,061)
Write-off	**(15,751)**	(4,038)
Exchange realignment	**26**	–
At the end of the reporting period	**53,568**	53,987

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$53,568,000 (2017: HK$53,987,000) with a gross carrying amount of HK$57,191,000 (2017: HK$54,276,000). The individually impaired receivables and advances relate to the portions of receivables that were not expected to be recovered.

24. FILMS UNDER PRODUCTION

	Note	2018 HK$'000	2017 HK$'000
At the beginning of the reporting period		**463,105**	450,849
Additions (including the capitalisation of employee benefit expense of nil (2017: HK$31,939,000))		**292,633**	318,445
Transfer to film products	16	**(275,819)**	(225,200)
Impairment/write-off #		**(5,614)**	(82,754)
Exchange realignment		**(4,720)**	1,765
At the end of the reporting period		**469,585**	463,105

\# *The impairment/write-off of films under production was made based on the management's estimation of recoverable amount against the carrying amount.*

25. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**–**	4,743
Work in progress	**2,250**	2,028
Finished goods	**19,624**	28,340
	21,874	35,111

26. DEBTORS

	2018 HK$'000	2017 HK$'000
Trade debtors	**191,184**	222,744
Impairment	**(9,585)**	(10,069)
	181,599	212,675

The trading terms of the Group (other than the Lai Fung Group) with its customers are mainly on credit. Invoices are normally payable within 30 to 90 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries. The Group's trade receivables are non-interest-bearing.

26. DEBTORS (continued)

The Lai Fung Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced apartment charges are mainly settled by customers on a cash basis except for those corporate clients who maintain credit accounts with the Lai Fung Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Lai Fung Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables of the Lai Fung Group are interest-free.

The Group does not hold any collateral or other credit enhancements over these balances.

An ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at the end of the reporting period, is as follows:

	2018 **HK$'000**	2017 HK$'000
Trade debtors:		
Neither past due nor impaired	**127,702**	129,498
1 – 90 days past due	**37,974**	65,677
Over 90 days past due	**15,923**	17,500
	181,599	212,675

Movements in the provision for impairment of trade debtors are as follows:

	2018 **HK$'000**	2017 HK$'000
At the beginning of the reporting period	**10,069**	8,901
Provision for doubtful debts	**429**	1,181
Write-off	**(93)**	(13)
Disposal of subsidiaries	**(820)**	–
At the end of the reporting period	**9,585**	10,069

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$9,585,000 (2017: HK$10,069,000) with a gross carrying amount before provision of HK$9,585,000 (2017: HK$10,069,000). The individually impaired trade debtors related to customers that were in default in settlements and no portion of the receivables is expected to be recovered.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

27. CASH AND CASH EQUIVALENTS, PLEDGED AND RESTRICTED TIME DEPOSITS AND BANK BALANCES

	Note	2018 HK$'000	2017 HK$'000
Cash and bank balances		**2,389,992**	2,712,719
Less: Pledged and restricted bank balances			
– Pledged for bank loans	30(e)	**(230,893)**	(214,476)
– Restricted *		**(407,343)**	(169,767)
		(638,236)	(384,243)
Non-pledged and non-restricted cash and bank balances		**1,751,756**	2,328,476
Time deposits		**819,809**	591,858
Less: Pledged and restricted time deposits			
– Pledged for bank loans	30(e)	**(419,816)**	(186,779)
– Pledged for banking facilities Δ		**(120)**	(120)
– Restricted *		**(15,590)**	–
		(435,526)	(186,899)
Non-pledged and non-restricted time deposits		**384,283**	404,959
Cash and cash equivalents		**2,136,039**	2,733,435

* *In accordance with the relevant laws and regulations imposed by the government authorities concerned or the terms and conditions set out in the relevant bank loan agreements, proceeds from the pre-sale of certain properties are required to be deposited into designated bank accounts and restricted to be used in the relevant project construction. Such restriction will be uplifted upon repayment of the relevant bank loans or the attainment of the relevant ownership certificates issued by the authorities. As at 31 July 2018, the balance was HK$219,943,000 (2017: HK$123,600,000).*

In accordance with the relevant laws and regulations imposed by the government authorities concerned, estimated resettlement costs of certain sites for development are required to be deposited into designated bank accounts. Such deposits are restricted to be used for the resettlement and such restriction will be uplifted upon completion of the resettlement. As at 31 July 2018, the balance amounted to HK$24,563,000 (2017: HK$24,681,000).

In accordance with the relevant clauses of certain bank loan facilities, proceeds from the drawdown of bank loans are required to be deposited into designated bank accounts and restricted to be used for settlement of construction costs of the relevant projects. As at 31 July 2018, the balance amounted to HK$162,244,000 (2017: HK$21,486,000).

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 2018, the balances amounted to HK$16,183,000 (2017: Nil).

Δ *The balance was pledged to a bank in respect of credit card facilities granted by the bank to a subsidiary of the Company.*

27. CASH AND CASH EQUIVALENTS, PLEDGED AND RESTRICTED TIME DEPOSITS AND BANK BALANCES (continued)

The conversion of Renminbi ("**RMB**") denominated time deposits and cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. As at 31 July 2018, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK$2,372,506,000 (2017: HK$2,437,536,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are mainly made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

28. ASSET CLASSIFIED AS HELD FOR SALE

On 23 November 1993, Grand Wealth Limited ("**Grand Wealth**"), an indirect wholly-owned subsidiary of Lai Fung, and Guangzhou Light Industry Real Estate Development Company ("**Guangzhou Light Industry**") entered into a joint venture agreement (as supplemented, the "**JVA**") to form a co-operative joint venture company, Guangzhou Grand Wealth Properties Limited in relation to a property development project in Guangzhou, the PRC known as Guangzhou Eastern Place.

In accordance with the original terms of the JVA, upon completion of Guangzhou Eastern Place Phase V, certain residential and office units of Guangzhou Eastern Place Phase V will be allocated and transferred to Guangzhou Light Industry.

On 15 January 2015, Grand Wealth and Guangzhou Light Industry entered into a new supplemental agreement (the "**Supplemental Agreement**") to, among other things, amend the above arrangement whereby Grand Wealth and Guangzhou Light Industry conditionally agreed that in lieu of allocating certain office units of Guangzhou Eastern Place Phase V (the "**Original Property**") to Guangzhou Light Industry as contemplated under the JVA, Grand Wealth would procure the transfer of Guangzhou Paramount Centre, a serviced apartment under development of the Lai Fung Group in Guangzhou, the PRC (the "**Substituted Property**") to Guangzhou Light Industry (the "**Transaction**").

Further details of the Transaction are set out in a joint announcement of the Company and Lai Fung dated 15 January 2015, and in a circular of the Company dated 16 February 2015.

As at 31 July 2017, the Substituted Property was classified as an asset classified as held for sale and its non-recurring fair value measurement was HK$278,531,000. In accordance with HKFRS 5, at 31 July 2017, the asset classified as held for sale with a carrying amount of HK$278,531,000 was assessed against its fair value of HK$315,905,000 less costs to sell of HK$37,374,000 and no impairment was recognised for the year ended 31 July 2017.

The Transaction was completed in August 2017 and a gain of HK$41,379,000 (note 7) was recognised in "Other operating expenses, net" on the face of the consolidated income statement during the year ended 31 July 2018 (2017: Nil) and the Original Property, amounting to HK$329,294,000, was recognised as investment property in the consolidated statement of financial position.

28. ASSET CLASSIFIED AS HELD FOR SALE (continued)

Valuation processes of the Group

As at 31 July 2017, the Group's asset classified as held for sale stated at fair value less costs to sell was valued by Knight Frank, an independent professionally qualified valuer. The valuation processes are the same as that of investment properties as disclosed in note 14.

Valuation technique

Fair value measurement using significant unobservable inputs (Level 3)

For asset classified as held for sale, valuations are based on direct comparison method. This method is based on market comparable transactions available in the market and adjustments of various factors would be made between the subject property and comparable properties.

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

2017

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial properties	Direct comparison method	Average market unit rate (HK$/sq.m.)	37,100 – 54,500	Note

Note: The higher the market unit rate, the higher the fair value

29. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the date of receipt of the goods and services purchased/payment due date, as at the end of the reporting period, is as follows:

	2018 HK$'000	2017 HK$'000
Trade creditors:		
Less than 30 days	**197,917**	250,357
31 – 60 days	**53,817**	16,830
61 – 90 days	**3,767**	11,953
Over 90 days	**6,416**	2,840
	261,917	281,980
Other creditors and accruals	**1,699,651**	1,269,802
	1,961,568	1,551,782

Trade creditors and other creditors are interest-free and have an average credit term of three months.

30. INTEREST-BEARING BANK LOANS

	2018		2017	
	Effective interest rate (%)	HK$'000	Effective interest rate (%)	HK$'000
Bank loans:				
Current:				
Bank loans – secured	**5.23 – 6.47**	**200,669**	2.47 – 5.88	261,392
Bank loans – unsecured	**3.71 – 4.21**	**147,820**		–
		348,489		261,392
Non-current:				
Bank loans – secured	**4.75 – 6.47**	**3,335,174**	2.54 – 5.88	2,906,097
Bank loans – unsecured	**6.81**	**237,290**		–
		3,572,464		2,906,097
		3,920,953		3,167,489
Maturity profile:				
Within one year		**348,489**		261,392
In the second year		**455,800**		234,989
In the third to fifth years, inclusive		**2,922,540**		2,581,878
Beyond five years		**194,124**		89,230
		3,920,953		3,167,489

30. INTEREST-BEARING BANK LOANS (continued)

On 18 March 2016, Lai Fung (i) as borrower and, inter alios, the banks named therein as lenders entered into an offshore facility agreement in relation to facilities of HK$2,650,000,000 (the "**2016 Offshore Facilities**"); and (ii) as guarantor and, inter alios, certain subsidiaries of Lai Fung as borrowers and banks named therein as lenders entered into an onshore facility agreement in relation to facilities of approximately HK$936,000,000 equivalent (the "**2016 Onshore Facilities**").

As at 31 July 2018, HK$1,080,000,000 (2017: HK$930,000,000) and HK$878,001,000 (2017: HK$897,151,000) were outstanding under the 2016 Offshore Facilities and the 2016 Onshore Facilities, respectively.

Certain bank loans of the Group as at the end of the reporting period were secured by:

(a) mortgages over certain serviced apartments (including related leasehold improvements) and construction in progress of the Group with aggregate carrying amounts of HK$1,282,684,000 (2017: HK$1,372,936,000) and HK$909,720,000 (2017: HK$730,155,000) (note 12), respectively;

(b) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$1,371,434,000 (2017: HK$500,644,000) (note 13);

(c) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$11,575,170,000 (2017: HK$10,401,180,000) (note 14);

(d) charges over the entire equity interest in certain subsidiaries of the Company (note 51); and

(e) charges over bank balances and time deposits of the Group with an aggregate carrying amount of HK$650,709,000 (2017: HK$401,255,000) (note 27).

As at 31 July 2018 and 31 July 2017, charges over securities accounts and share mortgage in respect of 165,485,406 (2017: 8,274,270,422 ordinary shares in Lai Fung before the Share Consolidation) ordinary shares of Lai Fung and 1,415,132,837 (2017: 1,415,132,837) ordinary shares of MAGHL were made to secure certain interest-bearing bank loans of the Group which were repaid during the year. Subsequent to the end of the reporting period, the charges over securities accounts and share mortgage have been released (note 51).

