LAI SUN GARMENT INTERNATIONAL FINANCE (2014) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

CNY650,000,000 7.70 PER CENT. SECURED GUARANTEED NOTES DUE 2018 UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

LAI SUN GARMENT

Lai Sun Garment (International) Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)

Issue Price: 100 per cent.

The CNY650,000,000 7.70 per cent. Secured Guaranteed Notes due 2018 (the "**Notes**") will be issued by Lai Sun Garment International Finance (2014) Limited (the "**Issuer**") and are in registered form in the denomination of CNY1,000,000 each and integral multiples of CNY10,000 in excess thereof. The Notes will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by Lai Sun Garment (International) Limited (the "**Guarantor**"). The Issuer is a direct wholly-owned subsidiary of the Guarantor.

The Notes and the Guarantee of the Notes have the benefit of the Security (as defined in "*Terms and Conditions*") constituted by (i) the share charge in respect of certain ordinary shares of Lai Sun Development Company Limited ("**LSD**") granted by the Guarantor and/or certain of its subsidiaries that hold the relevant shares, and (ii) the account charge in respect of the Interest Reserve Account (as defined in "*The Offering*"), as security, *inter alia*, for all amounts payable on the Notes and all present and future liabilities and obligations of the obligors under the Notes, the Guarantee of the Notes, the Terms and Conditions and the Security Documents (as defined in "*Terms and Conditions*").

The Notes will bear interest from 24 July 2014 at the rate of 7.70 per cent. per annum. Interest on the Notes is payable in arrear on 24 January and 24 July in each year, commencing with the first Interest Payment Date (as defined in "*Terms and Conditions*") falling on, or nearest to, 24 January 2015.

The Notes will constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Guarantee of the Notes will constitute direct, general, unconditional, unsubordinated and secured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Unless previously redeemed, or purchased and cancelled as provided herein, the Issuer will redeem each Note at its principal amount on, or nearest to, 24 July 2018 (the "**Maturity Date**"). The Notes are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands or Hong Kong. See "*Terms and Conditions – Redemption and Purchase – Redemption for Tax Reasons*". At any time following the occurrence of a Change of Control (as defined in "*Terms and Conditions*"), the holder of a Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined in "*Terms and Conditions*") at 101 per cent. of their principal amount, together with accrued interest. See "*Terms and Conditions – Redemption and Purchase – Redemption for Change of Control*".

Application has been made to The Stock Exchange of Hong Kong Limited ("**SEHK**") for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) only and such permission is expected to become effective on or about 25 July 2014. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 22 for a description of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States. The Notes are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act. For a description of these and certain restrictions on offers and sales of the Notes and the Guarantee of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Notes will be represented by beneficial interests in the global note certificate (the "**Global Note Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 24 July 2014 (the "**Issue Date**") with a common depositary for, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *societe anonyme, Luxembourg* ("**Clearstream, Luxembourg**", together with Euroclear, the "**Clearing Systems**"). Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Note Certificate.

Joint Lead Managers and Joint Bookrunners

BNP PARIBAS	**DBS Bank Ltd.**	**HSBC**	**Standard Chartered Bank (Hong Kong) Limited**

Offering Circular dated 17 July 2014

IMPORTANT NOTICE

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries, the Notes, the Guarantee of the Notes, the Account Bank Agreement and the Security Documents (each as defined in "*Terms and Conditions*") which is material in the context of the issue and offering of the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Notes, the Guarantee of the Notes, the Account Bank Agreement and the Security Documents, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Notes, the Guarantee of the Notes, the Account Bank Agreement and the Security Documents); (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Notes, the Guarantee of the Notes, the Account Bank Agreement and the Security Documents are in all material respects true and accurate and not misleading; (iii) the opinions and intentions relating to the Issuer, the Guarantor and the Group expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other material facts relating to the Issuer, the Guarantor, the Group, the Notes, the Guarantee of the Notes, the Account Bank Agreement and the Security Documents, the omission of which would, in the context of the issue and offering of the Notes and the giving of the Guarantee of the Notes, make any statement in this Offering Circular, in light of the circumstances under which they were made, misleading; and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons who are in possession of this Offering Circular are required by each of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Security Trustee and the Agents (each as defined in "*Terms and Conditions*") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Notes in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, the Guarantor giving the Guarantee of the Notes and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised in connection with the issue, offer or sale of the Notes to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Notes, the Guarantee of the Notes, the Account Bank Agreement and the Security Documents other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or any of their respective affiliates. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably and likely to involve a change in the affairs of the Issuer, the Guarantor or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or any of their respective affiliates to subscribe for or purchase, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Notes solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer, the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes offered by this Offering Circular is prohibited. Each offeree of the Notes, by accepting delivery of this Offering Circular, agrees to the foregoing.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or any of their respective affiliates, directors or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Notes, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee, the Security Trustee, the Agents or any of their respective affiliates. The Joint Lead Managers, the Trustee, the Security Trustee, the Agents and their respective affiliates have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Security Trustee, the Agents or any of their respective affiliates, directors or advisers accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Notes or the giving of the Guarantee of the Notes, the Account Bank Agreement and the Security Documents. Each of the Joint Lead Managers, the Trustee, the Security Trustee, the Agents and their respective affiliates, directors or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Security Trustee, the Agents or any of their respective affiliates, directors or advisers undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Security Trustee, the Agents or their respective affiliates.

This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Security Trustee or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Any of the Joint Lead Managers and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separated from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Group.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her adviser.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGERS ACTING IN ITS CAPACITY AS A STABILISING MANAGER (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

Listing of the Notes on the SEHK is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Notes, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. The Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee, the Security Trustee and the Agents and their respective affiliates are not making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Security Trustee, the Agents or any of their respective affiliates in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe this information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Security Trustee, the Agents or their respective directors, advisers and affiliates, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Security Trustee, the Agents or their respective directors and affiliates, advisers or employees makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Guarantor as at and for the two years ended 31 July 2012 and 2013 (the "**Guarantor's Financial Statements**") and the interim unaudited and unreviewed condensed consolidated financial statements of the Guarantor as at and for the six months ended 31 January 2013 and 2014 have been extracted from the Guarantor's 2012 annual report, 2013 annual report and 2014 interim report, respectively, and are included elsewhere in this Offering Circular.

The Guarantor's Financial Statements have been prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and have been audited by Ernst & Young, Certified Public Accountants, the independent auditors of the Guarantor.

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal to the total figure for that column.

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to "**Hong Kong dollars**", "**HK dollars**" or "**HK$**" are to the lawful currency of Hong Kong, "**Renminbi**", "**CNY**" and "**RMB**" are to the lawful currency of the PRC, "**U.S. dollars**", "**US dollars**", "**U.S.$**" and "**USD**" are to the lawful currency of the United States of America (the "**United States**"), "**PRC**" and "**China**" mean the People's Republic of China which for the purpose of this Offering Circular excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan, "**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC, and "**Macau**" means the Macau Special Administrative Region of the PRC.

In this Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates titles and the like are translations of their Chinese names and are included for identification purposes only.

FORWARD LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Guarantor*" and elsewhere in this Offering Circular may constitute "*forward-looking statements*". Words such as "believe", "expect", "plan", "anticipate", "schedule", "estimate" and similar words or expressions identify forward looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" and elsewhere in this Offering Circular. The Issuer and the Guarantor caution investors not to place undue reliance on these forward looking statements which reflect their management's view only as at the date of this Offering Circular.

None of the Issuer or the Guarantor undertakes any obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward looking events discussed in this Offering Circular might not occur.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to prospective investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section entitled "Risk Factors" and the financial statements and related Notes thereto, before making an investment decision.

OVERVIEW

The Guarantor is an investment holding company incorporated in Hong Kong and has been listed on the Main Board of the SEHK (Stock Code: 191) since 1987 with a market capitalisation of HK$2.1 billion as at 9 July 2014. The Guarantor is the ultimate holding company of the Group, and Lai Sun group was founded in Hong Kong in 1947 as a garment manufacturer. Since establishment, the Group has evolved into a diversified conglomerate and its principal activities include property investment, property development, investment in and operation of hotels and restaurants in Hong Kong, Mainland China and overseas as well as investment holding.

The Guarantor primarily derives its income from its interest in two wholly-owned properties located in Hong Kong, namely Crocodile Center (commercial podium) and Por Yen Building. Other than these two properties, the Guarantor held a 51.97% interest in LSD, a SEHK Main Board-listed company (Stock Code: 488) with market capitalisation of HK$3.7 billion as at 9 July 2014.

Through LSD, the Guarantor also holds substantial interests in the following listed companies, namely:

– eSun (Stock Code: 571): an investment holding company, whose subsidiaries are principally engaged in the development, operation of and investment in: media; entertainment; music production and distribution; investment in and production and distribution of television programmes, film and video format products; cinema operations; the provision of advertising agency services; the sale of cosmetic products as well as property development for sale and property investment for rental purposes. eSun is an associate company of LSD;

– MAGH (Stock Code: 8075): a company engaged in entertainment businesses, including film production and distribution, as well as the organisation, management and production of concerts and live performances, artiste management, the production and distribution of television drama series, music production and publishing, and the provision of advertising and consultancy services in the planning and management of cultural, entertainment and live performance projects. MAGH is a subsidiary of eSun; and

– Lai Fung (Stock Code: 1125): a company engaged in property development for sale and property investment for rental purposes in China. Lai Fung is a subsidiary of eSun.

The Group's principal business activities and interests are carried out and/or held by LSD and/or its subsidiaries.

Property investment and development

The Group is engaged in the development and sale of residential, office, commercial and industrial properties and investment in rental properties, primarily in Hong Kong. Property sales and rental income have been, and are expected to continue to be, the most significant source of the Group's revenue.

The Group's property development business consists primarily of the development of building projects using independent contractors to carry out the necessary design and building work. These projects are either sold or held by the Group for investment to derive both rental income and capital appreciation. The Group holds for investment purposes a sizeable portfolio of properties, which comprises of both properties developed by the Group and properties acquired from other parties, and which contributes recurring rental income to the Guarantor's property business.

Hotel and restaurant operations

The hotel and restaurant operations include the Group's equity interests in the Caravelle Hotel in Ho Chi Minh City, Vietnam and a number of acclaimed restaurants in Hong Kong including the Michelin 3-star Italian restaurant $8^{1/2}$ Otto e Mezzo BOMBANA Hong Kong, Michelin 2-star Japanese restaurant Wagyu Takumi, Michelin 1-star Japanese restaurant Wagyu Kaiseki Den, as well as other high profile restaurants such as China Tang and Island Tang.

Property portfolio

The following table sets forth the approximate attributable GFA and car-parking spaces of the Group's major properties by type and development stage as at 31 January 2014:

Approximate attributable GFA (in '000 sq. ft.) and car-parking spaces of the Group's major properties *(Note 1)* as at 31 January 2014:

	Commercial/ Retail	Office	Industrial	Residential	Hotel	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Completed Properties Held for Rental *(Note 2)*	323	453	206	–	–	982	540
Completed Hotel Properties	–	–	–	–	51	51	–
Properties Under Development *(Note 3)*	68	–	–	119	–	187	90
Completed Properties Held for Sale *(Note 4)*	9	–	–	36	–	45	22
Total GFA of major properties of the Group	**400**	**453**	**206**	**155**	**51**	**1,265**	**652**

Notes:

1. *The above table does not include the GFA of the properties held by Lai Fung.*
2. *Completed and rental generating properties*
3. *All properties under construction*
4. *Completed properties held for sale*

Financial results

For the six months ended 31 January 2014, the Group recorded a turnover of HK$1,271.8 million (2013: HK$470.3 million) and a gross profit of HK$605.6 million (2013: HK$317.7 million), representing an increase of approximately 170% and 91%, respectively, over the same period last year. Turnover from rental income, sales of properties, hotel and restaurant and other operations during the period was HK$284.3 million (2013: HK$256.1 million), HK$722.7 million (2013: HK$1.2 million) and HK$264.8 million (2013: HK$213.0 million), respectively. Net profit attributable to the owners of the Guarantor was approximately HK$338.6 million (2013: HK$1,103.8 million), representing a decrease of approximately 69% over the same period of the previous year. Excluding the effect of property revaluations, net profit attributable to the owners of the Guarantor increased to approximately HK$79.3 million (2013: HK$47.2 million), primarily due to the successful sale of the majority of units at Ocean One. Equity attributable to the owners of the Guarantor as at 31 January 2014 amounted to HK$11,988.6 million, up from HK$11,035.3 million as at 31 July 2013.

For the year ended 31 July 2013, the Group recorded turnover of HK$1,049.1 million (2012: HK$947.2 million) and a gross profit of HK$661.1 million (2012: HK$586.5 million), representing an increase of approximately 11% and 13%, respectively over the previous year. Turnover from rental income, sales of properties and hotel, restaurant and other operations during the year was HK$519.9 million (2012: HK$468.2 million), HK$100.3 million (2012: HK$92.1 million) and HK$428.9 million (2012: HK$386.9 million), representing an increase of 11%, 9% and 11%, respectively. Net profit attributable to owners of the Guarantor was approximately HK$1,663.9 million (2012: HK$1,385.9 million), representing an increase of approximately 20% over the previous year. Excluding the effect of property revaluations, net loss attributable to owners of the Guarantor was approximately HK$40.3 million (2012: net profit attributable to owners of the Guarantor was approximately HK$312.3 million).

COMPETITIVE STRENGTHS

The following are the principal competitive strengths of the Group:

Stable recurring income base underpinned by high quality investment property portfolio

The Group has maintained strong and stable cash flows from its investment property portfolio, which primarily consists of offices and retail spaces, with attributable GFA of approximately 982,000 sq. ft. as at 31 January 2014. For the six months ended 31 January 2014, the Group's rental operations recorded a turnover of HK$284.3 million (2013: HK$256.1 million), representing an 11% increase over the same period last year. The Group has also historically maintained a high occupancy rate for its investment properties and achieved an average occupancy rate of over 95% for the six months ended 31 January 2014 for its investment property portfolio in Hong Kong. The Group currently has a large and diversified group of major anchor tenants such as HSBC, Hang Seng Bank, Standard Chartered Bank, McDonald's, Maxim's, KFC, Mannings and other stable tenants such as Giormani, Wall Street Institute, Logitech, and Starbucks Coffee.

The stable recurring income from the Group's investment properties covers a substantial portion of the Group's fixed income. Gross rental revenue accounted for 49% and 50% of the total revenue of the Group for the years ended 31 July 2012 and 31 July 2013, respectively. For the six months ended 31 January 2014, rental income generated from investment properties constituted approximately 22% of the Group's total turnover.

Growing development pipeline with the addition of new rental properties to increase net asset value and serve as a catalyst for further growth

Since securing a site located at Area 68A2, Tseung Kwan O, New Territories in 2013, the Group has participated in a number of government tenders to grow the development pipeline. The Group was awarded the Ocean Park Hotel project in May 2014, which will provide a total of 495 rooms and approximately 190,200 sq. ft. of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.0 million sq. ft. Other than the Ocean Park Hotel project, the Group was successful in April 2014 in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority, Hong Kong in Ma Tau Kok, Kowloon, Hong Kong, which will provide attributable residential/commercial GFA of approximately 59,000 sq. ft. upon completion. In addition, the completion of the Observatory Road project will add an attributable rental GFA of approximately 42,900 sq. ft. in the prime Tsim Sha Tsui area of Hong Kong upon completion (which is expected in the third quarter of 2015). Construction of the Tseung Kwan O site has commenced and is on-track for completion in 2017, and is expected to add an attributable rental GFA of approximately 144,500 sq.ft.

Prudent approach to financial management

The Group adopts a prudent approach to financial management and proactively manages its debt exposure closely, seeking to maintain the strength of its balance sheet and an appropriate level of interest cover. As a result of its prudent financial management approach, the Group has historically enjoyed a well-balanced debt maturity profile and access to a diversified range of funding channels, including equity, syndicated loans and onshore and offshore bank relationships, and has achieved low gearing and a healthy credit profile. As at 31 January 2014, the Group had cash and bank balances of approximately HK$9,550.2 million and total borrowings of approximately HK$6,386.4 million. The gearing ratio expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings, guaranteed notes, other borrowing, note payable and related accrued interest payable to the late Mr. Lim and temporary receipt from over-subscription for a rights issue less the pledged and unpledged cash and bank balances) to consolidated net assets attributable to owners of the Guarantor was approximately 22% as at 31 January 2014. The cash and bank balances held by the Group excluding LSD as at 31 January 2014 was HK$6,080.9 million, of which HK$5,809.1 million, representing proceeds from over-subscription for a rights issue, was subsequently refunded to the subscribers in February 2014. Excluding LSD, the Group had total borrowings of approximately HK$674.2 million as at 31 January 2014 and a gearing ratio of 3%.

Family owned business with professional management underpinning commitment and stability

The Lai Sun group is a conglomerate of five companies listed in Hong Kong starting as a garment manufacturer and retailer, and has been engaged in property development since the 1970's. The Lam family, which controls the Group, has an extensive network of well-developed business relationships in Hong Kong and the PRC. Being a member of the Group gives the Guarantor access to this extensive network of local contacts and information on the latest market opportunities.

The Group has a dedicated and experienced management team which has a strong track record of success in the real estate sector in Hong Kong. For instance, Dr. Peter Lam (Deputy Chairman and Executive Director) has been with the Group for over 20 years and has rich experience in the industry. In addition, Mr. Chew Fook Aun (Deputy Chairman and Executive Director) who joined the Group in 2012 has brought significant experience from the property sector from his prior appointments. The Group's experience and in-depth knowledge of the local markets enable it to respond better to relevant market trends and the preferences of its target customers, to more effectively manage and control the quality, schedule and costs of its activities and to better optimise operational efficiency.

Established relationships with recognised developers and investors

The Group has established strategic partnerships with major developers and financial institutions as investors for property development projects, such as AIA, China Construction Bank Corporation ("**CCB**") and Henderson Land Group. The Group's joint venture projects range from commercial and residential property development to management of investment properties. The Group's established brand name of "Lai Sun" has helped to attract other well-regarded professionals and partners to collaborate with it on its property projects, in particular, those who wish to have access to sites in convenient locations in Hong Kong. The Group in turn benefits from the experience of such professionals and developers in sourcing suitable land and in local construction management. The Group believes that it is attractive to joint venture partners because they view joint development of sites with the Group as being more likely to capture the long-term potential of the sites and their locations, given the Group's policy to hold properties long term.

STRATEGIES

The Group's strategies include the following:

Strengthen balance sheet with addition of new rental and investment properties in the development pipeline

The Group intends to continue to strengthen its balance sheet through addition of rental properties in the pipeline. A number of rental properties are scheduled to be added in the next few years increasing the attributable rental GFA from approximately 1.0 million sq.ft. to approximately 1.3 million sq.ft., primarily through the addition of the freehold commercial property in London acquired in April 2014, the Observatory Road project expected to be completed in 2015 and the Ocean Hotel to be completed in 2017. The Group also intends to strengthen its balance sheet through continued increase in the interests it holds in other members of the Group at a discount to their net asset value, where the benefits will ultimately be reflected in the net asset value of the Group.

Raise financing by continuing to optimise funding structure

The Group intends to take advantage of its expected increase in net asset value set out in the section "Strengthen balance sheet" and optimise the funding structure. The strengthening of the balance sheet enables the Group to consider using the assets as security to borrow at a more favourable rate and through channels other than bank financing.

Build the development pipeline by actively participating in a number of tender process

The Group continually assesses property development opportunities and investment projects in Hong Kong and overseas. The Group adopts a focused, systematic and selective approach to land acquisitions and intends to continue to seek opportunities to acquire appropriate and quality new development sites for development of commercial and residential projects to provide additional revenue, operating profit and returns for the Group. With the Hong Kong government committed to increasing land supply in the long run as a measure to stabilise local property prices, the Group will continue to monitor the prices achieved at government land auctions and tenders in Hong Kong and will participate in these exercises if and when suitable investment opportunities arise.

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle of LSD with an independent third party. The site is expected to add approximately 144,500 sq. ft. of attributable GFA to its development portfolio and completion is expected in the second quarter of 2017.

After the end of 2013, the Group acquired from Intercontinental Group Holdings Limited (formerly known as Kadokawa Intercontinental Group Holdings Limited) two floors of office space in Wyler Centre, Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong and three car-parking spaces for HK$130 million. These two floors of office with total GFA of approximately 51,000 sq. ft. and three car-parking spaces became part of the Group's rental portfolio since 15 August 2013.

Since securing the Tseung Kwan O site in November 2012, the Group participated in a number of government tenders to increase its property portfolio. Other than the Ocean Park Hotel project, the Group was successful in April 2014 in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority, Hong Kong in Ma Tau Kok, Kowloon, Hong Kong, which will provide attributable residential/commercial GFA of approximately 59,000 sq. ft. upon completion.

Rental focused approach with the addition of rental and investment properties

It is the Group's policy to hold its investment properties with a view to deriving rental income and generating positive cashflow. The Group intends to continue to grow its rental and investment property portfolio through retaining interests in sizeable commercial/retail components in its development projects to further enhance its recurring investment property income and earnings. The completion of the Observatory Road project, the 50:50 joint venture project with Henderson Land Group at 2-12 Observatory Road, will add an attributable rental GFA of approximately 42,900 sq. ft. in the prime Tsim Sha Tsui area of Hong Kong upon its completion (which is expected to be in the third quarter of 2015). The acquisition of a freehold commercial property in London in April 2014 added an attributable rental GFA of approximately 55,200 sq. ft. to the Group's rental portfolio. The Group was awarded also the Ocean Park Hotel project in May 2014, which will add attributable rental GFA of approximately 190,200 sq. ft. upon its completion (which is expected to be in 2017).

The Group intends to actively manage its completed properties by optimising the mix of retail tenants and early commencement of renewal negotiations with office tenants, and to consistently maintain services at the highest quality. By doing so, the Group believes that it will maximise the occupancy rates and fully capitalise the earning potential of its properties in turn generating stronger cashflows.

RECENT DEVELOPMENTS

Since securing the Tseung Kwan O site in 2013, the Group has participated in a number of government tenders to grow the development pipeline.

The major subsidiary of the Group, LSD, was named the most preferred proponent by Ocean Park for the Ocean Park Hotel project in October 2013 and was officially awarded the project in May 2014. The Ocean Park Hotel, to be operated by the Marriott group, will provide a total of 495 rooms and approximately 190,200 sq. ft. of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.0 million sq. ft. The Group is optimistic about the prospects of the Ocean Park Hotel project given the strong popularity of Ocean Park, which is underpinned by robust growth in its visitor numbers and coinciding with its expansion.

The Tai Hang Road project, with nine luxury units located at one of the most sought after addresses in Hong Kong with attributable GFA of approximately 15,800 sq. ft., was completed in January 2014 and the Group is currently preparing for its sale. The completion of the Observatory Road project will add an attributable rental GFA of approximately 42,900 sq. ft. in the prime Tsim Sha Tsui area of Hong Kong upon completion (which is expected in the third quarter of 2015). Construction of the Tseung Kwan O site has commenced and is on-track for completion in 2017.

The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with members of the Group. The Guarantor and LSD announced on 20 May 2014 a proposed capital reduction that, upon becoming effective, would put the Guarantor and LSD in a position which would enable each of them to legally pay dividends, subject to the Guarantor's and LSD's performance, consideration by the respective board of directors and the availability of distributable reserves.

In June 2014, LSD entered into a Keepwell and Security Shortfall Support Deed and a Deed of Equity Interest Purchase Undertaking as part of the credit enhancement components for the issue of secured guaranteed notes by eSun International Finance Limited, a wholly owned subsidiary of eSun.

Hengqin Creative Culture City Project

Lai Fung and eSun entered into the cooperation agreement on 16 September 2011 for the development and construction of the Hengqin Cultural and Creative Zone with the Hengqin New Area Administrative Committee, pursuant to which Lai Fung Group and eSun shall jointly invest in and develop the Creative Culture City Project located in Hengqin New Area, Zhuhai City, Guangdong Province, the PRC which will occupy a site area of approximately 1 square kilometer. Pursuant to the cooperation agreement, land supply and development for such project will be completed by phases.

On 25 September 2013, Lai Fung announced it had successfully won Phase I of the Creative Cultural City project (the "**Phase I CCC**") in Hengqin which is 80% owned by Lai Fung Group and 20% owned by its ultimate holding company, eSun. The land (the "**Land**") is situated at the 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, Guangdong Province of the PRC (中國廣東省珠海市橫琴新區藝文二道東側、彩虹路南側、天羽道西側及橫琴大道北側), with a total gross floor area of 2.8 million sq. ft. The Land is for creative cultural industry and commercial related uses. The total investment for Phase I CCC is expected to be around HK$3.8 billion. The master layout plan is being finalised and details will be forthcoming once they are available.

The Hengqin New Area Administrative Committee will sell the land for such project by phases through public bidding in accordance with planning and construction progress of the infrastructure facilities of the project.

THE OFFERING

The following summary contains some basic information about the Notes and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions" shall have the same meanings in this summary. For a complete description of the terms of the Notes, see "Terms and Conditions" in this Offering Circular.

Issuer	Lai Sun Garment International Finance (2014) Limited.
Guarantor	Lai Sun Garment (International) Limited.
Notes	CNY650,000,000 7.70 per cent. Secured Guaranteed Notes due 2018.
Guarantee of the Notes	Payment of all sums from time to time payable by the Issuer in respect of the Notes is irrevocably and unconditionally guaranteed by the Guarantor.
Issue Price	100 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.
Interest	The Notes will bear interest from, and including, 24 July 2014 at the rate of 7.70 per cent. per annum, payable semi-annually in arrear on 24 January and 24 July in each year.
Issue Date	24 July 2014.
Maturity Date	24 July 2018.
Offering	The Notes are being offered only outside the United States in reliance on Regulation S under the Securities Act.
Status of the Notes	The Notes constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Status of the Guarantee of the Notes	The Guarantee of the Notes constitutes a direct, general, unconditional, unsubordinated and secured obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 3(a) of the Terms and Conditions.
Security	The Notes and the Guarantee of the Notes have the benefit of the Security (as defined in "*Terms and Conditions"*) constituted by (i) the share charge in respect of certain ordinary shares of LSD granted by the Guarantor and/or certain of its subsidiaries that hold the relevant shares, and (ii) the account charge in respect of the Interest Reserve Account (as defined below) as security, *inter alia*, for all amounts payable on the Notes and all present and future liabilities and obligations of the obligors under the Notes, the Guarantee of the Notes, the Terms and Conditions and the Security Documents (as defined in "*Terms and Conditions*"). The Guarantor (and/or certain of its subsidiaries on its behalf) will charge its entire interest in LSD which it holds as at the date of this Offering Circular, being approximately 51% of the total issued share capital of LSD. The Guarantor shall not, prior to an Event of Default, be required pursuant to the terms of the Trust Deed or Share Charge to charge any further shares of LSD it acquires following such date. However, following an Event of Default, any shares deriving from the shares subject to the share charge will be for the benefit of the Security Trustee.
Interest Reserve	On the Issue Date, the Issuer shall deposit an amount not less than CNY200,200,000 into a Renminbi account established with the Account Bank (as defined in the "*Terms and Conditions*"), which will be charged to the Security Trustee for the benefit of the Noteholders (the "Interest Reserve Account"). The amount in the Interest Reserve Account will be reduced by the interest payment on each Interest Payment Date (as defined in the "*Terms and Conditions*"). Unless otherwise permitted under the Account Bank Agreement or the Terms and Conditions, the Issuer shall at all times prior to the Interest Payment Date falling immediately before the Maturity Date, maintain an amount not less than the amount of interest due in respect of the Notes for the then remaining Interest Periods after the Issue Date (the "**Specified Balance**") in the Interest Reserve Account.

	The Issuer is permitted under the terms of the Account Bank Agreement and the Terms and Conditions to appoint a replacement or successor Account Bank following the Issue Date provided that such replacement or successor shall be one of the Joint Lead Managers or any affiliate thereof. The Issuer shall give notice to the Noteholders in accordance with Condition 15 (*Notices*) within 10 calendar days of the appointment of such replacement or successor Account Bank pursuant to the Account Bank Agreement. Any replacement Interest Reserve Account shall have the benefit of, and be subject to, an Account Charge.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on the Interest Payment Date falling on, or nearest to, the Maturity Date at their principal amount.
Taxation	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands or Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event that the Issuer or (as the case may be) the Guarantor is required to make a deduction or withholding by or within the British Virgin Islands or Hong Kong, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note in the circumstances set out in Condition 7 *(Taxation)* of the Terms and Conditions.

Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with the Terms and Conditions (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (A) the Issuer or the Guarantor has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or Hong Kong (as the case may be) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 July 2014; and (B) such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.
Redemption for Change of Control	A Noteholder shall have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of that holder's Notes on the Put Settlement Date (as defined in the *"Terms and Conditions"*, at 101 per cent. of their principal amount, together with accrued interest to, but excluding the Put Settlement Date upon the occurrence of a Change of Control (as described in Condition 5(c) *(Redemption for Change of Control))* with respect to the Guarantor.
Events of Default	Subject to the Security Documents, upon the occurrence of certain events as described in Condition 8 *(Events of Default)* of the Terms and Conditions, the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution (as defined in "*Terms and Conditions*"), shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.
Cross Default	The Notes will contain a cross default provision as further described in Condition 8(d) of the Terms and Conditions.

Clearing Systems	The Notes will be represented by beneficial interests in the Global Note Certificate in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with a common depositary for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Note Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Note Certificate.
Clearance and Settlement	The Notes have been accepted for clearance by Euroclear and Clearstream, Luxembourg under the following codes: ISIN: XS1088299745 Common Code: 108829974
Governing Law	The Trust Deed and the Notes and all non-contractual obligations arising from or connected with them are governed by, and shall be construed in accordance with, the English law. The Account Charge and the Share Charge are governed by, and shall be construed in accordance with, the laws of Hong Kong.
Listing	Application has been made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors only, and such permission is expected to become effective on 25 July 2014.
Trustee	DB Trustees (Hong Kong) Limited.
Principal Paying Agent and Transfer Agent	Deutsche Bank AG, Hong Kong Branch.
Registrar	Deutsche Bank Luxembourg S.A.
Use of Proceeds	See "*Use of Proceeds*".

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The following tables set forth the summary consolidated financial information of the Guarantor as at and for the periods indicated.

The summary consolidated financial information as at and for the three years ended 31 July 2011, 2012 and 2013 has been derived from the Guarantor's audited consolidated financial statements as at and for the two years ended 31 July 2012 and 2013, which have been audited by Ernst & Young, Certified Public Accountants, independent auditors and included elsewhere in this Offering Circular. The summary consolidated financial information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant audited consolidated financial statements of the Guarantor and, including the notes thereto, included elsewhere in this Offering Circular.

Due to the early adoption of the new and revised Hong Kong Financial Reporting Standards during the year ended 31 July 2012, certain financial information of the Guarantor as at and for the year ended 31 July 2011 were restated. Details of which are set out in published audited consolidated financial statements of the Guarantor as at and for the year ended 31 July 2012. Accordingly, the summary consolidated financial information as at and for the year ended 31 July 2011 set forth below is derived from, and should be read in conjunction with, the published audited consolidated financial statements of the Guarantor as at and for the year ended 31 July 2012 and the notes thereto.

The summary consolidated financial information of the Guarantor as at and for the six months ended 31 January 2013 and 2014 have been derived from the Guarantor's unaudited and unreviewed condensed consolidated financial statements as at and for the six months ended 31 January 2014. The summary consolidated financial information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant unaudited and unreviewed condensed consolidated financial information of the Guarantor, including the notes thereto, included elsewhere in this Offering Circular. Such condensed consolidated financial information has not been audited or reviewed. It should not therefore be relied upon by the investors to provide the same quality of financial information as compared to financial information that has been subject to an audit or a review. None of the Joint Lead Managers, the Trustee, the Security Trustee, the Agents or any of their respective affiliates, directors or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such unaudited and unreviewed condensed consolidated financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Guarantor's financial condition and results of operations. Such condensed consolidated financial information should not be taken as an indication of the expected financial condition or results of operations of the Guarantor for the full financial year ending 31 July 2014.

The Guarantor's consolidated financial statements have been prepared and presented in accordance with HKFRS.

Consolidated Income Statement of the Guarantor

	Year ended 31 July			Six months ended 31 January	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000 (Restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	1,058,386	947,247	1,049,050	470,283	1,271,768
Cost of sales	(573,191)	(360,729)	(387,933)	(152,594)	(666,143)
Gross profit	485,195	586,518	661,117	317,689	605,625
Other revenue	53,212	20,942	68,518	22,358	38,349
Selling and marketing expenses	(34,948)	(14,378)	(25,441)	(11,519)	(33,431)
Administrative expenses	(283,067)	(347,021)	(317,238)	(171,848)	(193,637)
Other operating expenses, net	(40,918)	(56,213)	(42,813)	(17,775)	(24,542)
Employee share option benefits	–	(12,673)	(61,066)	(60,495)	–
Fair value gains on investment properties	1,084,917	1,175,491	2,431,172	1,519,509	376,818
(Provision)/reversal of provision for tax indemnity	(48,379)	53,213	(149,315)	–	(139,017)
PROFIT FROM OPERATING ACTIVITIES	1,216,012	1,405,879	2,564,934	1,597,919	630,165
Finance costs	(57,038)	(67,640)	(181,839)	(48,013)	(134,081)
Gain on shares swap transactions	2,884,095	–	–	–	–
Share of profits and losses of associates	(17,751)	442,304	(2,319)	(6,630)	44,521
Share of profits and losses of joint ventures	539,957	676,730	605,032	502,978	49,151
Discount on acquisition of additional interest in an associate	–	88,695	134,930	134,930	99,382
Loss on deemed disposal of interest in an associate	(3,552)	–	–	–	–
PROFIT BEFORE TAX	4,561,723	2,545,968	3,120,738	2,181,184	689,138
Tax	(34,741)	(35,080)	(50,099)	(25,345)	(45,877)
PROFIT FOR THE YEAR/PERIOD	4,526,982	2,510,888	3,070,639	2,155,839	643,261
Attributable to:					
Owners of the Guarantor	3,790,454	1,385,898	1,663,904	1,103,758	338,555
Non-controlling interests	736,528	1,124,990	1,406,735	1,052,081	304,706
	4,526,982	2,510,888	3,070,639	2,155,839	643,261
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE GUARANTOR					
Basic	HK$2.344	HK$0.857	HK$1.029	HK$0.682	HK$0.209
Diluted	N/A	HK$0.857	HK$1.016	HK$0.675	HK$0.207

Consolidated Statement of Comprehensive Income of the Guarantor

	Year ended 31 July			Six months ended 31 January	
	2011	2012	2013	2013	2014
	HK$'000 (Restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PROFIT FOR THE YEAR/PERIOD	4,526,982	2,510,888	3,070,639	2,155,839	643,261
OTHER COMPREHENSIVE INCOME/(EXPENSES)					
Items that may be subsequently reclassified to profit or loss:					
Changes in fair value of available-for-sale financial assets	262,153	92,842	33,727	30,587	4,150
Exchange realignments	242 *(Note 1)*	(3,845)	(3,882)	1,236	11,141
Share of other comprehensive income of an associate	116,749 *(Note 2)*	(72,744)	56,175	26,541	59,380
Share of asset revaluation reserve of an associate *(Note 3)*	3,786	–	–	–	–
Release of share of exchange fluctuation reserve upon disposal of an associate *(Note 3)*	(542,299)	–	–	–	–
Release of investment revaluation reserve and exchange fluctuation reserve to the income statement upon an available-for-sale financial asset treated as if it was disposed of and re-acquired *(Note 3)*	(110,547)	–	–	–	–
OTHER COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR/PERIOD	(269,916)	16,253	86,020	58,364	74,671
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	4,257,066	2,527,141	3,156,659	2,214,203	717,932
Attributable to:					
Owners of the Guarantor	3,376,056	1,393,694	1,705,740	1,131,767	375,885
Non-controlling interests	881,010	1,133,447	1,450,919	1,082,436	342,047
	4,257,066	2,527,141	3,156,659	2,214,203	717,932

Notes:

1. *This item was presented as "Exchange realignments: subsidiaries" for the year ended 31 July 2011.*

2. *This item was presented as "Exchange realignments: associates" for the year ended 31 July 2011.*

3. *These items were grouped as "Share of other comprehensive income of an associate" since the financial year ended 31 July 2012.*

Consolidated Statement of Financial Position of the Guarantor

	As at 31 July			As at 31 January
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)			
NON-CURRENT ASSETS				
Property, plant and equipment	688,318	672,960	838,735	874,594
Prepaid land lease payments	26,038	25,010	23,982	23,468
Investment properties	9,057,631	10,254,611	12,775,296	13,307,586
Properties under development for sale	1,224,250	1,435,473	879,561	184,295
Interests in associates	2,532,854	3,115,115	3,415,620	3,780,226
Interests in joint ventures	2,906,528	3,914,401	5,688,887	5,830,074
Available-for-sale financial assets	1,035,937	1,185,810	1,198,321	1,202,470
Pledged bank balances and time deposits	99,591	–	216,222	216,307
Deposits paid and other receivables	90,000	61,500	23,500	17,997
Total non-current assets	17,661,147	20,664,880	25,060,124	25,437,017
CURRENT ASSETS				
Completed properties for sale	196,799	106,580	817,990	1,063,139
Equity investments at fair value through profit or loss	13,638	1,648	7,489	6,324
Inventories	5,878	5,305	6,456	10,037
Debtors, deposits paid and other receivables	132,762	104,692	126,214	187,050
Held-to-maturity debt investments	33,963	–	8,317	8,524
Pledged bank balances and time deposits	–	106,037	–	–
Cash and cash equivalents	1,455,110	1,746,822	3,183,396	9,333,898
Total current assets	1,838,150	2,071,084	4,149,862	10,608,972
CURRENT LIABILITIES				
Creditors, deposits received and accruals	251,782	273,070	358,446	348,173
Temporary receipt	–	–	–	5,809,135
Tax payable	62,896	65,843	84,839	103,260
Bank borrowings	–	1,417,818	430,886	439,477
Interest-bearing bank and other borrowings *(Note 4)*	249,097	–	–	–
Total current liabilities	563,775	1,756,731	874,171	6,700,045
NET CURRENT ASSETS	1,274,375	314,353	3,275,691	3,908,927
TOTAL ASSETS LESS CURRENT LIABILITIES	18,935,522	20,979,233	28,335,815	29,345,944

Consolidated Statement of Financial Position of the Guarantor *(continued)*

	As at 31 July			As at 31 January
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)			
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings *(Note 4)*	(2,544,185)	–	–	–
Note payable *(Note 5)*	(195,000)	–	–	–
Accrued interest payable *(Note 5)*	(89,525)	–	–	–
Bank borrowings	–	(1,707,404)	(2,983,993)	(2,901,408)
Guaranteed notes	–	–	(2,695,474)	(2,700,840)
Other borrowing, note payable and interest payable	–	(327,620)	(338,944)	(344,659)
Amounts due to associates	(15,854)	(20,799)	–	–
Deferred tax	(165,052)	(171,224)	(177,989)	(177,853)
Provision for tax indemnity	(769,821)	(716,608)	(865,923)	(980,638)
Long term rental deposits received	(70,491)	(65,929)	(87,480)	(91,546)
Total non-current liabilities	(3,849,928)	(3,009,584)	(7,149,803)	(7,196,944)
	15,085,594	17,969,649	21,186,012	22,149,000
EQUITY				
Equity attributable to owners of the Guarantor				
Issued capital	16,174	16,174	16,174	16,174
Share premium account	1,908,840	1,908,840	1,908,840	1,908,840
Investment revaluation reserve	95,955	140,492	158,034	161,260
Share option reserve	174	8,658	16,214	16,214
Hedging reserve	–	–	(5,889)	671
Asset revaluation reserve	55,494	55,494	55,494	55,494
Other reserve	1,249	35,432	327,231	904,651
Exchange fluctuation reserve	37,163	422	30,601	58,145
Retained profits	5,475,334	6,861,232	8,528,561	8,867,168
	7,590,383	9,026,744	11,035,260	11,988,617
Non-controlling interests	7,495,211	8,942,905	10,150,752	10,160,383
	15,085,594	17,969,649	21,186,012	22,149,000

Notes:

4. *These items were presented as "Bank borrowings" and "Other borrowing, note payable, and interest payable", respectively, since the financial year ended 31 July 2012.*

5. *These items were grouped as "Other borrowing, note payable and interest payable" since the financial year ended 31 July 2012.*

In this Offering Circular, the following expressions shall have the following meanings unless the context requires otherwise:

"Board"	board of Directors of the Guarantor;
"BVI"	the British Virgin Islands;
"CAGR"	compound annual growth rate;
"Cap. 32 Companies Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
"Cap. 622 Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
"Director(s)"	the director(s) of the Guarantor;
"eSun"	eSun Holdings Limited, an exempted company with limited liability incorporated in Bermuda and registered in Hong Kong as a non-Hong Kong company under Part 16 of Cap. 32 Companies Ordinance, the issued Shares of which are listed and traded on the Main Board of the SEHK (Stock Code: 571);
"GAAP"	generally accepted accounting principles;
"GFA"	gross floor area;
"Group"	the Guarantor and its subsidiaries;
"Guarantor"	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the SEHK (Stock Code: 191);
"Hengqin Project"	Phase I of the Creative Culture City project in Hengqin in Zhuhai City which, on 25 September 2013, Lai Fung and eSun jointly announced the Lai Fung Group had successfully won. For more details, please refer to the section headed *"Description of the Guarantor – Hengqin Creative Culture City Project"*.
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKFRS"	Hong Kong Financial Reporting Standards;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Issuer"	Lai Sun Garment International Finance (2014) Limited, a company incorporated in the BVI with limited liability, directly and wholly-owned by the Guarantor and established solely for the purpose of issuing the Notes;
"Lai Fung"	Lai Fung Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands and registered in Hong Kong as a non-Hong Kong company under Part 16 of Cap. 32 Companies Ordinance, the issued shares of which are listed and traded on the Main Board of the SEHK (Stock Code: 1125);
"Lai Fung Group"	Lai Fung and its subsidiaries;
"Listing Rules"	the Rules Governing the Listing of Securities on the SEHK (as amended, supplemented or otherwise modified from time to time);
"LSD"	Lai Sun Development Company Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the SEHK (Stock Code: 488);
"Macau"	the Macau Special Administrative Region of the PRC;
"MAGH"	Media Asia Group Holdings Limited, a company with limited liability incorporated in the Cayman Islands and continued in Bermuda with limited liability as well as registered in Hong Kong as a non-Hong Kong company under Part 16 of Cap. 32 Companies Ordinance, the issued shares of which are listed and traded on the Growth Enterprise Market of the SEHK (Stock Code: 8075);
"Notes"	the 7.70 per cent. secured guaranteed notes due 24 July 2018 in the aggregate principal amount of CNY650,000,000;
"PRC" or "China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan;
"RMB" or "CNY"	Renminbi, the lawful currency of the PRC;
"SEHK"	The Stock Exchange of Hong Kong Limited;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	the ordinary share(s) in the capital of the Guarantor;
"sq. ft."	square foot or square feet;

"subsidiary(ies)"	means, in respect of any person (the "**first person**") at any particular time, any other person (the "**second person**"): (a) Control: whose affairs and policies the first person owns or controls (either directly or indirectly through one or more subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to vote at general meetings; or (b) Consolidation: whose financial statements are, in accordance with applicable law and GAAP of Hong Kong or any other relevant jurisdiction from time to time, consolidated with those of the first person;
"United States" or "U.S."	the United States of America;
"US$" or "US dollars" or "U.S. dollars"	United States dollars, the lawful currency of the United States; and
"%"	per cent. or percentage.