30. INTEREST-BEARING BANK LOANS (continued)

Pursuant to an intercreditor agreement dated 28 March 2013 (as amended, restated and supplemented from time to time) (the "**Intercreditor Agreement**"), (i) the lenders under the 2016 Offshore Facilities, (ii) the holders of 2013 Notes (as defined in note 33) and (iii) the holders of future permitted pari passu secured indebtedness, if any, are entitled to the benefit of a lien on a package of securities shared on a pari passu basis. Accordingly, as at 31 July 2017, the 2016 Offshore Facilities were guaranteed on a joint and several basis by the same entities acting as subsidiary guarantors under the 2013 Notes, subject to certain limitations. In addition, the shares in certain subsidiaries of Lai Fung and a debt service reserve account (collectively, the "**Collateral**") had been charged to secure amounts outstanding under the 2016 Offshore Facilities (and on a pari passu basis with the 2013 Notes).

Upon and after the maturity of 2013 Notes on 25 April 2018, the holders of 2013 Notes ceased to be a party to the Intercreditor Agreement in accordance with the terms thereof.

31. OTHER BORROWINGS

	Notes	Effective contractual interest rate (%)	**2018 HK$'000**	2017 HK$'000
Interest-bearing borrowings				
– unsecured	(i)	5.00	**204,122**	198,475
Other borrowing – unsecured	(ii)	–	**53,719**	54,143
			257,841	252,618

	2018 HK$'000	2017 HK$'000
Analysed into:		
Other borrowings repayable in the second year	**257,841**	252,618

Notes:

(i) *The unsecured other borrowings represented amounts due to the late Mr. Lim Por Yen which bear interest at The Hongkong and Shanghai Banking Corporation Limited prime rate per annum except for the accrued interest portion with an amount of HK$91,184,000 (2017: HK$85,537,000) which is interest-free.*

(ii) *The unsecured other borrowing represented an amount due to the late Mr. Lim Por Yen which is interest-free.*

At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed to the Group that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from the end of the respective reporting periods.

32. CONVERTIBLE NOTES

	Notes	2018 HK$'000	2017 HK$'000
TFN Convertible Notes	(i)	–	121,151
Specific Mandate Convertible Notes	(ii)	–	61,195
Total		–	182,346
Portion classified as current		–	(182,346)
Non-current portion		–	–

Pursuant to a subscription agreement entered into between TFN Media Co., Ltd. ("**TFN Media**") and MAGHL on 17 April 2015, among others, MAGHL conditionally agreed to issue, and TFN Media conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$130,000,000 (the "**TFN Convertible Notes**"), which are convertible at the option of the holder into MAGHL's ordinary shares during the period commencing on the first day of the TFN Convertible Notes and expiring on that date which is five business days preceding the maturity date.

Pursuant to each of subscription agreements entered into by MAGHL with each of Perfect Sky Holdings Limited ("**Perfect Sky**", a wholly-owned subsidiary of the Company), Fubon Financial Holding Venture Capital Corp., Kbro Media Co., Ltd., and MOMO.COM Inc. (collectively the "**Subscribers**") on 17 April 2015, among others, MAGHL conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$186,840,000 (the "**Specific Mandate Convertible Notes**"), which are convertible at the option of the holders into MAGHL's ordinary shares during the period commencing on the first day of the Specific Mandate Convertible Notes and expiring on the date which is five business days preceding the maturity date.

(i) TFN Convertible Notes

The TFN Convertible Notes were issued to TFN Media, the holder of TFN Convertible Notes, on 13 May 2015. The TFN Convertible Notes in an aggregate principal amount of HK$130,000,000 carried the conversion right entitling TFN Media to subscribe for a total of 245,746,691 shares of HK$0.01 each in MAGHL at a conversion price of HK$0.529 per share.

Pursuant to the terms and conditions of the TFN Convertible Notes, as a result of the open offer on the basis at one offer share for every two existing shares at the subscription price of HK$0.30 per offer share (see MAGHL's announcement dated 17 April 2015 and the prospectus of MAGHL dated 8 May 2015) (the "**Open Offer**"), the conversion price of the TFN Convertible Notes was adjusted from HK$0.529 per share to HK$0.458 per share. Based on the issued and outstanding TFN Convertible Notes in the principal amount of HK$130,000,000 as at 31 July 2017, the number of shares to be allotted and issued to TFN Media would be adjusted from 245,746,691 shares to 283,842,794 shares as a result of the Open Offer assuming the conversion rights attaching thereto were exercised in full. However, as disclosed in MAGHL's announcement dated 13 May 2015, MAGHL elected to redeem the principal amount attributable to conversion shares under the TFN Convertible Notes in excess of the outstanding number of new shares issuable under the general mandate granted to the directors of MAGHL to issue shares of MAGHL at the annual general meeting of MAGHL held on 9 December 2014 ("**General Mandate**"), and therefore, having taken into account the maximum number of such issuable shares under the General Mandate and assuming no utilisation of the General Mandate (other than that for the allotment and issue of the conversion shares under the TFN Convertible Notes), the maximum number of conversion shares that could be allotted and issued to TFN Media under the TFN Convertible Notes shall be 267,973,164 shares, at the adjusted conversion price of HK$0.458 per share.

32. CONVERTIBLE NOTES (continued)

(i) TFN Convertible Notes (continued)

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the TFN Convertible Notes, they would be redeemed by MAGHL on the maturity date of 13 May 2018 at the principal amount outstanding. The TFN Convertible Notes were redeemed on 14 May 2018.

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount was assigned as the equity component and was included in the reserve attributable to non-controlling interests.

The liability and equity components of the TFN Convertible Notes recognised on initial recognition were as follows:

	HK$'000
TFN Convertible Notes	
Face value of convertible notes issued	130,000
Equity component	(30,991)
Liability component at date of issue	99,009

The movements of the liability component and the equity component of the TFN Convertible Notes were as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 August 2016	110,590	30,951	141,541
Interest charged during the year	10,561	–	10,561
At 31 July 2017 and 1 August 2017	121,151	30,951	152,102
Interest charged during the year	8,849	–	8,849
Redemption of convertible notes	(130,000)	(30,951)	(160,951)
At 31 July 2018	**–**	**–**	**–**

(ii) Specific Mandate Convertible Notes

The Specific Mandate Convertible Notes were issued to the Subscribers on 3 July 2015. The Specific Mandate Convertible Notes in an aggregate principal amount of HK$186,840,000 carried the conversion right entitling the relevant holders to subscribe for a total of 407,947,597 shares of HK$0.01 each in MAGHL at a conversion price of HK$0.458 per share as adjusted for the Open Offer pursuant to the terms and conditions of the Specific Mandate Convertible Notes.

32. CONVERTIBLE NOTES (continued)

(ii) Specific Mandate Convertible Notes (continued)

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Specific Mandate Convertible Notes, they would be redeemed by MAGHL on the maturity date of 3 July 2018 at the principal amount outstanding. The Specific Mandate Convertible Notes were redeemed on 3 July 2018.

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount was assigned as the equity component and was included in the reserve attributable to non-controlling interests.

The net proceeds received from the issue of the Specific Mandate Convertible Notes, after eliminating the subscription of the Specific Mandate Convertible Notes of HK$100,000,000 by Perfect Sky at a conversion price of HK$0.458 per share as adjusted for the Open Offer, were split into the liability and equity components on the issue date as follows:

	HK$'000
Specific Mandate Convertible Notes	
Face value of convertible notes issued	86,840
Equity component	(21,162)
Liability component at date of issue	65,678

The movements of the liability component and the equity component of the Specific Mandate Convertible Notes were as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 August 2016	55,580	16,135	71,715
Interest charged during the year	5,615	–	5,615
At 31 July 2017 and 1 August 2017	61,195	16,135	77,330
Interest charged during the year	5,645	–	5,645
Redemption of convertible notes	(66,840)	(16,135)	(82,975)
At 31 July 2018	**–**	**–**	**–**

Interests charged for the TFN Convertible Notes and the Specific Mandate Convertible Notes were calculated by applying effective interest rates of 9.5% (2017: 9.5%) per annum and 9.9% (2017: 9.9%) per annum, respectively, to the respective liability components.

33. FIXED RATE SENIOR NOTES

RMB1,800,000,000 6.875% Senior Notes due 2018

On 25 April 2013, Lai Fung issued RMB1,800,000,000 (equivalent to approximately HK$2,243,270,000) of 6.875% fixed rate senior notes (the "**2013 Notes**"), which matured on 25 April 2018 for bullet repayment. The 2013 Notes bore interest from 25 April 2013 and were repayable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2013 (each, an "**Interest Payment Date – 2013 Notes**"). The 2013 Notes were listed on the Stock Exchange.

The 2013 Notes were issued for refinancing of debt and for general corporate purposes. The net proceeds of the 2013 Notes after deducting the issue expenses amounted to approximately HK$2,205,883,000.

No 2013 Notes were repurchased during the year (2017: Nil). The 2013 Notes have been fully redeemed on the maturity date during the year ended 31 July 2018.

The 2013 Notes recognised in the consolidated statement of financial position were calculated as follows:

	2018 **HK$'000**	2017 HK$'000
Carrying amount at the beginning of the reporting period	**2,080,366**	2,092,741
Amortisation during the year (note 8)	**6,349**	8,145
Repayment upon maturity	**(2,243,270)**	–
Exchange realignment	**156,555**	(20,520)
Carrying amount at the end of the reporting period	**–**	2,080,366
Portion classified as current	**–**	(2,080,366)
Non-current portion	**–**	–

The effective interest rate of the 2013 Notes was 7.28% per annum.

In connection with the 2013 Notes, Lai Fung had entered into CCS – 2013 Notes (as defined in note 35) with financial institutions, which had effectively converted the 2013 Notes into fixed rate United States dollar ("**US$**") denominated debts. Taking into account the CCS – 2013 Notes, the effective interest rate of the 2013 Notes was 6.53% per annum. Details of the CCS – 2013 Notes are set out in note 35 to the financial statements.

As detailed in note 30 to the financial statements, pursuant to the Intercreditor Agreement, the holders of 2013 Notes were entitled to the benefit of a lien on a package of securities, comprising guarantees provided by certain subsidiaries of Lai Fung and charges over the Collateral, on a pari passu basis with the lenders under the 2016 Offshore Facilities and the holders of future permitted pari passu secured indebtedness, if any.

Upon and after the maturity of the 2013 Notes on 25 April 2018, the holders of the 2013 Notes ceased to be a party to the Intercreditor Agreement in accordance with the terms thereof.

34. GUARANTEED NOTES

US$350,000,000 5.65% Guaranteed Notes due 2023

On 18 January 2018, Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of Lai Fung, issued US$350,000,000 of 5.65% fixed rate guaranteed notes, which will mature on 18 January 2023 for bullet repayment. The guaranteed notes bear interest from 18 January 2018 and are payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2018 (each, an "**Interest Payment Date – Guaranteed Notes**"). The guaranteed notes are listed on the Stock Exchange.

The guaranteed notes are guaranteed by Lai Fung and also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from LSD.

The guaranteed notes were issued for refinancing of the 2013 Notes and for general corporate purposes. The net proceeds of the guaranteed notes after deducting issue expenses amounted to approximately HK$2,712,758,000.

No guaranteed notes were repurchased during the year (2017: Nil).

The guaranteed notes recognised in the consolidated statement of financial position are calculated as follows:

	2018 **HK$'000**	2017 HK$'000
Carrying amount at the beginning of the reporting period	**–**	–
Newly issued guaranteed notes	**2,737,000**	–
Issue expenses	**(24,242)**	–
Amortisation during the year (note 8)	**2,260**	–
Exchange realignment	**10,500**	–
Carrying amount at the end of the reporting period	**2,725,518**	–

The effective interest rate of the guaranteed notes is 5.86% per annum.

In connection with the guaranteed notes, Lai Fung entered into the CCS – Guaranteed Notes (as defined in note 35) with financial institutions, which have effectively converted the guaranteed notes into fixed rate HK$ denominated debts. Taking into account the CCS – Guaranteed Notes, the effective interest rate of the guaranteed notes is 5.58% per annum. Details of the CCS – Guaranteed Notes are set out in note 35 to the financial statements.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 HK$'000	2017 HK$'000
Financial assets/(liabilities) – Cross currency swap agreements (the "**CCSs**")		
– For 2013 Notes (the "**CCS – 2013 Notes**")	**–**	(208,223)
– For guaranteed notes (the "**CCS – Guaranteed Notes**")	**2,531**	–
Carrying amount as at 31 July	**2,531**	(208,223)
Amount classified as current	**–**	208,223
Non-current portion	**2,531**	–

The carrying amounts of the CCSs are the same as their fair values.

The movements in the financial assets/(liabilities) arising from the CCSs during the year are as follows:

2018

	CCS – Guaranteed Notes HK$'000	CCS – 2013 Notes HK$'000	Total HK$'000
Carrying amount as at 1 August 2017	**–**	**(208,223)**	**(208,223)**
Fair value gains credited to the hedge reserve (note a)	**–**	**161,845**	**161,845**
Fair value gains credited to the consolidated income statement	**2,531**	**463**	**2,994**
Settlement upon maturity of CCS	**–**	**45,915**	**45,915**
Carrying amount as at 31 July 2018	**2,531**	**–**	**2,531**
Amount classified as current	**–**	**–**	**–**
Non-current portion	**2,531**	**–**	**2,531**

On 25 April 2018, the 2013 Notes and the CCS — 2013 Notes matured. Total fair value gains of HK$38,049,000 (note 7) comprising the fair value gains of CCSs of HK$2,994,000 and the release of hedge reserve related to CCS — 2013 Notes of HK$35,055,000 were credited to the consolidated income statement and included in "Other operating expenses, net" on the face of the consolidated income statement.

35. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

2017

	Note	CCS – 2013 Notes HK$'000
Carrying amount as at 1 August 2016		(210,068)
Fair value losses charged to the hedge reserve *(note a)*		(101,887)
Fair value gains credited to the consolidated income statement *(note b)*		111,657
Ineffective portion of the effective hedge recognised in profit or loss	7	(7,925)
Carrying amount as at 31 July 2017		(208,223)
Amount classified as current		208,223
Non-current portion		–

On 25 April 2013, Lai Fung Group entered into the CCS – 2013 Notes with financial institutions with an aggregate nominal amount of RMB1,800,000,000 for the purpose of hedging the foreign currency risk arising from the 2013 Notes as detailed in note 33 to the financial statements.

Pursuant to the terms of the CCS – 2013 Notes, the Lai Fung Group received interest payments semi-annually at a fixed rate of 6.875% per annum on the aggregate notional amount of RMB1,800,000,000 during the period from 25 April 2013 to 25 April 2018 right before each Interest Payment Date – 2013 Notes (as defined in note 33), and made interest payments semi-annually at a fixed rate of 6.135% per annum on the aggregate notional amount of approximately US$291,616,000 (being the US$ equivalent amount of RMB1,800,000,000, translated at a contracted exchange rate of US$1 to RMB6.1725) during the period from 25 April 2013 to 25 April 2018 right before each Interest Payment Date – 2013 Notes. Right before 25 April 2018, the Lai Fung Group received the aggregate notional amount of RMB1,800,000,000 and paid the aggregate notional amount of approximately US$291,616,000.

The CCS – 2013 Notes were designated as hedging instruments in respect of the 2013 Notes and the CCS – 2013 Notes balances varied with the changes in foreign exchange forward rates.

The effectiveness of the cash flow hedges was assessed semi-annually by the Group. The assessment results of the cash flow hedges were set out as follows:

(a) As at 31 January 2017 and 31 January 2018, the cash flow hedges of the 2013 Notes were assessed to be highly effective and a net gain on the cash flow hedges of HK$26,886,000 for the six months ended 31 January 2018 (six months ended 31 January 2017: a net loss of HK$32,234,000) was included in the hedge reserve, of which HK$13,648,000 (six months ended 31 January 2017: HK$16,440,000) and HK$13,238,000 (six months ended 31 January 2017: HK$15,794,000) were attributed to the owners of the Company and the non-controlling interests, respectively, as follows:

	2018 HK$'000	2017 HK$'000
Total fair value gains/(losses) charged to the hedge reserve	**161,845**	(101,887)
Transferred from the hedged reserve to the consolidated income statement for the exchange gain/(loss) of the 2013 Notes	**(134,959)**	69,653
Net gain/(loss) on cash flow hedges	**26,886**	(32,234)

35. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The effectiveness of the cash flow hedges was assessed semi-annually by the Group. The assessment results of the cash flow hedges were set out as follows: (continued)

(b) As at 31 July 2017, the cash flow hedges of the 2013 Notes were assessed to be ineffective and did not qualify for hedge accounting. Fair value gains of HK$111,657,000 arising from changes in the fair values of the CCS – 2013 Notes between 1 February 2017 and 31 July 2017 were credited to the consolidated income statement for the year ended 31 July 2017.

During the year ended 31 July 2018, the Lai Fung Group has entered into the CCS – Guaranteed Notes with the financial institutions with an aggregate nominal amount of US$350,000,000 in connection with the guaranteed notes as detailed in note 34 to the financial statements.

Pursuant to the terms of the CCS – Guaranteed 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 – Guaranteed Notes (as defined in note 34), and pays an amount semi-annually calculated based on a fixed rate of 5.37% per annum on the aggregate notional amount of HK$2,738,225,000 (being the HK$ equivalent amount of US$350,000,000 translated at a contracted exchange rate of US$1 to HK$7.8235) during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date – Guaranteed Notes. Before 18 January 2023, the 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 – Guaranteed 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 – Guaranteed Notes amounting to HK$2,531,000 were credited to the consolidated income statement during the year (2017: Nil).

36. LOANS FROM A RELATED COMPANY

On 10 May 2018, Hibright Limited ("**Hibright**", a wholly-owned subsidiary of LSD) and MAGHL entered into a loan agreement (the "**MAGHL Loan Agreement**") whereby Hibright agreed to make available to MAGHL a term loan facility in the principal amount of up to HK$200,000,000 for the exclusive purposes of financing the redemption of the TFN Convertible Notes in full and financing the general working capital requirements of MAGHL Group.

On 27 July 2018, Hibright and the Company entered into a loan agreement (the "**eSun Loan Agreement**"), whereby Hibright agreed to make available to the Company a term loan facility in the principal amount of up to HK$700,000,000 for the exclusive purposes of refinancing existing bank loan facilities and financing the general corporate requirements of the Group.

As at 31 July 2018, loans of HK$200,000,000 (2017: Nil) and HK$450,000,000 (2017: Nil) were outstanding under the MAGHL Loan Agreement and the eSun Loan Agreement, respectively. The balances are unsecured, interest-bearing at 3-month Hong Kong Interbank Offered Rate plus 3.3% per annum and are repayable in 2020.

37. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**4,189**	6,050
Deferred tax liabilities	**(3,318,953)**	(3,104,284)
	(3,314,764)	(3,098,234)

The movements of deferred tax assets/(liabilities) during the year are as follows:

	Note	Accelerated tax depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 August 2016		(480,276)	(579,052)	(1,692,212)	(68,847)	25,751	(8,169)	(2,802,805)
Deferred tax credited/(charged) to the income statement during the year	10	(61,257)	5,980	(208,029)	(43,004)	(16,536)	5,350	(317,496)
Exchange realignment		3,664	3,829	14,918	–	(508)	164	22,067
At 31 July 2017 and 1 August 2017		(537,869)	(569,243)	(1,885,323)	(111,851)	8,707	(2,655)	(3,098,234)
Deferred tax credited/(charged) to the income statement during the year	10	(63,220)	24,352	(214,324)	(12,993)	13,581	2,728	(249,876)
Exchange realignment		6,957	2,328	24,708	–	(574)	(73)	33,346
At 31 July 2018		**(594,132)**	**(542,563)**	**(2,074,939)**	**(124,844)**	**21,714**	**-**	**(3,314,764)**

At 31 July 2018, the Group has tax losses arising in Hong Kong of HK$1,686,208,000 (2017: HK$1,224,368,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 July 2018, the Group had tax losses arising in Mainland China of HK$330,320,000 (2017: HK$299,035,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

37. 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%. The Group is therefore liable for withholding taxes on dividends to be distributed by those subsidiaries and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 July 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$13,450,000 as at 31 July 2018 (2017: HK$11,162,000).

38. SHARE CAPITAL

Shares

	2018		2017	
	Number of shares ’000	**Nominal value HK$’000**	Number of shares ’000	Nominal value HK$’000
Authorised:				
Ordinary shares of HK$0.50 each	**2,500,000**	**1,250,000**	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,491,855**	**745,927**	1,491,855	745,927

A summary of movements in the Company’s share capital is as follows:

	Number of share in issue ’000	**Share capital** HK$’000
At 1 August 2016	1,243,212	621,606
Issue of shares	248,643	124,321
At 31 July 2017, 1 August 2017 and 31 July 2018	**1,491,855**	**745,927**

38. SHARE CAPITAL (continued)

Shares (continued)

On 20 January 2017, the Company entered into a placing agreement ("**Placing Agreement**") with Get Nice Securities Limited ("**Placing Agent**") whereby the Company has conditionally agreed to place ("**Placing**"), through the Placing Agent on a best effort basis, up to 248,642,433 new ordinary shares of the Company ("**Placing Shares**") to not less than six independent placees at the placing price of HK$0.62 per Placing Share ("**Placing Price**"). The Placing Shares would be allocated and issued under the general mandate ("**General Mandate**") which was granted to the directors of the Company through a resolution of the Company's shareholders at the annual general meeting ("**AGM**") held on 16 December 2016 to allot, issue and deal with Placing Shares not exceeding 20% of the total issued shares of the Company as at the date of the AGM.

On 9 February 2017, all conditions of the Placing as set out in the Placing Agreement had been fulfilled and completion of the Placing took place whereby a total of 248,642,433 Placing Shares were allotted and issued to not less than six independent placees at the Placing Price under the General Mandate. The gross proceeds from the Placing were approximately HK$154,158,000, and the net proceeds from the Placing were approximately HK$150,875,000 after deducting the placing commission and other expenses of approximately HK$3,283,000 incurred in the Placing. The net proceeds were used by the Company as general working capital and for repayment of certain debt obligations of the Company.

Further details of the Placing are set out in the Company's announcements dated 20 January 2017 and 9 February 2017.