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the risks associated with the Notes are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay principal, interest or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons, and the Issuer and the Guarantor do not represent that the statements below regarding the risks of investing in or holding the Notes are exhaustive.

Risks Relating to the Group and its Businesses

The Group is dependent on the performance of the Hong Kong property market

The Group derives a substantial portion of its revenue and operating profits from its Hong Kong property development, property sales and investment activities. Consequently, its revenue and operating profits depend on the state of the Hong Kong property market. Historically, the Hong Kong property market has been cyclical and Hong Kong property values have been affected by supply and demand of comparable properties, the rate of economic growth in Hong Kong, political and economic developments in the PRC and the condition of the global economy. Economic developments outside Hong Kong, such as the economy in the PRC and the interest rate movements and level of economic activity in the United States, could also adversely affect the property market in Hong Kong.

Hong Kong property prices and rents for residential, commercial and industrial properties, after reaching record highs in the mid-1990s, declined significantly in and after the fourth quarter of 1997 as a result of the general economic downturn in Asia, the slowdown in the Hong Kong economy, the increase in supply of new properties in Hong Kong and high interest rates on Hong Kong dollar borrowings. In recent history, the overall property market has been adversely affected by several significant events including the events of 11 September 2001 in the United States and the outbreak of Severe Acute Respiratory Syndrome ("**SARS**") in 2003. In addition, while the property market showed improvement during the period from 2004 to the third quarter of 2008, starting from September 2008, property prices and rents in Hong Kong were affected by the global financial turmoil. Factors such as the prospect of economic downturn and the tightening of liquidity created negative sentiments for the property market. The demand for and rental rates of prime office buildings and the demand for residential, commercial and industrial properties were consequently reduced. At the end of 2010, the Hong Kong government and the Hong Kong Monetary Authority ("**HKMA**") introduced property cooling measures such as a special stamp duty and reduced loan-to-value borrowings. Hong Kong has experienced market consolidation in the residential property market since these measures were introduced in 2010. In October 2012, the Hong Kong government announced a new round of property cooling measures on residential flats targeting non-resident and corporate buyers, including the introduction of buyer's stamp duty of 15% of the purchase price, the adjustment to the rate of the special stamp duty and extension of the holding period in respect of the special stamp duty from two years to three years. In February 2013, further property cooling measures were introduced by the Hong Kong government with the introduction of double stamp duty on buyers of properties costing more than HK$2 million, unless the buyers are Hong Kong permanent residents who do not own any other residential property in Hong Kong at the time of acquisition. Earlier this year, the Hong Kong government proposed to relax the double stamp duty, by extending the six month timeframe for disposal of the original property and extending the two year timeframe for stamp duty refund. Such measures adopted from time to time by the Hong Kong government to restrict the real estate market may slow down the industry's rate of growth or cause the real estate market to decline.

In the event of economic decline, the Group, along with other Hong Kong property companies, may experience market pressures such as those from tenants or prospective tenants to provide rent reductions or reduced market prices for sale properties. Rental values are also affected by factors such as local, regional and global economic downturns, political developments, governmental regulations and changes in planning or tax laws, interest rate levels and inflation. There can be no assurance that rents and property values will not decline, credit provided by banks will be further tightened or interest rates will not rise in the future. This could have an adverse effect on the Group's business, operating results and financial condition. Volatility in Hong Kong's property market may also affect the timing for both the acquisition (or modification of land use terms) of sites and the sale of completed development properties. This volatility, combined with the lead time required for completion of projects as well as the sale of existing properties, means that the Group's results from its property development and sale activities may be susceptible to significant fluctuations from year to year.

In addition, changes in the global financial markets have recently affected the availability of credit and led to an increase in the cost of financing. The Group may have difficulty in accessing the financial markets, which can make it more difficult or expensive to obtain funding in the future. There can be no assurance that the Group will be able to raise finance at a reasonable cost.

The Group's turnover and profit during any given period reflect the quantity of properties delivered during that period and are affected by any peaks or troughs in its property delivery schedule and may not be indicative of the actual demand for its properties, sales or profitability achieved during that period.

The Group's turnover and profit during any given period generally reflect property investment decisions made by purchasers at some significant time in the past, typically at least in the prior fiscal period. As a result, the Group's operating results for any period are not necessarily indicative of results that may be expected for any future period, and make it difficult to predict the Group's future performance.

To the extent that supply in the overall property market significantly exceeds demand, the Group may be subject to significant downturns and disruptions in the market for a sustained period. Alternatively, if a serious downturn in regional or global market conditions should occur, like the Asian financial crisis in 1997, this may seriously affect and disrupt the property market in the PRC. If any of these events were to occur, the Group's financial condition and results of operations would be adversely affected.

The recent global economic slowdown and financial crisis have negatively impacted, and may continue to negatively impact, the Group's business

The recent global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 has had a negative impact on the Hong Kong economy, which in turn has affected the Hong Kong property market. For example:

- the economic slowdown and tightened credit has resulted in lower demand for residential and commercial properties and declining property prices;

- the economic slowdown has adversely impacted home owners and potential property purchasers, which may lead to a further decline in the general demand for property products and a further erosion of their selling prices; and

- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financings.

Since 2011, the global economy has been overshadowed by complications from the threat of the eurozone sovereign debt crisis worsening, the U.S. economic recovery remaining slow and political instability in the Middle East and North Africa escalating. There can be no assurance that the transaction volume and property prices will remain stable given the continuing uncertainties of the global economic and financial condition.

The deterioration in the financial markets has contributed to declines in employment, household wealth, consumer demand and lending and as a result may adversely affect economic growth in Hong Kong and elsewhere. The economic downturn has also had a negative impact on the overall level of business and leisure travel to Hong Kong. Although there have been recent signs of possible economic recovery, there can be no assurance that the United States or global economy will not lapse back into recession and lead to oversupply and reduced property prices and rentals in Hong Kong, further reduced travel to Hong Kong or reduced consumer spending in Hong Kong. Hong Kong stock market prices have also experienced significant volatility which may continue to affect the value and any return from the sale of the Group's investments in companies listed on the SEHK.

If the global economic slowdown and financial market crisis continue, or become broader than currently estimated, the demand for the Group's products and its ability to obtain necessary financing for the Group's operations could be materially and adversely affected, which in turn would negatively impact its business, financial condition and results of operations.

The Group relies on third-party contractors to provide it with various services

The Group outsources all of its construction work to third-party contractors. The Group relies on its contractors to complete projects according to the agreed completion schedules and it does not exercise any direct control over material sourcing or the construction schedule of such projects. The Group engages independent third-party contractors to provide it with various services in connection with property development, including construction, piling and foundation, building and property fitting-out work, interior decoration and the installation of air-conditioning units and elevators. There is no assurance that the services rendered by the third-party contractors will always be satisfactory or match the targeted quality level. The Group relies on its main contractors to obtain the requisite construction permits to commence construction of its sites.

As a property developer, the Group may be liable for administrative penalties if its contractors fail to obtain all of the requisite construction permits. The Group is also exposed to the risk that a contractor may require additional capital in excess of the price originally tendered to complete a project and that it may have to bear such additional amounts in order to provide them with sufficient incentives to complete the projects. Furthermore, there is a risk that major contractors may experience financial or other difficulties which may affect their ability to carry out construction work, thus delaying the completion of development projects or resulting in additional costs for the Group. The timely performance by these contractors and sub-contractors may also be affected by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorist acts, restraints of government, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption of delays in transportation, all of which are beyond the control of the Group. Any of these factors could adversely affect the Group's business, reputation, financial condition and results of operations.

The Group's properties may encounter unforeseeable risks, may not be completed according to planned schedules, on budget, or at all, and may not generate the levels of expected revenue or contemplated investment returns

There are a number of financing, operating and other risks associated with property development. The projects the Group undertakes typically require substantial capital expenditures during the construction phase and usually take many months, and sometimes years, before cash proceeds are generated. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of and price increases in construction materials, equipment or labour, delays in obtaining necessary financings, adverse weather conditions, natural disasters, latent soil or subsurface conditions, construction accidents, latent environmental damage requiring remediation, changes in market conditions, an economic downturn or a decline in consumer confidence, labour disputes, removal of squatters, disputes with sub-contractors, accidents, difficulties in obtaining necessary governmental licences, permits or approvals, changes in governmental priorities, policies or relevant laws or regulations and other unforeseen circumstances. Any of these circumstances, or circumstances not specifically named above, could give rise to construction delays and/or cost overruns.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may affect its results of operations and financial position and may also adversely affect its reputation. The Group cannot assure prospective investors that it will not experience any significant delays in the completion or delivery of its projects, or that it will not be subject to any liabilities to its tenants, any purchasers or relevant government authorities for any such delays. Liabilities arising from any delays in the completion or delivery of its projects could have a material adverse effect on its business, results of operations and financial position.

Under the Group's standard form of pre-sale contract, it is liable to the purchasers for default payments if the Group fails to deliver the completed properties in accordance with the delivery schedule in these contracts, and, in the case of a prolonged delay, the purchasers will be entitled to terminate the pre-sale contracts and obtain a refund of the purchase price or receive default payments provided for in the sales contract in view of the delayed delivery. In addition, the failure to complete construction according to the Group's specifications may result in liabilities or reduced efficiency, which may lead to cost overruns and lower financial returns, each of which could adversely affect the Group's reputation, business, financial condition and results of operations.

The Group faces significant construction and capital expenditure requirements in relation to its investment properties

The Group's investment properties require significant upfront capital expenditures but generate no cash inflow until the development has been completed and the relevant property commences operation. Construction and other delays can extend the duration of this period. In addition, the Group's operating and future investment properties will need renovations and other capital improvements, including replacements, from time to time. There is no assurance that estimates of renovation costs will be sufficient and that the Group's cost of construction and capital improvements will not have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's rental properties have certain fixed costs that it may not be able to adjust in a timely manner in response to a reduction in demand

The fixed costs associated with owning serviced apartments and retail units, including, but not limited to, committed maintenance costs, property taxes and other associated payments may be significant. The Group may be unable to reduce these fixed costs in a timely manner in response to changes in demand for its services, and any failure to adjust its fixed costs may adversely affect its business, financial condition and results of operations.

Moreover, the Group's properties, and any properties in which it may acquire interests in the future, may be subject to increases in operating and other expenses due to adverse changes in contractual terms and increases in property and other tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, which could materially adversely affect the Group's business, financial condition and results of operations.

The fair value of the Group's completed investment properties and the investment properties under development that are subject to mark-to-market assessment is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact the Group's profitability

The Group is required to reassess the fair value of certain of its investment properties (a subset of its rental properties) as at the end of reporting period. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of such investment properties should be accounted for in its income statements in the period in which they arise. The Group's completed investment properties and investment properties under construction at fair value that are subject to mark-to-market assessment are re-valued by independent property valuers on a semi-annual basis on an open market for existing use basis which reflected market conditions at those dates. Based on such valuation, the Group recognised the aggregate fair market value of its investment properties on its consolidated statement of financial position, and recognised changes in fair values of investment properties and the relevant deferred tax on its consolidated income statements. Fair value gains or losses do not, however, change its cash position as long as the relevant investment properties are held by the Group and, accordingly, do not increase its liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanisation rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of the Group's investment properties and affect the supply and demand in the PRC property market. All these factors are beyond the Group's control and it cannot assure investors that changes in market conditions will continue to create fair value gains on its investment properties at the historical levels, or at all, or that the fair value of its investment properties will not decrease in the future. If the fair value of the Group's investment properties declines, its profitability would be materially and adversely affected.

The Group may not have adequate financing to fund its land acquisitions and property projects

The property development business is capital-intensive. The Group will require additional financing to fund working capital and capital expenditures, to support the future growth of its business and/or to refinance existing debt obligations. The Group's core business will require substantial expenditure, particularly for property development. The Group has historically required and expects that in the future we will continue to require external financing to fund its working capital and capital expenditure requirements. The Group cannot assure investors that it will have sufficient cash flow available for land or property acquisitions or developments or that it will be able to achieve sufficient pre-sales and sales to fund land or property acquisitions or developments.

The Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital markets conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, the success of the Group's principal business, provisions of tax and securities laws that may be applicable to its efforts to raise capital and political and economic conditions.

In addition to external financing, the Group utilise proceeds from pre-sales of its properties as an important source of financing for its property development projects. There is no assurance that the Group will be able to continue achieving sufficient pre-sales to fund a particular development.

The Group's business and results of operations may be adversely affected by further increases in interest rates and lending restrictions on banks.

The Group's borrowings are principally denominated in HK dollars. The interest rates of all of its outstanding HK dollar denominated borrowings are benchmarked to the Hong Kong interbank offered rates for HK dollars. Changes in interest rates have affected and will continue to affect its financing costs and, ultimately, its results of operations. The Group cannot assure prospective investors that these benchmark interest rates will remain unchanged or that they will not increase. The Group cannot assure prospective investors that the Hong Kong interbank offered rates for HK dollar loans will not fluctuate significantly. Any increase in these rates will increase its financing cost and may materially and adversely affect its business, financial condition and results of operations.

In addition, increases in interest rates may affect the Group's customers' ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase its properties. As a result, this increase in interest rates and any further increases in interest rates, will adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of the Group's properties.

The Group's ability to meet its payment and other obligations under the Group's outstanding debt depends on the Group's ability to generate cash flows in the future or to refinance such debt. There is no assurance that its business will generate sufficient cash flows from operations to satisfy its obligations under the Group's outstanding debt and to fund other liquidity needs. If the Group is not able to generate sufficient cash flows to meet such obligations, the Group may need to refinance or restructure its debt, reduce or delay capital investments, or seek additional equity or debt financing. A shortage of financing could in turn impose limitations on the Group's ability to plan for, or react effectively to, changing market conditions or to expand through organic and acquisitive growth, thereby reducing the Group's competitiveness. There is no assurance that future financing will be available in amounts or on terms acceptable to it, if at all.

The illiquidity of property investments and the lack of alternative uses of serviced apartments and rental properties could significantly limit the Group's ability to respond to adverse changes in the performance of the Group's properties

As rental properties are, in general, relatively illiquid, the Group's ability to promptly sell them in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Group's control. The Group cannot predict whether it will be able to sell any of its rental properties, which include its investment properties plus all other rental generating properties, for the price or on the terms set by the Group, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. The Group also cannot predict the length of time needed to find a purchaser and to close a sale in respect of a rental property. Should the Group decide to sell a property subject to a management agreement or tenancy agreement, it may have to obtain consent from, or pay termination fees to, its management partners or its anchor retail tenants.

In addition, rental properties are not readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of rental properties to alternative uses would generally require substantial capital expenditures. In particular, the Group may be required to expend funds to maintain properties, correct defects or make improvements before a rental property can be sold. The Group cannot assure investors that it will have funds available for these purposes. These factors and any other factors that would impede its ability to respond to adverse changes in the performance of its rental properties could affect its ability to retain tenants and to compete with other market participants, as well as affecting its results of operations.

The Group is subject to risks incidental to the ownership and development of real estate properties

The Group is subject to risks incidental to the ownership and operation of residential, office and related retail properties including, among other things: competition for tenants, changes in rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the financial statements, increase in operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs.

The Group's property development business involves significant risks distinct from those involved in the ownership and operation of established properties, including, among other things, the risk that financing for development may not be available on favourable terms, that construction may not be completed on schedule or within budget (for reasons including shortages of equipment, material and labour, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), that developed properties may not be leased or sold on profitable terms and that purchasers and/or tenants will default.

The Group's profit margin is sensitive to fluctuations in the cost of construction materials.

Construction costs comprise one of the predominant components of the Group's cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of the Group's property development projects, with the cost of third-party contractors remaining relatively stable. However, as the construction material costs are often included in the construction costs paid to its contractors, it has been difficult for the Group to estimate such costs.

Construction costs may fluctuate as a result of the price volatility of construction materials such as steel and cement. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), the Group will be required to renegotiate existing construction contracts to top up payment to, or receive refund from, the contractors, depending on the price movement. Additionally, should the Group's existing contractors fail to perform under their contracts, the Group may be required to pay more to other contractors under replacement contracts. The Group's profit margin is sensitive to changes in the market prices for construction materials and its profit margins will be adversely affected if the Group are not able to pass all of the increased costs onto its customers.

The Group is dependent on rental income from its investment property portfolio

Leasing of the Group's commercial investment properties constitutes a very important part of its business. For the two years ended 31 July 2012 and 2013, rental income generated from its investment properties constituted approximately 49% and 50%, respectively, of its total turnover. As at 31 January 2014, the Group maintained a property portfolio comprising, in GFA excluding carparks, completed properties held for rental of approximately 982,000 sq. ft., properties under development of approximately 187,000 sq. ft. and completed properties held for sale of approximately 45,000 sq.ft. The Group is subject to risks incidental to the ownership and operation of office and retail properties including, amongst other things, changes in market rental levels, competition for tenants and inability to collect rents from tenants or renew leases with tenants due to bankruptcy, insolvency or other financial difficulties. In addition, the Group may not be able to renew leases with its tenants on terms acceptable to it, or at all, upon the expiration of the existing terms. Furthermore, any downturn in the rental market for commercial properties could negatively affect the demand for its rental properties and the amount of rental income it earns, which may have a material adverse effect on the Group's business, results of operations and financial position.

The Group may not be able to continue to attract and retain quality tenants

The Group's commercial investment properties compete for tenants with other properties on, amongst other things, location, quality, maintenance, property management, rental rates and other lease terms. The Group cannot assure prospective investors that existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with the Group's properties would increase the competition for tenants and as a result it may have to reduce rent or incur additional costs to make its properties more attractive.

If the Group is not able to retain its existing tenants or attract new tenants to replace those leaving or to attract tenants to lease its new properties, its occupancy rates may decline. If the Group fails to attract well-known brands as its tenants or keep its existing tenants, its investment properties may become less attractive and competitive. This in turn could have a material adverse effect on its brand, business, results of operations and financial position.

The Group's profit level and margin are affected by its turnover mix and it may not be able to sustain its existing level of profit

The Group recorded gross profit margins of approximately 62% and 63% for each of the two years ended 31 July 2012 and 2013, respectively. Factors which may reduce its gross profit margin include:

- a change in the mix of its revenue sources, for example, rental income from its investment
- properties and income from the sale of its trading properties;
- increased market competition; and
- failure to achieve sales targets.

The Group cannot assure investors that it can always maintain or increase gross profit margin. In the event that it is unable to maintain or increase its gross profit margin, its profitability may be materially and adversely affected.

The Group's business is dependent on the availability of land in Hong Kong for property development and investment

The Group's business and results from operations is dependent, in part, on the availability of land, buildings and hotels suitable for development, re-development or investment and the Group's ability to replenish its land bank at favourable costs. The limited supply of land in Hong Kong has made it increasingly difficult to locate suitable property to acquire at economical prices for profitable development. Government policies seeking to increase land supply and increases in borrowing costs could affect the Group's ability to maintain past operating margin levels, and profits from property development activities could be adversely affected. These factors could have an adverse effect on the Group's business, operating results and financial condition.

The Group faces contractual risks relating to the pre-sale of properties, including the risk that property developments cannot be completed, or cannot be completed on time

The Group faces contractual risks relating to the pre-sale of properties. Failure to complete and/or deliver a pre-sold property in a timely manner may cause the Group to be liable to the relevant purchasers for losses suffered by them. The Group's failure to complete property developments in the time required by pre-sale contracts may entitle purchasers to claim damages under the pre-sale contracts, and in the event that such failure causes a delay that extends beyond any grace period stipulated in the pre-sale contracts, purchasers may be entitled to terminate the pre-sale contracts, claim damages and request a refund of their purchase amount together with interest. The Group may experience delays in completion or delivery of its properties which could have an adverse effect on the income of the Group.

A material deterioration of its cash flow position may have a material adverse effect on the Group's ability to service its indebtedness and continue its operations

In addition to borrowing, the Group relies on pre-sale of properties as a major source of funding for its operations and to assist with servicing its debt. Should the Group's pre-sales be limited or otherwise materially and adversely affected as a result of changes in Hong Kong law and regulation or government policies relating to property development, or by a significant economic downturn in the Hong Kong property markets or in the property markets where the Group operates or otherwise, the Group could experience cash flow difficulties and difficulties in servicing its indebtedness. If major commercial banks decline to provide additional loans to the Group or to re-finance its existing loans when they mature as a result of the Group's credit risk and the Group fails to raise adequate financing through other channels, the Group's financial condition, cash flow position and business prospects may be materially and adversely affected.

Increases in the cost of labour may have an adverse impact on its results of operations

If the costs of labour increase significantly, and it cannot offset such increase by reducing other costs or cannot pass on such increase to the buyers or tenants of its properties, its business, results of operations and financial position may be materially and adversely affected.

The Group's success depends on the continued services of key management personnel

The Group's continuing success is, to a certain extent, dependent upon the expertise and experience of its key management personnel including the managing director of the Guarantor and members of the senior management. Unless terminated in accordance with the terms provided therein, all of the service contracts are renewable by mutual agreement upon expiration. If any of its key management personnel ceases to participate in the Group's management in the future, it might have an adverse effect on the Group's business operation and profitability.

The Group's lease renewals will be affected by timing and the condition of the rental market

The leases that the Group has granted are typically for one to three years for office and retail tenants. Some of the Group's leases are up for renewal each year and the rents charged are typically adjusted based upon prevailing market rates. Accordingly, it is possible to have a concentration of renewal of leases or rent adjustments in a given year, and a slowdown in the rental market in a given year could adversely affect the rental income of the Group.

Changes to local, regional and global economic conditions may cause companies to downsize and even close their operations in Hong Kong, as a result of which the demand and rental rates of prime office buildings and retail properties may be greatly reduced. A weak economic environment may also contribute to a more conservative attitude towards increasing the Group's portfolio of investment properties and raising rental rates upon renewal of commercial tenancies, which could have an adverse effect on the Group's business, operating results and financial condition.

The Group's business is subject to various laws and regulations

The operations of the Group are subject to various laws and regulations of Hong Kong and other jurisdictions in which the Group's operations are located. The Group's activities on its investment and development properties are limited by zoning ordinances and other regulations enacted by the authorities. Developing properties, refurbishment and other redevelopment projects require government permits, some of which may take longer to obtain than others. From time to time, the authorities may impose new regulations on landlords such as mandatory retrofitting of upgraded safety and fire systems in all buildings. The Group's properties are subject to routine inspections by the authorities with regard to various safety and environmental issues. There can be no assurance that the Group will be able to comply with such regulations or pass such inspections.

From time to time, changes in law and regulations or the implementation thereof may require the Group to obtain additional approvals and licences from the relevant authorities for the conduct of its operations. In such event, the Group may incur additional expenses to comply with such requirements. This will in turn affect the Group's financial performance as its business costs will increase. There can be no assurance that such approvals or licences will be granted to the Group promptly or at all. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals or licences, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

The Group's operations are subject to external risks

A natural disaster, catastrophe or other event could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The Group's operations are based in jurisdictions which are exposed to potential natural disasters including, but not limited to, typhoons, storms, floods and earthquakes. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted. The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses at their intended capacities, thereby reducing revenues. Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons.

Certain of the Group's business activities are conducted through joint ventures

Co-operation and agreement among the Group and its joint venture partners on its existing or any future projects is an important factor for the smooth operation and financial success of such projects. The Group's joint ventures may involve risks associated with the possibility that the joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) take actions contrary to the Group's instructions or requests or contrary to the Group's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under the relevant joint venture or other agreements (iv) experience financial or other difficulties and/or (v) have disputes with the Group as to the scope of their responsibilities and obligations. Further, the Group may not be able to control the decision-making process of the joint ventures without reference to the joint venture partners and, in some cases, it may not have majority control of the joint venture.

The Group's joint ventures are normally governed by a joint venture agreement; such joint venture agreements typically contain clauses which provide that, as the Group is not in default, it will enjoy or retain a certain degree of control or influence over material decisions. Although the Group does not currently experience any significant problems with its joint venture partners, no assurance can be given that disputes among the Group and its joint venture partners or among the partners will not arise in the future that could adversely affect such projects.

The Group may not have adequate insurance coverage and may suffer losses arising from uninsured risks

The Group maintains insurance coverage on all of its properties under construction, third party liabilities and employer's liabilities in accordance with what it believes to be industry standards. However, the Group may be subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. In particular, the Group's insurance policies generally do not cover certain types of losses incurred due to hazards such as war, civil disorder, acts of terrorism, and other natural disasters. Any losses may significantly affect the Group's business operation and the Group may not have sufficient funds to replace any property destroyed as a result of such hazards. In addition, any payments the Group makes to cover any losses, damages or liabilities could have a material adverse effect on its business, financial condition and results of operations. Furthermore, notwithstanding the Group's insurance coverage, any damage to the Group's buildings, facilities, equipment, or other properties as a result of occurrences such as fires, floods, water damage, explosions, power losses, typhoons and other natural disasters may have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, whilst the Group and its employees have taken care in the selection and supervision of its independent contractors, accidents and other incidents, such as theft, may occur from time to time. Such accidents or incidents may expose the Group to liability or other claims by customers and other third parties. Although the Group believes that it has adequate insurance arrangements in place to cover such eventualities, it is possible that accidents or incidents could occur which are not covered by these arrangements. The occurrence of any such accidents or incidents which are not covered by insurance could adversely affect the business, financial condition and results of operations of the Group. It is also possible that litigants may seek to hold the Group responsible for the actions of its independent contractors and sub-contractors.

Where insurance is taken out in relation to properties which are owned by jointly controlled entities, the Group cannot guarantee that such properties are insured in accordance with the same standards which it applies when taking out insurance in respect of its own properties. If it suffers from any losses, damage or liabilities in the course of its operations arising from events for which the Group does not have any or adequate insurance cover, it may not have sufficient funds to cover any such losses, damage or liabilities or to replace any property that has been destroyed. The occurrence of any of the above events and the resulting payment it makes to cover any losses, damage or liabilities may have a material adverse effect on its business, results of operations and financial position.

The Group may be involved in disputes and in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result

The Group may be involved in disputes arising out of the development, leasing or sale of its properties with contractors, suppliers, construction workers, tenants, residents, residents of surrounding areas, joint venture partners, purchasers or other parties. These disputes may lead to protests, legal or other proceedings and may damage its reputation and divert its resources and management's attention. Significant costs may have to be incurred in defending the Group in such proceedings. If the Group is not successful in defending itself in such proceedings, it may be liable for damages, the amount of which may be significant. In addition, it may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings or unfavourable decrees that may result in liabilities and cause delays to its property developments. The Group may also be involved in disputes or legal proceedings in relation to delays in the completion and delivery of its projects. Any of the above could have a material adverse effect on its business, results of operations and financial position.

The Group may face significant risks before realising any benefits from property development

The Group's primary business is the development of properties for investment and sale. Property development typically requires substantial capital outlay during the land acquisition and construction phases and may take a number of years before positive cash flows may be generated from a completed property development. Depending on the size of the development, the time span for completing a property development usually lasts for a number of years. Consequently, changes in the business environment during the length of the project may affect the revenue and cost of the development, which in turn may affect the profitability of the project. Factors that may affect the profitability of a project include the risk that the receipt of government approvals may take more time than expected, the failure to complete construction according to original specifications, schedule or budget, and poor leasing markets for the properties. The revenue generated by and value of a property development project may be adversely affected by a number of factors, including but not limited to, the international, regional and local economic climate, local real estate conditions, perceptions of tenants, retailers or shoppers as to the convenience and attractiveness of the projects, competition from other available properties, changes in market rates for comparable leases and increased business and operating costs. If any of the property development risks described above materialises, its returns on investments may be lower than originally expected and its business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group may not be able to generate adequate returns on its properties held for long-term investment purposes

The completed property developments held by the Group are generally intended to be held for long-term investment. Property investment is subject to varying degrees of risks. The investment returns available from real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximising yields from properties held for long-term investment also depends to a large extent on active ongoing management and maintenance of the properties. The ability to dispose of investment properties eventually also depends on market conditions and levels of liquidity, which may be limited or subject to significant fluctuations in the case of certain types of commercial properties. The revenue derived from completed investment properties and the value of property investments may be adversely affected by a number of factors, including but not limited to changes in rental levels at comparable properties, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting. If the Group's property investment business is unable to generate adequate returns, its business, financial condition, results of operations and prospects may be adversely affected.

A deterioration in the value of the Group's brand or the loss of the right to use the Group's trademarks could have a negative impact on its business

The Group relies to a certain extent on its brand image and the presence of its major tenants to attract potential tenants to its investment properties and buyers for its properties for sale. Any negative publicity concerning the Group or its properties could adversely affect its reputation and business prospects. In addition, the Group's brand may be misused by third parties and it may have to incur expenses in protecting its brand. Demand for its properties could diminish if the quality of its brand is not preserved.

Any unauthorised use of its brands, trademarks and other intellectual property rights could harm the Group's competitive advantages and business. Monitoring and preventing unauthorised use is difficult. The measures the Group takes to protect its intellectual property rights may not be adequate. If its brand trademarks and other intellectual property rights are not adequately protected, the Group may lose these rights and its business may suffer materially.

Potential liability for environmental problems could result in costs to the Group

The Group is subject to various laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, its environmental condition, the present and former uses of the site, as well as any adjoining properties. Environmental laws and conditions may result in delays to the Group's property development projects, may cause the Group to incur compliance and other costs and could prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

The occurrence of contagious diseases in Asia could affect the Group's business, financial condition or results of operations

The outbreak of SARS that began in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. The outbreak of SARS led to a significant decline in travel volumes and business activities throughout most of the Asian region. The occurrence of another outbreak of SARS or of another highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business operations and consequently have an adverse effect on its financial condition and operating results.

There have been sporadic outbreaks of the H5N1 virus or "Avian Influenza A" among birds and in particular poultry, as well as some isolated cases of transmission of the virus to humans. In 2009 there were a large number of confirmed cases among humans of the influenza A/H1N1 virus globally. In 2010, the World Health Organisation announced that the H1N1 influenza virus has moved from the pandemic into the post-pandemic period. However, localised outbreaks of various magnitudes are likely to continue. There can be no assurance that there will not be a serious outbreak of influenza A/H1N1 or another contagious disease in Hong Kong or the PRC in the future. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

The financial performance of the Group's hospitality business is dependent on the conditions of the hospitality industry

The Group has an interest in and operates a luxury 5-star hotel and manages two hotels in Vietnam. As a result, the results of the operations of the Group's hotel business depend, to a large extent, on the performance of those economies and their real estate market conditions. Historically, the hotel industry has been cyclical and affected by a number of factors, including the following:

- changes in the domestic, regional and global economies which are affected by factors, including, but not limited to, the political landscape, environmental conditions and viral epidemics such as human avian flu and SARS;

- increased threat of terrorism, terrorist events, airline strikes, hostilities between countries or increased risk of natural disasters that may affect travel patterns and reduce the number of business and commercial travellers and tourists;

- length of a traveller's stay which is dependent on business and commercial travel, leisure and tourism;

- changes in governmental laws and regulations, fiscal policies and zoning ordinances and increases in operating costs and occurrence of unanticipated costs due to various reasons including inflation, labour costs, workers' compensation and health-care related costs, utility and energy costs, property tax, advertising and promotion expenses, insurance, environmental damage and acts of nature and their consequences; and

- adverse effects of any downturn in the hospitality industry.

An economic decline generally, or a decline in hotel industry conditions, could have an adverse effect on the Group's hospitality business and therefore on the Group's results of operations and financial condition.

Any significant liability claims or complaints from its customers or adverse publicity involving the Group's restaurant services could adversely affect the Group's business and operations.

The Group operates a number of restaurants in Hong Kong. Operating in the food and beverage industry, the Group faces an inherent risk of food contamination and liability claims. Food quality in the Group's restaurants depends in part on the quality of the food ingredients provided by its suppliers and the Group may not be able to detect all defects in its supplies. There is also the risk that certain of its employees may not adhere to the Group's mandated procedures and requirements when preparing food. Any failure to detect defective food supplies, poor hygiene or cleanliness standards in operations, or other failure to observe its requirements or standards, whether or not due to its fault, could adversely affect the quality of the food served in one or more of the Group's restaurants, which could lead to liability claims, complaints or related adverse publicity and could result in the imposition of penalties by relevant authorities or compensation awarded by courts against the Group. Although the Group maintains public liability insurance for all its restaurants in Hong Kong, the Group would be required to pay compensation with its own funds if found to be liable for any liability claim with respect to the Group's restaurants without public liability insurance coverage or outside the scope of coverage under its existing public liability insurance policies.

Risks Relating to the Notes, the Guarantee of the Notes and the Security

The condensed consolidated financial information of the Guarantor as at and for the six months ended 31 January 2014 and 2013 contained in this Offering Circular has not been audited or reviewed

The condensed consolidated financial information of the Guarantor as at and for the six months ended 31 January 2014 and 2013 contained in this Offering Circular has not been audited or reviewed by their respective independent auditors, and should not be relied upon by potential investors to provide the same quality of financial information as compared to financial information that has been subject to an audit or review. Investors must exercise caution when using the unaudited and unreviewed condensed consolidated financial information of the Guarantor included in this Offering Circular to evaluate the Guarantor's financial condition and results of operations.

The Notes may not be a suitable investment for all investors

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

An active trading market for the Notes may not develop

The Notes are a new issue of securities for which there is currently no trading market. Application has been made to the SEHK for the Notes to be admitted for trading on the SEHK. No assurance can be given that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes. Liquidity of the Notes will be adversely affected if the Notes are held or allocated to limited investors. None of the Joint Lead Managers is obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The liquidity and price of the Notes following the offering may be volatile

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

Exchange rate risk

Investment in the Notes is subject to exchange rate risks. The value of the US dollar against the HK dollar, the CNY and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. The Guarantor will make all payments of interest and principal with respect to the Notes in US dollars. As a result, the value of these US dollar payments may vary with the prevailing exchange rates in the market place. If the value of the US dollar depreciates against the HK dollar, the CNY or other foreign currencies, the value of a Noteholder's investment in HK dollar, CNY or other applicable foreign currency terms will decline.

The Issuer has no substantive business or assets

The Issuer is a direct wholly-owned subsidiary of the Guarantor formed for the principal purpose of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to the Guarantor and its subsidiaries. The Issuer does not and will not have any net assets other than such on lent loans and its ability to make payments under the Notes depends on timely payments under such loans. In the event that the Guarantor and its subsidiaries do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

The Issuer may be unable to redeem the Notes

On certain dates, including the occurrence of an early redemption event and at maturity of the Notes, the Issuer may, and at maturity, will be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer, in such circumstances, would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Guarantor, its subsidiaries, associated companies and jointly controlled entities.

The Guarantor mainly derives its income from two wholly-owned properties in Hong Kong and its only other potential income source is its 51.97% interest in LSD. The Notes are to be repaid out of the income of the Guarantor, and there is no guarantee that such income will be sufficient

The Guarantor mainly derives its income from its interest in two wholly-owned properties which are located in Hong Kong, namely Crocodile Center (commercial podium) and Por Yen Building. Other than these two properties, the Guarantor held a 51.97% interest in LSD as at 9 July 2014 which is its only other potential income source. Neither the Guarantor nor LSD have paid any dividends in recent years, although both companies announced on 20 May 2014 that they are currently undergoing a share capital reduction exercise that would, upon becoming effective, put the Guarantor and LSD in a position to legally pay dividends, subject to the respective company's performance, consideration by the respective board of directors and availability of distributable reserves. LSD is not under any obligation to pay dividend and therefore the Guarantor cannot guarantee income from this source.

The Issuer and the Guarantor cannot guarantee that such income will be sufficient to repay the Notes.

The Guarantee of the Notes will be structurally subordinated to subsidiary debt

A substantial part of the Guarantor's operations are conducted through its subsidiaries, associated companies and jointly-controlled entities. Accordingly, the Guarantor is and will be dependent on the operations of its subsidiaries, associated companies and jointly-controlled entities to service its indebtedness, including interest and principal on the Notes. The Notes will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Guarantor's subsidiaries, and to all secured creditors of the Guarantor. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Guarantor, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Guarantor.

The insolvency laws of the BVI and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar

As the Issuer is incorporated under the laws of the BVI, any insolvency proceedings relating to the Issuer, even if brought in other jurisdictions, would likely involve BVI insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

If the Issuer or the Guarantor or any Material Subsidiary (as defined in the Terms and Conditions) is unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements and /or Notes which could cause repayment of the respective debt to be accelerated

If the Issuer or the Guarantor or any Material Subsidiary ("**Relevant Company**") are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements and /or the Notes. In the event of such default, the holders of the debt could terminate their commitments to lend to the Relevant Company, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements and/or the Notes as the case may be. Furthermore, some of the Relevant Company's debt agreements contain, and/or may in the future contain, cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's or the Relevant Company's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Relevant Company's other debt agreements. If any of these events occurs, the Issuer and the Guarantor cannot assure holders of the Notes that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders of the Notes that it would be on terms that are favourable or acceptable to them.

The Notes will be represented by a Global Note Certificate and holders of a beneficial interest in a Global Note Certificate must rely on the procedures of the Clearing Systems

The Notes will be represented by beneficial interests in a Global Note Certificate. Such Global Note Certificate will be registered in the name of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg (the "**Clearing Systems**"). Except in the circumstances described in the Global Note Certificate, investors will not be entitled to receive individual Note certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Note Certificates.

While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by the Global Note Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing Systems for distribution to their account holders.

A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the Clearing Systems to receive payments under the Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in the Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

The Guarantor's subsidiaries, jointly-controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly-controlled entities and associated companies

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly-controlled entities and associated companies to satisfy its obligations, including its obligations under the Notes and the Guarantee of the Notes. The ability of the Guarantor's subsidiaries, jointly-controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Guarantor cannot assure that its subsidiaries, jointly-controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Furthermore, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Notes. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly-controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Notes and the Guarantee of the Notes.

The security forming the Security may in some circumstances be voidable

All or part of the Security may be voidable as a preference under insolvency or fraudulent transfer or similar laws of England, Hong Kong or the BVI at any time within six months of the perfection of the share charge in respect of the ordinary shares of LSD or, under some circumstances, within a longer period. If the pledging of the security is deemed by a court to constitute a preference, unfair payment or similar transaction. In the event that the Interest Reserve Account is transferred as contemplated in the Terms and Conditions, a new pledge will be taken and this period will be restarted. If the pledges of the Security were to be voided for any reason, holders of the Notes would have only an unsecured claim against the Issuer and the Guarantor.

The value of the Security may not be sufficient to satisfy the Issuer's and the Guarantor's obligations under the Notes

The Notes and the Guarantee of the Notes have the benefit of the Security constituted by (i) the share charge in respect of the ordinary shares of LSD granted by the Guarantor and/or certain of its subsidiaries that hold the relevant shares and (ii) the account charge in respect of the Interest Reserve Account. The ability of the Security Trustee, on behalf of the holders of the Notes, to foreclose on the Security upon the occurrence of an Event of Default (as defined in "*Terms and Conditions*") or otherwise will be subject to the terms of the Security Documents (as defined in "*Terms and Conditions*") as well as in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, there can be no assurance that the Security Trustee or holders of the Notes will be able to enforce the security interest or that the value thereof is sufficient to satisfy the Issuer's and Guarantor's obligations under the Notes.

The value of the Security in the event of a bankruptcy, liquidation, reorganisation or other winding-up proceedings will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Security have been prepared by or on behalf of the Issuer or the Guarantor in connection with this offering of the Notes. Accordingly, there can be no assurance that the proceeds of any sale of the Security or the amounts in the Interest Reserve Account, which are subject to a first priority fixed charge in favour of the Trustee for the benefit of the Noteholders, following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. There can be no assurance that the Security will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Security does not guarantee a specified percentage shareholding of LSD will be charged in favour of the Security Trustee and the Security may therefore be diluted during the life of the Notes

The number of shares of LSD that are charged under the Security will not change during the life of the Notes, and in the event that further shares are issued by LSD, there is no mechanism requiring any further shares to be charged in favour of the Security Trustee to maintain a specific percentage shareholding or to prevent a dilutive effect. There is therefore no assurance that the number of shares subject to the Security will be a majority of the overall shares of LSD in issue.

The Trustee and the Security Trustee may request the holders of the Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction

In certain circumstances (including taking action pursuant to Condition 13 *(Enforcement)* of the Terms and Conditions) each of the Trustee and the Security Trustee may (at its sole discretion) request holders of the Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the holders of the Notes. Neither the Trustee nor the Security Trustee shall be obliged to take any such actions if not indemnified and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee and the Security Trustee may not able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed constituting the Notes or the Security Documents and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of the Notes

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items such as capital contributions, is generally only permitted upon obtaining specific approvals from or completing specific registrations or filings with the relevant authorities on a case by case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), the PBOC promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC FDI Measures**") on 13 October 2011 as part of PBOC's detailed Renminbi accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC further issued the implementing rules for the PBOC FDI Measures. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with PBOC is still necessary.

On 3 December 2013, MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As the PBOC FDI Measures and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the pilot scheme introduced in Hong Kong will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer and the Guarantor to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Notes and the Issuer and the Guarantor's ability to source Renminbi outside the PRC to service the Notes

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

While PBOC has established Renminbi clearing and settlement mechanisms for participating banks in Hong Kong, Macau, Singapore and Taiwan through the settlement agreements on the clearing of Renminbi business with Bank of China (Hong Kong) Limited in Hong Kong, Bank of China, Macau Branch in Macau, Industrial and Commercial Bank of China, Singapore Branch in Singapore and Bank of China, Taipei Branch in Taiwan (each, a "**Renminbi Clearing Bank**"), and are in the process of establishing Renminbi clearing and settlement mechanisms in France, Germany and the United Kingdom (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited. (the "**Renminbi Clearing Bank**"), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Payments with respect to the Notes may be made only in the manner designated in the Notes

All payments with respect to the Notes may be made only by transfer to a Renminbi account in Hong Kong in accordance with prevailing rules and procedures. The Issuer cannot be required to make payment by any other means (including in any other currency or in banknotes, by cheques or drafts or by transfer to a bank account in the PRC).