Share options

Details of the share option schemes of the Company, MAGHL and Lai Fung and the share options issued under the respective schemes are included in note 39 to the financial statements.

39. SHARE OPTION SCHEMES

(a) The Company

2005 Share Option Scheme

On 23 December 2005, the Company adopted the share option scheme (the "**2005 Share Option Scheme**") for the purpose of giving any eligible employee, director of the Company or any of its subsidiaries, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "**Participants**") an opportunity to have a personal stake in the Company and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Company. The 2005 Share Option Scheme was adopted by the Company on 23 December 2005 and became effective on 5 January 2006 and unless otherwise cancelled or amended, the 2005 Share Option Scheme will remain in force for 10 years from latter date. The 2005 Share Option Scheme was terminated upon the adoption of the 2015 Share Option Scheme (as defined below) on 11 December 2015.

The principal terms of the 2005 Share Option Scheme were:

(i) The total number of shares in respect of which options may be granted under the 2005 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Company's shares in issue unless the 10% limit has been refreshed on shareholders' approval. The 10% limit was refreshed on shareholders' approval at a special general meeting of the Company held on 27 May 2011. The maximum number of shares issuable under share options granted to each Participant in the 2005 Share Option Scheme within any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

39. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2005 Share Option Scheme (continued)

The principal terms of the 2005 Share Option Scheme were: (continued)

(ii) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

(iii) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors in its absolute discretion.

(iv) The exercise price of the share options is determinable by the directors, but shall be at least the highest of (i) the closing price of the Company's shares in the Stock Exchange's daily quotation sheet on the date of the offer of grant of the share options; (ii) the average closing price of the Company's shares in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

2015 Share Option Scheme

On 11 December 2015 (the "**2015 Adoption Date**"), the Company adopted a new share option scheme (the "**2015 Share Option Scheme**") and terminated the 2005 Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2015 Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to the Group by granting share options to them as incentives or rewards and to attract, retain and motivate 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 Group. Unless otherwise cancelled or amended, the 2015 Share Option Scheme will remain in force for 10 years from the 2015 Adoption Date.

39. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2015 Share Option Scheme (continued)

The principal terms of the 2015 Share Option Scheme are:

(i) The maximum number of shares in respect of which options may be granted under the 2015 Share Option Scheme and any other share option schemes of the Company (i) shall not exceed 10% of the total number of Company's shares in issue on the 2015 Adoption Date; (ii) shall not exceed 30% of the shares of the Company in issue from time to time; and (iii) to each Eligible Participant in the 2015 Share Option Scheme and within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the shareholders' approval in a general meeting of the Company.

(ii) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

(iii) The offer of a grant of share options may be accepted within 30 days from the date of offer, to be accompanied by payment of a consideration of HK$1 per share option by the grantee. The exercise period of the share options granted is determined by the board of directors in its absolute discretion.

(iv) The subscription (or exercise) price of any share options is determinable by the directors, but shall not be lower than the highest of (i) the closing price of the Company's shares in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the Company's shares in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share on the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

39. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2015 Share Option Scheme (continued)

Details of the share options outstanding granted under the 2005 Share Option Scheme and the 2015 Share Option Scheme during the year are as follows:

	2018		2017	
	Number of underlying shares comprised in share options '000	Weighted average exercise price per share HK$	Number of underlying shares comprised in share options '000	Weighted average exercise price per share HK$
Outstanding at the beginning of the year	**33,451**	**1.44**	33,451	1.44
Lapsed during the year	**(1,000)**	**1.61**	–	–
Granted during the year	**400**	**1.36**	–	–
Outstanding at the end of the year	**32,851**	**1.43**	33,451	1.44

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

Number of underlying shares comprised in share options '000	Exercise price* per share HK$	Exercise period (dd/mm/yyyy)
6,216	**0.92**	**05-06-2012 to 04-06-2022**
24,435	**1.61**	**18-01-2013 to 17-01-2023**
1,800	**0.73**	**21-01-2015 to 20-01-2025**
400	**1.36**	**19-01-2018 to 18-01-2028**
32,851		

39. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

2015 Share Option Scheme (continued)

2017

Number of underlying shares comprised in share options '000	Exercise price* per share HK$	Exercise period (dd/mm/yyyy)
6,216	0.92	05-06-2012 to 04-06-2022
25,435	1.61	18-01-2013 to 17-01-2023
1,800	0.73	21-01-2015 to 20-01-2025
33,451		

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

The fair value of the share option granted during the year was HK$238,000 (2017: Nil), which was recognised as a share option 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 a binomial option pricing model ("**Binomial Model**"), taking into account the terms and conditions upon which the options were granted.

As at 31 July 2018, the Company had 32,850,665 (2017: 33,450,665) underlying shares comprised in share options outstanding under the 2005 Share Option Scheme and the 2015 Share Option Scheme which represented approximately 2.20% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 32,850,665 additional ordinary shares of the Company and additional share capital of approximately HK$16,425,000 and share premium of approximately HK$30,537,000 (before issue expenses).

Subsequent to the end of the reporting period, the Offer (as defined in note 53) closed at 4:00 p.m. on 22 August 2018 and the Offeror (as defined in note 53) had received valid acceptances of eSun option offer in respect of 13,145,696 underlying shares and such share options had been cancelled upon the eSun option offer becoming unconditional in all respects on 8 August 2018. In addition, pursuant to the terms of the 2005 Share Option Scheme and the 2015 Share Option Scheme, all share options of the Company not exercised (i.e. 19,704,969 underlying shares) before the close of the Offer (i.e. 22 August 2018) have lapsed upon the close of the Offer. Therefore, as at the date of approval of these financial statements, all outstanding share options under the 2005 Share Option Scheme and the 2015 Share Option Scheme had lapsed or had been cancelled.

39. SHARE OPTION SCHEMES (continued)

(b) MAGHL

MAGHL Share Option Scheme

On 18 December 2012, MAGHL adopted a share option scheme (the "**MAGHL Share Option Scheme**") which will remain in force for 10 years and terminated the share option scheme which was previously adopted by MAGHL on 19 November 2009 and became effective on 24 November 2009 as (i) MAGHL has become a subsidiary of the Company in June 2011 and Rule 23.01(4) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") requires the relevant provisions of the MAGHL Share Option Scheme which are required to be approved by the shareholders/independent non-executive directors of MAGHL to be simultaneously approved by the shareholders/independent non-executive directors of the Company; and (ii) the Company would like to have a unified set of share option scheme rules for its subsidiaries. The purpose of the MAGHL Share Option Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to MAGHL Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of MAGHL Group or the affiliated companies. Eligible participants include any employee, director, officer or consultant of MAGHL Group and the affiliated companies, and any other group or classes of participants which the board of the directors of MAGHL, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangements, to the development and growth of MAGHL Group.

The principal terms of the MAGHL Share Option Scheme are:

(a) The total number of MAGHL's shares which may be issued upon exercise of all share options to be granted under the MAGHL Share Option Scheme and all options to be granted under any other share option schemes of any member of MAGHL (the "**Other Schemes**") must not in aggregate exceed 10% of the total number of MAGHL's shares in issue as at 18 December 2012 (the "**MAGHL Scheme Limit**").

(b) Subject to (a) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may refresh the MAGHL Scheme Limit at any time, provided that such limit as refreshed must not exceed 10% of the total number of shares of MAGHL in issue as at the date of approval of such refreshed limit. The refreshment of the MAGHL Scheme Limit was approved by MAGHL's and the Company's shareholders at the respective annual general meetings held on 11 December 2015.

39. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

MAGHL Share Option Scheme (continued)

The principal terms of the MAGHL Share Option Scheme are: (continued)

(c) Subject to (a) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may grant the options beyond the 10% limit, provided that the options in excess of such limit are granted only to the eligible participants specifically identified by MAGHL before such shareholders' approval is sought.

(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.

(e) The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the MAGHL Share Option Scheme and the Other Schemes (including both exercised and outstanding share options) in any 12-month period up to and including the date of grant must not exceed 1% of the total number of shares of MAGHL in issue at any time. Any further grant of share options in excess of this limit must be separately approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings with such eligible participant and his associates abstaining from voting.

(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 MAGHL and the Company (so long as MAGHL is a subsidiary of the Company 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 the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) in advance at the respective general meetings.

(h) The offer of a grant of share options may be accepted within 30 days from the date of offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

(i) The exercise period of the share options granted is determined by the directors of MAGHL provided that such period must not be longer than 10 years from the date upon which any share option is granted in accordance with the MAGHL Share Option Scheme.

(j) The exercise price of the share options is determined by the directors of MAGHL, but must not be lower than the highest of (i) the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of a MAGHL's share.

Share options do not confer rights on the holders to dividends or to vote at general meetings of MAGHL.

No share options have been granted by MAGHL under the MAGHL Share Option Scheme since its adoption.

39. SHARE OPTION SCHEMES (continued)

(c) Lai Fung

2003 Lai Fung Share Option Scheme

On 21 August 2003, Lai Fung adopted a share option scheme (as amended on 8 August 2018) (the "**2003 Lai Fung Share Option Scheme**") for the purpose of providing incentives and rewards to Eligible Participants (as defined in the scheme) who contribute to the success of Lai Fung Group's operations. Eligible Participants of the 2003 Lai Fung Share Option Scheme include the directors and any employees of the Lai Fung Group. Unless otherwise cancelled or amended, the 2003 Lai Fung Share Option Scheme will remain in force for 10 years from that date. The 2003 Lai Fung Share Option Scheme was terminated upon the adoption of the 2012 Lai Fung Share Option Scheme (as defined below) on 18 December 2012.

The maximum number of share options permitted to be granted under the 2003 Lai Fung Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of Lai Fung in issue as approved in accordance with the 2003 Lai Fung Share Option Scheme. The maximum number of shares of Lai Fung issuable under share options to each Eligible Participant in the 2003 Lai Fung Share Option Scheme within any 12-month period is limited to 1% of the shares of Lai Fung in issue at any time. Any further grant of share options in excess of this limit is subject to its shareholders' approval in a general meeting of Lai Fung.

Share options granted to a director, chief executive or substantial shareholder of Lai Fung, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of Lai Fung. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Lai Fung, or to any of their respective associates, in excess of 0.1% of the shares of Lai Fung in issue at any time 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, are subject to its shareholders' approval in advance in a general meeting of Lai Fung.

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of Lai Fung, save that such period shall not be longer than 8 years from the date of grant of the share options.

The exercise price of the share options is determined by the directors of Lai Fung, but may not be less than the highest of (i) the closing price of Lai Fung's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of Lai Fung's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Lai Fung's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of Lai Fung.

39. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

2012 Lai Fung Share Option Scheme

On 18 December 2012 (the "**2012 Adoption Date**"), Lai Fung adopted a new share option scheme (the "**2012 Lai Fung Share Option Scheme**") and terminated the 2003 Lai Fung Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2012 Lai Fung Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to Lai Fung Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-caliber Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of Lai Fung Group. Unless otherwise cancelled or amended, the 2012 Lai Fung Share Option Scheme will remain in force for 10 years from the 2012 Adoption Date.

The maximum number of shares of Lai Fung which may be issued upon the exercise of all options to be granted under the 2012 Lai Fung Share Option Scheme (i) shall not exceed 10% of the shares of Lai Fung in issue on the 2012 Adoption Date; (ii) shall not exceed 30% of the shares of Lai Fung in issue from time to time; and (iii) to each Eligible Participant and within any 12-month period, is limited to 1% of the shares of Lai Fung in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval of shareholders of Lai Fung and the shareholders of the Company (so long as Lai Fung 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 Lai Fung, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of each of Lai Fung and the Company (so long as Lai Fung 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 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, are subject to the approval of shareholders of Lai Fung and the shareholders of the Company (so long as Lai Fung 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 Lai Fung, save that such period shall not be longer than 10 years from the date of grant of share options.

The exercise price of the share options is determinable by the directors of Lai Fung, which shall be at least the highest of (i) the Stock Exchange closing price of Lai Fung's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of Lai Fung's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Lai Fung's share on the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of Lai Fung.

On 14 August 2017, the shareholders of Lai Fung at its extraordinary general meeting approved that every fifty (50) issued and unissued ordinary shares of HK$0.10 each in the share capital of Lai Fung be consolidated into one (1) ordinary share of HK$5.00 each in the share capital of Lai Fung ("**Lai Fung Shares**") which became effective on 15 August 2017 ("**Share Consolidation**"). As a result of Share Consolidation, the exercise price of the outstanding share options and number of shares of Lai Fung comprised in the outstanding share options had been adjusted.

39. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

Details of the share options outstanding granted under the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme during the year are as follows:

	2018		2017	
	Number of Lai Fung's underlying shares comprised in share options '000	Weighted average exercise price per Lai Fung's* share HK$	Number of Lai Fung's underlying shares comprised in share options '000	Weighted average exercise price per Lai Fung's* share HK$
Outstanding at the beginning of the year	10,064	10.82	10,724	10.60
Granted during the year	450	13.52	–	–
Exercised during the year	(220)	11.40	(600)	6.65
Lapsed during the year	(60)	11.40	(60)	11.40
Outstanding at the end of the year	10,234	10.92	10,064	10.82

Note: The outstanding number of underlying shares of Lai Fung comprised in share options as at 1 August 2016, 31 July 2017, 1 August 2017, the share options exercised and lapsed during the year ended 31 July 2017 and the related weighted average exercise price per share of Lai Fung are adjusted to reflect the effect of the Share Consolidation.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

Number of Lai Fung's underlying shares comprised in shares options '000	Exercise price* per Lai Fung's share HK$	Exercise period (dd/mm/yyyy)
1,010	6.65	12-06-2012 to 11-06-2020
8,374	11.40	18-01-2013 to 17-01-2023
220	9.50	26-07-2013 to 25-07-2023
180	8.00	16-01-2015 to 15-01-2025
450	13.52	19-01-2018 to 18-01-2028
10,234		

39. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

2017

Number of Lai Fung's underlying shares comprised in shares options '000	Exercise price* per Lai Fung's share HK$	Exercise period (dd/mm/yyyy)
1,010	6.65	12-06-2012 to 11-06-2020
8,654	11.40	18-01-2013 to 17-01-2023
220	9.50	26-07-2013 to 25-07-2023
180	8.00	16-01-2015 to 15-01-2025
10,064		

* *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.*

The weighted average closing price of Lai Fung Shares immediately before and at the dates of exercise of share options during the year was HK$13.17.

Other than the exercise of share options comprising 220,000 underlying Lai Fung Shares, the grant of share options comprising 450,000 underlying Lai Fung Shares and the lapse of share options comprising 60,000 underlying Lai Fung Shares, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the 2003 Lai Fung Share Option Scheme and 2012 Lai Fung Share Option Scheme during the year. The closing price of Lai Fung's shares immediately before the date of grant of share options was HK$13.50. The fair value of the share options granted during the year was approximately HK$2,441,000 (HK$5.4236 each) which was recognised as a share option expense of approximately HK$2,441,000 and HK$806,000 (before and after capitalisation to properties under development/investment properties under construction/construction in progress, respectively) for the year ended 31 July 2018 (2017: Nil).

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Binomial Model, taking into account the terms and conditions upon which the options were granted.

39. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

As at 31 July 2018, 1,009,591 and 9,224,526 underlying shares of Lai Fung comprised in share options were outstanding under the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme, respectively, which represented approximately 0.3% and 2.8% of Lai Fung shares issued, respectively as at that date.

40. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2018 and 2017 are presented in the consolidated statement of changes in equity.

Statutory reserve

Pursuant to the relevant laws and regulations in the PRC, the subsidiaries and the joint ventures of the Company, which are registered in the PRC, are required to transfer a certain percentage of their net profit after tax (after offsetting any prior years' losses, if any) to statutory reserve funds which are restricted as to use, until the balance of the statutory reserve funds reaches 50% of the entity's registered capital.

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts after fair value adjustments and before intragroup eliminations.

Lai Fung

	2018 **HK$'000**	2017 HK$'000
Current assets	**5,421,532**	4,415,177
Non-current assets	**24,234,338**	22,375,046
Total assets	**29,655,870**	26,790,223
Current liabilities	**(2,323,625)**	(3,870,380)
Non-current liabilities	**(10,491,386)**	(6,979,487)
Total liabilities	**(12,815,011)**	(10,849,867)
Equity attributable to non-controlling interests of the Group	**8,285,294**	7,846,481

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Lai Fung (continued)

	2018 HK$'000	2017 HK$'000
Turnover	**950,822**	1,326,682
Other revenue	**191,237**	151,596
Fair value gains on cross currency swaps	**–**	111,657
Fair value gains on investment properties	**859,333**	833,953
Share of profits of joint ventures	**403,368**	345,456
Expenses	**(1,235,761)**	(1,478,106)
Profit for the year	**1,168,999**	1,291,238
Other comprehensive loss for the year	**(222,388)**	(179,352)
Total comprehensive income for the year	**946,611**	1,111,886
Profit attributable to the non-controlling interests	**523,134**	582,571
Other comprehensive loss attributable to the non-controlling interests	**(106,898)**	(86,520)
Total comprehensive income attributable to the non-controlling interests	**416,236**	496,051
Dividend paid to non-controlling interests	**17,954**	19,255
Net cash flows from operating activities	**131,104**	196,960
Net cash flows used in investing activities	**(1,474,578)**	(414,162)
Net cash flows from/(used in) financing activities	**661,881**	(253,820)
Net cash outflows	**(681,593)**	(471,022)

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

MAGHL

	2018 HK$'000	2017 HK$'000
Current assets	**1,066,319**	1,104,563
Non-current assets	**110,573**	170,181
Total assets	**1,176,892**	1,274,744
Current liabilities	**(531,126)**	(647,128)
Non-current liabilities	**(300,000)**	–
Total liabilities	**(831,126)**	(647,128)
Equity attributable to non-controlling interests of the Group	**99,168**	240,487
Turnover	**489,931**	562,913
Other income	**11,118**	7,956
Other operating gains	**2,468**	4,865
Share of profits and losses of joint ventures	**924**	(32,563)
Share of profit and loss of an associate	**(15,638)**	(1)
Expenses	**(773,004)**	(721,631)
Loss for the year	**(284,201)**	(178,461)
Other comprehensive loss for the year	**(11)**	(4,579)
Total comprehensive loss for the year	**(284,212)**	(183,040)
Loss attributable to the non-controlling interests	**(96,768)**	(60,912)
Other comprehensive income/(loss) attributable to the non-controlling interests	**173**	(1,516)
Total comprehensive loss attributable to the non-controlling interests	**(96,595)**	(62,428)
Net cash flows from/(used in) operating activities	**22,913**	(44,703)
Net cash flows from/(used in) investing activities	**598**	(2,882)
Net cash flows from financing activities	**5,522**	3,867
Net cash inflows/(outflows)	**29,033**	(43,718)

42. DISPOSAL OF SUBSIDIARIES

For the year ended 31 July 2018

	Notes	HK$'000
Net assets/(liabilities) disposed of:		
Property, plant and equipment	12	590
Inventories		12,903
Debtors		9,939
Deposits, prepayments and other receivables		919
Cash and cash equivalents		4,195
Creditors and accruals		(18,516)
Deposits received and deferred income		(10,837)
		(807)
Release of foreign exchange reserve		(880)
		(1,687)
Gain on disposal of subsidiaries	7	2,487
Consideration		800
Satisfied by:		
Cash		800

An analysis of the cash flows in respect of the disposal of the subsidiaries is as follows:

	HK$'000
Cash consideration	800
Cash and cash equivalents disposed of	(4,195)
Net cash outflow in respect of the disposal of the subsidiaries	(3,395)

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest-bearing bank loans HK$'000	Convertible notes HK$'000	Fixed rate senior notes HK$'000	Guaranteed notes HK$'000	Loans from a joint venture HK$'000	Loans from a related company HK$'000
At 1 August 2017	3,167,489	182,346	2,080,366	–	842,510	–
Changes from financing cash flows	757,895	(196,840)	(2,243,270)	2,712,758	(207,929)	650,000
Interest expense	24,626	14,494	6,349	2,260	–	–
Exchange realignment	(29,057)	–	156,555	10,500	10,117	–
At 31 July 2018	**3,920,953**	**–**	**–**	**2,725,518**	**644,698**	**650,000**

44. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Contracted but not provided for:		
Construction and development costs	**2,060,785**	2,697,150
Acquisition of items of property, plant and equipment	**4,581**	41,074
	2,065,366	2,738,224

(b) As lessor

As at 31 July 2018, certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2017: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2018, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**495,919**	497,474
In the second to fifth years, inclusive	**947,304**	962,059
After five years	**130,413**	176,352
	1,573,636	1,635,885

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.

44. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS (continued)

(c) As lessee

As at 31 July 2018, the Group leased certain of its office premises and cinemas under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to fifteen years (2017: one to fifteen years).

As at 31 July 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**218,016**	136,408
In the second to fifth years, inclusive	**731,504**	398,622
After five years	**480,895**	180,602
	1,430,415	715,632

Certain non-cancellable operating leases included in the above are subject to contingent rent payments, which are charged at progressive rates from 10% to 40% (2017: 10% to 40%) of the excess of the annual gross box-office takings of the related cinema premises over certain level of box-office income as determined in the respective lease agreements.

45. PLEDGE OF ASSETS

Details of the Group's bank loans, 2013 Notes and guaranteed notes, which were secured by certain assets of the Group, are included in notes 30, 33 and 34 to the financial statements, respectively.