Gains on the transfer of the Notes may be subject to income taxes under PRC tax laws

Under the EIT Laws, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of the Notes by a non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is income derived from sources within the PRC. However, uncertainty remains as to whether the gain realised from the transfer of the Notes by a non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and be subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Laws, the PRC Individual Income Tax Law and the relevant implementing rules.

Therefore, if a non-PRC resident enterprise or individual resident holders are required to pay PRC income tax on gains derived from the transfer of the Notes (such EIT is currently levied at the rate of 10% of gains realised and such IIT is currently levied at the rate of 20% of gains realised (with deduction of reasonable expenses), unless there is an applicable tax treaty between the PRC and the jurisdiction in which such non-PRC resident enterprise or individual resident holders of the Notes reside that reduces or exempts the relevant EIT or IIT), the value of their investment in the Notes may be materially and adversely affected.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Note Certificate contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

The Notes will be represented by a Global Note Certificate which will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg.

Under the Global Note Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions in respect of the Notes represented by the Global Note Certificate to the Noteholder in such circumstances as the same may become payable in accordance with the Terms and Conditions.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) the Trustee gives written notice to the Issuer declaring the Notes to be immediately due and payable following the occurrence of an Event of Default under Condition 8 *(Events of Default)*.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Noteholder of the Global Note Certificate, Euroclear and/or Clearstream, Luxembourg to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Noteholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payment Record Date: Each payment in respect of the Global Note Certificate will be made to the person shown as the Noteholder in the register of Noteholders at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).

Exercise of put option: In order to exercise the option contained in Condition 5(c) *(Redemption for Change of Control)* (the "**Put Option**"), the Noteholder must, within the period specified in the Terms and Conditions for the deposit of the relevant Global Note Certificate and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which the Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 15 *(Notices)*, so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Noteholders represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

Meetings: For the purposes of any meeting of Noteholders, the Noteholders represented by the Global Note Certificate shall be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Notes.

Transfers: Transfers of beneficial interests in the Notes represented by the Global Note Certificate will be effected through the records of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System and with their respective participants.

Cancellation: Cancellation of any Note represented by the Global Note Certificate which is required by the Terms and Conditions will be effected by reduction in the principal amount of the Notes in the register of Noteholders.

Payment: Payments of principal, interest and premium (if any) in respect of Notes evidenced by the Global Note Certificate held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent or such other Paying Agent, to the cash accounts of Euroclear and Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures and will be made without presentation for endorsement by the Principal Paying Agent or such other Paying Agent and, if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Note Certificate to or to the order of the Principal Paying Agent or to the order of such other Paying Agent as shall have been notified to the relevant holder for such purpose. No person shall however be entitled to receive any payment on the Global Note Certificate (or such part of the Global Note Certificate which is required to be exchanged) falling due after any date of exchange into individual Certificates in definitive form unless exchange of the Global Note Certificate for such individual Certificates is improperly withheld or refused by or on behalf of the Issuer or the Issuer does not perform or comply with any one or more of what are expressed to be its obligations under any such individual Certificates.

USE OF PROCEEDS

The net proceeds from the issue of the Notes are estimated to be approximately CNY635 million after deducting underwriting fees and expenses. The net proceeds will be on-lent to the Guarantor and/or its subsidiaries for general working capital purposes and may be used in, if the opportunity arises and circumstances are favourable, in connection with a possible participation in the Hengqin Project. Any participation in the Hengqin Project which involves or relates to property investment or development would, in addition, need to be approved in accordance with the terms set out in Lai Fung's Deed of Conditional Waiver which was approved by Lai Fung's independent shareholders on 18 December 2012 ("**Deed of Conditional Waiver**"). Approvals required include approval from the special committee of Lai Fung (comprising all the independent non-executive directors of Lai Fung) set up pursuant to the Deed of Conditional Waiver. In addition, the participation of the Guarantor in the Hengqin Project may also require further approvals from the independent shareholders of Lai Fung in accordance with Chapter 14A of the Listing Rules, as well as from the shareholders of the Guarantor pursuant to Chapter 14 of the Listing Rules.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

As at 31 January 2014, the Guarantor had an authorised share capital of HK$40,000,000, which included 4,000,000,000 ordinary shares of HK$0.01 each. The issued and fully paid up ordinary shares were HK$16,174,000, consisting of 1,617,423,423 ordinary shares of HK$0.01 each.

The following tables set forth the consolidated capitalisation and indebtedness of the Guarantor as at 31 January 2014 which have not been audited or reviewed, and as adjusted to give effect to the issue of the Notes. These tables should be read in conjunction with the consolidated financial statements of the Guarantor and the accompanying notes included in this Offering Circular.

	As at 31 January 2014	
	Actual	**As adjusted** *(Note 1)*
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Cash and cash equivalents	9,333,898	10,145,748
Short-term indebtedness		
Bank borrowings – current portion	439,477	439,477
Long-term indebtedness		
Bank borrowings – non-current portion	2,901,408	2,901,408
Guaranteed notes	2,700,840	2,700,840
Other borrowing, note payable and interest payable	344,659	344,659
Notes to be issued *(Note 2)*	–	811,850
	5,946,907	**6,758,757**
Equity attributable to owners of the Guarantor		
Issued capital	16,174	16,174
Share premium account	1,908,840	1,908,840
Reserves *(Note 3)*	1,196,435	1,196,435
Retained profits	8,867,168	8,867,168
	11,988,617	**11,988,617**
Total capitalisation *(Note 4)*	17,935,524	18,747,374

Notes:

1. *The adjusted data reflects the gross proceeds from the Notes (before deducting fees and other expenses payable in connection with this offering) and do not take into account the future application of any of the proceeds from this offering to refinance existing indebtedness.*

2. *This amount represents the aggregate principal amount of the Notes translated into Hong Kong dollars based on the exchange rate of HK$1.249 to CNY 1, being the medium rate on 14 July 2014 set by The Hong Kong Association of Banks for illustration purpose only.*

3. *Reserves as at 31 January 2014 included investment revaluation reserve, share option reserve, hedging reserve, asset revaluation reserve, other reserve and exchange fluctuation reserve.*

4. *Total capitalisation comprises long-term indebtedness and equity attributable to owners of the Guarantor.*

DESCRIPTION OF THE ISSUER

Formation

Lai Sun Garment International Finance (2014) Limited is a company incorporated on 26 June 2014 in the BVI with limited liability under the BVI Business Companies Act, 2004 (BVI Company Number: 1829613). Its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The Issuer is a direct wholly-owned subsidiary of the Guarantor.

Business Activity

The Issuer was established to raise financing for the Group pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a direct wholly-owned subsidiary of the Guarantor and those incidental to the issue of the Notes.

Financial Statements

Under the laws of the BVI, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep such records that are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

Directors and Officers

The directors of the Issuer are Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester. None of the directors of the Issuer holds any shares or options to acquire shares of the Issuer. There are no conflicts of interest between the duties to the Issuer of the persons listed above and their private interests and duties.

The Issuer does not have any employees and has no subsidiaries.

Share Capital

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00 and one share has been duly authorised and issued to the Guarantor and is fully paid. The register of members of the Issuer is maintained at its registered office in the BVI at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As at the date of this Offering Circular, the Issuer has no debt outstanding.

DESCRIPTION OF THE GUARANTOR

Overview

The Guarantor is an investment holding company incorporated in Hong Kong and has been listed on the Main Board of the SEHK (Stock Code: 191) since 1987 with a market capitalisation of HK$2.1 billion as at 9 July 2014. The Guarantor is the ultimate holding company of the Group, and Lai Sun group was founded in Hong Kong in 1947 as a garment manufacturer. Since establishment, the Group has evolved into a diversified conglomerate and its principal activities include property investment, property development, investment in and operation of hotels and restaurants in Hong Kong, Mainland China and overseas as well as investment holding.

The Guarantor primarily derives its income from its interest in two wholly-owned properties located in Hong Kong, namely Crocodile Center (commercial podium) and Por Yen Building. Other than these two properties, the Guarantor held a 51.97% interest in LSD, a SEHK Main Board-listed company (Stock Code: 488) with market capitalisation of HK$3.7 billion as at 9 July 2014.

Through LSD, the Guarantor also holds substantial interests in the following listed companies, namely:

– eSun (Stock Code: 571): an investment holding company, whose subsidiaries are principally engaged in the development, operation of and investment in: media; entertainment; music production and distribution; investment in and production and distribution of television programmes, film and video format products; cinema operations; the provision of advertising agency services; the sale of cosmetic products as well as property development for sale and property investment for rental purposes. eSun is an associate company of LSD;

– MAGH (Stock Code: 8075): a company engaged in entertainment businesses, including film production and distribution, as well as the organisation, management and production of concerts and live performances, artiste management, the production and distribution of television drama series, music production and publishing, and the provision of advertising and consultancy services in the planning and management of cultural, entertainment and live performance projects. MAGH is a subsidiary of eSun; and

– Lai Fung (Stock Code: 1125): a company engaged in property development for sale and property investment for rental purposes in China. Lai Fung is a subsidiary of eSun.

The Group's principal business activities and interests are carried out and/or held by LSD and/or its subsidiaries.

Property investment and development

The Group is engaged in the development and sale of residential, office, commercial and industrial properties and investment in rental properties, primarily in Hong Kong. Property sales and rental income have been, and are expected to continue to be, the most significant source of the Group's revenue.

The Group's property development business consists primarily of the development of building projects using independent contractors to carry out the necessary design and building work. These projects are either sold or held by the Group for investment to derive both rental income and capital appreciation. The Group holds for investment purposes a sizeable portfolio of properties, which comprises of both properties developed by the Group and properties acquired from other parties, and which contributes recurring rental income to the Guarantor's property business.

Hotel and restaurant operations

The hotel and restaurant operations include the Group's equity interests in the Caravelle Hotel in Ho Chi Minh City, Vietnam and a number of acclaimed restaurants in Hong Kong including the Michelin 3-star Italian restaurant $8^{1/2}$ Otto e Mezzo BOMBANA Hong Kong, Michelin 2-star Japanese restaurant Wagyu Takumi, Michelin 1-star Japanese restaurant Wagyu Kaiseki Den, as well as other high profile restaurants such as China Tang and Island Tang.

Property portfolio

The following table sets forth the approximate attributable GFA and car-parking spaces of the Group's major properties by type and development stage as at 31 January 2014:

Approximate attributable GFA (in '000 sq. ft.) and car-parking spaces of the Group's major properties *(Note 1)* as at 31 January 2014:

	Commercial/ Retail	Office	Industrial	Residential	Hotel	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Completed Properties Held for Rental *(Note 2)*	323	453	206	–	–	982	540
Completed Hotel Properties	–	–	–	–	51	51	–
Properties Under Development *(Note 3)*	68	–	–	119	–	187	90
Completed Properties Held for Sale *(Note 4)*	9	–	–	36	–	45	22
Total GFA of major properties of the Group	**400**	**453**	**206**	**155**	**51**	**1,265**	**652**

Notes:

1. *The above table does not include the GFA of the properties held by Lai Fung.*
2. *Completed and rental generating properties*
3. *All properties under construction*
4. *Completed properties held for sale*

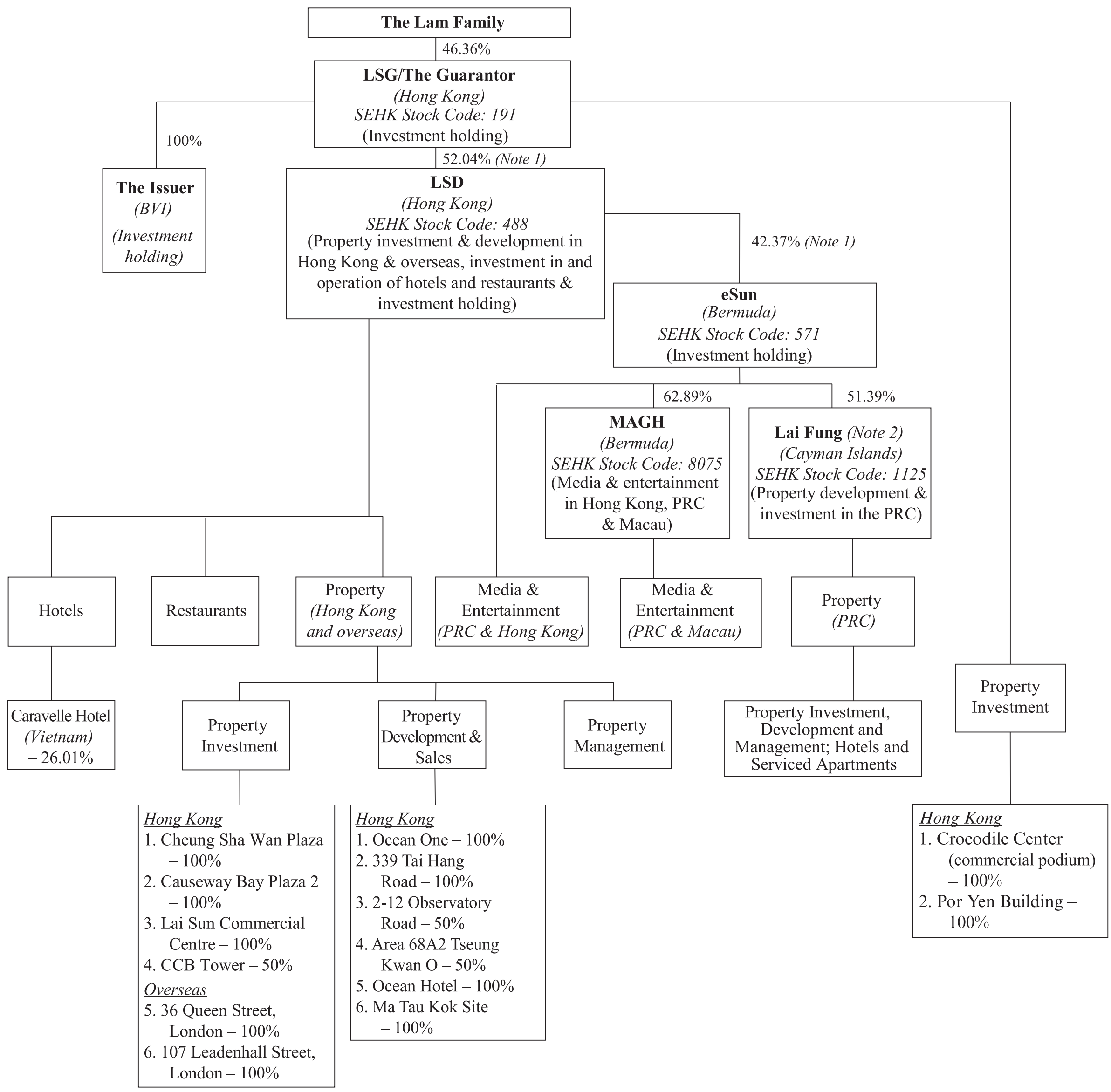
Financial results

For the six months ended 31 January 2014, the Group recorded a turnover of HK$1,271.8 million (2013: HK$470.3 million) and a gross profit of HK$605.6 million (2013: HK$317.7 million), representing an increase of approximately 170% and 91%, respectively, over the same period last year. Turnover from rental income, sales of properties, hotel and restaurant and other operations during the period was HK$284.3 million (2013: HK$256.1 million), HK$722.7 million (2013: HK$1.2 million) and HK$264.8 million (2013: HK$213.0 million), respectively. Net profit attributable to the owners of the Guarantor was approximately HK$338.6 million (2013: HK$1,103.8 million), representing a decrease of approximately 69% over the same period of the previous year. Excluding the effect of property revaluations, net profit attributable to the owners of the Guarantor increased to approximately HK$79.3 million (2013: HK$47.2 million), primarily due to the successful sale of the majority of units at Ocean One. Equity attributable to the owners of the Guarantor as at 31 January 2014 amounted to HK$11,988.6 million, up from HK$11,035.3 million as at 31 July 2013.

For the year ended 31 July 2013, the Group recorded turnover of HK$1,049.1 million (2012: HK$947.2 million) and a gross profit of HK$661.1 million (2012: HK$586.5 million), representing an increase of approximately 11% and 13%, respectively over the previous year. Turnover from rental income, sales of properties and hotel, restaurant and other operations during the year was HK$519.9 million (2012: HK$468.2 million), HK$100.3 million (2012: HK$92.1 million) and HK$428.9 million (2012: HK$386.9 million), representing an increase of 11%, 9% and 11%, respectively. Net profit attributable to owners of the Guarantor was approximately HK$1,663.9 million (2012: HK$1,385.9 million), representing an increase of approximately 20% over the previous year. Excluding the effect of property revaluations, net loss attributable to owners of the Guarantor was approximately HK$40.3 million (2012: net profit attributable to owners of the Guarantor was approximately HK$312.3 million).

Corporate Structure of the Group

The table below sets out the corporate structure of the Group as at 9 July 2014.



Notes:

1. *Shareholding includes interest held by certain directors at LSG, LSD and eSun levels. LSG's corporate interest in LSD was 51.97% and LSD's corporate interest in eSun was 41.92%.*

2. *Approximately 20% interest in Lai Fung was held by CapitaLand Group of Singapore.*

Competitive Strengths

The following are the principal competitive strengths of the Group:

Stable recurring income base underpinned by high quality investment property portfolio

The Group has maintained strong and stable cash flows from its investment property portfolio, which primarily consists of offices and retail spaces, with attributable GFA of approximately 982,000 sq. ft. as at 31 January 2014. For the six months ended 31 January 2014, the Group's rental operations recorded a turnover of HK$284.3 million (2013: HK$256.1 million), representing an 11% increase over the same period last year. The Group has also historically maintained a high occupancy rate for its investment properties and achieved an average occupancy rate of over 95% for the six months ended 31 January 2014 for its investment property portfolio in Hong Kong. The Group currently has a large and diversified group of major anchor tenants such as HSBC, Hang Seng Bank, Standard Chartered Bank, McDonald's, Maxim's, KFC, Mannings and other stable tenants such as Giormani, Wall Street Institute, Logitech, and Starbucks Coffee.

The stable recurring income from the Group's investment properties covers a substantial portion of the Group's fixed income. Gross rental revenue accounted for 49% and 50% of the total revenue of the Group for the years ended 31 July 2012 and 31 July 2013, respectively. For the six months ended 31 January 2014, rental income generated from investment properties constituted approximately 22% of the Group's total turnover.

Growing development pipeline with the addition of new rental properties to increase net asset value and serve as a catalyst for further growth

Since securing a site located at Area 68A2, Tseung Kwan O, New Territories in 2013, the Group has participated in a number of government tenders to grow the development pipeline. The Group was awarded the Ocean Park Hotel project in May 2014, which will provide a total of 495 rooms and approximately 190,200 sq. ft. of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.0 million sq. ft. Other than the Ocean Park Hotel project, the Group was successful in April 2014 in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority, Hong Kong in Ma Tau Kok, Kowloon, Hong Kong, which will provide attributable residential/commercial GFA of approximately 59,000 sq. ft. upon completion. In addition, the completion of the Observatory Road project will add an attributable rental GFA of approximately 42,900 sq. ft. in the prime Tsim Sha Tsui area of Hong Kong upon completion (which is expected in the third quarter of 2015). Construction of the Tseung Kwan O site has commenced and is on-track for completion in 2017, and is expected to add an attributable rental GFA of approximately 144,500 sq.ft.

Prudent approach to financial management

The Group adopts a prudent approach to financial management and proactively manages its debt exposure closely, seeking to maintain the strength of its balance sheet and an appropriate level of interest cover. As a result of its prudent financial management approach, the Group has historically enjoyed a well-balanced debt maturity profile and access to a diversified range of funding channels, including equity, syndicated loans and onshore and offshore bank relationships, and has achieved low gearing and a healthy credit profile. As at 31 January 2014, the Group had cash and bank balances of approximately HK$9,550.2 million and total borrowings of approximately HK$6,386.4 million. The gearing ratio expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings, guaranteed notes, other borrowing, note payable and related accrued interest payable to the late Mr. Lim and temporary receipt from over-subscription for a rights issue less the pledged and unpledged cash and bank balances) to consolidated net assets attributable to owners of the Guarantor was approximately 22% as at 31 January 2014. The cash and bank balances held by the

Group excluding LSD as at 31 January 2014 was HK$6,080.9 million, of which HK$5,809.1 million, representing proceeds from over-subscription for a rights issue, was subsequently refunded to the subscribers in February 2014. Excluding LSD, the Group had total borrowings of approximately HK$674.2 million as at 31 January 2014 and a gearing ratio of 3%.

Family owned business with professional management underpinning commitment and stability

The Lai Sun group is a conglomerate of five companies listed in Hong Kong starting as a garment manufacturer and retailer, and has been engaged in property development since the 1970's. The Lam family, which controls the Group, has an extensive network of well-developed business relationships in Hong Kong and the PRC. Being a member of the Group gives the Guarantor access to this extensive network of local contacts and information on the latest market opportunities.

The Group has a dedicated and experienced management team which has a strong track record of success in the real estate sector in Hong Kong. For instance, Dr. Peter Lam (Deputy Chairman and Executive Director) has been with the Group for over 20 years and has rich experience in the industry. In addition, Mr. Chew Fook Aun (Deputy Chairman and Executive Director) who joined the Group in 2012 has brought significant experience from the property sector from his prior appointments. The Group's experience and in-depth knowledge of the local markets enable it to respond better to relevant market trends and the preferences of its target customers, to more effectively manage and control the quality, schedule and costs of its activities and to better optimise operational efficiency.

Established relationships with recognised developers and investors

The Group has established strategic partnerships with major developers and financial institutions as investors for property development projects, such as AIA, China Construction Bank Corporation ("**CCB**") and Henderson Land Group. The Group's joint venture projects range from commercial and residential property development to management of investment properties. The Group's established brand name of "Lai Sun" has helped to attract other well-regarded professionals and partners to collaborate with it on its property projects, in particular, those who wish to have access to sites in convenient locations in Hong Kong. The Group in turn benefits from the experience of such professionals and developers in sourcing suitable land and in local construction management. The Group believes that it is attractive to joint venture partners because they view joint development of sites with the Group as being more likely to capture the long-term potential of the sites and their locations, given the Group's policy to hold properties long term.

Strategies

The Group's strategies include the following:

Strengthen balance sheet with addition of new rental and investment properties in the development pipeline

The Group intends to continue to strengthen its balance sheet through addition of rental properties in the pipeline. A number of rental properties are scheduled to be added in the next few years increasing the attributable rental GFA from approximately 1.0 million sq.ft. to approximately 1.3 million sq.ft., primarily through the addition of the freehold commercial property in London acquired in April 2014, the Observatory Road project expected to be completed in 2015 and the Ocean Hotel to be completed in 2017. The Group also intends to strengthen its balance sheet through continued increase in the interests it holds in other members of the Group at a discount to their net asset value, where the benefits will ultimately be reflected in the net asset value of the Group.

Raise financing by continuing to optimise funding structure

The Group intends to take advantage of its expected increase in net asset value set out in the section "Strengthen balance sheet" and optimise the funding structure. The strengthening of the balance sheet enables the Group to consider using the assets as security to borrow at a more favourable rate and through channels other than bank financing.

Build the development pipeline by actively participating in a number of tender process

The Group continually assesses property development opportunities and investment projects in Hong Kong and overseas. The Group adopts a focused, systematic and selective approach to land acquisitions and intends to continue to seek opportunities to acquire appropriate and quality new development sites for development of commercial and residential projects to provide additional revenue, operating profit and returns for the Group. With the Hong Kong government committed to increasing land supply in the long run as a measure to stabilise local property prices, the Group will continue to monitor the prices achieved at government land auctions and tenders in Hong Kong and will participate in these exercises if and when suitable investment opportunities arise.

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle of LSD with an independent third party. The site is expected to add approximately 144,500 sq. ft. of attributable GFA to its development portfolio and completion is expected in the second quarter of 2017.

After the end of 2013, the Group acquired from Intercontinental Group Holdings Limited (formerly known as Kadokawa Intercontinental Group Holdings Limited) two floors of office space in Wyler Centre, Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong and three car-parking spaces for HK$130 million. These two floors of office with total GFA of approximately 51,000 sq. ft. and three car-parking spaces became part of the Group's rental portfolio since 15 August 2013.

Since securing the Tseung Kwan O site in November 2012, the Group participated in a number of government tenders to increase its property portfolio. Other than the Ocean Park Hotel project, the Group was successful in April 2014 in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority, Hong Kong in Ma Tau Kok, Kowloon, Hong Kong, which will provide attributable residential/commercial GFA of approximately 59,000 sq. ft. upon completion.

Rental focused approach with the addition of rental and investment properties

It is the Group's policy to hold its investment properties with a view to deriving rental income and generating positive cashflow. The Group intends to continue to grow its rental and investment property portfolio through retaining interests in sizeable commercial/retail components in its development projects to further enhance its recurring investment property income and earnings. The completion of the Observatory Road project, the 50:50 joint venture project with Henderson Land Group at 2-12 Observatory Road, will add an attributable rental GFA of approximately 42,900 sq. ft. in the prime Tsim Sha Tsui area of Hong Kong upon its completion (which is expected to be in the third quarter of 2015). The acquisition of a freehold commercial property in London in April 2014 added an attributable rental GFA of approximately 55,200 sq. ft. to the Group's rental portfolio. The Group was awarded also the Ocean Park Hotel project in May 2014, which will add attributable rental GFA of approximately 190,200 sq. ft. upon its completion (which is expected to be in 2017).

The Group intends to actively manage its completed properties by optimising the mix of retail tenants and early commencement of renewal negotiations with office tenants, and to consistently maintain services at the highest quality. By doing so, the Group believes that it will maximise the occupancy rates and fully capitalise the earning potential of its properties in turn generating stronger cashflows.

Recent Developments

Since securing the Tseung Kwan O site in 2013, the Group has participated in a number of government tenders to grow the development pipeline.

The major subsidiary of the Group, LSD, was named the most preferred proponent by Ocean Park for the Ocean Park Hotel project in October 2013 and was officially awarded the project in May 2014. The Ocean Park Hotel, to be operated by the Marriott group, will provide a total of 495 rooms and approximately 190,200 sq. ft. of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.0 million sq. ft. The Group is optimistic about the prospects of the Ocean Park Hotel project given the strong popularity of Ocean Park, which is underpinned by robust growth in its visitor numbers and coinciding with its expansion.

The Tai Hang Road project, with nine luxury units located at one of the most sought after addresses in Hong Kong with attributable GFA of approximately 15,800 sq. ft., was completed in January 2014 and the Group is currently preparing for its sale. The completion of the Observatory Road project will add an attributable rental GFA of approximately 42,900 sq. ft. in the prime Tsim Sha Tsui area of Hong Kong upon completion (which is expected in the third quarter of 2015). Construction of the Tseung Kwan O site has commenced and is on-track for completion in 2017.

The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with members of the Group. The Guarantor and LSD announced on 20 May 2014 a proposed capital reduction that, upon becoming effective, would put the Guarantor and LSD in a position which would enable each of them to legally pay dividends, subject to the Guarantor's and LSD's performance, consideration by the respective board of directors and the availability of distributable reserves.

In June 2014, LSD entered into a Keepwell and Security Shortfall Support Deed and a Deed of Equity Interest Purchase Undertaking as part of the credit enhancement components for the issue of secured guaranteed notes by eSun International Finance Limited, a wholly owned subsidiary of eSun.

Hengqin Creative Culture City Project

Lai Fung and eSun entered into the cooperation agreement on 16 September 2011 for the development and construction of the Hengqin Cultural and Creative Zone with the Hengqin New Area Administrative Committee, pursuant to which Lai Fung Group and eSun shall jointly invest in and develop the Creative Culture City Project located in Hengqin New Area, Zhuhai City, Guangdong Province, the PRC which will occupy a site area of approximately 1 square kilometer. Pursuant to the cooperation agreement, land supply and development for such project will be completed by phases.

On 25 September 2013, Lai Fung announced it had successfully won Phase I of the Creative Cultural City project (the "**Phase I CCC**") in Hengqin which is 80% owned by Lai Fung Group and 20% owned by its ultimate holding company, eSun. The land (the "**Land**") is situated at the 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, Guangdong Province of the PRC (中國廣東省珠海市橫琴新區藝文二道東側、彩虹路南側、天羽道西側及橫琴大道北側), with a total gross floor area of 2.8 million sq. ft. The Land is for creative cultural industry and commercial related uses. The total investment for Phase I CCC is expected to be around HK$3.8 billion. The master layout plan is being finalised and details will be forthcoming once they are available.

The Hengqin New Area Administrative Committee will sell the land for such project by phases through public bidding in accordance with planning and construction progress of the infrastructure facilities of the project.

Business Activities

The Guarantor mainly derives its income from its interest in two wholly-owned properties, namely Crocodile Center (commercial podium) and Por Yen Building, both located in Hong Kong. Other than these two properties, the Guarantor also held a 51.97% interest in LSD as at 9 July 2014.

The principal business activities and interests of the Group are carried out and/or held by LSD and/or its subsidiaries and are divided into three segments, namely (i) property investment; (ii) property development and sales; and (iii) hotel, restaurant and other operations.

The following table sets out the revenue according to the business segments of the Group for the financial years indicated:

	For the six months ended 31 January	**For the year ended 31 July**	
	2014	**2013**	**2012**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Property development and sales	722.7	100.3	92.1
Property investment	284.3	519.9	468.2
Hotel, restaurant and other operations	264.8	428.9	386.9
Total	1,271.8	1,049.1	947.2

The following table sets out the revenue of the Group by geographical location for the financial years indicated:

	For the year ended 31 July	
	2013	**2012**
	(HK$ million)	*(HK$ million)*
Hong Kong	712.7	627.3
Vietnam	327.0	302.3
Others	9.4	17.6
Total	1,049.1	947.2

Property Investment

The Group has adopted a strategy to invest in a portfolio of investment properties which are located in convenient locations along the route of the MTR and other busy transport routes and centres. The property investment business segment continues to be a key source of recurring income for the Group in the medium to long term.

For the six months ended 31 January 2014, the Group's rental operations recorded a turnover of HK$284.3 million (2013: HK$256.1 million), representing an 11% increase over the same period last year. For the year ended 31 July 2013, the Group's rented operations recorded a turnover of HK$519.9 million (2012: HK$468.2 million), representing an 11% increase over the same period in the previous year. The increase was primarily due to continued management of tenant mix and rental reversion at major investment properties. CCB Tower, the 50:50 joint venture project of LSD, is fully leased subsequent to the period end and the rental proceeds were recognised as contributions from joint venture.

In April 2014, the Group entered into an agreement with West Register (Bankside) Limited in relation to the acquisition of a freehold commercial property in London. The acquisition of a freehold commercial property in London added an attributable rental GFA of approximately 55,200 sq. ft. to the Group's rental portfolio. The acquisition is to be funded by internal resources and banking facilities of the Group, the facility agreement of which is expected to be signed shortly.

In May 2014, the Group was awarded the Ocean Park Hotel project, which is expected to complete in 2017 and will add attributable rental GFA of approximately 190,200 sq. ft. upon completion.

The Group owns five major rental properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2, Lai Sun Commercial Centre, commercial podium of Crocodile Center and Por Yen Building.

The breakdown of the rental turnover and occupancy rates by the Group's major rental properties is as follows:

	For the year ended 31 July		**Six months ended 31 January**		**Occupancy as at 31 January**
	2013	**2012**	**2014**	**2013**	**2014**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(%)*
Cheung Sha Wan Plaza (including car-parking spaces)	249.9	212.7	134.6	120.9	98.7
Causeway Bay Plaza 2 (including car-parking spaces)	131.1	120.8	73.0	65.8	96.8
Lai Sun Commercial Centre (including car-parking spaces)	48.0	47.3	24.1	25.1	89.2
Crocodile Center (commercial podium)	70.9	59.7	39.3	34.1	100.0
Por Yen Building	12.4	10.8	6.9	6.0	98.7
Others	7.6	16.9	6.4	4.2	N/A
Total	519.9	468.2	284.3	256.1	
Rental proceeds from joint venture project of LSD					
CCB Tower (50% basis)	N/A	N/A	50.5	N/A	95.7

Set out below is a brief description of the Group's major rental properties in Hong Kong and overseas:

Cheung Sha Wan Plaza

The asset comprises an 8-storey and a 7-storey office tower erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of approximately 689,500 sq. ft. (excluding car-parking spaces). The arcade is positioned to serve the local communities nearby with major banks and recognised restaurants chains as the key tenants.

Causeway Bay Plaza 2

The asset comprises a 28-storey commercial/office building with car-parking facilities at basement levels which was completed in 1992. It is located at the heart of Causeway Bay with a total GFA of approximately 208,500 sq. ft. (excluding car-parking spaces). Key tenants include a branch of HSBC, commercial offices and major restaurants.

Lai Sun Commercial Centre

The asset comprises a 13-storey commercial/carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of approximately 188,500 sq. ft. (excluding car-parking spaces).

CCB Tower, 3 Connaught Road Central

LSD has a 50:50 interest with CCB in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This office tower is a landmark property in Central featuring underground access to the MTR station in Central. The property has a total GFA of approximately 229,000 sq. ft. (excluding car-parking spaces). CCB Tower was completed in 2013 and added approximately 59,500 sq. ft. of attributable GFA to the Group's rental portfolio. Subsequent to the period end, CCB Tower has been fully leased with 15 floors of the office floors and 2 banking hall floors leased by CCB for its Hong Kong operations and it is expected to contribute in the financial year ending 31 July 2014.

Crocodile Center

Crocodile Center is a 25-storey commercial/office building which was completed in 2009 and located near the Kwun Tong MTR station. The Group owns the commercial podium which has a total GFA of approximately 97,800 sq. ft. (excluding car-parking spaces). Tenants dominated by local restaurant groups.

Por Yen Building

The Por Yen Building, being a 14-storey industrial building with total GFA of approximately 123,200 sq. ft. excluding car-parking spaces, is located at the hub of Cheung Sha Wan Business Area and is near to the Lai Chi Kok MTR station.

36 Queen Street, London EC4 1HJ, United Kingdom

In February 2011, LSD acquired an office building in the city in central London located at 36 Queen Street. Completed in 1986, it comprises of a total gross internal area of approximately 61,000 sq. ft. of office accommodation extending over basement, ground and six upper floors. Comprehensive refurbishment and renovation work has been completed and the building is currently being leased.

The table below sets out a summary of the Group's major rental properties as at 31 January 2014:

Property name	Location	Group interest	Tenure	Approximate attributable GFA (sq. ft.) Commercial/ Retail	Office	Industrial	Total (excluding car-parking & ancillary facilities)	No. of car-parking spaces attributable to the Group
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	51.97%	The property is held for a term expiring on 30 June 2047	112,556	245,802	–	358,358	184
Por Yen Building	478 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 2081)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	–	–	123,207	123,207	7
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D, E, G, H, K, L, M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	51.97%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	57,776	50,595	–	108,371	30
Crocodile Center (commercial podium)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	97,800	–	–	97,800	–
Crocodile Center (car-parking spaces)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	50%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	–	–	–	–	27
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	51.97%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	54,655	43,327	–	97,982	271
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	25.99%	The property is held for a term commencing on 28 June 1989 and expiring on 30 June 2047	–	59,534	–	59,534	10

Property name	Location	Group interest	Tenure	Approximate Attributable GFA (sq. ft.) Commercial/ Retail	Office	Industrial	Total (excluding car-parking & ancillary facilities)	No. of car-parking spaces attributable to the Group
Wyler Centre Phase II (20/F and 27/F and car-parking spaces nos. P17, P18 and P59 on 2/F)	192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	51.97%	The property is held for a term of which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	–	–	26,627	26,627	2
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	5.20%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	–	22,293	–	22,293	3
36 Queen Street London	36 Queen Street, London, EC4 1 HJ, United Kingdom	51.97%	The property is held freehold	–	31,606	–	31,606	–
Por Mee Factory Building (Units A, B, C and D on 3/F)	500 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	–	–	20,087	20,087	–
Forda Industrial Building (6/F and car-parking spaces nos. 10, 22 and 27 on G/F)	16 Wan Chau Road, Yuen Long, New Territories, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	–	–	19,300	19,300	3
Metropolitan Factory and Warehouse Building (Units A and B on 7/F and car-parking spaces nos. 11 and 12 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	44.65%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	–	–	5,077	5,077	1
Victorious Factory Building (Unit B on 5/F)	33A-37A Tseuk Luk Street and 16-20 Sam Chuk Street, San Po Kong, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	–	–	5,828	5,828	–
Metropolitan Factory and Warehouse Building (Units A and B on 10/F and car-parking spaces nos. 1,2,13 and 14 on G/F)	30-32 Chai Wan, Kok Street, Tsuen Wan, New Territories, Hong Kong	51.97%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	–	–	5,909	5,909	2
Subtotal of completed properties held for rental:				**322,787**	**453,157**	**206,035**	**981,979**	**540**

The Group performs rental management and marketing for most of its investment properties. The portfolio consists mainly of shopping arcades and office buildings which collectively accounts for over 79% of the Group's investment properties in GFA terms. The Group's strategy is to maintain and selectively expand its investment property portfolio as a source of recurrent stable income for the Group. The rental income from the investment portfolio is expected to continue to provide a stable and recurring income base to the Group.

Leasing and Investment Policy

The Group's investment properties in Hong Kong are generally let under leases of one to three years duration and, accordingly, renewals are regularly negotiated. The Group maintains and refurbishes its properties regularly to ensure that they do not deteriorate and that they are in line with the market standards for such similar properties.

The Group is looking to maintain and selectively expand the proportion of its income and profits generated by recurrent rentals from its investment properties. Its policy, when considering new investments, is to seek to acquire sites through government tenders and other means and develop commercial and office properties and keep for investment purposes.

Property Management

The Group employs about 88 operation staff for the management of its investment properties. Services provided include leasing, security, building maintenance and other related services.

Property Development

Similar to that of its property investment business, the Group has followed a general strategy of locating many of its property development sites close to the route of the MTR. Further to securing the Tseung Kwan O site in November 2012, the Group participated in a number of government tenders to expand its land bank.

As well as the Ocean Park Hotel project, the Group successfully bid for the development of San Shan Road/Pau Chung Street project of Urban Renewal Authority, Hong Kong in Ma Tau Kok, Kowloon, Hong Kong in April 2014 at a premium, which will provide attributable residential/commercial GFA of approximately 59,000 sq. ft. upon completion. The premium is intended to be funded from internal resources and/or banking facilities of the Group. The Group will continue to focus on developing properties according to their use. Residential properties will be developed for sale, while sizeable commercial and retail properties are expected to be kept as investment properties. The Group believes that, in the absence of unforeseen circumstances, there will continue to be strong demand for residential projects in the foreseeable future due to a limited supply of available properties and a sustained low interest rate environment in Hong Kong. Most of the Group's residential projects are located in urban areas of Hong Kong Island and Kowloon.

For the six months ended 31 January 2014, the recognised turnover from sales of properties amounted to approximately HK$722.7 million (2013: HK$1.2 million), representing a significant increase over the same period last year. For the year ended 31 July 2013, the recognised turnover from sales of properties amounted to approximately HK$100.3 million (2012: HK$92.1 million), representing an increase of 9% over the same period last year.

The Group currently holds the following properties completed for sale and/or under development:

Major Properties for Sale

Ocean One, 6 Shung Shun Street, Yau Tong

"Ocean One", located at No. 6 Shung Shun Street, Yau Tong, Kowloon, is a solely-developed project by the Group. This property is a residential-cum-commercial property with a total GFA of about 122,000 sq. ft. (excluding car-parking spaces) or 124 residential units and 2 commercial units. The estimated total development cost (including land cost and lease modification premium) is about HK$730 million.

As at 31 January 2014, the Group had sold 82 units out of a total of 124 residential units of which the sale of 68 residential units were completed during the six months ended 31 January 2014. A total of HK$567.7 million was recognised during the six months ended 31 January 2014 and the average selling prices based on net saleable area and GFA were approximately HK$13,600 per sq. ft. and HK$10,200 per sq. ft., respectively. As at the date of this Offering Circular, the sale of Ocean One had been substantially completed at the intended average selling price and has boosted the revenue and profit of the Group.

335-339 Tai Hang Road, Hong Kong

The Group owns the site located at 335-339 Tai Hang Road, Hong Kong. The Group is developing the site into a luxury residential property with a total GFA of about 30,400 sq. ft. (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is estimated to be approximately HK$670 million. As at the date of this Offering Circular, this project has been completed and the Group is preparing the sale of this project.

The table below sets out a summary of the Group's major properties completed for sale as at 31 January 2014:

			Approximate attributable GFA (sq. ft.)			
Property name	**Location**	**Group interest**	**Commercial/ Retail**	**Residential**	**Total (excluding car-parking spaces & ancillary facilities)**	**No. of car-parking spaces attributable to the Group**
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	51.97%	9,224	20,219	29,443	15
339 Tai Hang Road	335-339 Tai Hang Road, Hong Kong	51.97%	–	15,799	15,799	7
Subtotal of completed properties held for sale:			**9,224**	**36,018**	**45,242**	**22**

Major Properties under Development

2-12 Observatory Road

LSD completed the acquisition of a 50% interest in a project at Observatory Road, Kowloon with the buildings previously erected there known as Nos. 2-12, Observatory Road, Kowloon in November 2011. The joint venture partner is Henderson Land.

The site is being planned to be redeveloped into a multi-storey commercial building with a total GFA of approximately 165,200 sq. ft. (excluding car-parking spaces). The total development cost is estimated to be approximately HK$2.3 billion including an estimated land value of approximately HK$1.8 billion. The new building is expected to be completed in the third quarter of 2015. The Group reached an agreement with the government to modify its land lease in relation to the relaxation of the development plot ratio and height restriction. Land premium of approximately HK$133.7 million was paid during the period.

Area 68A2, Tseung Kwan O

In November 2012, LSD successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle with an independent third party. The lot has a total area of approximately 229,000 sq. ft. with a permitted total GFA of approximately 556,100 sq. ft. split into approximately 458,600 sq. ft. for residential use and approximately 97,500 sq. ft. for commercial use. The current intention is to develop the lot primarily into a residential project for sale, comprising residential towers as well as houses. Completion of this project is expected to be in the second half of 2017. This development project is to be funded from internal resources and banking facilities of the Group, the facility agreement and relevant security and other documents of which were signed in June 2014.