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:

31 July 2018

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	114,361	114,361
Derivative financial instruments	2,531	–	–	2,531
Debtors	–	181,599	–	181,599
Financial assets included in deposits, prepayments and other receivables	–	196,076	–	196,076
Pledged and restricted time deposits and bank balances	–	1,073,762	–	1,073,762
Cash and cash equivalents	–	2,136,039	–	2,136,039
	2,531	3,587,476	114,361	3,704,368

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	–	261,917	261,917
Financial liabilities included in other creditors and accruals	–	1,569,649	1,569,649
Financial liabilities included in deposits received	–	193,352	193,352
Interest-bearing bank loans	–	3,920,953	3,920,953
Other borrowings	–	257,841	257,841
Loans from a joint venture	–	644,698	644,698
Loans from a related company	–	650,000	650,000
Guaranteed notes	–	2,725,518	2,725,518
	–	10,223,928	10,223,928

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)

31 July 2017

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	123,435	123,435
Debtors	212,675	–	212,675
Financial assets included in deposits, prepayments and other receivables	269,117	–	269,117
Pledged and restricted time deposits and bank balances	571,142	–	571,142
Cash and cash equivalents	2,733,435	–	2,733,435
	3,786,369	123,435	3,909,804

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	–	281,980	281,980
Financial liabilities included in other creditors and accruals	–	1,103,267	1,103,267
Financial liabilities included in deposits received	–	164,384	164,384
Interest-bearing bank loans	–	3,167,489	3,167,489
Other borrowings	–	252,618	252,618
Convertible notes	–	182,346	182,346
Loans from a joint venture	–	842,510	842,510
Fixed rate senior notes	–	2,080,366	2,080,366
Derivative financial instruments	208,223	–	208,223
	208,223	8,074,960	8,283,183

47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value:

	Carrying amounts		Fair values	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Financial assets				
Available-for-sale investments	**66,380**	81,057	**66,380**	81,057
Derivative financial instruments	**2,531**	–	**2,531**	–
	68,911	81,057	**68,911**	81,057
Financial liabilities				
Derivative financial instruments	**–**	208,223	**–**	208,223

Liabilities for which fair values are disclosed:

	Carrying amounts		Fair values	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Financial liabilities				
Guaranteed notes	**2,725,518**	–	**2,580,772**	–
Convertible notes	**–**	182,346	**–**	182,455
Fixed rate senior notes	**–**	2,080,366	**–**	2,090,492
	2,725,518	2,262,712	**2,580,772**	2,272,947

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

(i) the fair values of available-for-sale investments are based on quoted prices from the fund manager;

(ii) derivative financial instruments, being the cross currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amounts of the derivative financial instruments are the same as their fair values;

(iii) the fair values of the liability portion of the convertible notes were estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar instrument with consideration of MAGHL Group's own non-performance risk. The interest rates used to discount the future cash flows of the TFN Convertible Notes and the Specific Mandate Convertible Notes as at 31 July 2017 were 9.5% and 9.8%, respectively; and

(iv) the fair values of fixed rate senior notes and guaranteed notes are based on quoted market prices.

47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

2018	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments – CCS – Guaranteed Notes	Discounted cash flow with swaption approach	Expected exposure at default – counterparty	HK$4.91 million to HK$20.00 million	1
		Expected exposure at default – Lai Fung	HK$8.57 million to HK$33.95 million	2
		Credit spread – counterparty	17.36 basis point to 129.32 basis point	3
		Credit spread – Lai Fung	423.62 basis point to 703.18 basis point	4
		Loss given default ratio – counterparty non-performance risk	80%	5
		Loss given default ratio – Lai Fung's credit risk	60%	6

2017	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments – CCS – 2013 Notes	Discounted cash flow with swaption approach	Expected exposure at default – counterparty	HK$0.00 to HK$460.53	1
		Expected exposure at default – Lai Fung	HK$107.41 million to HK$107.76 million	2
		Credit spread – counterparty	10.33 basis point to 116.82 basis point	3
		Credit spread – Lai Fung	372.67 basis point to 661.30 basis point	4
		Loss given default ratio – counterparty non-performance risk	80%	5
		Loss given default ratio – Lai Fung's credit risk	60%	6

Notes:

1. *The higher the expected exposure at default – counterparty, the lower the fair value of CCSs*
2. *The higher the expected exposure at default – Lai Fung, the higher the fair value of CCSs*
3. *The higher the credit spread – counterparty, the lower the fair value of CCSs*
4. *The higher the credit spread – Lai Fung, the higher the fair value of CCSs*
5. *The higher the loss given default ratio – counterparty, the lower the fair value of CCSs*
6. *The higher the loss given default ratio – Lai Fung, the higher the fair value of CCSs*

Other than the above financial assets and liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 July 2018 and 31 July 2017.

47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair value:

As at 31 July 2018	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets				
Available-for-sale investments	**–**	**66,380**	**–**	**66,380**
Derivative financial instruments	**–**	**–**	**2,531**	**2,531**

As at 31 July 2017	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Available-for-sale investments	–	81,057	–	81,057
Financial liabilities				
Derivative financial instruments	–	–	208,223	208,223

During the years ended 31 July 2018 and 2017, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

As at 31 July 2018	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Guaranteed notes	**2,580,772**	**–**	**–**	**2,580,772**

As at 31 July 2017	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Convertible notes	–	–	182,455	182,455
Fixed rate senior notes	2,090,492	–	–	2,090,492
	2,090,492	–	182,455	2,272,947

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, fixed rate senior notes, guaranteed notes, other borrowings, loans from a joint venture and a related company, convertible notes, derivative financial instruments, pledged and restricted time deposits and bank balances, and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations, and available-for-sale investments which are held by the Group for investment purpose.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces relatively conservative strategies on its risk management. Except for the Lai Fung Group entered into the CCS – 2013 Notes to manage the foreign currency risk arising from the Group's fixed rate senior notes (which matured on 25 April 2018 as detailed in note 33), the Group has not designated any derivatives and other instruments for hedging purposes. During the year ended 31 July 2018, the Group has entered into CCS – Guaranteed Notes with financial institutions and the guaranteed notes have been effectively converted into the HK$ denominated debts. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by changes in market interest rates. The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings, net of amounts capitalised to properties under development, investment properties under construction, construction in progress and other borrowings at prime rate) and the equity of the Group.

	Change in interest rate %	Impact on post-tax profit HK$'000	Impact on equity* HK$'000
2018	**+0.25**	**(5,652)**	**(3,241)**
	-0.25	**5,652**	**3,241**
2017	+0.25	(5,202)	(2,945)
	-0.25	5,202	2,945

* *excluding amounts attributable to non-controlling interests*

(ii) Foreign currency risk

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$.

The Lai Fung Group entered into the CCS – 2013 Notes to minimise the foreign currency exposures as detailed in note 35 to the financial statements. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk (continued)

US$

Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of US$ against HK$.

The Group considered the impact on the equity from the change in US$ exchange rate was nominal at the end of the reporting period since HK$ is pegged to US$.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the post-tax profit and equity (due to changes in the fair value of monetary assets and liabilities) of the Group.

	Change in exchange rate %	Impact on post-tax profit HK$'000	Impact on equity* HK$'000
2018			
If US$/HK$ weakens against RMB	**5**	**11,761**	**4,126**
If US$/HK$ strengthens against RMB	**5**	**(11,023)**	**(3,978)**
2017			
If US$/HK$ weakens against RMB	5	6,131	1,721
If US$/HK$ strengthens against RMB	5	(5,634)	(1,634)

* *excluding amounts attributable to non-controlling interests*

(iii) Credit risk

The Group, other than the Lai Fung Group, trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Lai Fung Group maintains various credit policies for different business operations as described in note 26. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Lai Fung Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments, amounts due from associates and joint ventures and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables and trade debtors are disclosed in notes 23 and 26 to the financial statements, respectively.

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 financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 July 2018				
Trade creditors	**261,917**	**–**	**–**	**261,917**
Financial liabilities included in other creditors and accruals	**1,569,649**	**–**	**–**	**1,569,649**
Financial liabilities included in deposits received	**50,472**	**142,880**	**–**	**193,352**
Interest-bearing bank loans	**345,328**	**4,036,345**	**220,207**	**4,601,880**
Other borrowings	**–**	**263,488**	**–**	**263,488**
Loans from a joint venture	**238,444**	**429,708**	**–**	**668,152**
Loans from a related company	**32,052**	**684,271**	**–**	**716,323**
Guaranteed notes	**155,234**	**3,285,394**	**–**	**3,440,628**
Inflow of derivative financial instruments	**(155,234)**	**(3,285,394)**	**–**	**(3,440,628)**
Outflow of derivative financial instruments	**147,043**	**3,247,737**	**–**	**3,394,780**
	2,644,905	**8,804,429**	**220,207**	**11,669,541**

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 July 2017				
Trade creditors	281,980	–	–	281,980
Financial liabilities included in other creditors and accruals	1,103,267	–	–	1,103,267
Financial liabilities included in deposits received	25,509	138,875	–	164,384
Interest-bearing bank loans	392,925	2,803,540	94,043	3,290,508
Other borrowings	–	258,265	–	258,265
Convertible notes	196,840	–	–	196,840
Loans from a joint venture	219,928	673,418	–	893,346
Fixed rate senior notes	2,192,319	–	–	2,192,319
Inflow of derivative financial instruments	(2,192,319)	–	–	(2,192,319)
Outflow of derivative financial instruments	2,365,136	–	–	2,365,136
	4,585,585	3,874,098	94,043	8,553,726

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk (continued)

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 49 to the financial statements. The earliest period in which the guarantee could be called is less than 12 months.

Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure.

The capital structure of the Group mainly consists of fixed rate senior notes, guaranteed notes, interest-bearing bank loans, other borrowings, convertible notes, cash and cash equivalents, pledged and restricted time deposits and bank balances and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on recommendations of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintaining appropriate types and levels of debts.

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by total equity. As at 31 July 2018, the consolidated net assets attributable to the owners of the Company amounted to approximately HK$9,259.5 million (2017: HK$9,118.2 million).

49. CONTINGENT LIABILITIES

(a) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2018, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$520,342,000 (2017: HK$596,225,000).

(b) The Group had provided corporate guarantees to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK$5,618,000 (2017: HK$6,616,000) were utilised.

50. 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:

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**6,538,550**	6,454,710
Deposits, prepayments and other receivables	**9,857**	9,857
Total non-current assets	**6,548,407**	6,464,567
CURRENT ASSETS		
Deposits, prepayments and other receivables	**630**	5,081
Cash and cash equivalents	**51,880**	23,128
Total current assets	**52,510**	28,209
CURRENT LIABILITIES		
Creditors and accruals	**4,307**	2,765
Interest-bearing bank loans, secured	**–**	147,899
Total current liabilities	**4,307**	150,664
NET CURRENT ASSETS/(LIABILITIES)	**48,203**	(122,455)
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,596,610**	6,342,112
NON-CURRENT LIABILITIES		
Other borrowings	**204,122**	198,475
Loan from a related company	**450,000**	–
Total non-current liabilities	**654,122**	198,475
Net assets	**5,942,488**	6,143,637
EQUITY		
Issued capital	**745,927**	745,927
Reserves (Note)	**5,196,561**	5,397,710
Total equity	**5,942,488**	6,143,637

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2016	4,230,797	845,455	15,293	365,850	5,457,395
Loss for the year and total comprehensive loss for the year	–	–	–	(86,239)	(86,239)
Issue of shares (note 38)	29,837	–	–	–	29,837
Share issue expenses (note 38)	(3,283)	–	–	–	(3,283)
At 31 July 2017 and 1 August 2017	4,257,351	845,455	15,293	279,611	5,397,710
Loss for the year and total comprehensive loss for the year	–	–	–	(201,387)	(201,387)
Release of reserve upon lapse of share options	–	–	(477)	477	–
Equity-settled share option arrangements	–	–	238	–	238
At 31 July 2018	**4,257,351**	**845,455**	**15,054**	**78,701**	**5,196,561**