The table below sets out a summary of the Group's major properties under development as at 31 January 2014:

					Approximate attributable GFA (sq. ft.)			
Location	**Stage of construction**	**Group interest**	**Site area (approximate sq. ft.)** *(Note)*	**Expected completion date**	**Commercial/ Retail**	**Residential**	**Total (excluding car-parking spaces & ancillary facilities)**	**No. of car-parking spaces attributable to the Group**
2-12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong	Superstructure in progress	25.99%	13,765	3rd quarter of 2015	42,919	–	42,919	14
Area 68A2, Tseung Kwan O, New Territories, Hong Kong	Foundation in progress	25.99%	114,500	2nd half of 2017	25,328	119,186	144,514	76
Subtotal of properties under development:					**68,247**	**119,186**	**187,433**	**90**

The Group's role in the majority of its developments in Hong Kong is developer and employer or project manager of consultants and contractors engaged in the design and construction of each site. The Group undertakes certain of its projects in collaboration with joint venture partners. These projects are usually the Group's larger projects or projects in which the relevant site-owner wishes to participate.

The Group seeks to pre-sell units in those properties which it develops for sale to third parties. Pre-sales can take place at any time during the development process, except in the case of residential units, the pre-sales of which usually only commence within the year before the expected completion date being the date when the occupation permit in respect of the relevant building is generally issued by the relevant Hong Kong authorities. Generally, a deposit of 10% of the selling price is taken from the purchaser to secure a pre-sale of a residential property, with the balance being payable on completion. The Group's profits on sales of properties developed for sale are not recognised in the Group's financial statements until the financial period during which the completion date for the property being sold falls or, if later, the sale actually occurs. Delays in expected completion dates for significant projects, for whatever reason, may have the effect, therefore, of postponing the recognition of the relevant profit from one financial period to the next.

Development schedules for the Group's vacant land in Hong Kong are typically around three to four years, from the acquisition of the site and preparation of architectural plans to the expected completion date. The development cycle for urban properties can be longer, since such sites generally are not vacant and frequently multiple sites, or separate units within a site, must be combined before development can begin. The Group's exposure to changing conditions in the property market prior to selling units in its developments and to its requirements to finance ongoing development costs for each property under development, however, is generally of shorter duration for Hong Kong projects as compared with some other markets.

Land Bank and Site Acquisitions

The Group will continue its policy to take advantage of any market adjustment or attractive purchasing opportunity to replenish its land bank selectively by acquiring further sites to hold for future development, either at public auction, by private treaty or by public or private tender.

Since the cost of acquiring sites and paying applicable land premiums to the Hong Kong government in connection with modification of usage and lease terms represents a substantial portion of the total development costs of a project, the future profitability of the Group's property development operations in Hong Kong will be significantly influenced by its ability to develop and replenish its existing land bank by the acquisition of properties at attractive prices.

Design and Construction

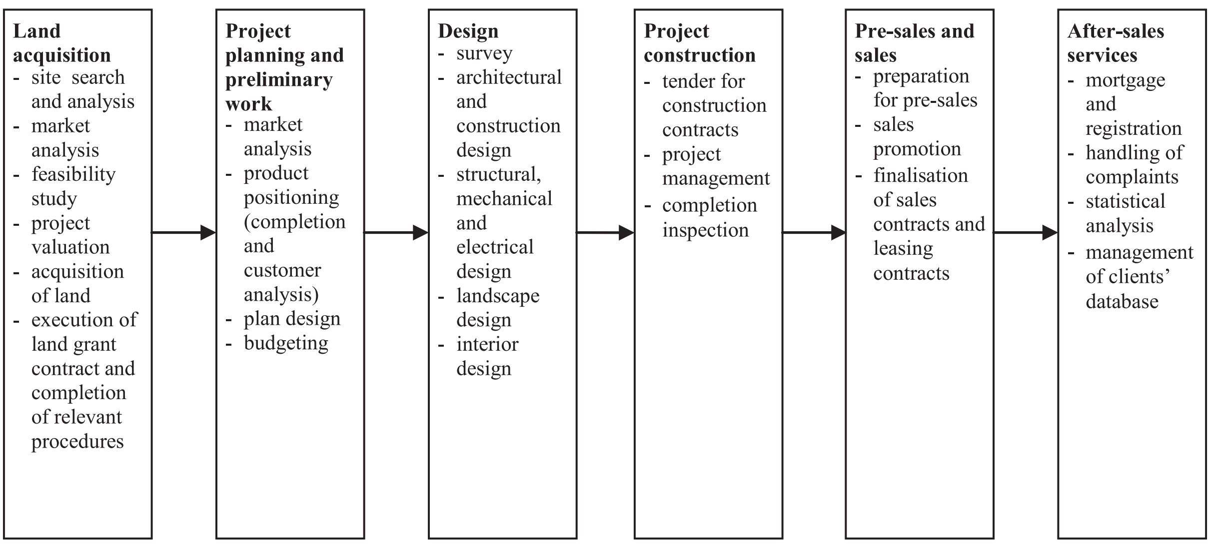
The Group does not have its own architectural, engineering or construction businesses, but engages independent contractors to carry out the design and construction of its development projects. The Group has a team of project managers who work closely with external project consultants and contractors in setting the development plans and supervising the construction of each project.

The Group has long established relationships with a number of architectural firms in Hong Kong. Most of the construction works are awarded by way of competitive tenders to ensure that each project is developed on competitive terms by experienced contractors. The services of the architects and contractors are managed by a design management team which helps the project director to organise a project consultants team scaled to the size and nature of each project undertaken. Generally, such a project consultants team consists of an architect, a structural engineering consultant, a building services consultant, a quantity surveying consultant, landscape designer, an interior designer and any other specialist consultants as required by each specific project. The Group focuses on the importance of consistency and detailing in architectural design to ensure high quality of the Group's projects. Project architects are commissioned to provide full design service whenever possible.

The Group maintains and constantly updates a list of qualified architects and engineering consultants, local and international firms of professionals. The Group will appoint a project consultants team and the design management team will formulate a design brief based on the proposals of the master plan and consultations with the project director, market research advisers, sales and marketing/leasing team, the project manager, the property manager and other relevant individuals in order to position the project to respond to the demands of the prevailing market and to meet the development costs budgeted by the project director. Progress and quality of the service of the project consultants team is closely monitored by the project management team.

Property Development Phases

Development of the Group's properties usually entails six phases: land acquisition, project planning and preliminary work, design, project construction, pre-sales and sales, and after-sales services. The following diagram illustrates the typical stages of the property development cycle and the key elements and milestones within each stage:



Sales and Marketing

The Group currently has a sales and marketing team comprising a total of about 13 employees, operating through centrally located and on-site offices. A marketing and advertising budget is set for each project and a marketing programme is implemented by the Group's own sales force, either alone or in conjunction with external advertising and property agents and through various types of media advertising.

Funding Development Projects

The Group expects to continue to fund the development costs of its current and future Hong Kong projects from a mixture of the Group's internal resources (generated principally from property sales, deposits and rental income), construction loans and other secured and unsecured banking facilities and the proceeds of issues of debt or equity securities.

In line with the Group's prudent financing strategy aimed at optimising its financial structure and strengthening working capital, it had cash and bank balances of approximately HK$3,741.1 million (excluding proceeds from over-subscription of rights issue of HK$5,809.1 million which was subsequently refunded to the subscribers in February 2014) with a net gearing ratio of 22% as at 31 January 2014.

Certain of the Group's investment properties and sites held for development have been mortgaged to lenders in respect of the Group's banking facilities. As at 31 January 2014, the Group had undrawn facilities of HK$1,708.2 million and bank borrowings of HK$3,340.9 million.

Hotel and Restaurant Operations

For the six months ended 31 January 2014, hotel and restaurant operations contributed HK$253.1 million to the Group's turnover (2013: HK$202.8 million), representing an increase of approximately 25% from the same period last year. Majority of the turnover from hotel and restaurant operations was derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam.

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Ho Chi Minh City, Vietnam. It is an elegant 24-storey tower with mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge and specially equipped rooms for the disabled. Total GFA attributable to the Group is approximately 51,100 sq. ft.

The Group has extensive experience in providing consultancy and management services to hotels in China, Hong Kong and other Asian countries. The hotel division will manage Lai Fung's serviced apartments in Shanghai, Guangzhou and Zhongshan under the "STARR" brand. STARR Resort Residence Zhongshan soft opened in August 2013 and comprises two 16-storey blocks with 90 fully furnished serviced apartment units located in the Palm Lifestyle complex in Zhongshan Western district at Cui Sha Road, opposite to the new Zhongshan traditional Chinese medical centre. STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel with 287 fully furnished and equipped hotel units with kitchenette located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. The Guangzhou "STARR Xin Hotel", located at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District is expected to soft-open in the fourth quarter of 2014. The division's key strategy is to continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou and Zhongshan.

The Group also operates 11 restaurants in Hong Kong and China, including the Michelin 3 star Italian restaurant $8^{1/2}$ Otto e Mezzo BOMBANA Hong Kong, Michelin 2 star Japanese restaurant Wagyu Takumi, Michelin 1-star Japanese restaurant Wagyu Kaiseki Den, $8^{1/2}$ Otto e Mezzo BOMBANA Shanghai, CIAK – In The Kitchen at Landmark (opened in the fourth quarter of 2013), Gin Sai, Rozan, Kowloon Tang, Island Tang, Chiu Tang and China Tang Hong Kong at Landmark (opened in the fourth quarter of 2013).

The table below sets out a summary of the Group's completed hotel property as at 31 January 2014:

Hotel name	Location	Group interest	Tenure	Approximate attributable GFA (sq. ft.)	No. of car-parking spaces attributable to the Group
Caravelle Hotel	19-23 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	13.52%	The property is held under a land use right due to expire on 8 October 2040	51,126	–

Interest in Associates (eSun)

Through LSD, the Guarantor holds a substantial interest in eSun, an associate of LSD. Film production and distribution and media and entertainment divisions improved across the board. Turnover in this sector of the Group's business has substantially improved and losses narrowed. The acquisition of Intercontinental Group Holdings Limited in 2013 bolstered the Group's cinema network and film distribution capability.

Lai Fung's results were encouraging given the challenging operating environment in the property sector in China. As a result, the contribution from eSun changed from a loss to a profit of HK$45.2 million for the six months ended 31 January 2014 (2013: loss of HK$10.1 million).

In September 2013, Lai Fung successfully won Phase I of the Creative Culture City project in Hengqin in Zhuhai, Guangdong, China. Phase I has a total GFA of 2.8 million sq. ft. and Lai Fung will, subject to its independent shareholders' approval, finalise the development plan for Phase I with eSun having a 20% direct interest in this site.

Insurance

The Group is insured by an insurance programme arranged by professional insurance intermediaries and underwritten by financially sound insurance companies. The Group's properties are covered against loss or damage caused by various insured events such as fire, explosion, flood, riot and strike, malicious damage, and/or by other insured perils subsequently leading to material damage and loss of rental income to the insured premises, subject otherwise to the standard terms, conditions, exceptions and exclusions of the policies. Public (third party) liability insurance is also arranged for the respective insured premises to indemnify the Group against claims arising from accidental loss or damage to third party properties and accidental third party bodily injury for which the Group becomes legally liable to compensate. The Group believes that its properties are covered with adequate insurance underwritten by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage. Notwithstanding the terms, conditions, exceptions and exclusions of the Group's insurance cover, loss or damage to the Group's buildings, facilities, equipment or other properties as a result of some of the above-mentioned insured events and other natural disasters could nevertheless have material adverse effect on the Group's financial condition and results of operations.

Employees and Remuneration Policies

As at 31 January 2014, the Group employed approximately 1,300 employees. The Group recognises the importance of maintaining a stable work 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 include a 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.

Legal Compliance

The operations of the Group are subject to various laws and regulations in Hong Kong, the PRC and other jurisdictions where it operates. The Guarantor believes that as at the date of this Offering Circular, the Group was in compliance in all material respects with laws and regulations currently in effect which are applicable to the Group's business operations.

Legal Proceedings

As at the date of this Offering Circular, neither the Guarantor nor any of its subsidiaries was involved in any litigation which would have a material adverse effect on the business or financial position of the Group.

BOARD OF DIRECTORS

The members of the Board as at the date of this Offering Circular are as follows:

Name	Age	Title
Dr. Lam Kin Ming	76	Chairman Executive Director
Dr. Lam Kin Ngok, Peter	56	Deputy Chairman Executive Director
Mr. Chew Fook Aun	52	Deputy Chairman Executive Director
Mr. Lam Hau Yin, Lester	33	Executive Director
Mr. Lam Kin Hong, Matthew	46	Executive Director
Madam U Po Chu	89	Executive Director
Mr. Chow Bing Chiu	63	Independent Non-executive Director
Mr. Lam Bing Kwan	64	Independent Non-executive Director
Mr. Leung Shu Yin, William	64	Independent Non-executive Director

Executive Directors

Dr. Lam Kin Ming, aged 76, is the Chairman of the Guarantor and a member of the Executive Committee of the Guarantor. He has been an Executive Director since October 1987 and has been involved in the management of the garment business since 1958. He is also the deputy chairman and an executive director of Lai Fung, a non-executive director of LSD and the chairman, the chief executive officer and an executive director of Crocodile Garments Limited ("**CGL**"). The issued shares of CGL are listed and traded on the Main Board of the Stock Exchange. He received an honorary doctoral degree from the International American University in the United States in 2009 and was admitted as Honorary Doctorate of Management of the Lincoln University in the United States in February 2014.

Dr. Lam Kin Ming is the elder brother of Dr. Lam Kin Ngok, Peter (the Deputy Chairman and an Executive Director of the Guarantor), and Mr. Lam Kin Hong, Matthew (an Executive Director of the Guarantor), and an uncle of Mr. Lam Hau Yin, Lester (an Executive Director of the Guarantor).

Dr. Lam Kin Ngok, Peter, aged 56, is the Deputy Chairman of the Guarantor and a member of the Executive Committee of the Guarantor. He has been an Executive Director since October 1987 and is a director of Wisdoman Limited (a controlling shareholder of the Guarantor). Dr. Peter Lam is also the chairman and an executive director of LSD and MAGH as well as an executive director of CGL. Dr. Peter Lam was an executive director of eSun from 15 October 1996 to 14 February 2014. Dr. Peter Lam was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012. Dr. Peter Lam has extensive experience in the property development and investment, hospitality as well as media and entertainment business. Dr. Peter Lam holds an Honorary Doctorate from the Hong Kong Academy for Performing Arts.

Currently, Dr. Peter Lam is the chairman of the Hong Kong Tourism Board and an ex officio member of the Hong Kong Trade Development Council. He is also a member of the 12th National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") and the vice chairman of the Committee for Liaison with Hong Kong, Macau, Taiwan and Overseas Chinese. In addition, Dr. Peter Lam is the chairman of Hong Kong Chamber of Films Limited, honorary chairman of Hong Kong Motion Picture Industry Association Limited, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, a member of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited and a member of Aviation Development Advisory Committee. On 7 October 2013, Dr. Peter Lam was appointed a non-official member of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland for a term of two years from 7 October 2013 to 6 October 2015. Dr. Peter Lam was appointed a member of the Lantau Development Advisory Committee for a term of two years from 1 February 2014 to 31 January 2016.

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

Mr. Chew Fook Aun, aged 52, was appointed a Deputy Chairman and an Executive Director of the Guarantor on 5 June 2012. He is presently a member of both the Executive Committee and Remuneration Committee of the Guarantor. He is also the deputy chairman and an executive director of LSD, an executive director of eSun and the chairman and an executive director of Lai Fung.

Mr. Chew has over 25 years of experience in accounting, auditing and finance in the United Kingdom ("**UK**") and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the UK with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Institute of Chartered Accountants in England and Wales. He was a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of the corruption prevention advisory committee of the Independent Commission Against Corruption and the standing committee on company law reform of the Companies Registry, and a council member of the Financial Reporting Council, all being organisations established in Hong Kong. He also served as a member of the advisory committee of the Securities and Futures Commission from June 2007 to May 2013.

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 acting as manager of The Link Real Estate Investment Trust ("**The 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 SEHK.

Mr. Lam Kin Hong, Matthew, aged 46, was appointed an Executive Director in March 2001 and is a member of the Executive Committee and a legal adviser of the Guarantor. He is also an executive deputy chairman and an executive director of Lai Fung and an executive director of CGL. Mr. Lam graduated from the University College London of the University of London in the United Kingdom with a Bachelor of Science Degree and underwent training as a solicitor with an international law firm, Reed Smith Richards Butler. Mr. Lam is the senior partner of a Hong Kong law firm, CWL Partners and he is a member of The Law Society of Hong Kong and The Law Society of England and Wales. Mr. Lam has considerable experience in property development and corporate finance in Hong Kong and the Mainland China. He is the vice president of the Yangtze River Delta Region of the Hong Kong Real Estate Association and he is a standing committee member of the CPPCC in Shanghai and a standing committee member of the CPPCC in Shantou, Guangdong Province. Mr. Lam also serves as the honorary consul of the Republic of Estonia in Hong Kong and is a member of the management committee of the Consumer Legal Action Fund of the Consumer Council in Hong Kong. Mr. Lam was appointed a Council Member of the Business Advisory Council of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) on 15 February 2013.

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

Mr. Lam Hau Yin, Lester, aged 33, was appointed an Executive Director in May 2006 and is a member of the Executive Committee of the Guarantor. He is also the alternate director to Madam U Po Chu in her capacity as an Executive Director of the Guarantor. He is also an executive director of LSD and eSun as well as an executive director and the chief executive officer of Lai Fung. He was appointed as a director of Wisdoman Limited in December 2013. He holds a Bachelor of Science in Business Administration degree from Northeastern University, Boston, the United States of America. He has acquired working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products, entertainment and property development and investment.

Mr. Lam is a son of Dr. Lam Kin Ngok, Peter (the Deputy Chairman and an Executive Director of the Guarantor), a grandson of Madam U Po Chu (an Executive Director of the Guarantor) and a nephew of both Dr. Lam Kin Ming (the Chairman and an Executive Director of the Guarantor) and Mr. Lam Kin Hong, Matthew (an Executive Director of the Guarantor).

Madam U Po Chu, aged 89, has been a Director since December 1990 and was a Non-executive Director until re-designated as an Executive Director of the Guarantor with effect from 27 November 2012. She is also a non-executive director of LSD and eSun, as well as an executive director of Lai Fung. Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business in the mid-1960's. She started to expand the business to fabric bleaching and dyeing in the early 1970's and became involved in property development and investment in the late 1980's.

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

Independent Non-Executive Directors

Mr. Chow Bing Chiu, aged 63, was appointed an Independent Non-executive Director in September 2004 and is a member of both the Audit Committee and the Remuneration Committee of the Guarantor. Mr. Chow is also an independent non-executive director of CGL.

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

Mr. Lam Bing Kwan, aged 64, was appointed an Independent Non-executive Director in February 2011 and is the chairman of the Remuneration Committee and a member of the Audit Committee of the Guarantor. Mr. Lam is also an independent non-executive director of LSD, Lai Fung and eForce Holdings Limited, and a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited. All of the aforesaid companies are listed on the Main Board of the Stock Exchange.

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

Mr. Leung Shu Yin, William, aged 64, was appointed an Independent Non-executive Director in July 2002 and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Guarantor. Mr. Leung is also an independent non-executive director of LSD, CGL and Mainland Headwear Holdings Limited. All of the aforesaid companies are listed on the Main Board of the Stock Exchange.

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

SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' INTERESTS

Substantial Shareholders' Interests

As at 9 July 2014, so far as it was known by or otherwise notified to any Director or the chief executive of the Guarantor, according to the register that is required to be kept by the Guarantor under Section 336 of the SFO (the "**Register of Substantial Shareholders**"), the following corporations or persons (one being a Director) were interested in 5% or more of the Shares or underlying Shares of the Guarantor, which are required to be disclosed to the Guarantor under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
Substantial Shareholders				
Lam Kin Ngok, Peter *(Note 1)*	Beneficial owner	Personal and corporate	801,931,620 *(Note 2)*	42.74%
Wisdoman Limited	Beneficial owner	Corporate	562,590,430 *(Note 2)*	29.99%
Third Avenue Management LLC	Investment manager	Corporate	279,358,958 *(Note 3)*	14.89%
Third Avenue Management LLC, on behalf of the Third Avenue Value Fund	Beneficial owner	Corporate	187,582,420 *(Note 3)*	10.00%
Other Persons				
Yu Cheuk Yi	Beneficial owner	Personal	126,238,360 *(Note 4)*	6.73%
Yu Siu Yuk	Beneficial owner	Personal	126,238,360 *(Note 4)*	6.73%
Dalton Investments LLC	Investment manager	Corporate	113,041,195	6.02%

Notes:

1. *Dr. Lam Kin Ngok, Peter, Director of the Guarantor, is also a director of Wisdoman Limited.*

2. *Dr. Lam Kin Ngok, Peter was deemed to be interested in 562,590,430 Shares of the Guarantor owned by Wisdoman Limited by virtue of his 100% interests in the issued share capital of Wisdoman Limited.*

3. *Third Avenue Management LLC held 279,358,958 Shares of the Guarantor, of which Third Avenue Management LLC, on behalf of the Third Avenue Value Fund, held 187,582,420 Shares of the Guarantor.*

4. *Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 126,238,360 Shares of the Guarantor, 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 Guarantor) who, as at 9 July 2014, has other interest recorded in the Register of Substantial Shareholders.

Directors' Interests

As at 9 July 2014, the Directors and the chief executive of the Guarantor who held office and their respective 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 Guarantor or any of its associated corporations (within the meaning of the SFO) on that date (a) as required to be notified to the Guarantor and the SEHK 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 Guarantor pursuant to Section 352 of the SFO (the "**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Guarantor and the SEHK pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Guarantor (the "**Securities Code**") or (d) as otherwise known by the Directors.

(1) The Guarantor

Long positions in the Shares and underlying Shares in the Guarantor

Name of Directors	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate percentage of total issued Shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	237,464,979	Nil	562,590,430 *(Note 1)*	1,876,211 *(Notes 2 and 5)*	801,931,620	42.74%
Lam Kin Ming	Beneficial owner	5,008,263	Nil	Nil	Nil	5,008,263	0.27%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	18,762,111 *(Notes 3 and 5)*	18,762,111	1.00%
U Po Chu	Beneficial owner	4,127,625	Nil	Nil	Nil	4,127,625	0.22%
Lam Hau Yin, Lester	Beneficial owner	60,623,968	Nil	Nil	18,762,111 *(Notes 4 and 5)*	79,386,079	4.23%

Notes:

1. *Dr. Lam Kin Ngok, Peter was deemed to be interested in 562,590,430 Shares (representing approximately 29.99% of the Guarantor's issued share capital) by virtue of his 100% interest in the issued share capital of Wisdoman Limited which directly owned 562,590,430 Shares in the Guarantor.*

2. *A share option comprising a total of 1,617,423 underlying Shares in the Guarantor had been granted to Dr. Lam Kin Ngok, Peter at an exercise price of HK$1.41 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

3. *A share option comprising a total of 16,174,234 underlying Shares in the Guarantor had been granted to Mr. Chew Fook Aun at an exercise price of HK$0.582 per Share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.*

4. *A share option comprising a total of 16,174,234 underlying Shares in the Guarantor had been granted to Mr. Lam Hau Yin, Lester at an exercise price of HK$1.41 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

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

Name of Directors	**Number of share options before the Rights Issue**	**Exercise price per Share prior to the Rights Issue** *HK$*	**Number of share options after the Rights Issue**	**Adjusted exercise price per Share after the Rights Issue** *HK$*
Lam Kin Ngok, Peter	1,617,423	1.41	1,876,211	1.21
Chew Fook Aun	16,174,234	0.582	18,762,111	0.501
Lam Hau Yin, Lester	16,174,234	1.41	18,762,111	1.21

(2) Associated Corporations

(a) LSD — a subsidiary of the Guarantor (since 30 September 2010)

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

Name of Directors	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total interests**	**Approximate percentage of total issued LSD Shares**
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	14,307,745	Nil	10,425,699,353 *(Note 1)*	20,062,893 *(Note 2)*	10,460,069,991	52.14%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	200,628,932 *(Note 3)*	200,628,932	1.00%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	200,628,932 *(Note 4)*	200,628,932	1.00%
U Po Chu *(Note 5)*	Beneficial owner	897,316	Nil	Nil	Nil	897,316	0.004%

Notes:

1. *The Guarantor and two of its wholly-owned subsidiaries, namely Joy Mind Limited and Zimba International Limited, beneficially owned in aggregate 10,425,699,353 shares in LSD, representing approximately 51.97% of the issued share capital of LSD. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,425,699,353 shares in LSD (representing approximately 51.97% of LSD's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 42.74% in the issued share capital of the Guarantor.*

2. *A share option comprising a total of 20,062,893 underlying shares in LSD had been granted to Dr. Lam Kin Ngok, Peter at an exercise price of HK$0.335 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

3. *A share option comprising a total of 200,628,932 underlying shares in LSD had been granted to Mr. Chew Fook Aun at an exercise price of HK$0.112 per share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.*

4. *A share option comprising a total of 200,628,932 underlying shares in LSD had been granted to Mr. Lam Hau Yin, Lester at an exercise price of HK$0.335 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

5. *Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 shares in LSD, representing approximately 0.99% of the issued share capital of LSD.*

(b) eSun — an associate of LSD

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

Name of Directors	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate percentage of total issued eSun Shares
Lam Kin Ngok, Peter *(Note 5)*	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	521,204,186 *(Note 1)*	1,243,212 *(Note 2)*	525,241,841	42.25%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 *(Note 3)*	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 *(Note 4)*	15,226,564	1.22%

Notes:

1. *The Guarantor was interested in 10,425,699,353 shares in LSD, representing approximately 51.97% of the issued share capital of LSD. Transtrend Holdings Limited, a wholly-owned subsidiary of LSD, was interested in 521,204,186 shares in eSun, representing approximately 41.92% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 521,204,186 shares in eSun (representing approximately 41.92% of eSun's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 42.74% and 52.14% in the issued share capital of the Guarantor and LSD, respectively.*

2. *A share option comprising a total of 1,243,212 underlying shares in eSun had been granted to Dr. Lam Kin Ngok, Peter at an exercise price of HK$1.612 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

3. *A share option comprising a total of 6,216,060 underlying shares in eSun had been granted to Mr. Chew Fook Aun at an exercise price of HK$0.92 per share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.*

4. *A share option comprising a total of 12,432,121 underlying shares in eSun had been granted to Mr. Lam Hau Yin, Lester at an exercise price of HK$1.612 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

5. *Dr. Lam Kin Ngok, Peter resigned as an executive director of eSun on 14 February 2014.*

(c) Lai Fung — a subsidiary of eSun (since 11 June 2012)

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

Name of Directors	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate percentage of total issued Lai Fung Shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	Nil	8,274,270,422 *(Note 1)*	16,095,912 *(Note 3)*	8,290,366,334	51.49%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	80,479,564 *(Note 4)*	80,479,564	0.50%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	160,959,129 *(Note 5)*	160,959,129	1.00%

Notes:

1. *These interests in Lai Fung were the shares beneficially owned by Merit Worth Limited (4,385,231,724 shares) and Silver Glory Securities Limited (3,889,038,698 shares), the latter two companies being wholly-owned subsidiaries of eSun, representing approximately 51.39% of the issued share capital of Lai Fung. eSun is owned as to approximately 41.92% by LSD which in turn is owned as to approximately 51.97% by the Guarantor. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 shares in Lai Fung (representing approximately 51.39% of Lai Fung's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 42.25% in eSun.*

2. *A share option scheme was adopted by Lai Fung on 21 August 2003 and commenced with effect from 28 August 2003 and remains in force for a period of 10 years ("**Old Scheme**"). A new share option scheme was adopted by Lai Fung on 18 December 2012 and commenced with effect from 20 December 2012 and remains in force for a period of 10 years ("**New Scheme**").*

3. *A share option comprising a total of 16,095,912 underlying shares in Lai Fung had been granted to Dr. Lam Kin Ngok, Peter under the New Scheme at an exercise price of HK$0.228 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

4. *A share option comprising a total of 80,479,564 underlying shares in Lai Fung had been granted to Mr. Chew Fook Aun under the Old Scheme at an exercise price of HK$0.133 per share on 12 June 2012 and is exercisable during the period from 12 June 2012 to 11 June 2020.*

5. *A share option comprising a total of 160,959,129 underlying shares in Lai Fung had been granted to Mr. Lam Hau Yin, Lester under the New Scheme at an exercise price of HK$0.228 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

(ii) ***Long positions in the 6.875% Senior Notes due 2018 issued by Lai Fung (the "6.875% Senior Notes")***

Name of Director	Capacity	Nature of interests	Principal Amount
Lam Kin Hong, Matthew	Owner of controlled corporations	Corporate	CNY23,600,000 *(Note)*

Note:

The 6.875% Senior Notes are held by Tai Fu Holdings Limited, the entire issued share capital of which is beneficially owned by Mr. Lam Kin Hong, Matthew and his spouse.

(d) MAGH — a subsidiary of eSun (since 9 June 2011)

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

Name of Director	Capacity	Number of MAGH Shares	Number of underlying MAGH Shares	Deemed interest pursuant to Section 317 of the SFO	Total number of issued shares and underlying shares and deemed interest pursuant to Section 317 of the SFO	Approximate percentage of total issued MAGH Shares
Lam Kin Ngok, Peter	Owner of controlled corporations	842,675,225 *(Note 1)*	79,596,050 *(Note 2)*	252,250,000 *(Note 3)*	1,174,521,275	87.66%

Notes:

1. *As at 9 July 2014, these interests in MAGH represented the shares beneficially owned by Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun, representing approximately 62.89% of the issued share capital of MAGH. eSun is owned as to approximately 41.92% by LSD which in turn is owned as to approximately 51.97% by the Guarantor. As the Guarantor is approximately 12.75% owned by Dr. Lam Kin Ngok, Peter and approximately 29.99% owned by Wisdoman Limited which is in turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 842,675,225 shares in MAGH.*

2. *By virtue of Dr. Lam Kin Ngok, Peter's interests through the controlled corporations described in Note (1) above, he was also deemed to be interested in the 79,596,050 underlying shares of MAGH comprised in the convertible notes issued to Perfect Sky by MAGH on 9 June 2012 ("**Second Completion Convertible Notes**").*

3. *These shares (132,250,000 shares and 120,000,000 underlying shares comprised in the Second Completion Convertible Notes) are held by concert parties of Perfect Sky. Dr. Lam Kin Ngok, Peter was deemed to be interested in the shares and underlying shares of MAGH pursuant to Section 317 of the SFO.*

Save as disclosed above, as at 9 July 2014, none of the Directors or the Chief Executive of the Guarantor and their respective associates were interested, or were deemed to be interested, in the long and short positions in the Shares, underlying Shares and/or debentures of the Guarantor or any of its associated corporations which were required to be notified to the Guarantor and the SEHK under the SFO, recorded in the Register of Directors and Chief Executive, or notified under the Securities Code or otherwise known by the Directors.

TERMS AND CONDITIONS

*The following is the text of the Terms and Conditions of the Notes (the "**Conditions**") which (subject to modification and except for the paragraphs in italics) will be endorsed on the Note Certificates issued in respect of the Notes:*

The CNY650,000,000 7.70 per cent. secured guaranteed notes due 2018 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (Further Issues) and forming a single series therewith) of Lai Sun Garment International Finance (2014) Limited (the "**Issuer**") are subject to, and have the benefit of, a trust deed dated 24 July 2014 (as amended, restated, replaced or supplemented from time to time, the "**Trust Deed**") among the Issuer, Lai Sun Garment (International) Limited (the "**Guarantor**") and DB Trustees (Hong Kong) Limited as trustee (the "Trustee", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and security trustee (in such capacity, the "**Security Trustee**") for the holders of the Notes and the other secured parties set out under the Trust Deed. The Notes are also the subject of (i) an agency agreement dated on or about 24 July 2014 (as amended, restated, replaced or supplemented from time to time, the "**Agency Agreement**") among the Issuer, the Guarantor, Deutsche Bank Luxembourg S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, Hong Kong Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the Trustee and the Security Trustee and (ii) an account bank agreement dated 24 July 2014 (as amended, restated, replaced or supplemented from time to time, the "**Account Bank Agreement**") among the Issuer, the Guarantor, the Trustee, the Security Trustee and the account bank named therein or any successor(s) thereto (the "**Account Bank**"). References herein to the "**Agents**" are to the Registrar, the Paying Agents, the Transfer Agents and the Account Bank and any reference to an "**Agent**" is to any one of them. The Notes and the Guarantee of the Notes also have the benefit of the Security (as defined below) as set out in Condition 1(d) *(Security)*.

Certain provisions of these Conditions are summaries of the Trust Deed, the Agency Agreement and the Security Documents (as defined below) and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement, the Account Bank Agreement and the Security Documents applicable to them. Copies of the Trust Deed, the Agency Agreement, the Account Bank Agreement and the Security Documents are available for inspection by the Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Level 52 International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination, Status and Security**

(a) *Form and denomination*: The Notes are in registered form in the denominations of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes*: The Notes constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) *Guarantee of the Notes*: The Guarantor has in clause 4 *(Guarantee and Indemnity)* of the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the "**Guarantee of the Notes**") constitutes direct, general, unconditional, unsubordinated and secured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(d) *Security*: The Notes and the Guarantee of the Notes have the benefit of the security (the "**Security**") constituted by (i) the share charge in respect of certain ordinary shares of Lai Sun Development Limited granted by the Guarantor and/or certain of its subsidiaries that hold the relevant shares (as amended, restated, replaced or supplemented from time to time, the "**Share Charge**"), (ii) the Trust Deed and (iii) the account deed of charge (as amended, restated, replaced or supplemented from time to time, the "**Account Charge**") in respect of the Interest Reserve Account (the Account Charge, the Trust Deed and the Share Charge, collectively the "**Security Documents**"), as security, *inter alia*, for all amounts payable on the Notes and all present and future liabilities and obligations of the obligors under the Notes, the Guarantee of the Notes, these Conditions and the Security Documents. The Security Trustee or its nominee shall hold the security under the Security Documents for the benefit of the Noteholders pursuant to the provisions of the Trust Deed. In the event that the Trustee gives written notice to the Issuer declaring the Notes to be immediately due and payable following the occurrence of an Event of Default under Condition 8 *(Events of Default)* and any amount due in respect of the Notes remains outstanding, the Security Trustee may, in accordance with the Security Documents, enforce the Security. Neither the Trustee nor the Security Trustee shall be bound to take any such proceedings or action, unless it is indemnified and/or secured and/or pre-funded to its satisfaction.

The Security may be released in certain circumstances, including upon repayment in full of the Notes. No release of Security shall be effective against the Trustee, the Security Trustee or the Noteholders until the Issuer has delivered to the Trustee and the Security Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorised and permitted by the terms of the Security Documents.

*Upon issue, the Notes will be evidenced by a global note certificate (the "**Global Note Certificate**") substantially in the form scheduled to the Agency Agreement. The Global Note Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg, and will be exchangeable for individual Note Certificates only in the circumstances set out therein.*

2. Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes outside the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) Transfers: Subject to paragraphs (f) *(Closed periods)* and (g) *(Regulations concerning transfers and registration)* below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed and executed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor. No transfer of title to a Note will be valid unless and until entered on the Register.

Transfers of interests in the Notes evidenced by the Global Note Certificates will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) *(Transfers)* above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but (i) against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer, (ii) upon the Registrar or (as the case may be) such Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application, and (iii) upon the Issuer and/or the Registrar and/or the relevant Transfer Agent being satisfied that the Regulations (as defined in the Agency Agreement) concerning the transfer of Notes have been complied with.

(f) *Closed periods*: Noteholders may not require transfers to be registered:

(i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes;

(ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(b) *(Redemption for tax reasons)*; and

(iii) after a Change of Control Put Exercise Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 5(c) *(Redemption for Change of Control)*.

(g) *Regulations concerning transfers and registration*: All transfers of the Notes and entries on the Register are subject to the detailed regulations concerning the transfer of the Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge to the Holder and at the Issuer's (failing which, the Guarantor's) expense) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Covenants

(a) Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), none of the Issuer or the Guarantor shall, and the Issuer and the Guarantor shall procure that none of the Guarantor's Material Subsidiaries (as defined below in this Condition 3) (other than Listed Subsidiaries) (as defined below in this Condition 3)) will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) *Interest Reserve*: Pursuant to the Account Bank Agreement and the Account Charge:

(i) the Issuer shall initially establish an Interest Reserve Account with the Account Bank, which will be pledged to the Security Trustee for the benefit of the Noteholders, on or prior to the Issue Date;

(ii) on the Issue Date, the Issuer shall deposit an amount not less than the Specified Balance into the Interest Reserve Account;

(iii) unless otherwise permitted under these Conditions, the Issuer shall at all times prior to the Interest Payment Date (as defined in Condition 4 *(Interest)*) falling immediately before the Maturity Date (as defined in Condition 5(a) *(Scheduled redemption)*), maintain an amount not less than the Specified Balance in the Interest Reserve Account;

(iv) funds may only be withdrawn from the Interest Reserve Account upon delivery to the Trustee of an Officers' Certificate from the Issuer, at any time in the period falling 14 business days prior to an Interest Payment Date, representing that such withdrawal is made in order to:

(1) meet a payment obligation under the Notes in respect of an Interest Payment Date or to prevent a default in the payment of interest (including additional amounts) on the Notes when due; or

(2) facilitate the transfer of the Reserve Fund to a replacement or successor account bank appointed in accordance with the terms of the Account Bank Agreement;

(v) as soon as reasonably practicable upon receipt of the Officers' Certificate from the Issuer, the Trustee shall direct the Account Bank to pay the relevant amount of the Reserve Fund standing to the credit of the Interest Reserve Account to:

(1) the Principal Paying Agent in payment of the interest due and payable under the Notes on the next following Interest Payment Date in respect of any request pursuant to Condition 3(b)(iv)(1); or

(2) the replacement or successor account bank in respect of any request pursuant to Condition 3(b)(iv)(2);

(vi) the Issuer shall not withdraw any amount from the Interest Reserve Account other than pursuant to these Conditions and the Account Bank Agreement;

(vii) upon the occurrence of an Event of Default under the Notes, the Reserve Fund shall be held solely to the order of the Trustee and the Security Trustee and, subject to the Account Bank Agreement, the Account Bank shall release the Reserve Fund in the Interest Reserve Account at the direction of the Trustee and/or the Security Trustee. The Trustee shall apply such funds in accordance with the provisions of the Trust Deed in and towards payment of the amounts due under the Notes and the Trust Deed; and

(viii) upon the redemption or purchase and cancellation of the Notes in full, the Account Bank shall release the Reserve Fund to the Issuer in accordance with the Account Bank Agreement.

In these Conditions:

"**Guarantee**" means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation):

(a) any obligation to purchase such indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

(c) any indemnity against the consequences of a default in the payment of such indebtedness; and

(d) any other agreement to be responsible for such indebtedness;

"**Interest Reserve Account**" means a Renminbi account established with the Account Bank, in the name of the Issuer which will be charged to the Security Trustee solely for the benefit of the Noteholders pursuant to an account deed of charge dated on or about 24 July 2014;

"**Listed Subsidiaries**" means any of the Guarantor's Subsidiaries which, from time to time, are listed on The Stock Exchange of Hong Kong Limited or any other equivalent stock exchange (including any of their respective Subsidiaries from time to time) and each, a "**Listed Subsidiary**";

"**Material Subsidiary**" means any Subsidiary of the Guarantor:

(i) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than 10 per cent. of the consolidated gross revenue, or, as the case may be, the consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest published audited or unaudited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest published audited or unaudited consolidated financial statements of the Guarantor, *provided that*:

   (A) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the Guarantor's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant published audited or unaudited financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Guarantor;

   (B) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, its gross revenue and gross assets (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

(C) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Guarantor; or

(ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (A) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (B) the transferee Subsidiary shall immediately become a Material Subsidiary, *provided that* on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above.

An Officers' Certificate stating that, in their opinion, a Subsidiary is or is not, or was or was not, a Material Subsidiary shall, in the absence of wilful default, bad faith or manifest or proven error, be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Agents and the Noteholders. The Officers' Certificate shall, if there is a dispute as to whether a Subsidiary of the Guarantor is or is not a Material Subsidiary, be accompanied by a report by an internationally recognised firm of accountants addressed to the directors of the Guarantor as to proper extraction of the figures used by the Guarantor in determining the Material Subsidiaries of the Guarantor and mathematical accuracy of the calculation;

"**Officers' Certificate**" means a certificate signed by two directors of the Issuer or, as the case may be, the Guarantor;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**PRC**" means the People's Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"**Relevant Indebtedness**" means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over the counter market) having an original maturity of more than one year from its date of issue but shall not include indebtedness under any secured loan facility (which term shall, for the avoidance of doubt, mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions);

"**Reserve Fund**" means any amount standing to the credit of the Interest Reserve Account;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Balance**" means the amount equal to the amount of interest due in respect of the Notes for the then remaining Interest Periods after the Issue Date, being initially CNY200,200,000 as at the Issue Date as reduced by the interest payment on each Interest Payment Date.

"**Subsidiary**" means, in respect of any person (the "**first person**") at any particular time, any other person (the "**second person**"):

(i) whose affairs and policies the first person owns or controls (either directly or indirectly through one or more Subsidiaries), more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to vote at general meetings; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles of Hong Kong or any other relevant jurisdiction from time to time, consolidated with those of the first person.

4. Interest

The Notes bear interest from 24 July 2014 (the "**Issue Date**") at the rate of 7.70 per cent. per annum (the "**Rate of Interest**"), payable in arrear on 24 January and 24 July in each year (each, an "**Interest Payment Date**"); *provided that* if any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

Interest in respect of any Note shall be calculated per Calculation Amount. The amount of interest payable per Calculation Amount for each Interest Period shall be the product of (i) 7.70 per cent., (ii) CNY10,000, and (iii) the actual number of days in the Interest Period divided by 365, and rounding the resulting figure to the nearest CNY0.01 (CNY0.005 being rounded upwards).

In this Condition 4 *(Interest)*:

"**business day**" means any day (other than a Sunday or a Saturday) on which commercial banks in Hong Kong settle Renminbi payments and banks in Beijing, PRC are not authorised or obligated by law or executive order to be closed;

"**Calculation Amount**" means CNY10,000; and

"**Interest Period**" means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date.

5. Redemption and purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling on 24 July 2018 (the "**Maturity Date**"), subject as provided in Condition 6 *(Payments)*.

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) (A) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 *(Taxation)* as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 July 2014; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Amounts as provided or referred to in Condition 7 *(Taxation)* or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 July 2014; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) an Officers' Certificate of the Issuer stating that the circumstances referred to in paragraphs (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two directors of the Guarantor stating that the circumstances referred to in paragraphs (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon (without further enquiry) such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b) *(Redemption for tax reasons)*, the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b) *(Redemption for tax reasons)*.

(c) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to such Put Settlement Date. To exercise such right, the Holder of the relevant Note must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to the Noteholders by the Issuer in accordance with Condition 15 *(Notices)*. The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid.

The Issuer and the Guarantor shall give notice to the Noteholders and the Trustee in accordance with Condition 15 *(Notices)* by not later than 14 days following the first day on which any of them becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 5(c) *(Redemption for Change of Control)*.

In this Condition 5(c) *(Redemption for Change of Control)*:

a "**Change of Control**" occurs when:

(i) the Controlling Shareholder ceases to hold, directly or indirectly, at least 30 per cent. of the voting rights of the issued share capital of the Guarantor (where, for the purpose of this paragraph (i), "**indirectly**" means the Controlling Shareholder holds 50 per cent. or more of the voting rights in a corporation which itself, or with the Controlling Shareholder, holds 30 per cent. or more of the voting rights in another corporation or chain of corporations and where each corporation in the chain of corporations, or with the Controlling Shareholder, holds 30 per cent. or more of the voting rights in the corporation immediately below such corporation and one such corporation, or with the Controlling Shareholder, holds 30 per cent. or more of the voting shares in the Guarantor); or

(ii) any Person or Persons, other than the Controlling Shareholder, acting together acquires Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on the Issue Date; or

(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person which is not Controlled by the Controlling Shareholder, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity;

"**Control**" means the acquisition or control of more than 30 per cent. of the voting rights of the issued share capital of the Guarantor or the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms "**Controlling**" and "**Controlled**" shall have meanings correlative to the foregoing;

"**Controlling Shareholder**" means the aggregate shareholdings of Dr. Lam Kin Ngok, Peter ("**Dr. Lam**") and:

(i) any heir, estate, lineal descendent (or spouse thereof), spouse or parent of Dr. Lam; or

(ii) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners, owners or Persons are Dr. Lam and/or such other Persons referred to in paragraph (i) above; and

a "**Person**", as used in this Condition 5(c) *(Redemption for Change of Control)*, includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

(d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) *(Scheduled redemption)* to (c) *(Redemption for Change of Control)* above.

(e) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(f) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

6. Payments

(a) *Principal*: Payments of principal shall be in Renminbi made by transfer to a CNY account maintained by the payee with, a bank in Hong Kong and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made in Renminbi by transfer to a CNY account maintained by the payee with, a bank in Hong Kong and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment but without prejudice to the provisions of Condition 7 *(Taxation)*. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(e) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

*So long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantor shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or, as the case may be, payments made by the Guarantor by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) held by a Holder who would have been able to avoid such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority; or

(d) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Noteholder would have been entitled to such Additional Amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due, and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which the (full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 *(Taxation)* or any undertaking given in addition to or in substitution of this Condition 7 *(Taxation)* pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands or Hong Kong (as the case may be), references in these Conditions to the British Virgin Islands or Hong Kong shall be construed as references to the British Virgin Islands or Hong Kong (as the case may be) and/or such other jurisdiction.

8. Events of Default

If any of the following events occurs (each, an "**Event of Default**"), then the Trustee at its discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(a) *Non payment*: the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) *Interest Reserve Account*: there is a failure to maintain at least the Specified Balance in the Interest Reserve Account except to the extent permitted by Condition 3(b) *(Interest Reserve)*; or

(c) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed and the Account Bank Agreement (other than where it gives rise to a redemption pursuant to Condition 5(c) *(Redemption for Change of Control)*), the Security Documents and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or

(d) *Cross-default of Issuer, the Guarantor or any Material Subsidiary*:

(i) any other present or future indebtedness of the Issuer, the Guarantor or any Material Subsidiary for or in respect of moneys borrowed or raised is not paid when due or (as the case may be) within any applicable grace period;

(ii) any such indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Material Subsidiary or (*provided that* no event of default howsoever described has occurred) any person entitled to such indebtedness; or

(iii) the Issuer, the Guarantor or any Material Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised;

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or subparagraph (ii) above and/or the amount payable under any Guarantee referred to in subparagraph (iii) above, individually or in the aggregate, exceeds U.S.$15 million (or its equivalent in any other currency or currencies); or

(e) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an individual amount in excess of U.S.$1 million (or its equivalent in any other currency or currencies) is rendered against the Issuer, the Guarantor or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(f) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary; or

(g) *Insolvency, etc.*: (i) the Issuer, the Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any Material Subsidiary or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary is appointed (or application for any such appointment is made), or (iii) the Issuer, the Guarantor or any Material Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any Guarantee of any indebtedness given by it; or

(h) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Material Subsidiary (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) or the Issuer, the Guarantor or any Material Subsidiary ceases to carry on all or a substantial part of its business (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or as a result of disposal on arm's length terms or as approved by an Extraordinary Resolution of the Noteholders); or

(i) *Analogous event*: any event occurs which under the laws of the British Virgin Islands or Hong Kong has an analogous effect to any of the events referred to in paragraphs (e) *(Unsatisfied judgment)* to (h) *(Winding up, etc.)* above; or

(j) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Trust Deed, the Security Documents and (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Trust Deed or the Security Documents admissible in evidence in the courts of the British Virgin Islands or Hong Kong is not taken, fulfilled or done; or

(k) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of their respective obligations under or in respect of the Notes, the Trust Deed or the Security Documents; or

(l) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect; or

(m) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or

(n) *Security*: (i) at any time, any of the Security is or becomes unlawful or is not, or ceases to be legal, valid, binding or enforceable or otherwise for any reason ceases to be in full force or effective or (ii) the Issuer or the Guarantor defaults in the performance of any of their respective obligations under any Security Document, which materially and adversely affects the enforceability, validity or priority of the Security or which adversely affects the condition or value of the Security, taken as a whole, in any material respect; or

(o) *Controlling shareholder*: the Issuer ceases to be a wholly-owned Subsidiary of the Guarantor.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee and the Security Trustee are entitled to be indemnified and/or secured and/or pre-funded and relieved from responsibility in certain circumstances and to be paid their fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee and the Security Trustee are entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer, the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, each of the Trustee and the Security Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and the Security Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a principal paying agent in Hong Kong and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to reduce the Specified Balance to be held in the Interest Reserve Account, to amend Condition 3 *(Covenants)*, to cancel, amend or modify the provisions of the Guarantee of the Notes to modify the Security or to discharge the Security before the Notes are repaid in full, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary

Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders holding not less than 90 per cent. of the aggregate principal amount of the Notes outstanding shall for purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver*: The Trustee and the Security Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Trust Deed or the Security Documents (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee or the Security Trustee, as the case may be, proper to make if, in the opinion of the Trustee or the Security Trustee, as the case may be, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Trust Deed or the Security Documents which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee and the Security Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed, the Agency Agreement, the Account Bank Agreement or the Security Documents (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee or the Security Trustee, as the case may be, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as reasonably practicable thereafter.

(c) *Directions from Noteholders*: Notwithstanding anything to the contrary in these Conditions, the Trust Deed or the Agency Agreement, whenever the Trustee or the Security Trustee is required or entitled by the terms of these Conditions, the Trust Deed or the Security Documents to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee and the Security Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all fees, costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and neither the Trustee nor the Security Trustee is responsible for any loss or liability incurred by any person as a result of any delay in either of them exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee or the Security Trustee is seeking such directions.

(d) *Certificates and Reports*: The Trustee and the Security Trustee may rely without liability to the Noteholders on a report, confirmation or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Security Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee, the Security Trustee and the Noteholders.

13. Enforcement

Subject to the terms of the Security Documents, the Trustee may at any time, at its absolute discretion and without notice, institute such actions, steps and proceedings as it thinks fit to (i) enforce its rights under the Trust Deed in respect of the Notes; and (ii) instruct the Security Trustee to enforce its rights under the Security Documents, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it and the Security Trustee have been indemnified and/or provided with security and/or pre-funded to their satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue a series of notes having the benefit of the Trust Deed.

15. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

Until such time as any Notes Certificates are issued and so long as the Global Note Certificate is held in its entirely on behalf of Euroclear and Clearstream, Luxembourg, any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify the Trustee and each Noteholder, on the written demand of the Trustee or such Noteholder addressed to the Issuer and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. Governing Law and Jurisdiction

(a) *Governing law*: The Notes, the Trust Deed, the Agency Agreement, the Account Bank Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed, the Agency Agreement and the Account Bank Agreement, are governed by English law. The Account Charge and Share Charge are governed by, and shall be construed in accordance with, the laws of Hong Kong.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).

(c) *Appropriate forum*: Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Condition 17(b) *(English courts)* is for the benefit of the Noteholders only. As a result, nothing in this Condition 17 *(Governing Law and Jurisdiction)* prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process agent*: Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to SH Process Agents Limited at Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer and the Guarantor in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer and the Guarantor, the Issuer and the Guarantor (acting together) shall, on the written demand of any Noteholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Principal Paying Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Principal Paying Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

The following contains summaries of certain key provisions of the Security Documents and Account Bank Agreement. Such statements do not purport to be complete and are qualified in their entirety by reference to the Security Documents and the Account Bank Agreement. Defined terms used in this section shall have the meanings given to them in the Security Documents and Account Bank Agreement.

The Security

The Notes and the Guarantee of the Notes have the benefit of the Security constituted by (i) the Share Charge in respect of certain ordinary shares of LSD granted by the Guarantor and/or certain of its subsidiaries that hold the relevant shares; and (ii) the Account Charge in respect of the Interest Reserve Account, as security, *inter alia*, for all amounts payable on the Notes and all present and future liabilities and obligations of the obligors under the Notes, the Guarantee of the Notes, the Conditions and the Security Documents. The Security Trustee or its nominee shall hold the security under the Security Documents for the benefit of the Noteholders pursuant to the provisions of the Trust Deed.

The Guarantor (and/or certain of its subsidiaries on its behalf) will charge its entire interest in LSD which it holds as at the date of this Offering Circular, being approximately 51% of the total issued share capital of LSD. The Guarantor shall not, prior to an Event of Default, be required pursuant to the terms of the Trust Deed or Share Charge to charge any further shares of LSD it acquires following such date. However, following an Event of Default, any shares deriving from the shares subject to the share charge will be for the benefit of the Security Trustee.

In the event of the occurrence of an Event of Default under Condition 8 (*Events of Default*), the Security Trustee may, in accordance with the Security Documents, enforce the Security. Neither the Trustee nor the Security Trustee shall be bound to take any such proceedings or action, unless it is indemnified and/or secured and/or pre-funded to its satisfaction.

The Security may be released in certain circumstances, including upon repayment in full of the Notes. No release of Security shall be effective against the Trustee, the Security Trustee or the Noteholders until the Issuer has delivered to the Trustee and the Security Trustee an officers' certificate stating that all requirements relating to such release have been complied with and such release is authorised and permitted by the terms of the Security Documents. The share charge is over the Guarantor's shareholding in LSD of the time of creation of the share charge, and there is no top-up of security if more shares are issued by LSD.

The Interest Reserve Account

On the Issue Date, the Issuer shall deposit an amount not less than CNY200,200,000 *Terms and Conditions*") after the Issue Date into a Renminbi account established with the Account Bank (as defined in "*Terms and Conditions*, which will be charged to into the Interest Reserve Account. The amount in the Interest Reserve Account will be reduced by the interest payment on each Interest Payment Date

Unless otherwise permitted by the Account Bank Agreement or the Terms and Conditions, the Issuer shall at all times prior to the Interest Payment Date falling immediately before the Maturity Date, maintain an amount not less than the Specified Balance in the Interest Reserve Account.

The Issuer is permitted under the terms of the Account Bank Agreement and the Terms and Conditions to appoint a replacement or successor Account Bank following the Issue Date provided that such replacement or successor shall be one of the Joint Lead Managers or any affiliate thereof. The Issuer shall give notice to the Noteholders in accordance with Condition 15 *(Notices)* within 10 calendar days of the appointment of such replacement or successor pursuant to the Account Bank Agreement. Any replacement Interest Reserve Account shall have the benefit of, and be subject to, an Account Charge.

Each of the Trustee and the Security Trustee agrees to give to the Account Bank all directions necessary to enable the Account Bank to operate the Interest Reserve Account in accordance with the terms of the Account Bank Agreement, the Terms and Conditions and the Deed of Charge.

The Account Bank agrees to comply with all directions given by the Trustee and the Security Trustee in accordance with this Account Bank Agreement.

Upon the occurrence of an Event of Default under the Notes, the reserve fund shall be held solely to the order of the Trustee and the Security Trustee and, subject to the terms of the Account Bank Agreement, the Account Bank shall release the reserve fund in the Interest Reserve Account at the direction of the Trustee and/or the Security Trustee. The Trustee shall apply such funds in accordance with the provisions of the Trust Deed in and towards payment of the amounts due under the Notes and the Trust Deed.

Pursuant to the Account Bank Agreement and the Account Charge:

(i) the Issuer shall initially establish an Interest Reserve Account with the Account Bank, which will be pledged to the Security Trustee for the benefit of the Noteholders, on or prior to the Issue Date;

(ii) on the Issue Date, the Issuer shall deposit an amount not less than the Specified Balance into the Interest Reserve Account;

(iii) unless otherwise permitted under the Terms and Conditions, the Issuer shall at all times prior to the Interest Payment Date (as defined in Condition 4 *(Interest)*) falling immediately before the Maturity Date (as defined in Condition 5(a) *(Scheduled redemption)*), maintain an amount not less than the Specified Balance in the Interest Reserve Account;

(iv) funds may only be withdrawn from the Interest Reserve Account upon delivery to the Trustee of an officers' certificate from the Issuer, at any time in the period falling 14 business days prior to an Interest Payment Date, representing that such withdrawal is made in order to:

    (1) meet a payment obligation under the Notes in respect of an Interest Payment Date or to prevent a default in the payment of interest (including additional amounts) on the Notes when due; or

    (2) facilitate the transfer of the reserve fund to a replacement or successor account bank appointed in accordance with the terms of the Account Bank Agreement;

(v) as soon as reasonably practicable upon receipt of the Officers' Certificate from the Issuer, the Trustee shall direct the Account Bank to pay the relevant amount of the Reserve Fund standing to the credit of the Interest Reserve Account to:

 (1) the Principal Paying Agent in payment of the interest due and payable under the Notes on the next following Interest Payment Date in respect of any request pursuant to Condition 3(b)(iv)(1); or

 (2) the replacement or successor account bank in respect of any request pursuant to Condition 3(b)(iv)(2);

(vi) the Issuer shall not withdraw any amount from the Interest Reserve Account other than pursuant to the Terms and Conditions and the Account Bank Agreement;

(vii) upon the occurrence of an Event of Default under the Notes, the Reserve Fund shall be held solely to the order of the Trustee and the Security Trustee and, subject to the terms of the Account Bank Agreement, the Account Bank shall release the Reserve Fund in the Interest Reserve Account at the direction of the Trustee and/or the Security Trustee. The Trustee shall apply such funds in accordance with the provisions of the Trust Deed in and towards payment of the amounts due under the Notes and the Trust Deed; and

(viii) upon the redemption or purchase and cancellation of the Notes in full, the Account Bank shall release the Reserve Fund to the Issuer in accordance with the Account Bank Agreement.

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

The British Virgin Islands

The Issuer is exempt from all provisions of the Income Tax Ordinance of the BVI, including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the Issuer to persons who are not resident in the BVI. There is no capital gains tax, estate or inheritance tax payable by persons who are not persons resident in the BVI. The Issuer is also exempt from the provisions of the Stamp Act and the Registration of Records Act of the BVI in respect of all instruments or deeds relating to the business of the Issuer, including the transfer of all property to or by the Issuer and transactions in respect of its securities except with respect to the acquisition and holding of land in the BVI.

At the present time, there are no withholding taxes or exchange control legislation under BVI law and accordingly there is no exchange control regulations imposed under BVI law applicable to the Issuer.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; and

(c) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance, Chapter 112 of the Laws of Hong Kong) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax.

Gains or profits derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Notes.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Laws, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of China shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer or the Guarantor is within the territory of the PRC, the Issuer or the Guarantor may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside the PRC. As at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, holders of the Notes will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that neither the Issuer nor the Guarantor will be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Laws, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10% (in the case of non-PRC individuals 20%) on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer or the Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer or the Guarantor shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC enterprise Noteholder. However, despite the potential withholding of PRC tax by the Issuer or the Guarantor, the Issuer or the Guarantor has agreed to pay additional amounts to holders of the Notes, subject to certain exceptions, so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in "*Terms and Conditions*".

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee of the Notes, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 10% on the payments of interest made by it under the Guarantee of the Notes to non PRC resident enterprise Noteholders (in the case of non-PRC individuals 20%) as such payments of interest will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident Noteholders. Repayment of the principal will not be subject to PRC withholding tax. Non-PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside China between non-PRC Noteholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% (in the case of non-PRC individuals 20%) of PRC withholding tax. No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

EU Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entitles established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payment subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A member of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The proposed financial transactions tax (the "FTT")

On 14 February 2013, the European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealing in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 17 July 2014 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have undertaken, among other things, that the Notes will be issued on 24 July 2014 (the "**Closing Date**"), and the Joint Lead Managers have severally and not jointly agreed with the Issuer to subscribe and pay for, or procure subscribers to subscribe and pay for, the Notes at an issue price of 100% of their principal amount in the amount set forth below:

	Principal Amount of Notes
	(CNY)
BNP Paribas, Hong Kong Branch	162,500,000
DBS Bank Ltd.	162,500,000
The Hongkong and Shanghai Banking Corporation Limited	162,500,000
Standard Chartered Bank (Hong Kong) Limited	162,500,000
Total	650,000,000

In connection with the offering of the Notes, each Joint Lead Manager and/or its affiliate(s) may act as an investor for its own account and may take up the Notes in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references herein to the Notes being offered should be read as including any Offering of the Notes to the Joint Lead Managers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and that the Joint Lead Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to the payment of the net proceeds of the issue of the Notes to the Issuer on the Closing Date. The Issuer and the Guarantor have agreed to pay the Joint Lead Managers certain fees and underwriting commissions, to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Notes, and to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. In addition, the Issuer and the Guarantor may agree with the Joint Lead Managers that the Issuer and the Guarantor will grant a concession to certain private banks in connection with the distribution of the Notes to their clients. If such concession is granted, a commission will be payable based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and the Arrangers, the Dealers or any affiliate of theirs is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by them or such affiliate on behalf of the Issuer in such jurisdiction.

Other Relationships

Each Joint Lead Manager or its affiliates may purchase the Notes for its own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swap relating to the Notes at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

Each of the Joint Lead Managers and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies from time to time. Each Joint Lead Manager or certain of its affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. In addition to the transactions noted above, each Joint Lead Manager and its affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer or the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies in the ordinary course of their business. In addition, each Joint Lead Manager and certain of its subsidiaries and affiliates may hold shares or other securities in the Issuer as beneficial owners, on behalf of clients or in the capacity of investment advisers.

General

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Group will have no responsibility for, and each Joint Lead Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. None of the Joint Lead Managers is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes, other than as contained in this Offering Circular or any amendment or supplement thereto.

United States

Each Joint Lead Manager has represented, warranted and undertaken to the Issuer and the Guarantor that it has offered or sold, and will offer or sell, any Notes constituting part of its allotment only outside the United States in accordance with Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of the Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes. In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in this offering) may violate the registration requirement of the Securities Act.

Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the SFO and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Cap. 32 Companies Ordinance or which do not constitute an offer to the public within the meaning thereunder; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

The PRC

Each Joint Lead Manager has represented, warranted and undertaken that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of the laws of Singapore (the "**SFA**"). Accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to the SFA: (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

(i) an institutional investor (as defined in Section 4A of the SFA);

(ii) a relevant person (as defined in Section 275 (2) of the SFA); or

(iii) any person pursuant to an offer referred to in Section 275 (1A) of the SFA, unless expressly specified otherwise in Section 276(7) of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

The shares debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions specified in Section 275 of the SFA;

(2) (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(3) where no consideration is or will be given for the transfer;

(4) where the transfer is by operation of law;

(5) as specified in Section 276(7) of the SFA; or

(6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan, or Financial Instruments and Exchange Act, and, accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The British Virgin Islands

Each Joint Lead Manager represents, warrants and undertakes that the Notes may and will not be offered to members of the public or any person resident in the British Virgin Islands.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code number 108829974 and the International Securities Identification Number for the Notes is XS1088299745.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes was authorised by the board of directors of the Issuer on 17 July 2014. The Guarantor has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee of the Notes and the performance of its obligations under the Trust Deed, the Guarantee of the Notes and the Agency Agreement. The giving of the Guarantee of the Notes was authorised by the executive committee of the Guarantor on 17 July 2014.

3. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change since 31 July 2013 (in the case of the Guarantor and the Group) or the date of incorporation (in the case of the Issuer) in the financial or trading position, prospects or results of operations of the Issuer, the Guarantor or the Group.

4. **Litigation:** None of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings, which the Issuer, the Guarantor or the Group, as the case may be, believes are material in the context of the Notes and the giving of the Guarantee of the Notes and, so far as the Issuer or the Guarantor is aware, no such litigation or arbitration proceedings are pending or threatened.

5. **Listing of the Notes:** Application has been made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors (as defined in the SFO) only and such permission is expected to become effective on or about 25 July 2014.

6. **Available Documents:** As long as any Note is outstanding, copies of the following documents will be available for inspection and, in the case of the documents referred to in paragraph (b) below, copies may be obtained during normal business hours at the specified office of the Issuer at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong:

   (a) constitutional documents (or equivalent) of the Issuer and the Guarantor;

   (b) copies of the audited consolidated financial statements of the Guarantor as at and for the two years ended 31 July 2012 and 2013, and the unaudited and unreviewed condensed consolidated financial statements of the Guarantor as at and for the six months ended 31 January 2014;

   (c) the Agency Agreement;

   (d) the Trust Deed;

   (e) the Security Documents; and

   (f) the Account Bank Agreement.

7. **Independent Auditors:** The Guarantor's consolidated financial statements as at and for the two years ended 31 July 2012 and 2013, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young, Certified Public Accountants, the independent auditors of the Guarantor.

INDEX TO FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE SIX MONTHS ENDED 31 JANUARY 2014

AUDITED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE YEAR ENDED 31 JULY 2013

AUDITED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE YEAR ENDED 31 JULY 2012

The unaudited financial information for the six months ended 31 January 2014 set out herein were reproduced from the Guarantor's interim report for that period, and page references included herein refer to pages set out in such interim report.

The Independent Auditors' Reports and financial information for the two years ended 31 July 2012 and 31 July 2013 set out herein were reproduced from the Guarantor's annual report for the respective years, and page references included herein refer to pages set out in such annual reports.

The board of directors (the "**Board**") of Lai Sun Garment (International) Limited (the "**Company**") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 January 2014 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2014

	Notes	Six months ended 31 January 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
TURNOVER	3	**1,271,768**	470,283
Cost of sales		**(666,143)**	(152,594)
Gross profit		**605,625**	317,689
Other revenue		**38,349**	22,358
Selling and marketing expenses		**(33,431)**	(11,519)
Administrative expenses		**(193,637)**	(171,848)
Other operating expenses, net		**(24,542)**	(17,775)
Employee share option benefits		**—**	(60,495)
Fair value gains on investment properties		**376,818**	1,519,509
Provision for tax indemnity	12(b)	**(139,017)**	—
PROFIT FROM OPERATING ACTIVITIES	4	**630,165**	1,597,919
Finance costs	5	**(134,081)**	(48,013)
Share of profits and losses of associates		**44,521**	(6,630)
Share of profits and losses of joint ventures		**49,151**	502,978
Discount on acquisition of additional interest in an associate	6	**99,382**	134,930
PROFIT BEFORE TAX		**689,138**	2,181,184
Tax	7	**(45,877)**	(25,345)
PROFIT FOR THE PERIOD		**643,261**	2,155,839
Attributable to:			
Owners of the Company		**338,555**	1,103,758
Non-controlling interests		**304,706**	1,052,081
		643,261	2,155,839
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		**HK$0.209**	HK$0.682
Diluted		**HK$0.207**	HK$0.675

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Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2014

	Six months ended 31 January 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
PROFIT FOR THE PERIOD	**643,261**	2,155,839
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	**4,150**	30,587
Exchange realignments	**11,141**	1,236
Share of other comprehensive income of an associate	**59,380**	26,541
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**74,671**	58,364
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**717,932**	2,214,203
Attributable to:		
Owners of the Company	**375,885**	1,131,767
Non-controlling interests	**342,047**	1,082,436
	717,932	2,214,203

Condensed Consolidated Statement of Financial Position

As at 31 January 2014

	Notes	31 January 2014 (Unaudited) HK$'000	31 July 2013 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**874,594**	838,735
Prepaid land lease payments		**23,468**	23,982
Investment properties		**13,307,586**	12,775,296
Properties under development for sale		**184,295**	879,561
Interests in associates		**3,780,226**	3,415,620
Interests in joint ventures		**5,830,074**	5,688,887
Available-for-sale financial assets		**1,202,470**	1,198,321
Pledged bank balances and time deposits		**216,307**	216,222
Deposits paid and other receivables		**17,997**	23,500
Total non-current assets		**25,437,017**	25,060,124
CURRENT ASSETS			
Completed properties for sale		**1,063,139**	817,990
Equity investments at fair value through profit or loss		**6,324**	7,489
Inventories		**10,037**	6,456
Debtors, deposits paid and other receivables	9(a)	**187,050**	126,214
Held-to-maturity debt investments		**8,524**	8,317
Cash and cash equivalents		**9,333,898**	3,183,396
Total current assets		**10,608,972**	4,149,862
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9(b)	**348,173**	358,446
Temporary receipt	10	**5,809,135**	—
Tax payable		**103,260**	84,839
Bank borrowings		**439,477**	430,886
Total current liabilities		**6,700,045**	874,171
NET CURRENT ASSETS		**3,908,927**	3,275,691
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,345,944**	28,335,815
NON-CURRENT LIABILITIES			
Bank borrowings		**(2,901,408)**	(2,983,993)
Guaranteed notes		**(2,700,840)**	(2,695,474)
Other borrowing, note payable and interest payable		**(344,659)**	(338,944)
Deferred tax		**(177,853)**	(177,989)
Provision for tax indemnity	12(b)	**(980,638)**	(865,923)
Long term rental deposits received		**(91,546)**	(87,480)
Total non-current liabilities		**(7,196,944)**	(7,149,803)
		22,149,000	21,186,012
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**16,174**	16,174
Share premium account		**1,908,840**	1,908,840
Investment revaluation reserve		**161,260**	158,034
Share option reserve		**16,214**	16,214
Hedging reserve		**671**	(5,889)
Asset revaluation reserve		**55,494**	55,494
Other reserve	10	**904,651**	327,231
Exchange fluctuation reserve		**58,145**	30,601
Retained profits		**8,867,168**	8,528,561
		11,988,617	11,035,260
Non-controlling interests		**10,160,383**	10,150,752
		22,149,000	21,186,012

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Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2014

	Attributable to owners of the Company											
	Issued capital HK$'000	Share premium account HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 July 2013 and 1 August 2013 (Audited)	16,174	1,908,840	158,034	16,214	(5,889)	55,494	327,231	30,601	8,528,561	11,035,260	10,150,752	21,186,012
Profit for the period	—	—	—	—	—	—	—	—	338,555	338,555	304,706	643,261
Other comprehensive income for the period:												
Changes in fair value of available-for-sale financial assets	—	—	2,074	—	—	—	—	—	—	2,074	2,076	4,150
Exchange realignments	—	—	—	—	—	—	—	5,584	—	5,584	5,557	11,141
Share of other comprehensive income of an associate	—	—	1,152	—	6,560	—	—	21,960	—	29,672	29,708	59,380
Total comprehensive income for the period	—	—	3,226	—	6,560	—	—	27,544	338,555	375,885	342,047	717,932
Share of reserve movements of an associate	—	—	—	—	—	—	58,074	—	52	58,126	60,658	118,784
Net proceeds from rights issue (Note 10)	—	—	—	—	—	—	210,329	—	—	210,329	—	210,329
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	4,780	4,780
Acquisition of additional interest in a subsidiary (Note)	—	—	—	—	—	—	309,017	—	—	309,017	(397,854)	(88,837)
At 31 January 2014 (Unaudited)	**16,174**	**1,908,840**	**161,260**	**16,214**	**671**	**55,494**	**904,651**	**58,145**	**8,867,168**	**11,988,617**	**10,160,383**	**22,149,000**
At 31 July 2012 and 1 August 2012 (Audited)	16,174	1,908,840	140,492	8,658	—	55,494	35,432	422	6,861,232	9,026,744	8,942,905	17,969,649
Profit for the period	—	—	—	—	—	—	—	—	1,103,758	1,103,758	1,052,081	2,155,839
Other comprehensive income for the period:												
Changes in fair value of available-for-sale financial assets	—	—	14,672	—	—	—	—	—	—	14,672	15,915	30,587
Exchange realignments	—	—	—	—	—	—	—	605	—	605	631	1,236
Share of other comprehensive income of an associate	—	—	4,244	—	—	—	—	8,488	—	12,732	13,809	26,541
Total comprehensive income for the period	—	—	18,916	—	—	—	—	9,093	1,103,758	1,131,767	1,082,436	2,214,203
Share of reserve movements of an associate	—	—	—	2,244	—	—	28,976	—	—	31,220	33,862	65,082
Recognition of share-based payments	—	—	—	5,760	—	—	—	—	—	5,760	54,735	60,495
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	11,902	11,902
Acquisition of additional interest in a subsidiary (Note)	—	—	—	—	—	—	261,400	—	—	261,400	(369,263)	(107,863)
At 31 January 2013 (Unaudited)	16,174	1,908,840	159,408	16,662	—	55,494	325,808	9,515	7,964,990	10,456,891	9,756,577	20,213,468

Note: *During the period from November 2013 to December 2013, the Group acquired 2% additional interest in a subsidiary, Lai Sun Development Company Limited ("**LSD**"), from the public shareholders at a cost of approximately HK$88,837,000 and the Group's interest in LSD increased from 49.97% to 51.97%. A discount on acquisition of approximately HK$309,017,000 was credited to other reserve.*

During the period from October 2012 to December 2012, the Group acquired 2% additional interest in LSD from the public shareholders at a cost of approximately HK$107,863,000 and the Group's interest in LSD increased from 47.97% to 49.97%. A discount on acquisition of approximately HK$261,400,000 was credited to other reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2014

	Six months ended 31 January 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	**605,728**	62,785
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(380,220)**	(1,592,439)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**5,924,305**	3,286,481
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,149,813**	1,756,827
Cash and cash equivalents at beginning of period	**3,183,396**	1,746,822
Effect of foreign exchange rate changes, net	**689**	454
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**9,333,898**	3,504,103
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**7,564,620**	2,975,137
Time deposits	**1,769,278**	528,966
	9,333,898	3,504,103

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited consolidated financial statements for the year ended 31 July 2013.

The Group has adopted the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which also include HKASs and Interpretations) which are applicable to the Group and are effective in the current period. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

3. SEGMENT INFORMATION

The following table presents revenue and results for the Group's reportable segments:

	Six months ended 31 January (Unaudited)											
	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**722,742**	1,220	**284,305**	256,138	**253,053**	202,814	**11,668**	10,111	**—**	—	**1,271,768**	470,283
Intersegment sales	**—**	—	**8,070**	8,350	**—**	—	**14,447**	13,026	**(22,517)**	(21,376)	**—**	—
Other revenue	**1,331**	552	**672**	709	**656**	91	**1,669**	78	**—**	—	**4,328**	1,430
Total	**724,073**	1,772	**293,047**	265,197	**253,709**	202,905	**27,784**	23,215	**(22,517)**	(21,376)	**1,276,096**	471,713
Segment results	**222,310**	(12,696)	**227,178**	209,695	**21,833**	32,165	**1,512**	(917)	**—**	—	**472,833**	228,247
Interest income and unallocated revenue											**34,021**	20,928
Fair value gains on investment properties	**—**	—	**376,818**	1,519,509	**—**	—	**—**	—	**—**	—	**376,818**	1,519,509
Unallocated expenses											**(114,490)**	(170,765)
Provision for tax indemnity											**(139,017)**	—
Profit from operating activities											**630,165**	1,597,919
Finance costs											**(134,081)**	(48,013)
Share of profits and losses of associates	**15**	(172)	**1,195**	3,646	**(1,859)**	(34)	**—**	—	**—**	—	**(649)**	3,440
Share of profits and losses of associates — unallocated											**45,170**	(10,070)
Share of profits and losses of joint ventures	**6,106**	41,623	**43,045**	461,355	**—**	—	**—**	—	**—**	—	**49,151**	502,978
Discount on acquisition of additional interest in an associate											**99,382**	134,930
Profit before tax											**689,138**	2,181,184
Tax											**(45,877)**	(25,345)
Profit for the period											**643,261**	2,155,839

3. SEGMENT INFORMATION *(CONTINUED)*

The following table presents the total assets and liabilities for the Group's reportable segments:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	31 January 2014 (Unaudited) HK$'000	31 July 2013 (Audited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 July 2013 (Audited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 July 2013 (Audited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 July 2013 (Audited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 July 2013 (Audited) HK$'000
Segment assets	**1,357,393**	1,730,151	**13,349,911**	12,821,558	**1,113,923**	1,080,110	**94,683**	69,849	**15,915,910**	15,701,668
Interests in associates	**10,201**	10,174	**31,269**	29,812	**18,945**	20,029	**—**	—	**60,415**	60,015
Interests in associates — unallocated									**3,719,811**	3,355,605
Interests in joint ventures	**1,437,381**	1,426,241	**4,392,693**	4,262,646	**—**	—	**—**	—	**5,830,074**	5,688,887
Unallocated assets									**10,519,779**	4,403,811
Total assets									**36,045,989**	29,209,986
Segment liabilities	**80,355**	120,698	**152,545**	154,006	**79,893**	65,270	**7,711**	5,140	**320,504**	345,114
Temporary receipt									**5,809,135**	—
Bank borrowings									**3,340,885**	3,414,879
Guaranteed notes									**2,700,840**	2,695,474
Other borrowing, note payable and interest payable									**344,659**	338,944
Other unallocated liabilities									**1,380,966**	1,229,563
Total liabilities									**13,896,989**	8,023,974

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Depreciation#	**20,762**	16,949
Amortisation of prepaid land lease payments*	**514**	514
Loss on disposal of listed equity investments at fair value through profit or loss*	**—**	385
Fair value loss/(gain) on listed equity investments at fair value through profit or loss*	**1,222**	(17)
Interest income from bank deposits	**(10,402)**	(3,297)
Other interest income	**(594)**	(611)
Dividend income from listed equity investments at fair value through profit or loss	**(25)**	(22)
Dividend income from unlisted available-for-sale financial assets	**(23,000)**	(14,447)

\# Depreciation charge of approximately HK$19,508,000 (Six months ended 31 January 2013: HK$15,642,000) for property, plant and equipment is included in "other operating expenses, net" on the condensed consolidated income statement.

* These items are included in "other operating expenses, net" on the condensed consolidated income statement.

5. FINANCE COSTS

	Six months ended 31 January 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Interest on bank borrowings wholly repayable within five years	**38,481**	34,995
Interest on guaranteed notes wholly repayable within five years	**79,552**	4,784
Interest on other borrowing and note payable wholly repayable within five years	**5,714**	5,702
Bank financing charges	**11,561**	8,436
	135,308	53,917
Less: Amount capitalised in properties under development for sale	**(1,227)**	(5,904)
	134,081	48,013

6. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the period from November 2013 to December 2013, LSD acquired 1.33% additional interest in eSun Holdings Limited ("**eSun**") from the public shareholders at a cost of approximately HK$18,545,000 and LSD's interest in eSun was increased from 39.93% to 41.26%. A discount on acquisition of approximately HK$99,382,000 arose from this acquisition.

During the period from October 2012 to December 2012, LSD acquired 2% additional interest in eSun from the public shareholders at a cost of approximately HK$29,336,000 and LSD's interest in eSun was increased from 37.93% to 39.93%. A discount on acquisition of approximately HK$134,930,000 arose from this acquisition.

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 31 January 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Current tax		
Hong Kong	**37,976**	15,801
Overseas	**8,438**	7,772
	46,414	23,573
Deferred tax	**(537)**	1,772
Tax charge for the period	**45,877**	25,345

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 31 January 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**338,555**	1,103,758
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	**(1,668)**	(6,212)
Earnings for the purpose of diluted earnings per share	**336,887**	1,097,546
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,617,423**	1,617,423
Effect of dilutive potential ordinary shares arising from share options	**8,949**	7,545
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,626,372**	1,624,968

9. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

(a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

An ageing analysis of the trade debtors, based on payment due date, as at the end of the reporting period is as follows:

	31 January 2014 (Unaudited) HK$'000	31 July 2013 (Audited) HK$'000
Trade debtors:		
Not yet due or less than 30 days past due	**9,679**	6,699
31-60 days past due	**2,380**	1,980
61-90 days past due	**1,082**	400
Over 90 days past due	**1,426**	1,642
	14,567	10,721
Other receivables	**93,394**	58,844
Deposits paid and prepayments	**79,089**	56,649
	187,050	126,214

9. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS *(CONTINUED)*

(b) An ageing analysis of the trade creditors, based on payment due date, as at the end of the reporting period is as follows:

	31 January 2014 (Unaudited) HK$'000	31 July 2013 (Audited) HK$'000
Trade creditors:		
Not yet due or less than 30 days past due	**11,329**	9,171
31-60 days past due	**1,325**	1,488
61-90 days past due	**809**	87
Over 90 days past due	**28**	237
	13,491	10,983
Other payables and accruals	**197,522**	185,643
Deposits received and other provisions	**137,160**	161,820
	348,173	358,446

10. TEMPORARY RECEIPT/OTHER RESERVE

Temporary receipt represented proceeds from over-subscription of rights issue as at 31 January 2014 which were refunded to the subscribers subsequent to the end of reporting period.

Pursuant to the prospectus dated 13 January 2014, the Company proposed a rights issue of 258,787,744 shares on the basis of four rights shares for every twenty five existing shares of the Company at a subscription price of HK$0.834 each. The rights issue was subsequently completed on 4 February 2014 (the "**Completion**"). The net proceeds from the rights issue of approximately HK$210,329,000, after deduction of rights issue expenses of approximately HK$5,500,000, were recorded as other reserve as at 31 January 2014. Following the Completion, approximately HK$2,588,000 and HK$207,741,000 would be credited to issued capital and share premium account, respectively.

11. CAPITAL COMMITMENTS

The Group had the following commitments not provided for in the condensed consolidated interim financial statements at the end of the reporting period:

	31 January 2014 (Unaudited) HK$'000	31 July 2013 (Audited) HK$'000
Contracted, but not provided for		
Purchase of property, plant and equipment	**9,743**	34,803
Additions of investment properties	**1,907**	—
Acquisition of a subsidiary	**—**	123,500
	11,650	158,303

11. CAPITAL COMMITMENTS *(CONTINUED)*

In addition, the Group's share of joint ventures' own capital commitments, in respect of future development expenditure of its investment properties, is as follows:

	31 January 2014 (Unaudited) HK$'000	31 July 2013 (Audited) HK$'000
Authorised, but not contracted for	**9,713**	—
Contracted, but not provided for	**193,627**	24,821
	203,340	24,821

12. CONTINGENT LIABILITIES

(a) In connection with the disposal (the "**Disposal**") of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company, Limited ("**Taiwa**"), an indirect 50%-owned associate of LSD, Taiwa, LSD, and the other 50% beneficial shareholder of Taiwa (collectively the "**Covenantors**") entered into a tax deed (the "**Tax Deed**") with the purchaser of the Disposal, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries (collectively the "**Properties Holding Companies**") on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events which happened prior to the completion of the Disposal for a maximum amount of HK$30 million. As such, the maximum liability of LSD under the Tax Deed is HK$15 million. The Tax Deed is valid for a period of 7 years from the date of its execution.

(b) Pursuant to an indemnity deed (the "**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between LSD and Lai Fung Holdings Limited ("**Lai Fung**"), LSD has undertaken to indemnify Lai Fung in respect of certain potential income tax and land appreciation tax ("**LAT**") of the People's Republic of China (the "**PRC**") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates 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**"), independent chartered surveyors, as at 31 October 1997 (the "**Valuation**"); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The Lai Fung Tax 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 PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by LSD do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (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 Lai Fung as set out in Lai Fung's prospectus dated 18 November 1997.

After taking into account the plans and the status of the Property Interests held by Lai Fung as at 31 January 2014 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group recorded an aggregate provision for tax indemnity of approximately HK$1,004,940,000 as at 31 January 2014 (31 July 2013: HK$865,923,000), of which HK$24,302,000 (31 July 2013: Nil) is included in creditors, deposits received and accruals and HK$980,638,000 (31 July 2013: HK$865,923,000) is included in provision for tax indemnity. Therefore, an additional provision for tax indemnity of HK$139,017,000 (Six months ended 31 January 2013: Nil) is recognised in the condensed consolidated income statement for the six months ended 31 January 2014.

13. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following material transactions with related parties during the period:

(a) Transactions with related parties

	Six months ended 31 January 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Rental income and building management fee received from eSun and its subsidiaries, an associate	**4,744**	2,846
Rental expenses and building management fees paid to an associate	**936**	902
Purchase of leasehold buildings from a joint venture	**—**	205,000
Purchase of properties for sale from a joint venture	**1,790**	—

The above transactions were entered into based on terms stated in the respective agreements or contracts and were charged on bases mutually agreed by the respective parties.

(b) Compensation of key management personnel of the Group

	Six months ended 31 January 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Short term employee benefits	**17,051**	14,723
Employee share option benefits	**—**	28,104
Post-employment benefits	**46**	46
Total compensation paid to key management personnel	**17,097**	42,873

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments measured at amortised cost

Except for the guaranteed notes with fair value of approximately HK$2,658,520,000 (31 July 2013: HK$2,577,029,000), the directors consider the carrying amounts of all other financial assets and financial liabilities measured at amortised cost approximate to their fair values as at the end of the reporting period.