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Capital Artists Limited	Hong Kong	HK$44,394,500	–	100	Music production and distribution
East Asia Films Distribution Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment in and licensing of film rights
East Asia Music (Holdings) Limited	Hong Kong	HK$10,000	–	100	Music production and distribution
eSun High-Tech Limited	Hong Kong	HK$2	–	100	Investment in and licensing of film rights
eSun.Com Limited	Hong Kong	HK$2	–	100	Investment in and licensing of film rights
Fortune Spark Limited	Hong Kong	HK$10,000,000	–	100	Cinema operation
Glynhill International Limited	Hong Kong	HK$915,631,997	100	–	Investment holding
Grandeur Limited	Hong Kong/ Macau	HK$1	–	100	Property holding
Intercontinental Film Distributors (H.K.) Limited	Hong Kong	HK$700,400	–	85	Film distribution
Intercontinental Group Holdings Limited	Cayman Islands/ Hong Kong	US$50,000	–	85	Investment holding
Intercontinental Video Limited	Hong Kong	HK$100	–	85	Distribution of movie video compact discs, digital video discs and blu-ray discs
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Property holding
Lauro Game Entertainment Limited	Hong Kong	HK$100,000	–	85	Trading of gaming products

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Media Asia Distribution Ltd.	British Virgin Islands/ Hong Kong	US$80	–	100	Film distribution, licensing of film rights and film investment
Media Asia Distribution (HK) Limited	Hong Kong	HK$2	–	100	Film distribution and film library management
Media Asia Entertainment Group Limited *	Bermuda/ Hong Kong	HK$100	–	100	Investment holding
Media Asia Films (BVI) Ltd.	British Virgin Islands/ Hong Kong	US$7	–	100	Film production, licensing of films and investment holding
Media Asia Group Limited	Hong Kong	HK$2	–	100	Investment holding and provision of management services
Media Asia Holdings Ltd. *	British Virgin Islands/ Hong Kong	US$6,831	–	100	Investment holding
Mega Star Video Distribution (HK) Limited	Hong Kong	HK$2	–	100	Licensing of film products and film rights and sale of video products
Merit Worth Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Multiplex Cinema Limited	Hong Kong	HK$71,000,000	–	85	Operation of cinemas
Perfect Advertising & Production Company Limited	Hong Kong	HK$10,000	–	85	Provision of advertising services, video duplication services, and translating and subtitling of television programmes

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Perfect Sky	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100	–	75	Provision of artiste management services
Silver Glory Securities Limited *	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Style International Management Group Limited	Hong Kong	HK$1	–	58.2	Provision of artiste management services
Sunny Horizon Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
寰亞風尚演藝經紀(上海)有限公司 (formerly known as "寰亞演藝經紀(上海)有限公司") ## *	PRC/ Mainland China	RMB2,000,000#	–	58.2	Provision of artiste management services
洲立影藝(深圳)有限公司 ## *	PRC/ Mainland China	HK$10,000,000#	–	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#	–	100	Operation of cinemas
東亞豐麗演出經紀(北京)有限公司 ## *	PRC/ Mainland China	RMB25,000,000#	–	100	Provision of artiste management and performance agency services

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
MAGHL (Listed on the GEM of the Stock Exchange) (Note a)	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK$21,360,568	–	67.56	Investment holding
Champ Universe Limited ^	Hong Kong	HK$1	–	67.56	Provision of management services
Media Asia Distribution (Beijing) Co., Ltd. ^ ## *	PRC/ Mainland China	RMB50,000,000#	–	67.56	Film distribution
Media Asia Entertainment Limited ^	Hong Kong	HK$100	–	67.56	Entertainment activity production and film investment
Media Asia Film International Limited ^	British Virgin Islands	US$100	–	67.56	Film investment and production
Media Asia Film Production Limited ^	Hong Kong	HK$100	–	67.56	Investment holding and film production
寰亞文化傳播（中國）有限公司 ^ ## *	PRC/ Mainland China	HK$38,000,000#	–	67.56	Entertainment activity production
Lai Fung (Listed on the Stock Exchange) (Note b)	Cayman Islands/ Hong Kong	HK$1,635,220,670	–	50.60	Investment holding
Canvex Limited ^^	Hong Kong	HK$2	–	50.60	Property investment
Eastern Power Limited ^^	Hong Kong	HK$1	–	50.60	Investment holding

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Eternal Medal Limited ^^	Hong Kong	HK$1	–	50.60	Investment holding
Fore Bright Limited ^^	Hong Kong	HK$1	–	50.60	Investment holding
Frank Light Development Limited ^^	Hong Kong	HK$19,999,999	–	50.60	Investment holding
Gentle Code Limited ^^	Hong Kong	HK$1	–	50.60	Investment holding
Gentle Holdings Limited ^^	Hong Kong	HK$1	–	50.60	Investment holding
Goldthorpe Limited ^^ *	British Virgin Islands/ Hong Kong	US$1	–	50.60	Investment holding
Good Strategy Limited ^^	British Virgin Islands/ Mainland China	US$1	–	50.60	Property investment
Grand Wealth Limited ^^	Hong Kong	HK$2	–	50.60	Investment holding
Grosslink Investment Limited ^^	Hong Kong	HK$2	–	50.60	Investment holding
Guangzhou Gentle Code Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$22,830,000#	–	50.60	Property investment
Guangzhou Gentle Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$17,080,000#	–	50.60	Property development
Guangzhou Grand Wealth Properties Limited ^^ ### *	PRC/ Mainland China	HK$280,000,000#	–	50.60	Property development and investment

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Guangzhou Guang Bird Property Development Limited ("**Guangzhou Guang Bird**") ^^ ### *	PRC/ Mainland China	US$79,600,000#	–	50.60	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited ^^ ### *	PRC/ Mainland China	RMB79,733,004#	–	50.60	Property development and investment
Guangzhou Jadepress Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$19,150,000#	–	50.60	Property development and investment
Guangzhou Jieli Real Estate Company Limited ^^ ## *	PRC/ Mainland China	HK$168,000,000#	–	50.60	Property investment
Hankey Development Limited ^^	Hong Kong	HK$10,000	–	50.60	Investment holding
Jadepress Limited ^^	Hong Kong	HK$1	–	50.60	Investment holding
Kingscord Investment Limited ^^	Hong Kong	HK$2	–	50.60	Investment holding
Lai Fung Company Limited ^^	Hong Kong	HK$20	–	50.60	Investment holding
Manful Concept Limited ^^	Hong Kong	HK$2	–	50.60	Investment holding
Nicebird Company Limited ^^	Hong Kong	HK$2	–	50.60	Investment holding
Pearl Merge Limited ^^	Hong Kong	HK$1	–	60.48	Investment holding
Rosy Commerce Holdings Limited ^^	British Virgin Islands/ Hong Kong	US$100	–	60.48	Investment holding
Shanghai Hankey Real Estate Development Company Limited ("**Shanghai Hankey**") ^^ ##	PRC/ Mainland China	US$47,600,000#	–	50.60	Property investment
Shanghai HKP Property Management Limited ^^ ## *	PRC/ Mainland China	US$150,000#	–	50.60	Property management

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Hu Xin Real Estate Development Company Limited ^^ ##	PRC/ Mainland China	US$40,000,000#	–	50.60	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited ^^ ## *	PRC/ Mainland China	US$36,000,000#	–	50.60	Property investment
Shanghai Wa Yee Real Estate Development Company Limited ^^ ∆ *	PRC/ Mainland China	US$10,000,000#	–	48.07	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited ("**Shanghai Zhabei**") ^^ ##	PRC/ Mainland China	US$79,800,000#	–	50.60	Property investment
Sunlite Investment Limited ^^	Hong Kong	HK$2	–	50.60	Investment holding
Wide Angle Development Limited ^^	Hong Kong	HK$2	–	50.60	Investment holding
Winfield Concept Limited ^^	Hong Kong	HK$1	–	60.48	Investment holding
Win Merge Limited ^^	Hong Kong	HK$1	–	60.48	Investment holding
Zhongshan Bao Li Properties Development Company Limited ("**Zhongshan Bao Li**") ^^ ## *	PRC/ Mainland China	HK$960,000,000#	–	50.60	Property development and investment
廣州高樂物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB1,100,000#	–	50.60	Property management
上海麗港物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB500,000#	–	50.60	Property management
上海麗星房地產發展有限公司 ^^ ## *	PRC/ Mainland China	RMB630,000,000#	–	50.60	Property development
中山高樂物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB500,000#	–	50.60	Property management

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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#	–	60.48	Property development and investment
珠海橫琴創新方娛樂有限公司 ("創新方娛樂") ^^ ## *	PRC/ Mainland China	RMB450,000,000#	–	60.48	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 ("創新方文化") ^^ ## *	PRC/ Mainland China	RMB52,000,000#	–	60.48	Development and operation of and investment in cultural, leisure, entertainment and related facilities

* *Subsidiaries whose statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.*

\# *The registered capital of these subsidiaries were fully paid up, except for 廣東五月花, Guangzhou Guang Bird, Shanghai Hankey, Shanghai Zhabei, 麗新文創, 創新方娛樂, 創新方文化 and Zhongshan Bao Li of which capital of RMB13,000,000 (equivalent to approximately HK$14,953,000), US$13,247,000 (equivalent to approximately HK$103,989,000), US$16,500,000 (equivalent to approximately HK$129,525,000), US$40,300,000 (equivalent to approximately HK$316,355,000), RMB760,000,000 (equivalent to approximately HK$874,166,000), RMB156,000,000 (equivalent to approximately HK$179,434,000), RMB39,000,000 (equivalent to approximately HK$44,859,000) and HK$364,000,000, respectively, were unpaid as at 31 July 2018. Subsequent to the reporting date, the registered capital of Shanghai Zhabei, 創新方娛樂, 創新方文化 and Zhongshan Bao Li of US$5,200,000 (equivalent to approximately HK$40,820,000), RMB56,000,000 (equivalent to approximately HK$64,412,000), RMB5,000,000 (equivalent to approximately HK$5,751,000) and HK$47,200,000, respectively, have been paid.*

\## *Registered as wholly-foreign-owned enterprises under the laws of the PRC*

\### *Registered as co-operative joint ventures under the laws of the PRC*

Δ *Registered as equity joint ventures under the laws of the PRC*

Ø *Registered as domestic enterprises under the laws of the PRC*

^ *They are subsidiaries of MAGHL.*

^^ *They are subsidiaries of Lai Fung.*

51. 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.

As at 31 July 2018, the Group had unpaid capital contributions of approximately HK$165,371,000 (2017: HK$183,940,000) to three (2017: four) non-wholly-owned subsidiaries and a wholly-owned subsidiary (2017: one) which are not included in the above table.

As at 31 July 2018 and 31 July 2017, charges over securities accounts and share mortgage in respect of 165,485,406 (2017: 8,274,270,422 ordinary shares in Lai Fung before the Share Consolidation) ordinary shares of Lai Fung and 1,415,132,837 (2017: 1,415,132,837) ordinary shares of MAGHL were made to secure certain interest-bearing bank loans of the Group which were repaid during the year. Subsequent to the end of the reporting period, the charges over securities accounts and share mortgage have been released (note 30).

As at 31 July 2018 and 31 July 2017, the entire equity interests in certain subsidiaries were pledged to secure certain bank borrowings of the Group (note 30(d)).

Notes:

(a) Interests in MAGHL

For the year ended 31 July 2017

During the year ended 31 July 2017, the Group acquired 28,024,000 shares of MAGHL from the public shareholders at a total consideration of approximately HK$12,297,000 and its equity interest in MAGHL increased from 66.25% to 67.56% as at 31 July 2017. The change in the Group's shareholding interest in MAGHL resulted in a decrease in other reserve of HK$2,434,000 and a decrease in the non-controlling interests of HK$9,863,000 in the consolidated statement of changes in equity during the year ended 31 July 2017.