Financial instruments measured at fair value

The Group uses the following hierarchy for measurements of fair values of financial instruments on a recurring basis:

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

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (*CONTINUED*)

Financial instruments measured at fair value (*Continued*)

As at 31 January 2014

	Level 1 (Unaudited) HK$'000	**Level 2 (Unaudited) HK$'000**	**Level 3 (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Available-for-sale financial assets, at fair value	**—**	**1,188,118**	**—**	**1,188,118**
Equity investments at fair value through profit or loss	**6,324**	**—**	**—**	**6,324**
	6,324	**1,188,118**	**—**	**1,194,442**

As at 31 July 2013

	Level 1 (Audited) HK$'000	Level 2 (Audited) HK$'000	Level 3 (Audited) HK$'000	Total (Audited) HK$'000
Available-for-sale financial assets, at fair value	—	1,183,968	—	1,183,968
Equity investments at fair value through profit or loss	7,489	—	—	7,489
	7,489	1,183,968	—	1,191,457

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Lai Sun Garment (International) Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 63 to 153, which comprise the consolidated and company statements of financial position as at 31 July 2013, 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

9 October 2013

Consolidated Income Statement

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
TURNOVER	6	**1,049,050**	947,247
Cost of sales		**(387,933)**	(360,729)
Gross profit		**661,117**	586,518
Other revenue	6	**68,518**	20,942
Selling and marketing expenses		**(25,441)**	(14,378)
Administrative expenses		**(317,238)**	(347,021)
Other operating expenses, net		**(42,813)**	(56,213)
Employee share option benefits	32	**(61,066)**	(12,673)
Fair value gains on investment properties	16	**2,431,172**	1,175,491
(Provision)/reversal of provision for tax indemnity	35(d)	**(149,315)**	53,213
PROFIT FROM OPERATING ACTIVITIES	7	**2,564,934**	1,405,879
Finance costs	8	**(181,839)**	(67,640)
Share of profits and losses of associates		**(2,319)**	442,304
Share of profits and losses of joint ventures		**605,032**	676,730
Discount on acquisition of additional interest in an associate	19(a)	**134,930**	88,695
PROFIT BEFORE TAX		**3,120,738**	2,545,968
Tax	11	**(50,099)**	(35,080)
PROFIT FOR THE YEAR		**3,070,639**	2,510,888
Attributable to:			
Owners of the Company	12	**1,663,904**	1,385,898
Non-controlling interests		**1,406,735**	1,124,990
		3,070,639	2,510,888
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		**HK$1.029**	HK$0.857
Diluted		**HK$1.016**	HK$0.857

Consolidated Statement of Comprehensive Income

Year ended 31 July 2013

	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR	**3,070,639**	2,510,888
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	**33,727**	92,842
Exchange realignments	**(3,882)**	(3,845)
Share of other comprehensive income of an associate	**56,175**	(72,744)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**86,020**	16,253
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,156,659**	2,527,141
Attributable to:		
Owners of the Company	**1,705,740**	1,393,694
Non-controlling interests	**1,450,919**	1,133,447
	3,156,659	2,527,141

Consolidated Statement of Financial Position

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**838,735**	672,960
Prepaid land lease payments	15	**23,982**	25,010
Investment properties	16	**12,775,296**	10,254,611
Properties under development for sale	17	**879,561**	1,435,473
Interests in associates	19(a)	**3,415,620**	3,115,115
Interests in joint ventures	19(b)	**5,688,887**	3,914,401
Available-for-sale financial assets	20	**1,198,321**	1,185,810
Pledged bank balances and time deposits	21	**216,222**	—
Deposits paid	22	**23,500**	61,500
Total non-current assets		**25,060,124**	20,664,880
CURRENT ASSETS			
Completed properties for sale	23	**817,990**	106,580
Equity investments at fair value through profit or loss	24	**7,489**	1,648
Inventories		**6,456**	5,305
Debtors, deposits paid and other receivables	25(a)	**126,214**	104,692
Held-to-maturity debt investments	26	**8,317**	—
Pledged bank balances and time deposits	21	**—**	106,037
Cash and cash equivalents	21	**3,183,396**	1,746,822
Total current assets		**4,149,862**	2,071,084
CURRENT LIABILITIES			
Creditors, deposits received and accruals	25(b)	**358,446**	273,070
Tax payable		**84,839**	65,843
Bank borrowings	27	**430,886**	1,417,818
Total current liabilities		**874,171**	1,756,731
NET CURRENT ASSETS		**3,275,691**	314,353
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,335,815**	20,979,233

Consolidated Statement of Financial Position

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	27	**(2,983,993)**	(1,707,404)
Guaranteed notes	28	**(2,695,474)**	—
Other borrowing, note payable and interest payable	29	**(338,944)**	(327,620)
Amounts due to associates	19(a)	**—**	(20,799)
Deferred tax	30	**(177,989)**	(171,224)
Provision for tax indemnity	35(d)	**(865,923)**	(716,608)
Long term rental deposits received		**(87,480)**	(65,929)
Total non-current liabilities		**(7,149,803)**	(3,009,584)
		21,186,012	17,969,649
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**16,174**	16,174
Share premium account		**1,908,840**	1,908,840
Investment revaluation reserve		**158,034**	140,492
Share option reserve		**16,214**	8,658
Hedging reserve		**(5,889)**	—
Asset revaluation reserve		**55,494**	55,494
Other reserve		**327,231**	35,432
Exchange fluctuation reserve		**30,601**	422
Retained profits		**8,528,561**	6,861,232
		11,035,260	9,026,744
Non-controlling interests		**10,150,752**	8,942,905
		21,186,012	17,969,649

Lam Kin Ming
Director

Chew Fook Aun
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2013

	Attributable to owners of the Company											
	Issued capital HK$'000	Share premium account HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 August 2011	16,174	1,908,840	95,955	174	—	55,494	1,249	37,163	5,475,334	7,590,383	7,495,211	15,085,594
Profit for the year	—	—	—	—	—	—	—	—	1,385,898	1,385,898	1,124,990	2,510,888
Other comprehensive income/(expenses) for the year:												
Changes in fair value of available-for-sale financial assets	—	—	44,537	—	—	—	—	—	—	44,537	48,305	92,842
Exchange realignments	—	—	—	—	—	—	—	(1,846)	—	(1,846)	(1,999)	(3,845)
Share of other comprehensive income of an associate	—	—	—	—	—	—	—	(34,895)	—	(34,895)	(37,849)	(72,744)
Total comprehensive income/(expenses) for the year	—	—	44,537	—	—	—	—	(36,741)	1,385,898	1,393,694	1,133,447	2,527,141
Subscription of shares of a subsidiary pursuant to a rights issue	—	—	—	—	—	—	—	—	—	—	276,344	276,344
Share of reserve movements of associates	—	—	—	498	—	—	34,183	—	—	34,681	37,616	72,297
Recognition of share-based payments	—	—	—	7,986	—	—	—	—	—	7,986	4,687	12,673
Repayment to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(4,400)	(4,400)
At 31 July 2012 and 1 August 2012	16,174	1,908,840	140,492	8,658	—	55,494	35,432	422	6,861,232	9,026,744	8,942,905	17,969,649
Profit for the year	—	—	—	—	—	—	—	—	1,663,904	1,663,904	1,406,735	3,070,639
Other comprehensive income/(expenses) for the year:												
Changes in fair value of available-for-sale financial assets	—	—	16,242	—	—	—	—	—	—	16,242	17,485	33,727
Exchange realignments	—	—	—	—	—	—	—	(1,946)	—	(1,946)	(1,936)	(3,882)
Share of other comprehensive income of an associate	—	—	1,300	—	(5,889)	—	4	32,125	—	27,540	28,635	56,175
Total comprehensive income/(expenses) for the year	—	—	17,542	—	(5,889)	—	4	30,179	1,663,904	1,705,740	1,450,919	3,156,659
Share of reserve movements of associates	—	—	—	1,760	—	—	30,395	—	2,294	34,449	34,755	69,204
Recognition of share-based payments	—	—	—	5,935	—	—	—	—	—	5,935	55,131	61,066
Lapse of share options	—	—	—	(139)	—	—	—	—	1,131	992	(992)	—
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	38,797	38,797
Repayment to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(1,500)	(1,500)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	261,400	—	—	261,400	(369,263)	(107,863)
At 31 July 2013	**16,174**	**1,908,840**	**158,034**	**16,214**	**(5,889)**	**55,494**	**327,231**	**30,601**	**8,528,561**	**11,035,260**	**10,150,752**	**21,186,012**

Consolidated Statement of Cash Flows

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,120,738**	2,545,968
Adjustments for:			
Finance costs	8	**181,839**	67,640
Share of profits and losses of associates		**2,319**	(442,304)
Share of profits and losses of joint ventures		**(605,032)**	(676,730)
Discount on acquisition of additional interest in an associate		**(134,930)**	(88,695)
Fair value gains on investment properties		**(2,431,172)**	(1,175,491)
Provision/(reversal of provision) for tax indemnity	35(d)	**149,315**	(53,213)
Depreciation	7	**39,359**	34,524
Amortisation of prepaid land lease payments	7	**1,028**	1,028
(Gain)/loss on disposal of items of property, plant and equipment	7	**(83)**	4,331
Loss on disposal of an unlisted available-for-sale financial asset	7	**100**	—
Fair value loss on listed equity investments at fair value through profit or loss	7	**1,772**	803
(Gain)/loss on disposal of listed equity investments at fair value through profit or loss	7	**(220)**	18,078
Interest income	6	**(12,913)**	(7,050)
Dividend income from listed equity investments at fair value through profit or loss	6	**(52)**	(391)
Dividend income from unlisted available-for-sale financial assets	6	**(36,420)**	(160)
Share issue expenses		**—**	17,437
Employee share option benefits	7	**61,066**	12,673
		336,714	258,448
Increase in properties under development for sale		**(206,209)**	(200,944)
Decrease in completed properties for sale		**60,813**	90,219
(Increase)/decrease in inventories		**(1,151)**	573
(Increase)/decrease in debtors, deposits paid and other receivables		**(31,822)**	28,070
Increase in creditors, deposits received and accruals		**101,644**	14,864
Cash generated from operations		**259,989**	191,230
Interest received		**12,825**	5,588
Interest paid on bank borrowings		**(74,524)**	(55,084)
Interest paid on guaranteed notes		**(77,349)**	—
Hong Kong profits tax paid		**(13,482)**	(11,055)
Overseas taxes paid		**(13,607)**	(14,906)
Net cash flows from operating activities		**93,852**	115,773

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(248,710)**	(23,497)
Additions to investment properties		**(34,495)**	(30,332)
Deposit paid for acquisition of an investment property	22	**—**	(61,500)
Deposit paid for acquisition of a subsidiary	22	**(6,500)**	—
Deposit paid for purchase of items of property, plant and equipment	22	**(17,000)**	—
Acquisition of equity investments at fair value through profit or loss		**(33,868)**	(43,257)
Acquisition of an unlisted available-for-sale financial asset		**(11,650)**	(56,772)
Repayment from an unlisted debt investment		**32,766**	—
(Acquisition)/redemption of held-to-maturity debt investments		**(8,229)**	33,963
Proceeds from disposal of items of property, plant and equipment		**3,114**	—
Proceeds from disposal of equity investments at fair value through profit or loss		**26,475**	36,366
Acquisition of additional interest in an associate		**(29,336)**	(43,301)
Acquisition of additional interest in a subsidiary		**(107,863)**	—
Advances to associates		**(29,479)**	(8,408)
(Repayment to)/advances from associates		**(4,499)**	4,945
Acquisition of a joint venture		**—**	(756,168)
(Advances to)/repayment from joint ventures		**(1,451,158)**	276,723
Dividend received from a joint venture		**325,000**	238,302
Interest received from held-to-maturity debt investments		**—**	1,203
Dividends received from listed equity investments at fair value through profit or loss		**52**	391
Dividends received from unlisted available-for-sale financial assets		**36,420**	160
Increase in pledged bank balances and time deposits		**(110,185)**	(6,446)
Net cash flows used in investing activities		**(1,669,145)**	(437,628)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings raised		**1,808,273**	1,875,900
Guaranteed notes issued		**2,714,005**	—
Repayment of bank borrowings		**(1,477,068)**	(1,506,493)
Guaranteed notes issue expenses		**(21,101)**	—
Bank financing charges		**(48,093)**	(9,623)
Capital contribution from non-controlling interests of subsidiaries		**38,797**	—
Repayment to non-controlling interests of subsidiaries		**(1,500)**	(4,400)
Proceeds from non-controlling interests in connection with rights issue of a subsidiary		**—**	276,344
Share issue expenses		**—**	(17,437)
Net cash flows from financing activities		**3,013,313**	614,291

Consolidated Statement of Cash Flows

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,438,020**	292,436
Cash and cash equivalents at beginning of year		**1,746,822**	1,455,110
Effect of foreign exchange rate changes, net		**(1,446)**	(724)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,183,396**	1,746,822
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		**2,505,081**	676,379
Non-pledged time deposits		**678,315**	1,070,443
		3,183,396	1,746,822

Statement of Financial Position

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**48**	68
Investment properties	16	**458,300**	383,200
Interests in subsidiaries	18	**4,704,020**	4,317,764
Interests in associates	19(a)	**2,366**	2,353
Pledged bank balances and time deposits	21	**51,166**	—
Total non-current assets		**5,215,900**	4,703,385
CURRENT ASSETS			
Debtors, deposits paid and other receivables	25(a)	**2,756**	3,441
Cash and cash equivalents	21	**59,664**	144,202
Total current assets		**62,420**	147,643
CURRENT LIABILITIES			
Creditors, deposits received and accruals	25(b)	**14,973**	14,625
Bank borrowings	27	**13,600**	—
Total current liabilities		**28,573**	14,625
NET CURRENT ASSETS		**33,847**	133,018
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,249,747**	4,836,403
NON-CURRENT LIABILITIES			
Bank borrowings	27	**(322,671)**	—
Other borrowing, note payable and interest payable	29	**(338,944)**	(327,620)
Long term rental deposits received		**(2,803)**	(1,978)
Total non-current liabilities		**(664,418)**	(329,598)
		4,585,329	4,506,805
EQUITY			
Issued capital	31	**16,174**	16,174
Reserves	33(b)	**4,569,155**	4,490,631
		4,585,329	4,506,805

Lam Kin Ming
Director

Chew Fook Aun
Director

1. Corporate Information

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

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

- property development for sale
- property investment
- investment in and operation of hotel and restaurants
- investment holding

Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 18 and 19 to the financial statements, respectively.

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 (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments at fair value through profit or loss and certain available-for-sale financial assets, which have been measured at fair value. 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 (collectively referred to as the "**Group**") for the year ended 31 July 2013. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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 profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRS, applicable to the Group, for the first time for the current year's financial statements.

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point of time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [1]
HKFRS 9	*Financial Instruments* [3]
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 *Financial Instruments* and HKFRS 7 *Financial Instruments: Disclosures — Mandatory Effective Date of HKFRS 9 and Transition Disclosures* [3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities* [2]
HKFRS 13	*Fair Value Measurement* [1]

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

HKAS 19 (2011)	*Employee Benefits* [1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [2]
HKAS 36 Amendments	Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* [2]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting* [2]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [1]
HK(IFRIC)-Int 21	*Levies* [2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

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

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity over which the Group has power over the investee such that the Group is able to direct the subsidiary's relevant activities, has exposure or rights to variable returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect the amount of its returns.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2.4 Summary of Significant Accounting Policies (continued)

Subsidiaries (continued)

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 four elements of control listed above.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

Associates

The existence of significant influence is assessed by the Group based on the Group's ownership percentage (considering its direct ownership as well as potentially exercisable or convertible shares) and other contractual rights. An associate is an entity, not being a subsidiary or a joint arrangement subject to joint control, in which the Group has an equity voting interest of generally not less than 20% and over which the Group is in a position to exercise significant influence. The Group's interests in associates 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 reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

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

Joint arrangements

Certain of the Group's activities are conducted through joint arrangements. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

2.4 Summary of Significant Accounting Policies (continued)

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's interests in 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 reserves of joint ventures is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's interests in joint ventures and is not individually tested for impairment.

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

Business combinations and goodwill

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from the interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

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 that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss 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 in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

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

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(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); and

(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).

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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:

Hotel properties	Over the remaining lease terms
Leasehold buildings	Over the remaining lease terms
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	10% — 20%
Motor vehicles	10% — 25%
Computers	10% — 25%
Motor vessels	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include properties that are being constructed or developed for future use as investment properties. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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

Operating leases

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

Properties under development for sale

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

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

2.4 Summary of Significant Accounting Policies (continued)

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 apportionment of the total land and building costs attributable to unsold properties. Net realisable value is determined by the directors based on prevailing market prices on an individual property basis less costs to be incurred in selling the property.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, 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.

The Group's financial assets include amounts due from associates and joint ventures, trade debtors and other receivables, available-for-sale financial assets, equity investments at fair value through profit or loss, held-to-maturity debt investments, pledged bank balances and time deposits, and cash and cash equivalents.

Subsequent measurement

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

Held-to-maturity debt investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments 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 fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

Financial assets at fair value through profit or loss

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

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

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 under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

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 a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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.

Available-for-sale financial assets

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets (continued)

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 and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intention and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intention to hold until the maturity date of the financial asset.

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 profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

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 derecognised 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 risks 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 asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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 individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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 and is accrued 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.

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

Assets carried at cost

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

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

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "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 profit or loss. 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified 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. The Group determines the classification of its financial liabilities at initial recognition.

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 amounts due to associates, trade creditors, other payables and accruals, bank borrowings, guaranteed notes, other borrowing, note payable and interest payable.

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.

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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for food, beverages, cutlery, linen and supplies used in hotel and restaurant operations is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the 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.

Provisions (continued)

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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e., based on the expected manner as to how the properties will be recovered).

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

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

(c) service income from hotel and restaurant operations and the provision of other related services, in the period in which such services are rendered;

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

(e) dividend income, when the shareholders' right to receive payment has been established.

Dividends

Final dividends proposed by the board of directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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.

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 funds.

Foreign currencies

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

The functional currencies of certain overseas subsidiaries 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 the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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.

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Binomial Option Pricing Model, further details of which are given in note 32 to the financial statements.

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Paid leave carried forward

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

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments that have been earned by the employees from their service to the Group at the end of the reporting period.

Retirement benefits

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 Vietnam and the People's Republic of China (the "**PRC**") are required to participate in central pension schemes operated by the respective governments in Vietnam and the PRC. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

3. Significant Accounting Judgements and Estimates

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

3. Significant Accounting Judgements and Estimates (continued)

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:

Impairment of assets

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

Provision for tax indemnity

Provision for tax indemnity is recognised at its fair value upon acquisition of Lai Sun Development Company Limited ("**LSD**") on 30 September 2010. The provision represents tax liability arising from disposal of certain property interests in the PRC pursuant to certain indemnity deeds entered into by LSD. Management's judgement is required to determine (i) the estimated sales proceeds and outgoings; and (ii) the latest development plan and status of individual property development projects. Further details are included in note 35(d) to the financial statements.

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 within the next financial year, are described below.

Estimation of fair value of investment properties and available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) independent valuations; (ii) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The carrying amount at fair value of investment properties as at 31 July 2013 was approximately HK$12,775,296,000 (2012: HK$10,254,611,000) and that of an available-for-sale financial assets, of which the principal asset is an investment property, as at 31 July 2013 was approximately HK$1,115,939,000 (2012: HK$1,120,420,000).

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Estimation of total budgeted costs and costs to completion for properties under development for sale

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

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that 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.

4. Segment Information

For management purposes, the Group has the following reportable segments:

(a) the property development and sales segment engages in property development and sale of properties;

(b) the property investment segment engages in the leasing of and sale of investment properties and development of properties for investment purposes;

4. Segment Information (continued)

(c) the hotel and restaurant operations segment engages in the operation of hotel and restaurants; and

(d) the "others" segment comprises the Group's property management and consultancy services business, which provides property management, security and consultancy services to residential, office, industrial, commercial properties, hotel and restaurants, and project management services to property development projects.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that fair value gains on investment properties, (provision)/reversal of provision for tax indemnity, interest income, finance costs, dividend income, share of profits and losses of associates, share of profits and losses of joint ventures and discount on acquisition of additional interest in an associate are excluded from such measurement.

Segment assets mainly exclude interests in associates, interests in joint ventures, available-for-sale financial assets, equity investments at fair value through profit or loss, held-to-maturity debt investments, pledged bank balances and time deposits, and certain cash and cash equivalents.

Segment liabilities mainly exclude bank borrowings, guaranteed notes, other borrowing, note payable, interest payable, tax payable, deferred tax and provision for tax indemnity.

Intersegment sales are transacted with reference to the prevailing market prices.

4. Segment Information (continued)

Segment revenue and results

The following table presents revenue and results for the Group's reportable segments:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment revenue:												
Sales to external customers	**100,312**	92,122	**519,887**	468,228	**409,928**	362,759	**18,923**	24,138	**—**	—	**1,049,050**	947,247
Intersegment sales	**—**	—	**16,651**	11,585	**—**	—	**27,532**	26,094	**(44,183)**	(37,679)	**—**	—
Other revenue	**1,126**	5,444	**1,206**	2,388	**972**	2	**9,814**	973	**—**	—	**13,118**	8,807
Total	**101,438**	97,566	**537,744**	482,201	**410,900**	362,761	**56,269**	51,205	**(44,183)**	(37,679)	**1,062,168**	956,054
Segment results	**13,274**	5,349	**417,266**	368,502	**55,370**	68,442	**10,055**	4,214	**—**	—	**495,965**	446,507
Interest income and unallocated revenue											**55,400**	12,135
Fair value gains on investment properties	**—**	—	**2,431,172**	1,175,491	**—**	—	**—**	—	**—**	—	**2,431,172**	1,175,491
Unallocated expenses											**(268,288)**	(281,467)
(Provision)/reversal of provision for tax indemnity											**(149,315)**	53,213
Profit from operating activities											**2,564,934**	1,405,879
Finance costs											**(181,839)**	(67,640)
Share of profits and losses of associates	**(41)**	768	**5,306**	2,697	**(887)**	(1,538)	**—**	—	**—**	—	**4,378**	1,927
Share of profits and losses of associates — unallocated											**(6,697)**	440,377
Share of profits and losses of joint ventures	**7,805**	28,293	**597,227**	648,437	**—**	—	**—**	—	**—**	—	**605,032**	676,730
Discount on acquisition of additional interest in an associate											**134,930**	88,695
Profit before tax											**3,120,738**	2,545,968
Tax											**(50,099)**	(35,080)
Profit for the year											**3,070,639**	2,510,888

4. Segment Information (continued)

The following table presents the total assets and liabilities and other segment information for the Group's reportable segments:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment assets and liabilities										
Segment assets	**1,730,151**	1,555,210	**12,821,558**	10,389,688	**1,080,110**	781,934	**69,849**	56,819	**15,701,668**	12,783,651
Interests in associates	**10,174**	14,734	**29,812**	23,998	**20,029**	27,516	**—**	—	**60,015**	66,248
Interests in associates — unallocated									**3,355,605**	3,048,867
Interests in joint ventures	**1,426,241**	281,506	**4,262,646**	3,632,895	**—**	—	**—**	—	**5,688,887**	3,914,401
Unallocated assets									**4,403,811**	2,922,797
Total assets									**29,209,986**	22,735,964
Segment liabilities	**120,698**	44,301	**154,006**	138,343	**65,270**	56,456	**5,140**	6,115	**345,114**	245,215
Bank borrowings									**3,414,879**	3,125,222
Guaranteed notes									**2,695,474**	—
Other borrowing, note payable and interest payable									**338,944**	327,620
Other unallocated liabilities									**1,229,563**	1,068,258
Total liabilities									**8,023,974**	4,766,315
Other segment information										
Amortisation of prepaid land lease payments	**—**	—	**—**	—	**1,028**	1,028	**—**	—	**1,028**	1,028
Depreciation	**352**	127	**390**	10	**29,833**	25,450	**83**	102	**30,658**	25,689
Depreciation — unallocated									**8,701**	8,835
									39,359	34,524
Capital expenditure	**217,439**	211,730	**96,974**	91,832	**204,075**	16,435	**31**	61	**518,519**	320,058
Capital expenditure — unallocated									**1,952**	6,494
									520,471	326,552

4. Segment Information (continued)

Geographical information

The following table presents revenue and assets by geographical location of assets for the years ended 31 July 2013 and 2012:

	Hong Kong		Vietnam		Others		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment revenue								
Sales to external customers	**712,703**	627,296	**327,003**	302,324	**9,344**	17,627	**1,049,050**	947,247
Other revenue	**13,116**	8,807	**—**	—	**2**	—	**13,118**	8,807
Total	**725,819**	636,103	**327,003**	302,324	**9,346**	17,627	**1,062,168**	956,054
Segment assets								
Non-current assets	**13,549,328**	11,543,235	**500,227**	518,173	**327,025**	216,992	**14,376,580**	12,278,400
Current assets	**1,008,404**	207,276	**297,376**	238,774	**19,308**	59,201	**1,325,088**	505,251
Total	**14,557,732**	11,750,511	**797,603**	756,947	**346,333**	276,193	**15,701,668**	12,783,651

Information about major customers

For both the years ended 31 July 2013 and 31 July 2012, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

5. Related Party Transactions

In addition to the related party transactions and balances detailed elsewhere in the financial statements, the Group entered into the following material transactions with related parties during the year:

(a) Transactions with related parties

	Group	
	2013	2012
	HK$'000	HK$'000
Rental income and building management fee received from:		
— eSun Holdings Limited ("**eSun**") and its subsidiaries (collectively the "**eSun Group**"), an associate	**5,038**	7,766
— a joint venture	**—**	545
Food and beverage income received from the eSun Group	**1,642**	221
Project management fee income received from a joint venture	**8,900**	—
Rental expenses and building management fees paid to:		
— the eSun Group	**889**	144
— an associate (Note)	**1,822**	1,668
Purchase of items of leasehold buildings from a joint venture	**205,000**	—

The above transactions were entered into based on terms stated in the respective agreements or contracts and were charged on bases mutually agreed by the respective parties.

Note: This transaction, which was subject to the reporting requirements set out in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), was disclosed in the Report of the Directors.

(b) Compensation of key management personnel of the Group

	Group	
	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**28,880**	22,944
Employee share option benefits	**28,104**	12,673
Post-employment benefits	**90**	165
Total compensation paid to key management personnel	**57,074**	35,782

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

6. Turnover and Other Revenue

Turnover comprises the proceeds from the sale of properties, rental income and building management fee, and income from hotel, restaurant and other operations.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Turnover		
Sale of properties	**100,312**	92,122
Rental income and building management fee	**519,887**	468,228
Hotel, restaurant and other operations	**428,851**	386,897
	1,049,050	947,247
Other revenue		
Interest income from bank deposits	**11,668**	4,616
Interest income from held-to-maturity debt investments	**88**	1,203
Other interest income	**1,157**	1,231
Dividend income from listed equity investments at fair value through profit or loss	**52**	391
Dividend income from unlisted available-for-sale financial assets	**36,420**	160
Project management fee income received from a joint venture	**8,900**	—
Others	**10,233**	13,341
	68,518	20,942

7. Profit from Operating Activities

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

		Group	
	Notes	**2013 HK$'000**	2012 HK$'000
Cost of inventories sold		**52,556**	40,716
Cost of completed properties sold		**60,394**	90,219
Depreciation#	14	**39,359**	34,524
Amortisation of prepaid land lease payments*	15	**1,028**	1,028
Staff costs (including directors' remuneration — note 9):			
Wages and salaries		**213,417**	194,209
Pension scheme contributions		**4,619**	4,085
Employee share option benefits		**61,066**	12,673
		279,102	210,967
Auditors' remuneration		**4,085**	3,833
(Gain)/loss on disposal of items of property, plant and equipment*		**(83)**	4,331
Loss on disposal of an unlisted available-for-sale financial asset*		**100**	—
Fair value loss on listed equity investments at fair value through profit or loss*		**1,772**	803
(Gain)/loss on disposal of listed equity investments at fair value through profit or loss*		**(220)**	18,078
Minimum lease payments under operating leases		**13,753**	15,381
Contingent rents		**399**	238
Total operating lease payments		**14,152**	15,619
Minimum lease income under operating leases		**(516,673)**	(465,796)
Contingent rents		**(3,214)**	(2,432)
Total operating lease income		**(519,887)**	(468,228)
Less: Outgoings		**72,882**	67,258
Net rental income		**(447,005)**	(400,970)
Foreign exchange losses, net		**84**	93

Depreciation charge of approximately HK$36,534,000 (2012: HK$31,856,000) for property, plant and equipment is included in "other operating expenses, net" on the consolidated income statement.

* These items are included in "other operating expenses, net" on the consolidated income statement.

8. Finance Costs

	Group	
	2013	2012
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**74,222**	56,946
Interest on guaranteed notes wholly repayable within five years	**85,505**	—
Interest on other borrowing and note payable wholly repayable within five years	**11,324**	11,350
Bank financing charges	**20,890**	9,623
	191,941	77,919
Less: Amount capitalised in properties under development for sale (note 17)	**(10,102)**	(10,279)
	181,839	67,640

9. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Fees	**1,799**	1,082
Other emoluments:		
Salaries, allowances and benefits in kind	**27,081**	21,862
Employee share option benefits	**28,104**	12,673
Pension scheme contributions	**90**	165
	55,275	34,700
	57,074	35,782

9. Directors' Remuneration (continued)

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2013					
Executive directors:					
Lam Kin Ming	236	810	—	—	1,046
Lam Kin Ngok, Peter	48	11,549	2,555	30	14,182
Chew Fook Aun[1]	—	8,642	—	30	8,672
Lam Hau Yin, Lester (also alternate to U Po Chu)	—	1,869	25,549	15	27,433
Lam Kin Hong, Matthew	48	384	—	15	447
U Po Chu[2]	236	3,600	—	—	3,836
Shiu Kai Wah[3]	18	227	—	—	245
Lui Siu Tsuen, Richard[4]	—	—	—	—	—
	586	27,081	28,104	90	55,861
Non-executive director:					
Wan Yee Hwa, Edward[3]	127	—	—	—	127
Independent non-executive directors:					
Chow Bing Chiu	212	—	—	—	212
Lam Bing Kwan	437	—	—	—	437
Leung Shu Yin, William	437	—	—	—	437
	1,086	—	—	—	1,086
	1,799	27,081	28,104	90	57,074

9. Directors' Remuneration (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2012					
Executive directors:					
Lam Kin Ming	48	810	—	—	858
Lam Kin Ngok, Peter	48	10,539	—	25	10,612
Chew Fook Aun[1]	—	1,089	12,673	5	13,767
Lam Hau Yin, Lester (also alternate to U Po Chu)	—	1,831	—	13	1,844
Lam Kin Hong, Matthew	48	384	—	13	445
Shiu Kai Wah[3]	48	595	—	—	643
Lui Siu Tsuen, Richard[4]	—	—	—	—	—
Tam Kin Man, Kraven[5]	—	3,014	—	109	3,123
	192	18,262	12,673	165	31,292
Non-executive directors:					
U Po Chu[2]	48	3,600	—	—	3,648
Chiu Wai (deceased)[6]	8	—	—	—	8
Leung Churk Yin, Jeanny[7]	—	—	—	—	—
Wan Yee Hwa, Edward[3]	246	—	—	—	246
	302	3,600	—	—	3,902
Independent non-executive directors:					
Chow Bing Chiu	96	—	—	—	96
Lam Bing Kwan	246	—	—	—	246
Leung Shu Yin, William	246	—	—	—	246
	588	—	—	—	588
	1,082	21,862	12,673	165	35,782

1 Chew Fook Aun was appointed as an executive director on 5 June 2012.
2 U Po Chu was re-designated as an executive director on 27 November 2012.
3 Shiu Kai Wah retired as an executive director and Wan Yee Hwa, Edward retired as a non-executive director on 18 December 2012.
4 Lui Siu Tsuen, Richard resigned as an executive director on 1 November 2012.
5 Tam Kin Man, Kraven retired as an executive director on 1 May 2012.
6 Chiu Wai passed away on 2 October 2011.
7 Leung Churk Yin, Jeanny resigned as a non-executive director on 1 September 2011.

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

10. Employees' Remuneration

The five highest paid employees during the year included three (2012: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2012: one) non-director, highest paid employees for the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**5,938**	1,904
Employee share option benefits	**13,919**	—
Pension scheme contributions	**202**	84
	20,059	1,988

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

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**—**	1
HK$5,500,001 to HK$6,000,000	**1**	—
HK$14,000,001 to HK$14,500,000	**1**	—

11. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2013	2012
	HK$'000	HK$'000
Current tax		
Hong Kong	**33,842**	31,281
Overseas	**13,356**	14,894
	47,198	46,175
Deferred tax (note 30)	**4,014**	6,172
Prior years' overprovision		
Hong Kong	**(104)**	(17,267)
Overseas	**(1,009)**	—
	(1,113)	(17,267)
Tax charge for the year	**50,099**	35,080

11. Tax (continued)

A reconciliation of the tax charge applicable to profit before tax at the statutory rate for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Profit before tax	**3,120,738**	2,545,968
Less: Share of profits and losses of associates	**2,319**	(442,304)
Share of profits and losses of joint ventures	**(605,032)**	(676,730)
Profit before tax attributable to the Company and its subsidiaries	**2,518,025**	1,426,934
Tax at the statutory tax rate of 16.5% (2012: 16.5%)	**415,474**	235,444
Higher tax rate for other countries	**1,346**	935
Adjustments in respect of current tax of previous periods	**(1,113)**	(17,267)
Income not subject to tax	**(432,065)**	(240,913)
Expenses not deductible for tax purposes	**48,337**	56,183
Tax losses utilised from previous periods	**(1,373)**	(2,976)
Tax losses not recognised	**19,493**	3,674
Tax charge for the year	**50,099**	35,080

12. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 July 2013 includes a profit of approximately HK$35,792,000 (2012: HK$24,388,000) which has been dealt with in the financial statements of the Company.

13. Earnings per Share Attributable to Owners of the Company

	2013 HK$'000	2012 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**1,663,904**	1,385,898
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	**(10,024)**	(173)
Earnings for the purpose of diluted earnings per share	**1,653,880**	1,385,725
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,617,423**	1,617,423
Effect of dilutive potential ordinary shares arising from share options	**10,377**	391
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,627,800**	1,617,814

14. Property, Plant and Equipment

Group

	Note	Hotel properties HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Motor vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:										
At 1 August 2011		487,581	170,450	15,431	38,849	7,358	3,647	17,588	3,104	744,008
Additions		–	–	3,112	9,334	1,175	807	2,580	6,489	23,497
Disposals/write-off		–	–	(2,315)	(8,546)	(351)	(127)	–	–	(11,339)
At 31 July 2012 and 1 August 2012		487,581	170,450	16,228	39,637	8,182	4,327	20,168	9,593	756,166
Additions		–	173,264	24,882	7,134	740	551	187	1,407	208,165
Disposals/write-off		–	–	–	(3,960)	(500)	(3)	–	–	(4,463)
At 31 July 2013		**487,581**	**343,714**	**41,110**	**42,811**	**8,422**	**4,875**	**20,355**	**11,000**	**959,868**
Accumulated depreciation:										
At 1 August 2011		13,330	3,245	4,153	11,933	4,504	1,184	17,341	–	55,690
Depreciation provided during the year	7	15,994	3,895	5,194	5,509	1,697	1,474	761	–	34,524
Disposals/write-off		–	–	(1,169)	(5,674)	(103)	(62)	–	–	(7,008)
At 31 July 2012 and 1 August 2012		29,324	7,140	8,178	11,768	6,098	2,596	18,102	–	83,206
Depreciation provided during the year	7	15,995	6,782	7,468	5,831	1,665	841	777	–	39,359
Disposals/write-off		–	–	–	(929)	(500)	(3)	–	–	(1,432)
At 31 July 2013		**45,319**	**13,922**	**15,646**	**16,670**	**7,263**	**3,434**	**18,879**	**–**	**121,133**
Net carrying amount:										
At 31 July 2013		**442,262**	**329,792**	**25,464**	**26,141**	**1,159**	**1,441**	**1,476**	**11,000**	**838,735**
At 31 July 2012		458,257	163,310	8,050	27,869	2,084	1,731	2,066	9,593	672,960

14. Property, Plant and Equipment (continued)

Group (continued)

The Group's hotel properties and leasehold buildings included above are held under the following lease terms:

	2013 HK$'000	2012 HK$'000
At cost:		
Medium term leases		
Hong Kong	**343,714**	170,450
Outside Hong Kong	**487,581**	487,581
	831,295	658,031

The additions of leasehold buildings during the year ended 31 July 2013 represented purchase of leasehold buildings from a joint venture (note 5(a)) and the related acquisition costs.

At 31 July 2012, the Group's hotel properties with a total carrying amount of HK$458,257,000 were pledged to banks to secure banking facilities granted to the Group (note 27). No property, plant and equipment were pledged as at 31 July 2013.

Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Motor vessels HK$'000	Total HK$'000
Cost:				
At 1 August 2011	7,575	3,204	16,951	27,730
Additions	51	—	—	51
At 31 July 2012 and 1 August 2012	7,626	3,204	16,951	27,781
Additions	1	—	—	1
Disposals/write-off	—	(500)	—	(500)
At 31 July 2013	**7,627**	**2,704**	**16,951**	**27,282**
Accumulated depreciation:				
At 1 August 2011	7,532	3,204	16,951	27,687
Depreciation provided during the year	26	—	—	26
At 31 July 2012 and 1 August 2012	7,558	3,204	16,951	27,713
Depreciation provided during the year	21	—	—	21
Disposals/write-off	—	(500)	—	(500)
At 31 July 2013	**7,579**	**2,704**	**16,951**	**27,234**
Net carrying amount:				
At 31 July 2013	**48**	**—**	**—**	**48**
At 31 July 2012	68	—	—	68

15. Prepaid Land Lease Payments

	Group	
	2013	2012
	HK$'000	HK$'000
Cost:		
At beginning and end of year	**26,894**	26,894
Accumulated amortisation:		
At beginning of year	**1,884**	856
Amortisation provided for the year (note 7)	**1,028**	1,028
At end of year	**2,912**	1,884
Net carrying amount:		
At beginning of year	**25,010**	26,038
At end of year	**23,982**	25,010

Leasehold land of the Group is held under a medium-term lease and is situated outside Hong Kong.

At 31 July 2012, the Group's prepaid land lease payments with a carrying amount of HK$25,010,000 were pledged to banks to secure banking facilities granted to the Group (note 27). No prepaid land lease payments were pledged as at 31 July 2013.

16. Investment Properties

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of year	**10,254,611**	9,057,631	**383,200**	320,200
Exchange realignment	**(6,482)**	(8,843)	**—**	—
Additions, at cost	**95,995**	30,332	**—**	—
Fair value gains	**2,431,172**	1,175,491	**75,100**	63,000
Carrying amount at end of year	**12,775,296**	10,254,611	**458,300**	383,200

16. Investment Properties (continued)

The Group's investment properties are situated in Hong Kong and outside Hong Kong and are held under the following lease terms:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Long term leases in Hong Kong	**3,720,500**	3,020,500	**—**	—
Medium term leases in Hong Kong	**8,730,400**	7,019,720	**458,300**	383,200
Freehold land outside Hong Kong	**324,396**	214,391	**—**	—
	12,775,296	10,254,611	**458,300**	383,200

At 31 July 2013, the investment properties were stated at their aggregate open market value of approximately HK$12,775,296,000 (2012: HK$10,254,611,000), based on their existing use with reference to a valuation performed by Savills Valuation and Professional Services Limited, independent chartered surveyors, as at that date.

All investment properties of the Group and the Company are leased out under operating leases, further summary details of which are included in note 36(a) to the financial statements.

Certain investment properties of the Group and the Company with carrying amounts of approximately HK$12,647,396,000 (2012: HK$9,854,391,000) and HK$353,000,000 (2012: HK$372,400,000), respectively, were pledged to banks to secure banking facilities granted to the Group (note 27).

17. Properties under Development for Sale

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of year, at cost	**1,435,473**	1,224,250
Additions	**206,209**	200,944
Interest and bank financing charges capitalised (note 8)	**10,102**	10,279
Transfers to completed properties for sale	**(772,223)**	—
At end of year, at cost	**879,561**	1,435,473

17. Properties under Development for Sale (continued)

The Group's properties under development for sale are situated in Hong Kong and are held under the following lease terms:

	Group	
	2013	2012
	HK$'000	HK$'000
Long-term leases	**877,780**	768,342
Medium-term leases	**1,781**	667,131
	879,561	1,435,473

As at 31 July 2013, the Group's properties under development for sale with a total carrying amount of approximately HK$695,275,000 (2012: HK$1,251,037,000) were pledged to banks to secure banking facilities granted to the Group (note 27).

18. Interests in Subsidiaries

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**2,865,522**	2,865,522
Amounts due from subsidiaries	**2,591,624**	2,205,873
Amounts due to subsidiaries	**(260,721)**	(261,226)
	2,330,903	1,944,647
Provision for impairment #	**(492,405)**	(492,405)
	4,704,020	4,317,764
Market value of listed shares at the end of the reporting period	**461,078**	284,365

The provision for impairment as at 31 July 2013 included impairment provision of HK$492,405,000 (2012: HK$492,405,000) for amounts due from subsidiaries and was determined on the basis of the amounts recoverable from subsidiaries with reference to the fair value of the underlying assets held by the subsidiaries.

Balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for amounts due from certain subsidiaries of approximately HK$476,784,000 as at 31 July 2013 (2012: HK$204,285,000) which bear interest at the prevailing market lending rate.

18. Interests in Subsidiaries (continued)

Particulars of the principal subsidiaries as at 31 July 2013 were as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Notes	Principal activities
Bushell Limited	Hong Kong	HK$2	Ordinary	—	49.97	b	Property development
Chains Caravelle Hotel Joint Venture Company Limited ("**CCHJV**")	Vietnam	US$23,175,577	*	—	13.00	b, c	Hotel operations
Furama Hotel Enterprises Limited	Hong Kong	HK$102,880,454	Ordinary	—	49.97	b	Investment holding
Furama Hotels and Resorts International Limited	British Virgin Islands/ Hong Kong	US$1,000,000	Ordinary	—	49.97	b	Provision of management services
Gilroy Company Limited	Hong Kong	HK$10,000	Ordinary	—	49.97	b	Property investment
Glynhill Hotels and Resorts (Vietnam) Pte. Ltd.	Singapore/ Vietnam	S$2	Ordinary	—	49.97	b	Provision of management and consultancy services to hotel owners
Glynhill Investments (Vietnam) Pte Limited ("**GIV**")	Singapore	S$2	Ordinary	—	25.48	b, c	Investment holding
Goldmay Development Limited	Hong Kong	HK$2	Ordinary	—	49.97	b	Property development/ property sales
Hong Kong Hill Limited	Hong Kong	HK$100	Ordinary	—	49.97	b	Property investment
Joy Mind Limited	Hong Kong	HK$2	Ordinary	100.00	—	b	Investment holding
Kolot Property Services Limited	Hong Kong	HK$2	Ordinary	—	49.97	b	Property management

18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Notes	Principal activities
LSD	Hong Kong	HK$200,628,933	Ordinary	—	49.97	a	Property development for sale, property investment, investment in and operation of hotel and restaurants and investment holding
Lai Sun F&B Management Limited	Hong Kong	HK$1	Ordinary	—	49.97	b	Provision of management and consultancy services to restaurants
Lai Sun F&B Holding Company Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	—	49.97	b	Investment holding
Lai Sun International Finance (2012) Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	—	49.97	b	Treasury operation
Lai Sun Real Estate Agency Limited	Hong Kong	HK$2	Ordinary	—	49.97	b	Property management and real estate agency
Mazy Charm Limited	Hong Kong	HK$4,200	Ordinary	—	25.48	b	Restaurant operation
Mazy Lamp Limited	Hong Kong	HK$1	Ordinary	—	26.48	b	Restaurant operation
Milirich Investment Limited	Hong Kong	HK$2	Ordinary	—	49.97	b	Property development
Modern Charm Limited	Hong Kong	HK$10,000	Ordinary	—	34.98	b	Restaurant operation

18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Notes	Principal activities
Oriental Style Limited	Hong Kong	HK$1	Ordinary	—	49.97	b	Property development/ property sales
Peakflow Profits Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	—	49.97	b	Investment holding
Porchester Assets Limited ("**Porchester**")	British Virgin Islands/ Hong Kong	US$100	Ordinary	—	25.48	b, c	Investment holding
Really Star Limited	Hong Kong	HK$3,100	Ordinary	—	28.37	b	Restaurant operation
Royal Team Limited	Hong Kong	HK$10,000	Ordinary	—	25.98	b	Restaurant operation
Speedy Result Limited	British Virgin Islands/ United Kingdom	US$1	Ordinary	—	49.97	b	Property investment
Transformation International Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	—	49.97	b	Investment holding
Transtrend Holdings Limited	Hong Kong	HK$20	Ordinary	—	49.97	b	Investment holding
Unipress Investments Limited	Hong Kong	HK$1	Ordinary	—	100.00		Property investment
Zimba International Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—		Investment holding

* This subsidiary has registered rather than issued share capital.

18. Interests in Subsidiaries (continued)

Notes:

a LSD is a limited liability company incorporated in Hong Kong with its shares listed on the Main Board of the Stock Exchange.

During the period from October to December 2012, the Group acquired 2% additional interest in LSD from public shareholders at a cost of approximately HK$107,863,000 and the Group's interest in LSD was increased from 47.97% to 49.97%. A discount on acquisition of HK$261,400,000 was credited to other reserve. There has been no change in the Group's ownership in LSD since then. The remaining 50.03% (2012: 52.03%) of the ordinary shares of LSD are owned by numerous widely dispersed shareholders. Other than the Group, no individual shareholder holds more than 5% interest in LSD. The directors concluded that the Company has a sufficiently dominant voting interest to direct the relevant activities of LSD on the basis of the Group's absolute size of shareholding and the relative size and dispersion of the shareholdings owned by the other shareholders.

b These subsidiaries are held by LSD, in which the percentage of equity attributable to the Company is arrived after considering the Company's ownership interest of 49.97% (2012: 47.97%) in LSD.

c LSD owns a 51% (2012: 51%) equity interest in Porchester, which in turn, through GIV, a wholly-owned subsidiary of Porchester, owns a 51% (2012: 51%) interest in CCHJV. By virtue of the 51% (2012: 51%) equity interest in CCHJV held by LSD through the 51%-owned Porchester, an effective equity interest of 26.01% (2012: 26.01%) in CCHJV was held by LSD. Accordingly, the Company holds effective equity interest of 25.48% (2012: 24.46%) in Porchester and 13.00% (2012: 12.48%) in CCHJV.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Shares of certain subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group (note 27).

Summarised consolidated financial information of LSD that has material non-controlling interests is set out below. The financial information below represents amounts after fair value adjustments and before intragroup eliminations.

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	**4,086,231**	1,884,269
Non-current assets	**22,910,392**	18,957,543
Current liabilities	**(831,198)**	(1,410,048)
Non-current liabilities	**(6,460,140)**	(2,668,741)
Equity attributable to owners of the Company	**9,554,533**	7,820,118
Non-controlling interests	**10,150,752**	8,942,905

18. Interests in Subsidiaries (continued)

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
Turnover	**963,757**	875,156
Cost of sales	**(376,906)**	(350,234)
Profit for the year	**2,698,930**	2,126,697
Profit attributable to owners of the Company	**1,292,195**	1,001,707
Profit attributable to non-controlling interests	**1,406,735**	1,124,990
Profit for the year	**2,698,930**	2,126,697
Other comprehensive income attributable to owners of the Company	**41,836**	7,796
Other comprehensive income attributable to non-controlling interests	**44,184**	8,457
Other comprehensive income for the year	**86,020**	16,253
Total comprehensive income attributable to owners of the Company	**1,334,031**	1,009,503
Total comprehensive income attributable to non-controlling interests	**1,450,919**	1,133,447
Total comprehensive income for the year	**2,784,950**	2,142,950
Net cash flows from operating activities	**46,212**	93,099
Net cash flows used in investing activities	**(1,479,243)**	(431,641)
Net cash flows from financing activities	**2,993,003**	901,566
Net increase in cash and cash equivalents	**1,559,972**	563,024

19. INTERESTS IN ASSOCIATES/INTERESTS IN JOINT VENTURES

(a) Interests in associates

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**—**	—
Share of net assets	**3,272,176**	3,001,150	**—**	—
	3,272,176	3,001,150	**—**	—
Amounts due from associates	**321,863**	293,821	**3,322**	3,309
Provision for impairment	**(178,419)**	(179,856)	**(956)**	(956)
	3,415,620	3,115,115	**2,366**	2,353
Market value of listed shares at the end of the reporting period	**570,865**	471,604		
Amounts due to associates (classified as non-current liabilities)	**—**	(20,799)	**—**	—

Balances with associates were unsecured, interest-free and had no fixed terms of repayment, except for amounts due from associates of approximately HK$13,226,000 (2012: HK$12,741,000) by the Group and an amount due from an associate of approximately HK$3,322,000 (2012: HK$3,309,000) by the Company as at 31 July 2013 which bore interest at the prevailing market rate.

The provision for impairment in respect of the amounts due from associates at the end of the reporting period was determined on the basis of the amounts recoverable from the associates with reference to the fair value of the underlying assets held by the associates.

During the year, the provision for impairment was decreased by approximately HK$1,437,000 (2012: increased by approximately HK$6,144,000).

During the year ended 31 July 2013, a dividend of HK$16,300,000 (2012: Nil) was declared by an associate, which was settled through the amount due to an associate.

19. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

Particulars of the principal associates as at 31 July 2013 were as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Notes
eSun	Bermuda/ Hong Kong	Ordinary	19.95	a
Lai Fung Holdings Limited ("**Lai Fung**")	Cayman Islands/ PRC	Ordinary	9.87	b
Media Asia Group Holdings Limited ("**Media Asia**")	Incorporated in the Cayman Islands and continued in Bermuda	Ordinary	10.19	c

Notes:

a. eSun is listed on the Main Board of the Stock Exchange. LSD owns a 39.93% interest in eSun and the percentage of ownership interest attributable to the Group is arrived after considering the Group's beneficial interest of 49.97% in LSD.

eSun and its subsidiaries are principally engaged in property development for sale and property investment for rental purposes; development and operation of and investment in media, entertainment, music production and distribution; investment in and production and distribution of films and video format products; provision of advertising agency services; sale of cosmetic products; and investment holding.

b. Lai Fung is listed on the Main Board of the Stock Exchange. As at 31 July 2013, eSun owns a 49.46% in Lai Fung.

Lai Fung and its subsidiaries are principally engaged in property development for sale and property investment for rental purposes.

c. Media Asia is listed on the Growth Enterprise Market of the Stock Exchange. As at 31 July 2013, eSun owns a 51.09% interest in Media Asia.

Media Asia and its subsidiaries are principally engaged in film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television drama series; music production and publishing; cinema investment and operation; provision of consultancy services in planning and management of cultural, entertainment and live performance projects; provision of contents to new media; and operation of new media and related business primarily in the Mainland China and Macau.

19. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

The financial year end dates of the above associates are coterminous with that of the Group.

All the above associates have been accounted for using the equity method in these financial statements.

The eSun Group

(i) In August 2011, LSD acquired 1.93% additional interest in eSun at a cost of HK$43,301,000 and LSD's interest in eSun was increased from 36.00% to 37.93%. A discount on acquisition of HK$88,695,000 arose from this acquisition.

(ii) On 27 February 2012, eSun and Lai Fung issued a joint announcement in respect of the proposed open offer of Lai Fung (the "**Open Offer**") and an underwriting arrangement between eSun and Lai Fung, pursuant to which eSun irrevocably undertook to Lai Fung to take up all shares offered in the Open Offer. The Open Offer became unconditional on 6 June 2012. eSun increased its shareholding in Lai Fung from 40.58% to 47.39% immediately upon completion of the Open Offer on 11 June 2012. With early adoption of HKFRS 10 *Consolidated Financial Statements* during the year ended 31 July 2012, the directors of eSun concluded that eSun has had control over Lai Fung and Lai Fung has become a subsidiary of eSun since 11 June 2012. Subsequent to the Open Offer, eSun further acquired shares of Lai Fung from the public shareholders and increased its interest in Lai Fung to 47.87% in June 2012.

During the year ended 31 July 2013, eSun further acquired shares of Lai Fung from the public shareholders and increased its interest to 49.46%.

(iii) During the period from October to December 2012, LSD acquired 2% additional interest in eSun from the public shareholders at a cost of approximately HK$29,336,000 and LSD's interest in eSun was increased from 37.93% to 39.93%. A discount on acquisition of HK$134,930,000 arose from this acquisition.

19. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

The eSun Group (continued)

The below summarised financial information is extracted from the published consolidated financial statements of the eSun Group. The consolidated financial statements of the eSun Group are prepared in accordance with HKFRSs and complied with the Group's accounting policies.

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	**10,304,361**	8,026,791
Non-current assets	**16,701,340**	15,691,930
Current liabilities	**(3,907,528)**	(3,212,071)
Non-current liabilities	**(6,781,223)**	(4,639,865)
Net assets attributable to owners of eSun	**8,306,920**	7,997,900
Non-controlling interests	**8,010,030**	7,868,885

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
Turnover	**2,631,699**	702,151
Profit for the year	**197,063**	1,086,011
Other comprehensive income/(expenses) for the year	**282,503**	(191,719)
Total comprehensive income for the year	**479,566**	894,292

19. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

The eSun Group (continued)

Reconciliation of the above summarised financial information of the eSun Group to the carrying amount of the interests in associates recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000	31 July 2012 HK$'000
Net assets attributable to owners of eSun	**8,306,920**	7,997,900
LSD's 39.93% interest in the eSun Group (2012: 37.93%)	**3,316,953**	3,033,604
Fair value adjustment	**6,413**	6,694
The Group's share of net liabilities of the remaining associates not individually material	**(51,190)**	(39,148)
The Group's share of net assets of associates	**3,272,176**	3,001,150

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
The Group's share of profit and total comprehensive income of the remaining associates not individually material	**4,256**	2,011

(b) Interests in joint ventures

	Group	
	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**—**	—
Share of net assets	**3,506,618**	3,183,290
	3,506,618	3,183,290
Amounts due from joint ventures	**2,182,269**	731,111
	5,688,887	3,914,401

Balances with joint ventures were unsecured, interest-free and had no fixed terms of repayment.

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Particulars of the joint ventures as at 31 July 2013 were as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Best Value International Limited ("**Best Value**")	Hong Kong	Ordinary	24.99	Property development
Brilliant Pearl Limited ("**Brilliant Pearl**")	Hong Kong	Ordinary	24.99	Property development/ property sales
Diamond Path Limited ("**Diamond Path**")	British Virgin Islands/ Hong Kong	Ordinary	24.99	Investment holding
Diamond String Limited ("**Diamond String**")	Hong Kong	Ordinary	24.99	Property investment
Lucky Result Limited ("**Lucky Result**")	British Virgin Islands/ Hong Kong	Ordinary	24.99	Investment holding
Orient Hero Management Limited ("**Orient Hero**")	British Virgin Islands/ Hong Kong	Ordinary	24.99	Project management
Strongly Limited	Hong Kong	Ordinary	24.99	Property development

Certain shares of a joint venture held by the Group were pledged to a bank to secure a banking facility granted to the joint venture.

All joint ventures are 50% held by LSD. The percentage of ownership interest attributable to the Group is arrived after considering the Company's ownership interest of 49.97% (2012: 47.97%) in LSD.

All the joint ventures have been accounted for using the equity method in these financial statements.

The financial year end dates of the following joint ventures are different from that of the Group:

(i) Lucky Result, Brilliant Pearl and Diamond String have a financial year end date of 31 December; and

(ii) Best Value has a financial year end date of 30 June.

(b) Interests in joint ventures (continued)

The summarised financial information below represents amounts shown in the financial statements of the respective joint ventures prepared in accordance with HKFRSs and complied with the Group's accounting policies.

Best Value and its subsidiaries (the "Best Value Group")

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	**1,167**	4,981
Non-current assets	**2,000,000**	1,740,000
Current liabilities	**(1,995)**	(74)
Non-current liabilities	**(740,178)**	(675,178)

	31 July 2013 HK$'000	31 July 2012 HK$'000
The above amounts of assets and liabilities include the following:		
Non-current financial liabilities (excluding trade and other payables and provisions)	**(740,178)**	(675,178)

	Year ended 31 July 2013 HK$'000	Period from 11 November 2011 (date of acquisition) to 31 July 2012 HK$'000
Turnover	**—**	—
Profit and total comprehensive income for the year/period	**189,264**	42,571

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Best Value and its subsidiaries (the "Best Value Group") (continued)

Reconciliation of the above summarised financial information of the Best Value Group to the carrying amount of the interest in the Best Value Group recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000	31 July 2012 HK$'000
Net assets of the Best Value Group	**1,258,994**	1,069,729
LSD's 50% ownership interest in the Best Value Group	**629,497**	534,865
Amount due from the Best Value Group	**370,089**	337,589
Carrying amount of the Group's interest in the Best Value Group	**999,586**	872,454

Diamond Path, Strongly Limited and Orient Hero (the "Diamond Path Group")

	31 July 2013 HK$'000
Current assets	**4,126**
Non-current assets	**2,833,397**
Current liabilities	**(1,640)**
Non-current liabilities	**(2,836,000)**
The above amounts of assets and liabilities include the following:	
Non-current financial liabilities (excluding trade and other payables and provisions)	**(2,836,000)**

	Period from 4 September 2012 (date of incorporation) to 31 July 2013 HK$'000
Turnover	**—**
Loss and total comprehensive expense for the period	**(117)**

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Diamond Path, Strongly Limited and Orient Hero (the "Diamond Path Group") (continued)

Reconciliation of the above summarised financial information of the Diamond Path Group to the carrying amount of the interest in the Diamond Path Group recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000
Net liabilities of the Diamond Path Group	(117)
LSD's 50% ownership interest in the Diamond Path Group	(59)
Amount due from the Diamond Path Group	1,418,634
Carrying amount of the Group's interest in the Diamond Path Group	1,418,575

Diamond String

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	233,730	136,064
Non-current assets	7,600,000	6,410,000
Current liabilities	(133,841)	(96,577)
Non-current liabilities	(1,960,861)	(1,715,649)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	162,906	135,159
Non-current financial liabilities (excluding trade and other payables and provisions)	(1,960,861)	(1,715,649)
Interest income (capitalised as non-current assets)	420	1,342
Interest expense (capitalised as non-current assets)	8,463	18,964

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Diamond String (continued)

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
Turnover	**50,217**	—
Profit and total comprehensive income for the year	**1,005,189**	1,254,303
The above profit and total comprehensive income for the year include the following:		
Interest income	**481**	—
Interest expense	**20,033**	—

Reconciliation of the above summarised financial information of Diamond String to the carrying amount of the interest in Diamond String recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000	31 July 2012 HK$'000
Net assets of Diamond String	**5,739,028**	4,733,838
LSD's 50% ownership interest in Diamond String	**2,869,514**	2,366,919
Amount due from Diamond String	**393,546**	393,522
Carrying amount of the Group's interest in Diamond String	**3,263,060**	2,760,441

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Lucky Result and Brilliant Pearl (the "Lucky Result Group")

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	**39,118**	805,146
Current liabilities	**(24,193)**	(292,420)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**37,327**	518,396

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
Turnover	**351,680**	314,692
Profit and total comprehensive income for the year	**152,199**	125,062
Dividends declared by the Lucky Result Group during the year	**650,000**	476,603
The above profit for the year includes the following:		
Tax charge	**29,939**	24,170

Reconciliation of the above summarised financial information of the Lucky Result Group to the carrying amount of the interest in the Lucky Result Group recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000	31 July 2012 HK$'000
Net assets of the Lucky Result Group	**14,925**	512,726
LSD's 50% ownership interest in the Lucky Result Group	**7,463**	256,363
Fair value adjustment	**203**	25,143
Carrying amount of the Group's interest in the Lucky Result Group	**7,666**	281,506

20. Available-For-Sale Financial Assets

	Group	
	2013	2012
	HK$'000	HK$'000
Available-for-sale investments, at fair value		
Unlisted equity investments	**1,183,968**	1,138,591
Share of debt investments	**—**	32,766
	1,183,968	1,171,357
Unlisted equity investments, at cost	**176,317**	176,247
Provision for impairment	**(161,964)**	(161,794)
	14,353	14,453
	1,198,321	1,185,810

As at 31 July 2013, unlisted investments of the Group with a carrying amount of approximately HK$14,353,000 (2012: HK$14,453,000) were stated at cost less impairment because the directors are of the opinion that the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating the fair value.

As at 31 July 2013, included in available-for-sale financial assets at fair value were equity interest in Bayshore Development Group Limited ("**Bayshore**"), the principal activity of which is property investment, of approximately HK$1,115,939,000 (2012: aggregate amount of fair value of equity and debt interests of approximately HK$1,120,420,000). The interest held by the Group was pledged to banks to secure a syndicated loan facility granted to Bayshore.

21. Pledged Bank Balances and Time Deposits and Cash and Cash Equivalents

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**2,659,014**	681,228	**13,186**	11,594
Time deposits	**740,604**	1,171,631	**97,644**	132,608
	3,399,618	1,852,859	**110,830**	144,202
Less: Pledged balances for bank borrowings:				
Bank balances	**(153,933)**	(4,849)	**(7,777)**	—
Time deposits	**(62,289)**	(101,188)	**(43,389)**	—
Pledged bank balances and time deposits	**(216,222)**	(106,037)	**(51,166)**	—
Cash and cash equivalents	**3,183,396**	1,746,822	**59,664**	144,202

21. Pledged Bank Balances and Time Deposits and Cash and Cash Equivalents (continued)

At the end of the reporting period, cash and bank balances of the Group denominated in Vietnamese Dong ("**VND**") and Renminbi ("**RMB**") amounted to approximately HK$29,328,000 (2012: HK$18,816,000) and HK$1,162,000 (2012: HK$8,918,000), respectively. The conversion of VND/RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currency balances out of Vietnam/the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the respective government authorities concerned.

Cash at banks earns interest at floating rates based on bank deposit rates. Short term time deposits are spread over varying periods up to one month based on the estimated cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. Deposits Paid

	Group	
	2013	2012
	HK$'000	HK$'000
Deposits paid for acquisition of property, plant and equipment	**17,000**	—
Deposit paid for acquisition of a subsidiary (note 40)	**6,500**	—
Deposit paid for acquisition of an investment property	**—**	61,500
	23,500	61,500

23. Completed Properties for Sale

The completed properties for sale are carried at cost at the end of the reporting period.

24. Equity Investments at Fair Value Through Profit or Loss

	Group	
	2013	2012
	HK$'000	HK$'000
Equity investments at market value:		
Listed in Hong Kong	**4,954**	—
Listed overseas	**2,535**	1,648
	7,489	1,648

The above equity instruments as at the end of the reporting period were classified as held for trading.

25. Debtors, Deposits Paid and Other Receivables/Creditors, Deposits Received and Accruals

(a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on a cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

An ageing analysis of the trade debtors, based on the payment due date, as at the end of the reporting period is as follows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade debtors:				
Not yet due or less than 30 days past due	**6,699**	5,362	**15**	281
31 — 60 days past due	**1,980**	1,287	**34**	5
61 — 90 days past due	**400**	348	**5**	1
Over 90 days past due	**1,642**	3,059	**106**	318
	10,721	10,056	**160**	605
Other receivables	**58,844**	18,663	**1,572**	1,690
Deposits paid and prepayments	**56,649**	75,973	**1,024**	1,146
	126,214	104,692	**2,756**	3,441

Movements in provision for impairment of trade debtors are as follows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
At 1 August	**—**	407	**—**	201
Impairment losses recognised	**—**	541	**—**	—
Amount written off as uncollectible	**—**	(948)	**—**	(201)
At 31 July	**—**	—	**—**	—

25. Debtors, Deposits Paid and Other Receivables/Creditors, Deposits Received and Accruals (continued)

(a) (continued)

Debtors that were past due but not impaired mainly 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 rental deposits are received by the Group in advance from its customers, and accordingly, the balances are still considered fully recoverable. Other than rental deposits received, the Group does not hold any collateral or other credit enhancements over these balances.

(b) An ageing analysis of the Group's trade creditors, based on the payment due date, as at the end of the reporting period is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors:				
Not yet due or less than 30 days past due	**9,171**	8,278	**34**	50
31 — 60 days past due	**1,488**	1,319	**14**	—
61 — 90 days past due	**87**	153	**—**	5
Over 90 days past due	**237**	486	**—**	—
	10,983	10,236	**48**	55
Other payables and accruals	**185,643**	148,541	**10,662**	10,396
Deposits received and other provisions	**161,820**	114,293	**4,263**	4,174
	358,446	273,070	**14,973**	14,625

The trade creditors are non-interest-bearing normally with one month credit period.

26. Held-to-Maturity Debt Investments

	Group	
	2013	2012
	HK$'000	HK$'000
Debt securities, at amortised cost	**8,317**	—

The weighted average effective interest rate of these held-to-maturity debt investments was approximately 2.75% per annum.

27. Bank Borrowings

	Effective annual interest rate (%)	Group 2013 HK$'000	Group 2012 HK$'000	Company 2013 HK$'000	Company 2012 HK$'000
Current					
Bank borrowings					
— secured	2.1-3.4 (2012: 1.5-3.6)	**430,886**	1,417,818	**13,600**	—
Non-current					
Bank borrowings					
— secured	2.1-3.4 (2012: 1.5-3.6)	**2,983,993**	1,707,404	**322,671**	—
		3,414,879	3,125,222	**336,271**	—

	Group 2013 HK$'000	Group 2012 HK$'000	Company 2013 HK$'000	Company 2012 HK$'000
Analysed into:				
Bank borrowings repayable:				
Within one year	**430,886**	1,417,818	**13,600**	—
In the second year	**400,533**	357,500	**13,600**	—
In the third to fifth years, inclusive	**2,583,460**	1,349,904	**309,071**	—
	3,414,879	3,125,222	**336,271**	—

The Group's bank borrowings as at the end of the reporting period were secured, inter alia, by:

(i) fixed charges over certain investment properties and certain properties under development for sale of the Group with carrying amounts of approximately HK$12,647,396,000 (2012: HK$9,854,391,000) (note 16) and HK$695,275,000 (2012: HK$1,251,037,000) (note 17);

(ii) floating charges over all assets of certain subsidiaries of the Group with the aggregate carrying amounts of approximately HK$4,401,157,000 (2012: HK$3,590,401,000), of which approximately HK$668,921,000 (2012: HK$559,752,000) and HK$3,720,000,000 (2012: HK$3,020,000,000) including the carrying amounts of the subsidiaries' properties under development for sale and investment properties, respectively, are also included in note (i) above;

(iii) charges over certain bank balances and time deposits of the Group with an aggregate carrying amount of approximately HK$216,222,000 (2012: HK$106,037,000) (note 21);

(iv) charges over shares of certain subsidiaries held by the Group (note 18); and

(v) guarantees provided by the Company as at 31 July 2012 (note 35(a)).

In the prior year, the Group's bank borrowings as at 31 July 2012 were also secured by hotel properties and prepaid land lease payments of the Group with carrying amounts of approximately HK$458,257,000 (note 14) and approximately HK$25,010,000 (note 15), respectively. During the year, the corresponding bank borrowings were fully repaid by the Group and these pledged assets were released.

28. Guaranteed Notes

On 18 January 2013, Lai Sun International Finance (2012) Limited, a wholly-owned subsidiary of LSD, issued guaranteed notes in an aggregate principal amount of US$350,000,000 (the "**Notes**"). The Notes are guaranteed by LSD, have a maturity term of five years and bear a fixed interest rate of 5.7% per annum with interest payable semi-annually in arrears.

The net proceeds from the offering are approximately US$347,000,000 and will be used for general corporate purposes.

Group

	2013 HK$'000
Guaranteed notes	**2,714,005**
Issue expenses	**(18,531)**
	2,695,474
Fair value of the Notes as at 31 July 2013	**2,577,029**

The fair value was determined by reference to the closing price of the Notes published by a leading global financial market data provider as at 31 July 2013.

29. Other Borrowing, Note Payable and Interest Payable

		Group and Company	
	Notes	**2013 HK$'000**	2012 HK$'000
Other borrowing — unsecured	(a), (c)	**31,745**	31,745
Note payable	(b), (c)	**195,000**	195,000
Interest payable		**112,199**	100,875
		338,944	327,620

Notes:

(a) Other borrowing as at 31 July 2013 was a loan of HK$31,745,000 (2012: HK$31,745,000) due to the late Mr. Lim Por Yen. Mr. Lim Por Yen, who passed away on 18 February 2005, was a former executive director and shareholder of the Company. A loan facility of HK$100 million was granted by him in prior years, which bore interest at the best lending rate quoted by a designated bank in Hong Kong and was originally due for repayment on 30 November 2005.

(b) Note payable represented a loan note payable to the late Mr. Lim Por Yen. According to the terms of the note payable, it was unsecured, bore interest at the best lending rate quoted by a designated bank in Hong Kong and was originally due for repayment on 30 April 2006.

(c) On 31 January 2013, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the outstanding amount or the related interest would be made on or before 1 August 2014. The effective interest rate is 5% per annum.

30. Deferred Tax

The movements in deferred tax (liabilities)/assets during the year are as follows:

Group

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 August 2011	(164,809)	913	(1,156)	(165,052)
Deferred tax (charged)/credited to the consolidated income statement during the year (note 11)	(6,439)	267	—	(6,172)
At 31 July 2012 and 1 August 2012	(171,248)	1,180	(1,156)	(171,224)
Fair value adjustments arising from acquisition of property, plant and equipment from a joint venture	(2,751)	—	—	(2,751)
Deferred tax (charged)/credited to the consolidated income statement during the year (note 11)	(6,235)	509	1,712	(4,014)
At 31 July 2013	**(180,234)**	**1,689**	**556**	**(177,989)**

Apart from tax losses for which deferred tax had been recognised above, the Group had tax losses arising in Hong Kong of approximately HK$1,415 million (2012: HK$1,304 million) 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 future taxable profits may not be available to utilise such losses in the foreseeable future.

31. Share Capital

	2013 and 2012 Number of shares '000	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each	4,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each	1,617,423	16,174

32. Share Option Schemes

Company

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants for their contribution or would-be contribution to the Group, to enable the Group to recruit and retain high-calibre employees and to attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors (including executive, non-executive and independent non-executive directors), employees of the Group, agents or consultants of the Group, and any employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group. The Share Option Scheme which was adopted on 22 December 2006 and became effective on 29 December 2006, unless otherwise terminated or amended, will remain in force for a period of 10 years from the latter date.

The maximum number of the Company's shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue at any time. The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adopting the Share Option Scheme, but the Company may seek approval of its shareholders in a general meeting to refresh the 10% limit under the Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant except a substantial shareholder or an independent non-executive director of the Company or any of their associates (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors of the Company. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's share at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of offer to be accompanied by payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors of the Company save that such period must not be more than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at general meetings of the Company.

32. Share Option Schemes (continued)

Company (continued)

The following table discloses movements of the Company's share options held by certain directors and employees during the year ended 31 July 2013:

Name and category of participant	Number of share options: Outstanding at 01/08/2012	Granted during year	Lapsed during year	Outstanding at 31/07/2013	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Directors							
Lam Kin Ngok, Peter	—	1,617,423	—	1,617,423	18/01/2013	18/01/2013 - 17/01/2023	1.41
Lam Hau Yin, Lester	—	16,174,234	—	16,174,234	18/01/2013	18/01/2013 - 17/01/2023	1.41
Chew Fook Aun	16,174,234	—	—	16,174,234	05/06/2012	05/06/2012 - 04/06/2022	0.582
Other employees, in aggregate	—	11,087,117	(400,000)	10,687,117	18/01/2013	18/01/2013 - 17/01/2023	1.41
Other employees, in aggregate	—	500,000	—	500,000	26/07/2013	26/07/2013 - 25/07/2023	1.49
	16,174,234	29,378,774	(400,000)	45,153,008			

The following table discloses movements of the Company's share options held by a director during the year ended 31 July 2012:

Name and category of participant	Number of share options: Outstanding at 01/08/2011	Granted during year	Outstanding at 31/07/2012	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Director						
Chew Fook Aun	—	16,174,234	16,174,234	05/06/2012	05/06/2012- 04/06/2022	0.582

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

32. Share Option Schemes (continued)

Company (continued)

The closing prices of the Company's shares immediately before 5 June 2012, 18 January 2013 and 26 July 2013, the dates of grant, were HK$0.56, HK$1.38 and HK$1.52, respectively.

The fair value of the share options granted during the year was approximately HK$10,256,000 (2012: HK$3,665,000) of which the Group recognised the entire amount as expenses during the year.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2013	2012
Dividend yield (%)	**—**	—
Expected volatility (%)	**48.000**	45.038
Historical volatility (%)	**48.000**	45.038
Risk-free interest rate (%)	**1.012**	1.024
Expected life of options (years)	**10**	10
Closing share price (HK$ per share)	**1.410**	0.570

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Other than the grant and the lapse of the above share options, during the year, no other options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme.

At the end of the reporting period, the Company had 45,153,008 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 45,153,008 additional ordinary shares of the Company and additional share capital of approximately HK$452,000 and share premium of approximately HK$49,862,000 (before issue expenses).

As at the date of approval of these financial statements, further options to subscribe for a maximum of 116,589,334 shares of HK$0.01 each in the Company could be granted under the Share Option Scheme. Together with the underlying 45,153,008 shares of HK$0.01 each comprised in the share options remained outstanding as at 31 July 2013 and the date of approval of these financial statements, a total number of 161,742,342 shares of HK$0.01 each are available for issue under the Share Option Scheme, representing approximately 10% of the Company's share in issue as at the date of approval of these financial statements.

32. Share Option Schemes (continued)

LSD

LSD operates a share option scheme (the "**LSD Share Option Scheme**") for the purpose of providing incentives or rewards to eligible participants for their contribution or would-be contribution to LSD, to enable LSD to recruit and retain high-calibre employees and to attract human resources that are valuable to LSD. Eligible participants of the LSD Share Option Scheme include the directors (including executive, non-executive directors and independent non-executive directors), employees of LSD, agents or consultants of LSD, and employee of the shareholder or any member of LSD or any holder of any securities issued by any member of LSD. The LSD Share Option Scheme was adopted on 22 December 2006 and became effective on 29 December 2006 and, unless otherwise terminated or amended, will remain in force for 10 years from the latter date.

The maximum number of LSD's shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the LSD Share Option Scheme and any other schemes of LSD must not exceed 30% of the LSD's shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the LSD Share Option Scheme and any other schemes of LSD shall not exceed 10% of the total number of shares of LSD in issue as at the date of adopting the LSD Share Option Scheme unless LSD seeks approval of its shareholders in general meeting to refresh the 10% limit under the LSD Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of LSD's total number of shares in issue. Any further grant of share options representing in aggregate over 1% of the total number of LSD's shares in issue must be separately approved by the shareholders in general meetings of LSD.

Each grant of share options to a director, chief executive or substantial shareholder of LSD, or to any of their respective associates, shall be subject to approval by the independent non-executive directors of LSD. Any grant of share options to a substantial shareholder or an independent non-executive director of LSD, or to any of their respective associates, representing in aggregate over 0.1% of the shares of LSD in issue or having an aggregate value (based on the closing price of LSD's shares at the date of grant) in excess of HK$5 million, in the 12-month period up to and including the date of such grant must be approved by shareholders in general meetings of LSD.

The offer of a grant of share options shall be accepted within 28 days from the date of offer and acceptance shall be made with a remittance in favour of LSD of HK$1.00 by way of consideration for the grant. The exercise period of the share options granted is determinable by the directors of LSD save that such period shall not be more than 10 years from the date of grant of the share options.

The exercise price of share options is determinable by the directors of LSD, but shall not be lower than the highest of (i) the closing price of LSD's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of LSD's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of LSD's share.

Share options do not confer rights on the holders to dividends or to vote at general meetings of LSD.

32. Share Option Schemes (continued)

LSD (continued)

The following table discloses movements of LSD's share options held by certain directors and employees of LSD during the year ended 31 July 2013:

Name and category of participant	Number of share options: Outstanding at 01/08/2012	Granted during year	Lapsed during year	Outstanding at 31/07/2013	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Directors							
Lam Kin Ngok, Peter	—	20,062,893	—	20,062,893	18/01/2013	18/01/2013 - 17/01/2023	0.335
Lam Hau Yin, Lester	—	200,628,932	—	200,628,932	18/01/2013	18/01/2013 - 17/01/2023	0.335
Chew Fook Aun	200,628,932	—	—	200,628,932	05/06/2012	05/06/2012 - 04/06/2022	0.112
Lau Shu Yan, Julius	—	100,314,466	—	100,314,466	18/01/2013	18/01/2013 - 17/01/2023	0.335
Other employees, in aggregate	—	187,188,680	(10,000,000)	177,188,680	18/01/2013	18/01/2013 - 17/01/2023	0.335
Other employees, in aggregate	—	4,000,000	—	4,000,000	26/07/2013	26/07/2013 - 25/07/2023	0.235
	200,628,932	512,194,971	(10,000,000)	702,823,903			

The following table discloses movements of the LSD's share options held by a director of LSD during the year ended 31 July 2012:

Name and category of participant	Number of share options: Outstanding at 01/08/2011	Granted during year	Outstanding at 31/07/2012	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Director						
Chew Fook Aun	—	200,628,932	200,628,932	05/06/2012	05/06/2012-04/06/2022	0.112

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

32. Share Option Schemes (continued)

LSD (continued)

The closing prices of LSD's shares immediately before 5 June 2012, 18 January 2013 and 26 July 2013, the dates of grant, were HK$0.109, HK$0.325 and HK$0.242, respectively.

The fair value of the share options granted during the year was approximately HK$50,810,000 (2012: HK$9,008,000) of which the Group recognised the entire amount as expense during the year.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2013	2012
Dividend yield (%)	**—**	—
Expected volatility (%)	**68.971**	46.012
Historical volatility (%)	**68.971**	46.012
Risk-free interest rate (%)	**1.012**	1.024
Expected life of options (years)	**10**	10
Closing share price (HK$ per share)	**0.335**	0.111

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Other than the grant and lapse of the above share options, during the year, no other options were granted, exercised, cancelled or lapsed in accordance with the terms of the LSD Share Option Scheme.

At the end of the reporting period, LSD had 702,823,903 share options outstanding under the LSD Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of LSD, result in the issue of 702,823,903 additional ordinary shares of LSD and additional share capital of approximately HK$7,028,000 and share premium of approximately HK$183,278,000 (before issue expenses).

As at the date of approval of LSD's financial statements, further options to subscribe for a maximum of 713,380,329 shares of HK$0.01 each in LSD could be granted under the LSD Share Option Scheme. Together with the underlying 702,823,903 shares of HK$0.01 each comprised in the share options remained outstanding as at 31 July 2013 and the date of approval of LSD's financial statements, a total number of 1,416,204,232 shares of HK$0.01 each are available for issue under the LSD Share Option Scheme, representing approximately 7.1% of LSD's share in issue as at the date of approval of LSD's financial statements.

33. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 67 of the financial statements.

(b) Company

	Share premium account HK$'000	Asset revaluation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2011	1,908,840	55,494	—	2,445,219	4,409,553
Profit and total comprehensive income for the year	—	—	—	77,413	77,413
Recognition of share-based payments	—	—	3,665	—	3,665
At 31 July 2012 and 1 August 2012	1,908,840	55,494	3,665	2,522,632	4,490,631
Profit and total comprehensive income for the year	—	—	—	68,268	68,268
Recognition of share-based payments	—	—	10,256	—	10,256
Lapse of share options	—	—	(140)	140	—
At 31 July 2013	**1,908,840**	**55,494**	**13,781**	**2,591,040**	**4,569,155**

The profit for the year ended 31 July 2013 included dividend income and interest income received from subsidiaries.

34. Capital Commitments

The Group had the following commitments not provided for in the financial statements at the end of the reporting period:

	Group	
	2013 HK$'000	2012 HK$'000
Contracted, but not provided for		
Purchase of property, plant and equipment	**34,803**	2,453
Acquisition of a subsidiary (note 40)	**123,500**	—
	158,303	2,453

34. Capital Commitments (continued)

In addition, the Group's share of a joint venture's own capital commitments, in respect of future development expenditure of its investment properties, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for	**24,821**	54,426

At 31 July 2013 and 31 July 2012, the Company had no capital commitments.

35. Contingent Liabilities

(a) Contingent liabilities not provided for in the financial statements at the end of the reporting period are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to and utilised by:				
Subsidiaries	**—**	—	**—**	313,000
A joint venture	**—**	465,287	**—**	—
	—	465,287	**—**	313,000

(b) During the year ended 31 July 2006, the Company disposed of its entire interests in Assetop Asia Limited ("**Assetop**"), a then wholly-owned subsidiary of the Group, to Goldthorpe Limited ("**Goldthorpe**"), a wholly-owned subsidiary of Lai Fung. The principal asset held by Assetop is a property under development in Shanghai, the PRC. Certain subsidiaries of Assetop in the PRC were undergoing merger by absorption and completion of the merger was conditional upon approval of the relevant PRC government authorities. During the year ended 31 July 2007, the aforementioned merger of the PRC subsidiaries of Assetop was successfully completed. The Company had agreed to indemnify Lai Fung and Goldthorpe against all losses incurred by Lai Fung and Goldthorpe for the resettlement costs of approximately RMB124 million, which had been incurred and paid in prior years in connection with the relocation of the original inhabitants and the demolition of the then building structure erected on the property under development (the "**Resettlement Costs**"), not being tax deductible, up to a maximum amount of HK$102,000,000, which was estimated based on the prevailing tax regulations. The Resettlement Costs are properly incurred for the project and are properly recorded in the books of the PRC subsidiaries of Assetop. The liability of the Company under this indemnity terminated on 29 May 2012 (being six years after the completion of the disposal of Assetop).

35. CONTINGENT LIABILITIES (CONTINUED)

(c) In connection with the disposal (the "**Transaction**") of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company, Limited ("**Taiwa**"), an indirect 50%-owned associate of LSD, Taiwa, LSD, and the other 50% beneficial shareholder of Taiwa (collectively the "**Covenantors**") entered into a tax deed (the "**Tax Deed**") with the purchaser of the Transaction, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries (collectively the "**Properties Holding Companies**") on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events happened prior to the completion of the Transaction for a maximum amount of HK$30,000,000. As such, the maximum liability of LSD under the Tax Deed is HK$15,000,000. The Tax Deed is valid for a period of 7 years from the date of its execution.

(d) Pursuant to an indemnity deed (the "**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between LSD and Lai Fung, LSD has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("**LAT**") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates 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"), independent chartered surveyors, as at 31 October 1997 (the "**Valuation**"); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The Lai Fung Tax 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 PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by LSD do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on the Stock Exchange (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 Lai Fung as set out in Lai Fung's prospectus dated 18 November 1997.

LSD became a subsidiary of the Company since 30 September 2010. In accordance with HKFRS 3 *Business Combinations*, the Group recognised the provision for tax indemnity at its fair value as at 30 September 2010. After initial recognition, the Group measures the provision for tax indemnity at the higher of the amount that would be recognised in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised on 30 September 2010 until the tax indemnity is settled, cancelled or expired.

The fair value at initial recognition was HK$721,442,000 as at 30 September 2010. After taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group subsequently recorded the provision for tax indemnity of HK$865,923,000 and HK$716,608,000 as at 31 July 2013 and 31 July 2012, respectively. Therefore, an additional provision for tax indemnity of HK$149,315,000 (2012: a reversal of provision for tax indemnity of HK$53,213,000) was recognised in the income statement for the year ended 31 July 2013.

36. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Certain leases include contingent rentals calculated with reference to the turnover of the tenants.