(b) Interests in Lai Fung

For the year ended 31 July 2018

During the year ended 31 July 2018, certain employees of Lai Fung have exercised share options comprising 220,000 underlying Lai Fung shares and a total cash consideration of HK$2,508,000 was received by Lai Fung. As a result, the equity interest of the Group in Lai Fung decreased from 50.81% to 50.77% during the year. The change in the Group's shareholding interest in Lai Fung resulted in a decrease in other reserve of HK$6,406,000 and an increase in the non-controlling interests of HK$8,914,000 in the consolidated statement of changes in equity.

During the year ended 31 July 2018, Lai Fung issued new shares to its shareholders who had elected to receive scrip shares in lieu of a cash dividend of HK$14,133,000 under the scrip dividend scheme. As a result, the equity interest of the Group in Lai Fung decreased from 50.77% to 50.60% as at 31 July 2018. The change in the Group's shareholding interest in Lai Fung resulted in a decrease in hedge reserve and other reserve of HK$29,262,000 and an increase in the non-controlling interests of HK$43,395,000 in the consolidated statement of changes in equity.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Notes: (continued)

(b) *Interests in Lai Fung (continued)*

For the year ended 31 July 2017

During the year ended 31 July 2017, a director of Lai Fung has exercised share options comprising 30,000,000 underlying Lai Fung shares and a total cash consideration of HK$3,990,000 was received by Lai Fung. As a result, the equity interest of the Group in Lai Fung decreased from 51.08% to 50.99% during last year. The change in the Group's shareholding interest in Lai Fung resulted in a decrease in other reserve of HK$12,997,000 and an increase in the non-controlling interests of HK$16,987,000 in the consolidated statement of changes in equity.

During the year ended 31 July 2017, Lai Fung issued new shares to its shareholders who had elected to receive scrip shares in lieu of a cash dividend of HK$9,378,000 under the scrip dividend scheme. As a result, the equity interest of the Group in Lai Fung decreased from 50.99% to 50.81% as at 31 July 2017. The change in the Group's shareholding interest in Lai Fung resulted in a decrease in other reserve of HK$25,710,000 and an increase in the non-controlling interests of HK$35,088,000 in the consolidated statement of changes in equity.

52. PARTICULARS OF PRINCIPAL JOINT VENTURES

Particulars of the principal joint ventures are as follows:

Name	Place of incorporation/ registration and business	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Beautiwin	Hong Kong	Ordinary	25.30	Investment holding
Guangzhou Beautiwin**	PRC/ Mainland China	–*	24.04	Property development

* *This joint venture has registered capital rather than issued share capital.*

** *Joint venture whose statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.*

Lai Fung, through its wholly-owned subsidiaries, owns 50% equity interest in Beautiwin, which in turn, owns 95% equity interest in Guangzhou Beautiwin. Accordingly, the Group effectively owns 25.30% and 24.04% equity interests in Beautiwin and Guangzhou Beautiwin, respectively.

The investments in joint ventures were all indirectly held by the Company.

53. EVENT AFTER THE REPORTING PERIOD

On 27 May 2018, Transtrend Holdings Limited ("**Offeror**", a wholly-owned subsidiary of LSD) made a conditional voluntary general cash offer ("**Offer**") to acquire all of the issued shares of the Company (other than those already held or agreed to be acquired by LSD, the Offeror or their respective subsidiaries) ("**eSun Share Offer**"), and to cancel all the outstanding share options of the Company. The offer price for each share of the Company is HK$1.30 in cash. Details are set out in a joint announcement of the Company, LSD, Lai Sun Garment (International) Limited ("**LSG**", the ultimate holding company of LSD), Lai Fung and the Offeror dated 27 May 2018.

On 25 July 2018, the eSun Share Offer became unconditional as to the receipt of valid acceptance of share offer in respect of such number of the shares of the Company which, together with the shares of the Company already held or agreed to be acquired by LSD and the Offeror, would result in LSD and the Offeror holding in aggregate more than 50% of the voting shares in the Company. Details are set out in a joint announcement of the Company, LSD and the Offeror dated 25 July 2018.

On 8 August 2018, all resolutions in relation to the Offer proposed at the general meetings of LSG and LSD were duly passed by way of poll. Accordingly, all of the conditions to the Offer have been fulfilled or waived by the Offeror and the Offer became unconditional in all respects on 8 August 2018. Details are set out in a joint announcement of the Company, LSD, LSG, Lai Fung and the Offeror dated 8 August 2018. Since then, LSG has become the ultimate holding company of the Company.

54. COMPARATIVE FIGURES

Certain comparative amounts on the face of the consolidated income statement have been reclassified to conform with the current year's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial performance of the Group.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 October 2018.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the members ("**Members**") of eSun Holdings Limited ("**Company**") will be held at Harbour View Rooms I & II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 21 December 2018 at 10:00 a.m. ("**2018 AGM**") for the following purposes:

AS ORDINARY BUSINESS

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2018 and the reports of the directors and the independent auditor thereon.

2. To re-elect the retiring directors of the Company ("**Directors**") and to authorise the board of Directors ("**Board**") to fix the Directors' remuneration.

3. To re-appoint Ernst & Young, Certified Public Accountants ("**Ernst & Young**"), as the independent auditor of the Company for the ensuing year and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS

4. To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(A) "**THAT**

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company ("**Shares**"), and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into Shares) which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

(i) a Rights Issue (as hereinafter defined); or

(ii) an issue of Shares upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into Shares); or

(iii) an issue of Shares as scrip dividends pursuant to the Bye-laws of the Company ("**Bye-laws**") from time to time; or

(iv) an issue of Shares under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of Shares or rights to acquire Shares,

shall not exceed 20% of the total issued Shares as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" means the period from the date of passing this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company ("**AGM**"); or

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company ("**Members**") in a general meeting; or

(iii) the expiration of the period within which the next AGM is required by law or the Bye-laws to be held; and

"Rights Issue" means an offer of Shares open for a period fixed by the Directors to the holders of Shares whose names appear on the Register of Members and/or the Hong Kong Branch Register of Members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

(B) "**THAT** the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back the issued Shares on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong ("**SFC**") and the Stock Exchange under the Code on Share Buy-backs issued by the SFC, subject to and in accordance with all applicable laws, regulations and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period;

(b) such mandate shall authorise the Directors to procure the Company to buy back the Shares at such prices and on such terms as the Directors may at their absolute discretion determine;

(c) the aggregate number of Shares to be bought back by the Company pursuant to this Resolution during the Relevant Period shall not exceed 10% of the total issued Shares as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution, "Relevant Period" means the period from the date of passing this Resolution until whichever is the earliest of:

(i) the conclusion of the next AGM; or

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Members in a general meeting; or

(iii) the expiration of the period within which the next AGM is required by law or the Bye-laws to be held."

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. (A) and (B) set out in agenda item 4 contained in the notice convening this meeting, the general mandate granted to the Directors and for the time being in force to exercise all the powers of the Company to allot, issue and deal with additional Shares, and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of such number of Shares which has been bought back by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such Shares, provided that such number of Shares shall not exceed 10% of the total issued Shares as at the date of passing this Resolution."

By Order of the Board
eSun Holdings Limited
Wong Lai Chun
Company Secretary

Hong Kong, 22 November 2018

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

(1) *A form of proxy for use at the 2018 AGM or its adjournment (as the case may be) is enclosed with the Company's Annual Report for the year ended 31 July 2018 ("**Annual Report**") and is also available on the respective websites of the Company and the Stock Exchange. A Member entitled to attend and vote at the 2018 AGM convened by the above notice ("**Notice**") or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend the 2018 AGM and, on a poll, vote on his/her/its behalf in accordance with the Bye-laws. A proxy need not be a Member.*

(2) *To be valid, a form of proxy, duly signed and completed together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited ("**Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the 2018 AGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the 2018 AGM or its adjourned meeting (as the case may be) should they so wish. In that event, the said form(s) of proxy shall be deemed to be revoked.*

The contact phone number of the Registrar is (852) 2980 1333.

(3) To ascertain the entitlements to attend and vote at the 2018 AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar no later than 4:30 p.m. on Monday, 17 December 2018 for registration.

(4) Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the 2018 AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto. However, if more than one of such joint holders are present at the 2018 AGM or its adjourned meeting (as the case may be) personally or by proxy, then one of such holders so present whose name stands first in the Register of Members or Hong Kong Branch Register of Members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

(5) Concerning agenda item 2 of the Notice,

(i) in accordance with Bye-law 87 of the Bye-laws, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester (both Executive Directors), Mr. Lo Kwok Kwei, David and Dr. Ng Lai Man, Carmen (both Independent Non-executive Directors) will retire from office as Directors by rotation at the 2018 AGM and, being eligible, offer themselves for re-election; and

(ii) in accordance with Rule 13.74 of the Listing Rules, the requisite details of the aforesaid Directors are set out in the "Biographical Details of Directors" section of the Annual Report.

*(6) Concerning agenda item 3 of the Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of Members at the 2018 AGM, Ernst & Young will be re-appointed the independent auditor of the Company for the year ending 31 July 2019 ("**Year 2019**"). Members should note that in practice, independent auditor's remuneration for the Year 2019 cannot be fixed at the 2018 AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditor is being called upon to undertake in any given year. To enable the Company to determine the amount of such independent auditor's remuneration charged as operating expenses for the Year 2019, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2019 is required, and is hereby sought, at the 2018 AGM.*

(7) Details concerning Ordinary Resolutions (A), (B) and (C) under agenda item 4 of the Notice are set out in the circular of the Company dated 22 November 2018 which will be despatched to Members together with the Annual Report.

(8) In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in the Notice shall be decided by way of a poll at the 2018 AGM.

(9) If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a "black" rainstorm warning signal is expected to be in force at any time between 6:45 a.m. and 5:00 p.m. on the date of the 2018 AGM, the 2018 AGM will be postponed. The Company will post an announcement on the respective websites of the Company (www.esun.com) and the Stock Exchange (www.hkexnews.hk) to notify Members of the date, time and venue of the rescheduled 2018 AGM.

If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 6:45 a.m. on the date of the 2018 AGM and where conditions permit, the 2018 AGM will be held as scheduled. The 2018 AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether they would attend the 2018 AGM under a bad weather condition and if they do so, they are advised to exercise care and caution.

Cinema Operation

providing a complementary distribution channel for the Group's

Film Production and **Distribution Businesses**

戲院營運為本集團**電影製作**及**發行業務**

提供輔助之分銷渠道

Movie Town in New Town Plaza in Shatin, Hong Kong

香港沙田新城市廣場之「Movie Town」

eSun Holdings Limited
豐德麗控股有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

11/F., Lai Sun Commercial Centre, 680 Cheung Sha Wan Road
Kowloon, Hong Kong
香港九龍長沙灣道六百八十號麗新商業中心十一樓

Tel 電話 : (852) 2741 0391 Fax 傳真 : (852) 2785 2775
Website 網址 : http://www.esun.com
E-mail 電子郵件 : ir@laisun.com

Stock Code on Hong Kong Stock Exchange: 571
於香港聯合交易所股份代號: 571