At the end of the reporting period, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**367,852**	318,908	**12,500**	9,780
In the second to fifth years, inclusive	**305,999**	236,187	**7,163**	5,912
	673,851	555,095	**19,663**	15,692

(b) As lessee

The Group leases certain properties under operating lease arrangements, with an original lease term of twelve years with option to terminate the leases upon expiry of six years, nine years or twelve years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**28,514**	27,953	**114**	273
In the second to fifth years, inclusive	**45,950**	20,553	**—**	114
After five years	**10,970**	—	**—**	—
	85,434	48,506	**114**	387

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Group								
	2013					2012			
	Financial assets at fair value through profit or loss HK$'000	**Loans and receivables HK$'000**	**Available-for-sale financial assets HK$'000**	**Held-to-maturity debt investments HK$'000**	**Total HK$'000**	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	**—**	**—**	**1,198,321**	**—**	**1,198,321**	—	—	1,185,810	1,185,810
Amounts due from associates	**—**	**143,444**	**—**	**—**	**143,444**	—	113,965	—	113,965
Amounts due from joint ventures	**—**	**2,182,269**	**—**	**—**	**2,182,269**	—	731,111	—	731,111
Held-to-maturity debt investments	**—**	**—**	**—**	**8,317**	**8,317**	—	—	—	—
Trade debtors and other receivables	**—**	**69,565**	**—**	**—**	**69,565**	—	28,719	—	28,719
Equity investments at fair value through profit or loss	**7,489**	**—**	**—**	**—**	**7,489**	1,648	—	—	1,648
Pledged bank balances and time deposits	**—**	**216,222**	**—**	**—**	**216,222**	—	106,037	—	106,037
Cash and cash equivalents	**—**	**3,183,396**	**—**	**—**	**3,183,396**	—	1,746,822	—	1,746,822
	7,489	**5,794,896**	**1,198,321**	**8,317**	**7,009,023**	1,648	2,726,654	1,185,810	3,914,112

Financial liabilities

	Group	
	2013 Financial liabilities at amortised cost HK$'000	2012 Financial liabilities at amortised cost HK$'000
Amounts due to associates	**—**	20,799
Trade creditors, other payables and accruals	**196,626**	158,777
Bank borrowings	**3,414,879**	3,125,222
Guaranteed notes	**2,695,474**	—
Other borrowing, note payable and interest payable	**338,944**	327,620
	6,645,923	3,632,418

37. Financial Instruments by Category (continued)

Financial assets

	Company	
	2013	2012
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Amounts due from subsidiaries	**2,099,219**	1,713,468
Amounts due from associates	**2,366**	2,353
Trade debtors and other receivables	**1,732**	2,295
Pledged bank balances and time deposits	**51,166**	—
Cash and cash equivalents	**59,664**	144,202
	2,214,147	1,862,318

Financial liabilities

	Company	
	2013	2012
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Amounts due to subsidiaries	**260,721**	261,226
Trade creditors, other payables and accruals	**10,710**	10,451
Bank borrowings	**336,271**	—
Other borrowing, note payable and interest payable	**338,944**	327,620
	946,646	599,297

Except for the guaranteed notes with fair value disclosed in note 28, the directors consider the carrying amounts of all financial assets and financial liabilities at amortised cost of the Group and the Company approximate to their fair values as at the end of the reporting period.

38. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 July 2013				
Available-for-sale financial assets, at fair value (note 20)	**—**	**1,183,968**	**—**	**1,183,968**
Equity investments at fair value through profit or loss	**7,489**	**—**	**—**	**7,489**
	7,489	**1,183,968**	**—**	**1,191,457**
As at 31 July 2012				
Available-for-sale financial assets, at fair value (note 20)	—	1,171,357	—	1,171,357
Equity investments at fair value through profit or loss	1,648	—	—	1,648
	1,648	1,171,357	—	1,173,005

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 (2012: Nil).

39. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group comprise available-for-sale financial assets, amounts due from associates and joint ventures, pledged bank balances and time deposits, and cash and cash equivalents. The management would base on the Group's projected cashflow requirements, determine the types and levels of these financial instruments with a view to maintaining appropriate level of fundings for the Group's operations and to enhancing the returns generated from these financial instruments. The Group's principal financial liabilities are bank borrowings and guaranteed notes. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment projects. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are interest rate risks, foreign currency risk and credit risk. The management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group has adopted relatively conservative strategies on its risk management and the Group has not used any derivatives and other instruments for hedging purposes during the year. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and determine policies for managing each of these risks and they are summarised as follows:

(i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument fluctuates because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's pledged bank balances and time deposits, cash and cash equivalents and bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group constantly reviews the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant and before any impact on tax, of the Group's profit or loss (through the impact on floating rate pledged bank balances and time deposits, cash and cash equivalents, bank borrowings, other borrowing and note payable) and the Group's and the Company's equity.

	Group		**Company**	
	Increase in interest rate (in percentage)	**Decrease in profit and equity** HK$'000	**Increase in interest rate (in percentage)**	**Decrease in profit and equity** HK$'000
2013	**0.5**	**1,210**	**0.5**	**2,261**
2012	0.5	7,496	0.5	413

39. Financial Risk Management Objectives and Policies (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of changes in foreign exchange rates.

The Group's major assets and liabilities and transactions are principally denominated in HK$ or US$. As HK$ is pegged against US$, the Group does not expect any significant movements in the exchange rate in the foreseeable future.

The Group had made an investment in the United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK$146 million (2012: HK$124 million) which only accounted for an insignificant portion of the consolidated net assets of the Group as at 31 July 2013. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in RMB and VND which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure.

(iii) Credit risk

The Group maintains various credit policies for different business operations as described in note 25. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the financial assets, which comprise trade debtors and other receivables, amounts due from subsidiaries, associates and joint ventures, held-to-maturity debt investments, pledged bank balances and time deposits, cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

39. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its capital expenditure and financial liabilities. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2013				
	Less than 3 months HK$'000	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**No fixed repayment term HK$'000**	**Total HK$'000**
Trade creditors, other payables and accruals	**196,626**	**—**	**—**	**—**	**196,626**
Bank borrowings	**37,319**	**484,556**	**3,108,191**	**—**	**3,630,066**
Guaranteed notes	**—**	**154,698**	**3,255,449**	**—**	**3,410,147**
Other borrowing, note payable and interest payable	**—**	**—**	**350,282**	**—**	**350,282**
	233,945	**639,254**	**6,713,922**	**—**	**7,587,121**

	2012				
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to associates	—	—	—	20,799	20,799
Trade creditors, other payables and accruals	158,777	—	—	—	158,777
Bank borrowings	63,733	1,405,239	1,793,087	—	3,262,059
Other borrowing, note payable and interest payable	—	—	338,957	—	338,957
	222,510	1,405,239	2,132,044	20,799	3,780,592

39. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk (continued)

Company

	2013				
	Less than 3 months HK$'000	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**No fixed repayment term HK$'000**	**Total HK$'000**
Amounts due to subsidiaries	**—**	**—**	**—**	**260,721**	**260,721**
Trade creditors, other payables and accruals	**10,710**	**—**	**—**	**—**	**10,710**
Bank borrowings	**5,959**	**17,739**	**336,277**	**—**	**359,975**
Other borrowing, note payable and interest payable	**—**	**—**	**350,282**	**—**	**350,282**
	16,669	**17,739**	**686,559**	**260,721**	**981,688**

	2012				
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to subsidiaries	—	—	—	261,226	261,226
Trade creditors, other payables and accruals	10,451	—	—	—	10,451
Other borrowing, note payable and interest payable	—	—	338,957	—	338,957
	10,451	—	338,957	261,226	610,634

(v) Risk associated with interests in joint ventures

Details of the Group's contingent liabilities in relation to the guarantees given to banks for facilities granted to and utilised by a joint venture as at 31 July 2012 were described in note 35(a).

39. Financial Risk Management Objectives and Policies (continued)

(vi) Capital management

The Group manages its capital structure to ensure that entities in the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of mainly bank borrowings, guaranteed notes 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 the recommendation of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintenance of appropriate types and level of debts.

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by total equity. Net debt includes bank borrowings, guaranteed notes, other borrowing, note payable and interest payable less pledged bank balances and time deposits and cash and cash equivalents. Total equity represented equity attributable to owners of the Company. The gearing ratio as at the end of the reporting period is as follows:

	2013 **HK$'000**	2012 HK$'000
Bank borrowings	**3,414,879**	3,125,222
Guaranteed notes	**2,695,474**	—
Other borrowing, note payable and interest payable	**338,944**	327,620
Less: Pledged bank balances and time deposits	**(216,222)**	(106,037)
Cash and cash equivalents	**(3,183,396)**	(1,746,822)
Net debt	**3,049,679**	1,599,983
Equity attributable to owners of the Company	**11,035,260**	9,026,744
Gearing ratio	**28%**	18%

40. Event After the Reporting Period

On 5 July 2013, LSD entered into an agreement with Kadokawa Holdings Asia Limited ("**KHAL**"), Lai's Holdings Limited ("**LHL**") and Kadokawa Intercontinental Group Holdings Limited ("**KIGHL**") pursuant to which KHAL and LHL have conditionally agreed to procure KIGHL to sell, and KIGHL has conditionally agreed to sell, to LSD the entire shares of Intercontinental Development and Services Limited ("**IDSL**") and all loans advanced by KHAL and LHL and their subsidiaries (if any) for a total consideration of HK$130 million. Upon completion, IDSL will become 100% beneficially owned by LSD.

IDSL is a property holding company. On 15 August 2013, LSD paid the remaining balance of the consideration of HK$123.5 million and the transaction was completed.

Further details of the acquisition of IDSL are set out in the announcement dated 5 July 2013.

41. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 9 October 2013.

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Lai Sun Garment (International) Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 59 to 162, which comprise the consolidated and company statements of financial position as at 31 July 2012, 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

30 October 2012

Consolidated Income Statement

Year ended 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
TURNOVER	6	**947,247**	1,058,386
Cost of sales		**(360,729)**	(573,191)
Gross profit		**586,518**	485,195
Other revenue and gain	6	**20,942**	53,212
Selling and marketing expenses		**(14,378)**	(34,948)
Administrative expenses		**(359,694)**	(283,067)
Other operating expenses, net		**(56,213)**	(40,918)
Fair value gains on investment properties	16	**1,175,491**	1,084,917
Reversal of provision/(provision) for tax indemnity	34(d)	**53,213**	(48,379)
PROFIT FROM OPERATING ACTIVITIES	7	**1,405,879**	1,216,012
Finance costs	8	**(67,640)**	(57,038)
Gain on Shares Swap Transactions		**—**	2,884,095
Share of profits and losses of associates		**442,304**	(17,751)
Share of profits of joint ventures		**676,730**	539,957
Discount on acquisition of additional interest in an associate		**88,695**	—
Loss on deemed disposal of interest in an associate		**—**	(3,552)
PROFIT BEFORE TAX		**2,545,968**	4,561,723
Tax	11	**(35,080)**	(34,741)
PROFIT FOR THE YEAR		**2,510,888**	4,526,982
Attributable to:			
Ordinary equity holders of the Company	12	**1,385,898**	3,790,454
Non-controlling interests		**1,124,990**	736,528
		2,510,888	4,526,982
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK$0.857**	HK$2.344
Diluted		**HK$0.857**	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 July 2012

	2012 HK$'000	2011 HK$'000 (Restated)
PROFIT FOR THE YEAR	**2,510,888**	4,526,982
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale financial assets	**92,842**	262,153
Exchange realignments:		
Subsidiaries	**(3,845)**	242
Associates	**(72,744)**	116,749
Share of asset revaluation reserve of an associate	**—**	3,786
Release of share of exchange fluctuation reserve upon disposal of an associate	**—**	(542,299)
Release of investment revaluation reserve and exchange fluctuation reserve to the income statement upon an available-for-sale financial asset treated as if it was disposed of and re-acquired	**—**	(110,547)
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**16,253**	(269,916)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,527,141**	4,257,066
Attributable to:		
Ordinary equity holders of the Company	**1,393,694**	3,376,056
Non-controlling interests	**1,133,447**	881,010
	2,527,141	4,257,066

Consolidated Statement of Financial Position

31 July 2012

	Notes	**31 July 2012 HK$'000**	31 July 2011 HK$'000 (Restated)	1 August 2010 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**672,960**	688,318	316
Prepaid land lease payments	15	**25,010**	26,038	—
Investment properties	16	**10,254,611**	9,057,631	1,046,600
Properties under development for sale	17	**1,435,473**	1,224,250	—
Interests in associates	19(a)	**3,115,115**	2,532,854	3,348,488
Interests in joint ventures	19(b)	**3,914,401**	2,906,528	—
Available-for-sale financial assets	20	**1,185,810**	1,035,937	243,709
Pledged bank balances and time deposits	22	**—**	99,591	—
Deposits paid	23	**61,500**	90,000	—
Total non-current assets		**20,664,880**	17,661,147	4,639,113
CURRENT ASSETS				
Completed properties for sale	24	**106,580**	196,799	—
Equity investments at fair value through profit or loss	25	**1,648**	13,638	—
Inventories		**5,305**	5,878	—
Debtors, deposits paid and other receivables	26(a)	**104,692**	132,762	6,262
Tax recoverable		**—**	—	682
Held-to-maturity debt investments	21	**—**	33,963	—
Pledged bank balances and time deposits	22	**106,037**	—	—
Cash and cash equivalents	22	**1,746,822**	1,455,110	317,449
Total current assets		**2,071,084**	1,838,150	324,393
CURRENT LIABILITIES				
Creditors, deposits received and accruals	26(b)	**273,070**	251,782	66,537
Tax payable		**65,843**	62,896	—
Interest-bearing bank and other borrowings	27	**1,417,818**	249,097	16,000
Total current liabilities		**1,756,731**	563,775	82,537
NET CURRENT ASSETS		**314,353**	1,274,375	241,856
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,979,233**	18,935,522	4,880,969

Consolidated Statement of Financial Position

31 July 2012

	Notes	31 July 2012 HK$'000	31 July 2011 HK$'000 (Restated)	1 August 2010 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	27	**(1,739,149)**	(2,544,185)	(376,745)
Note payable	28	**(195,000)**	(195,000)	(195,000)
Accrued interest payable	28	**(100,875)**	(89,525)	(78,188)
Amounts due to associates	19(a)	**(20,799)**	(15,854)	—
Deferred tax	29	**(171,224)**	(165,052)	(1,791)
Provision for tax indemnity	34(d)	**(716,608)**	(769,821)	—
Long term rental deposits received		**(65,929)**	(70,491)	(12,910)
Total non-current liabilities		**(3,009,584)**	(3,849,928)	(664,634)
		17,969,649	15,085,594	4,216,335
EQUITY				
Equity attributable to ordinary equity holders of the Company				
Issued capital	30	**16,174**	16,174	16,174
Share premium account		**1,908,840**	1,908,840	1,908,840
Investment revaluation reserve		**140,492**	95,955	41,458
Share option reserve		**8,658**	174	682
Asset revaluation reserve		**55,494**	55,494	62,624
Capital reserve		**—**	—	146,670
Other reserve		**35,432**	1,249	—
Exchange fluctuation reserve		**422**	37,163	509,844
Retained profits		**6,861,232**	5,475,334	1,530,043
		9,026,744	7,590,383	4,216,335
Non-controlling interests		**8,942,905**	7,495,211	—
		17,969,649	15,085,594	4,216,335

Lam Kin Ming
Director

Chew Fook Aun
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2012

	Attributable to ordinary equity holders of the Company											
	Issued capital HK$'000	Share premium account HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 August 2010, as originally stated	16,174	1,908,840	41,458	682	62,624	146,670	—	509,844	1,444,526	4,130,818	—	4,130,818
Effect of changes in accounting policies (note 2.2)	—	—	—	—	—	—	—	—	85,517	85,517	—	85,517
At 1 August 2010, as restated	16,174	1,908,840	41,458	682	62,624	146,670	—	509,844	1,530,043	4,216,335	—	4,216,335
Profit for the year	—	—	—	—	—	—	—	—	3,790,454	3,790,454	736,528	4,526,982
Other comprehensive income/(expenses) for the year:												
Changes in fair value of available-for-sale financial assets	—	—	158,076	—	—	—	—	—	—	158,076	104,077	262,153
Exchange realignments	—	—	—	—	—	—	—	76,586	—	76,586	40,405	116,991
Share of asset revaluation reserve of an associate	—	—	—	—	3,786	—	—	—	—	3,786	—	3,786
Release of share of exchange fluctuation reserve upon disposal of an associate	—	—	—	—	—	—	—	(542,299)	—	(542,299)	—	(542,299)
Release of investment revaluation reserve and exchange fluctuation reserve to the income statement upon an available-for-sale financial asset treated as if it was disposed of and re-acquired	—	—	(103,579)	—	—	—	—	(6,968)	—	(110,547)	—	(110,547)
Total comprehensive income/(expenses) for the year	—	—	54,497	—	3,786	—	—	(472,681)	3,790,454	3,376,056	881,010	4,257,066
Share of reserve movements of associates	—	—	—	174	—	—	1,249	—	(3,431)	(2,008)	(2,177)	(4,185)
Transfer of reserves to retained profits upon disposal of an associate	—	—	—	(682)	(10,916)	2,511	—	—	9,087	—	—	—
Transfer of reserve to retained profits upon an available-for-sale financial asset treated as if it was disposed of and re-acquired	—	—	—	—	—	(149,181)	—	—	149,181	—	—	—
Non-controlling interests arising on the acquisition of LSD (note 18)	—	—	—	—	—	—	—	—	—	—	6,639,310	6,639,310
Dividend paid to non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	(15,288)	(15,288)
Repayment to non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	(7,644)	(7,644)
At 31 July 2011 and 1 August 2011, as restated	16,174	1,908,840	95,955	174	55,494	—	1,249	37,163	5,475,334	7,590,383	7,495,211	15,085,594
Profit for the year	—	—	—	—	—	—	—	—	1,385,898	1,385,898	1,124,990	2,510,888
Other comprehensive income/(expenses) for the year:												
Changes in fair value of available-for-sale financial assets	—	—	44,537	—	—	—	—	—	—	44,537	48,305	92,842
Exchange realignments	—	—	—	—	—	—	—	(36,741)	—	(36,741)	(39,848)	(76,589)
Total comprehensive income/(expenses) for the year	—	—	44,537	—	—	—	—	(36,741)	1,385,898	1,393,694	1,133,447	2,527,141
Subscription of shares of a subsidiary pursuant to a rights issue	—	—	—	—	—	—	—	—	—	—	276,344	276,344
Share of reserve movements of associates	—	—	—	498	—	—	34,183	—	—	34,681	37,616	72,297
Recognition of share-based payments	—	—	—	7,986	—	—	—	—	—	7,986	4,687	12,673
Repayment to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(4,400)	(4,400)
At 31 July 2012	**16,174**	**1,908,840**	**140,492**	**8,658**	**55,494**	**—**	**35,432**	**422**	**6,861,232**	**9,026,744**	**8,942,905**	**17,969,649**

Consolidated Statement of Cash Flows

Year ended 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,545,968**	4,561,723
Adjustments for:			
Finance costs	8	**67,640**	57,038
Share of profits and losses of associates		**(442,304)**	17,751
Share of profits of joint ventures		**(676,730)**	(539,957)
Gain on Shares Swap Transactions	18	**—**	(2,884,095)
Discount on acquisition of additional interest in an associate		**(88,695)**	—
Loss on deemed disposal of interest in an associate		**—**	3,552
Fair value gains on investment properties		**(1,175,491)**	(1,084,917)
Depreciation	7	**34,524**	28,174
Amortisation of prepaid land lease payments	7	**1,028**	856
Loss on disposal of items of property, plant and equipment	7	**4,331**	31
Gain on disposal of an available-for-sale financial asset	6	**—**	(27,795)
Fair value loss on equity investments at fair value through profit or loss	7	**803**	11,463
Loss/(gain) on disposal of equity investments at fair value through profit or loss	7	**18,078**	(201)
(Reversal of provision)/provision for tax indemnity		**(53,213)**	48,379
Interest income	6	**(7,050)**	(5,884)
Dividend income from listed equity investments at fair value through profit or loss	6	**(391)**	(87)
Dividend income from unlisted available-for-sale financial assets	6	**(160)**	(3,926)
Expenses paid in connection with Shares Swap Transactions		**—**	7,515
Share issue expenses		**17,437**	—
Share-based payments		**12,673**	—
		258,448	189,620
Decrease in completed properties for sale		**90,219**	341,631
Decrease/(increase) in inventories		**573**	(89)
Increase in debtors, deposits paid and other receivables		**28,070**	83,441
Increase in creditors, deposits received and accruals		**14,864**	925
Cash generated from operations		**392,174**	615,528
Interest received		**5,588**	4,235
Interest paid on bank and other borrowings		**(55,084)**	(37,441)
Hong Kong profits tax paid		**(11,055)**	(5,603)
Overseas taxes paid		**(14,906)**	(15,483)
Net cash flows from operating activities		**316,717**	561,236

Consolidated Statement of Cash Flows

Year ended 31 July 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(23,497)**	(6,825)
Additions to investment properties		**(30,332)**	(238,435)
Deposit paid for acquisition of an investment property		**(61,500)**	—
Additions to properties under development for sale		**(200,944)**	(184,384)
Acquisition of equity investments at fair value through profit or loss		**(43,257)**	(20,834)
Acquisition of an unlisted available-for-sale financial asset		**(56,772)**	(1,560)
Redemption of held-to-maturity debt investments		**33,963**	132,760
Proceeds from disposal of items of property, plant and equipment		**—**	33
Proceeds from disposal of an available-for-sale financial asset		**—**	30,000
Proceeds from disposal of equity investments at fair value through profit or loss		**36,366**	908
Acquisition of additional interest in an associate		**(43,301)**	—
Advances to associates		**(8,408)**	(1,038)
Repayment from associates		**4,945**	46
Acquisition of a joint venture		**(756,168)**	—
Repayment from/(advance) to a joint venture		**276,723**	(500)
Dividend received from a joint venture		**238,302**	—
Deposit paid for acquisition of interest in a joint venture		**—**	(90,000)
Interest received from held-to-maturity debt investments		**1,203**	1,649
Dividends received from listed equity investments at fair value through profit or loss		**391**	87
Dividends received from unlisted available-for-sale financial assets		**160**	3,926
Expenses paid in connection with Shares Swap Transactions		**—**	(11,130)
Acquisition of a subsidiary in connection with Shares Swap Transactions	18	**—**	1,481,920
Settlement of construction costs for the investment properties		**—**	(18,473)
Increase in pledged bank balances and time deposits		**(6,446)**	(17,930)
Net cash flows (used in)/from investing activities		**(638,572)**	1,060,220
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**1,875,900**	334,526
Repayment of bank borrowings		**(1,506,493)**	(787,155)
Bank financing charges		**(9,623)**	(8,659)
Dividend paid to non-controlling interest of a subsidiary		**—**	(15,288)
Repayment to non-controlling interests of subsidiaries		**(4,400)**	(7,644)
Proceeds from non-controlling interests in connection with rights issue of a subsidiary		**276,344**	—
Share issue expenses		**(17,437)**	—
Net cash flows from/(used in) financing activities		**614,291**	(484,220)

Consolidated Statement of Cash Flows

Year ended 31 July 2012

	2012 HK$'000	2011 HK$'000 (Restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**292,436**	1,137,236
Cash and cash equivalents at beginning of year	**1,455,110**	317,449
Effect of foreign exchange rate changes, net	**(724)**	425
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,746,822**	1,455,110
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**676,379**	413,847
Non-pledged time deposits	**1,070,443**	1,041,263
	1,746,822	1,455,110

Statement of Financial Position

31 July 2012

	Notes	**31 July 2012 HK$'000**	31 July 2011 HK$'000 (Restated)	1 August 2010 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**68**	43	218
Investment properties	16	**383,200**	320,200	246,600
Interests in subsidiaries	18	**4,317,764**	4,005,115	279,887
Interests in associates	19	**2,353**	2,224	378,590
Available-for-sale financial assets		**—**	—	219,367
Total non-current assets		**4,703,385**	4,327,582	1,124,662
CURRENT ASSETS				
Debtors, deposits paid and other receivables	26(a)	**3,441**	5,007	4,514
Tax recoverable		**—**	—	682
Equity investments at fair value through profit or loss	25	**—**	3,480	—
Cash and cash equivalents	22	**144,202**	421,795	285,770
Total current assets		**147,643**	430,282	290,966
CURRENT LIABILITIES				
Creditors, deposits received and accruals		**14,625**	15,867	19,157
Total current liabilities		**14,625**	15,867	19,157
NET CURRENT ASSETS		**133,018**	414,415	271,809
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,836,403**	4,741,997	1,396,471
NON-CURRENT LIABILITIES				
Interest-bearing other borrowing	27	**(31,745)**	(31,745)	(31,745)
Note payable	28	**(195,000)**	(195,000)	(195,000)
Accrued interest payable	28	**(100,875)**	(89,525)	(78,188)
Deferred tax	29	**—**	—	—
Long term rental deposits received		**(1,978)**	—	—
Total non-current liabilities		**(329,598)**	(316,270)	(304,933)
		4,506,805	4,425,727	1,091,538
EQUITY				
Issued capital	30	**16,174**	16,174	16,174
Reserves	32(b)	**4,490,631**	4,409,553	1,075,364
		4,506,805	4,425,727	1,091,538

Lam Kin Ming
Director

Chew Fook Aun
Director

1. Corporate Information

Lai Sun Garment (International) Limited (the "**Company**") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

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

- property development for sale
- property investment
- investment in and the operation of hotels and restaurants
- investment holding

Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 18 and 19 to the financial statements, respectively.

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 (the "**HKICPA**") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments at fair value through profit or loss and certain available-for-sale financial assets, which have been measured at fair value. 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 (collectively referred to as the "**Group**"). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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 profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets
HK(IFRIC)-Int 14 (Amendments)	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement

The related party disclosures set out in note 5 have been changed retrospectively to reflect the adoption of HKAS 24 (Revised) "Related Party Disclosures".

The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

In addition, the Group has early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time for the current year's financial statements:

HKAS 12 (Amendments)	Income Taxes-Deferred Tax: Recovery of Underlying Assets
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities

2.2 Changes in Accounting Policies and Disclosures (continued)

2.2.1 HKAS 12 (Amendments) "Income taxes-Deferred tax: Recovery of Underlying Assets"

HKAS 12 (Amendments) introduces a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendments, deferred tax on investment property at fair value is measured to reflect the tax consequence of recovering the carrying amounts of the investment properties through use. Upon the adoption, the Group's deferred tax liability with respect to investment properties is reduced.

The Group measures its investment properties using the fair value model. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale, unless the presumption is rebutted as set out in HKAS 12 (Amendments). As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date. The adoption of HKAS 12 (Amendments) has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties. Previously, the Group recognised deferred taxes on changes in fair value of the investment properties on the basis that the entire carrying amounts of the properties are recovered through use. HKAS 12 (Amendments) has been adopted retrospectively.

In the current year, no deferred tax has been provided for changes in fair value of the Group's investment properties. The impact on the financial statements is detailed in the tables below.

2.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities

HKICPA has issued a package of five standards on consolidation, joint arrangements, associates and disclosure of interests in other entities including HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (2011) "Separate Financial Statements" and HKAS 28 (2011) "Investments in Associates and Joint Ventures" which are effective for annual periods beginning on or after 1 January 2013.

2.2 Changes in Accounting Policies and Disclosures (continued)

2.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities (continued)

The impact of the adoption of these standards is set out below.

HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 "Consolidation — Special Purpose Entities". HKFRS 10 replaces the portion of HKAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 10 changes the definition of control such that an investor controls an investee when it 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. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of shareholdings of the other vote holders.

The adoption of HKFRS 10 has affected the accounting for the Company's 47.97% interest in Lai Sun Development Company Limited ("**LSD**"). Before 30 September 2010, the Company held 11.25% interest in LSD. Upon completion of the Shares Swap Transactions as detailed in note 18 on 30 September 2010, the Company held 47.97% interest in LSD and held the same per cent of the voting rights in LSD. There has been no change in the Company's ownership in LSD since then. The remaining 52.03% of the ordinary shares of LSD are owned by numerous widely dispersed shareholders. No individual shareholder holds more than 5% interest in LSD since 30 September 2010 and up to the date of these financial statements.

The directors assessed whether or not the Group has control over LSD in accordance with the new definition of control and the related guidance set out in HKFRS 10. After assessment, the directors concluded that the Group has had control over LSD since 30 September 2010 on the basis of the Company's absolute size of holding in LSD and the relative size and dispersion of the shareholdings owned by the other shareholders who acted as principal of their investments in LSD. Therefore, in accordance with the requirements of HKFRS 10, LSD has been a subsidiary of the Company since 30 September 2010. Before the adoption of HKFRS 10, LSD was treated as an associate of the Company and accounted for using the equity method of accounting.

2.2 Changes in Accounting Policies and Disclosures (continued)

2.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities (continued)

HKFRS 10 "Consolidated Financial Statements" (continued)

The change in accounting of the Company's investment in LSD has been applied in accordance with the relevant transitional provisions as if the ownership of the 47.97% interest in LSD had been accounted for in accordance with HKFRS 3 at 30 September 2010.

eSun Holdings Limited "**eSun**", a 37.93%-owned associate of LSD, has also early adopted HKFRS 10 in the current year. eSun increased its shareholding in Lai Fung Holdings Limited ("**Lai Fung**") from 40.58% to 47.39% upon the completion of an open offer exercise of Lai Fung on 11 June 2012 as set out in note 18. With early adoption of HKFRS 10, the directors of eSun concluded that eSun has had control over Lai Fung since 11 June 2012 and eSun has accounted for Lai Fung as a subsidiary.

The above changes in accounting have affected the amounts reported in the financial statements and the impact is detailed in the tables below.

HKFRS 11 "Joint Arrangements"

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HKSIC-13 "Jointly Controlled Entities — Non-Monetary Contributions by Venturers". It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures and removes the option to account for joint ventures using proportionate consolidation.

The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g., a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

Upon the adoption of HKFRS 11, the directors reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Group's investments in joint arrangements.

HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 "Consolidated and Separate Financial Statements", HKAS 31 "Interests in Joint Ventures" and HKAS 28 "Investments in Associates". It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group has early adopted HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 in the current year's financial statements.

2.2 Changes in Accounting Policies and Disclosures (continued)

2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs

Impact on the consolidated income statement for the year ended 31 July 2012

	For the year ended 31 July 2012		
	HKAS 12 (Amendments) HK$'000	HKFRS 10 HK$'000	Total HK$'000
Increase in turnover	—	874,164	874,164
Increase in cost of sales	—	(350,114)	(350,114)
Increase in other revenue and gain	—	19,346	19,346
Increase in selling and marketing expenses	—	(13,544)	(13,544)
Increase in administrative expenses	—	(327,669)	(327,669)
Increase in other operating expenses, net	—	(48,339)	(48,339)
Increase in fair value gains on investment properties	—	793,709	793,709
Increase in reversal of provision for tax indemnity	—	53,213	53,213
Increase in finance costs	—	(49,823)	(49,823)
Increase/(decrease) in share of profits and losses of associates	113,694	(464,513)	(350,819)
Increase in share of profits of joint ventures	—	676,730	676,730
Increase in discount on acquisition of additional interest in an associate	—	88,695	88,695
Decrease/(increase) in tax	62,994	(29,273)	33,721
Increase in profit for the year	176,688	1,222,582	1,399,270
Increase in profit for the year attributable to:			
Ordinary equity holders of the Company	176,688	97,592	274,280
Non-controlling interests	—	1,124,990	1,124,990
	176,688	1,222,582	1,399,270

2.2 Changes in Accounting Policies and Disclosures (continued)

2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the consolidated income statement for the year ended 31 July 2011

	For the year ended 31 July 2011		
	HKAS 12 (Amendments) HK$'000	HKFRS 10 HK$'000	Total HK$'000
Increase in turnover	—	999,320	999,320
Increase in cost of sales	—	(561,600)	(561,600)
Increase in other revenue and gain	—	51,937	51,937
Increase in selling and marketing expenses	—	(33,374)	(33,374)
Increase in administrative expenses	—	(249,608)	(249,608)
Increase in other operating expenses, net	—	(36,402)	(36,402)
Increase in fair value gains on investment properties	—	821,163	821,163
Increase in provision for tax indemnity	—	(48,379)	(48,379)
Increase in finance costs	—	(39,010)	(39,010)
Increase in gain on Shares Swap Transactions	607,781	—	607,781
Increase/(decrease) in share of profits and losses of associates	99,882	(673,128)	(573,246)
Increase in share of profits of joint ventures	—	539,957	539,957
Increase in loss on deemed disposal of interest in an associate	—	(3,552)	(3,552)
Decrease/(increase) in tax	43,519	(30,796)	12,723
Increase in profit for the year	751,182	736,528	1,487,710
Increase in profit for the year attributable to:			
Ordinary equity holders of the Company	751,182	—	751,182
Non-controlling interests	—	736,528	736,528
	751,182	736,528	1,487,710

2.2 Changes in Accounting Policies and Disclosures (continued)

2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the Group's net assets and equity as at 31 July 2012

	Group		
	HKAS 12 (Amendments) HK$'000	HKFRS 10 HK$'000	Total HK$'000
Increase in property, plant and equipment	—	672,850	672,850
Increase in prepaid land lease payments	—	25,010	25,010
Increase in investment properties	—	8,571,411	8,571,411
Increase in properties under development for sale	—	1,435,473	1,435,473
Increase/(decrease) in interests in associates	842,930	(4,667,927)	(3,824,997)
Increase in interests in joint ventures	—	3,914,401	3,914,401
Increase in available-for-sale financial assets	—	1,185,810	1,185,810
Increase in deposits paid	—	61,500	61,500
Increase in completed properties for sale	—	106,580	106,580
Increase in equity investments at fair value through profit or loss	—	1,648	1,648
Increase in inventories	—	5,305	5,305
Increase in debtors, deposits paid and other receivables	—	98,993	98,993
Increase in pledged bank balances and time deposits	—	106,037	106,037
Increase in cash and cash equivalents	—	1,565,105	1,565,105
Increase in creditors, deposits received and accruals	—	(243,002)	(243,002)
Increase in tax payable	—	(61,627)	(61,627)
Increase in interest-bearing bank and other borrowings	—	(2,812,222)	(2,812,222)
Increase in amounts due to associates	—	(20,799)	(20,799)
Decrease/(increase) in deferred tax	190,763	(163,898)	26,865
Increase in provision for tax indemnity	—	(716,608)	(716,608)
Increase in long term rental deposits received	—	(60,032)	(60,032)
Net assets	1,033,693	9,004,008	10,037,701
Increase in investment revaluation reserve	20,306	—	20,306
Decrease in other reserve	—	(36,489)	(36,489)
Increase in retained profits	1,013,387	97,592	1,110,979
Increase in non-controlling interests	—	8,942,905	8,942,905
Total equity	1,033,693	9,004,008	10,037,701

2.2 Changes in Accounting Policies and Disclosures (continued)

2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the Group's net assets and equity as at 31 July 2011

	Group			
	Originally stated HK$'000	HKAS 12 (Amendments) HK$'000	HKFRS 10 HK$'000	Restated HK$'000
Property, plant and equipment	131	—	688,187	688,318
Prepaid land lease payments	—	—	26,038	26,038
Investment properties	1,300,200	—	7,757,431	9,057,631
Properties under development for sale	—	—	1,224,250	1,224,250
Interests in associates	5,814,172	723,410	(4,004,728)	2,532,854
Interests in joint ventures	—	—	2,906,528	2,906,528
Available-for-sale financial assets	—	—	1,035,937	1,035,937
Pledged bank balances and time deposits	—	—	99,591	99,591
Deposits paid	—	—	90,000	90,000
Completed properties for sale	—	—	196,799	196,799
Equity investments at fair value through profit or loss	3,480	—	10,158	13,638
Inventories	—	—	5,878	5,878
Debtors, deposits paid and other receivables	8,724	—	124,038	132,762
Held-to-maturity debt investments	—	—	33,963	33,963
Cash and cash equivalents	452,305	—	1,002,805	1,455,110
Creditors, deposits received and accruals	(30,472)	—	(221,310)	(251,782)
Tax payable	—	—	(62,896)	(62,896)
Interest-bearing bank and other borrowings	(376,745)	—	(2,416,537)	(2,793,282)
Amounts due to associates	—	—	(15,854)	(15,854)
Deferred tax	(133,505)	127,769	(159,316)	(165,052)
Provision for tax indemnity	—	—	(769,821)	(769,821)
Long term rental deposits received	(14,561)	—	(55,930)	(70,491)
Other assets and liabilities	(284,525)	—	—	(284,525)
Net assets	6,739,204	851,179	7,495,211	15,085,594
Investment revaluation reserve	81,475	14,480	—	95,955
Retained profits	4,638,635	836,699	—	5,475,334
Other reserves	2,019,094	—	—	2,019,094
Non-controlling interests	—	—	7,495,211	7,495,211
Total equity	6,739,204	851,179	7,495,211	15,085,594

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the Group's net assets and equity as at 1 August 2010

	Group			
	Originally stated HK$'000	HKAS 12 (Amendments) HK$'000	HKFRS 10 HK$'000	Restated HK$'000
Interests in associates	3,347,221	1,267	—	3,348,488
Deferred tax	(86,041)	84,250	—	(1,791)
Other assets and liabilities	869,638	—	—	869,638
Net assets	4,130,818	85,517	—	4,216,335
Equity attributable to ordinary equity holders of the Company:				
Retained profits	1,444,526	85,517	—	1,530,043
Other reserves	2,686,292	—	—	2,686,292
Total equity	4,130,818	85,517	—	4,216,335

Impact on the Company's net assets and equity as at 31 July 2012

	Company		
	HKAS 12 (Amendments) HK$'000	**HKFRS 10 HK$'000**	**Total HK$'000**
Interests in subsidiaries	**—**	**182,089**	**182,089**
Interests in associates	**—**	**(182,089)**	**(182,089)**
Deferred tax	**60,414**	**—**	**60,414**
Increase in net assets	**60,414**	**—**	**60,414**
Increase in retained profits and equity	**60,414**	**—**	**60,414**

2.2 Changes in Accounting Policies and Disclosures (continued)

2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the Company's net assets and equity as at 31 July 2011

	Company			
	Originally stated HK$'000	HKAS 12 (Amendments) HK$'000	HKFRS 10 HK$'000	Restated HK$'000
Interests in subsidiaries	3,823,026	—	182,089	4,005,115
Interests in associates	184,313	—	(182,089)	2,224
Deferred tax	(51,669)	51,669	—	—
Other assets and liabilities	418,388	—	—	418,388
Net assets	4,374,058	51,669	—	4,425,727
Share capital	16,174	—	—	16,174
Reserves	4,357,884	51,669	—	4,409,553
Total equity	4,374,058	51,669	—	4,425,727

Impact on the Company's net assets and equity as at 1 August 2010

	Company			
	Originally stated HK$'000	HKAS 12 (Amendments) HK$'000	HKFRS 10 HK$'000	Restated HK$'000
Deferred tax	(39,625)	39,625	—	—
Other assets and liabilities	1,091,538	—	—	1,091,538
Net assets	1,051,913	39,625	—	1,091,538
Share capital	16,174	—	—	16,174
Reserves	1,035,739	39,625	—	1,075,364
Total effects on equity	1,051,913	39,625	—	1,091,538

2.2 Changes in Accounting Policies and Disclosures (continued)

2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the Group's earnings per share

	Profit for the year attributable to ordinary equity holders of the Company		Basic earnings per share		Diluted earnings per share	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$ per share**	HK$ per share	**HK$ per share**	HK$ per share
Amounts before restatements	**1,111,618**	3,039,272	**0.688**	1.879	**0.688**	N/A
Adjustments arising from changes in accounting policies in relation to:						
HKAS 12 (Amendments)	**176,688**	751,182	**0.109**	0.465	**0.109**	
HKFRS 10	**97,592**	—	**0.060**	—	**0.060**	
Amounts after restatement	**1,385,898**	3,790,454	**0.857**	2.344	**0.857**	

2.3 Issued But Not Yet Effective HKFRSs

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (Revised 2011)	Employee Benefits[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2014

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

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity over which the Group has power such that the Group is able to direct the subsidiary's relevant activities, has exposure or rights to variable returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect the amount of the returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 elements of control listed above.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

Associates

The existence of significant influence is assessed by the Group based on the Group's ownership percentage (considering its direct ownership as well as potentially exercisable or convertible shares) and other contractual rights. An associate is an entity, not being a subsidiary or a joint arrangement subject to joint control, in which the Group has an equity voting interest of generally not less than 20% and over which the Group is in a position to exercise significant influence. The Group's investments in associates 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 reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

2.4 Summary of Significant Accounting Policies (continued)

Associates (continued)

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

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

Joint arrangements

Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual arrangements between the parties to the arrangement.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's investments in 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 reserves of joint ventures is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures and is not individually tested for impairment.

The results of joint ventures are included in the Company's income statement to the extent of dividend received and receivable. The Company's investments in joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition 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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the income statement where such treatment would be appropriate if that interest were disposed of.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled 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 net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss 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.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development for sale, inventories, 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 to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

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

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

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

(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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

Hotel properties	Over the remaining lease terms
Leasehold buildings	Over the remaining lease terms
Leasehold improvements	20%
Furniture, fixtures and equipment	10% — 20%
Motor vehicles	10% — 25%
Computers	10% — 25%
Motor vessels	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold 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 properties that are being constructed or developed for future use as investment properties. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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

2.4 Summary of Significant Accounting Policies (continued)

Leases

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

Properties under development for sale

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

Once the constructions or developments of these properties are completed, these properties are reclassified to the appropriate categories of assets.

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 apportionment of the total land and building costs attributable to unsold properties. Net realisable value is determined by the directors based on prevailing market prices on an individual property basis less costs to be incurred in selling the property.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as held-to-maturity debt investments, financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, when allowed and appropriate, re-evaluates this designation at the end of the reporting period. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

The Group's financial assets include amounts due from associates and joint ventures, trade debtors and other receivables, available-for-sale financial assets, held-to-maturity debt investments, equity investments at fair value through profit or loss, pledged bank balances and time deposits, and cash and cash equivalents.

Subsequent measurement

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

Held-to-maturity debt investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

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

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

When the fair value of unlisted equity securities 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 securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "**loss event**") and that loss event has 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 individually whether objective evidence of impairment exists 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued 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.

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 future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

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

Available-for-sale financial assets

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

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "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.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified 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. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include amounts due to associates, trade creditors, other payables and accruals and bank borrowings, other borrowings, note payable and accrued interest payable.

Subsequent measurement

The 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 method 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.

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, and only 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.

2.4 Summary of Significant Accounting Policies (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow-moving items. Cost for food, beverages, cutlery, linen and supplies used in hotel and restaurant operations is determined on the first-in, first-out basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

2.4 Summary of Significant Accounting Policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense and included in the income statement for the period, except that income tax relating to a transaction or an event, which is recognised in the same or a different period outside the income statement, is recognised, either in other comprehensive income or directly in equity as appropriate.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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:

- where the deferred tax liability 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 taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where 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 and associates, 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 date 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. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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 at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property", the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e., based on the expected manner as to how the properties will be recovered).

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) from the sale of completed properties developed for sale, upon the establishment of a binding contract in respect of the sale of properties, and the issue of an occupation permit by the government of the Hong Kong Special Administrative Region or a certificate of compliance by the relevant government authorities, whichever is later;

(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) service income from hotel and restaurant operations and the provision of other related services, in the period in which such services are rendered;

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

(e) dividend income, when the shareholders' right to receive payment has been established.

2.4 Summary of Significant Accounting Policies (continued)

Dividends

Final dividends proposed by the board of directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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.

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 funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation 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 ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to 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 functional currencies of certain overseas subsidiaries 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 the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payment transactions

The Company operates a share option scheme 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 payment transactions, 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. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("**market conditions**"), if applicable.

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance 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. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, 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. 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.

Paid leave carried forward

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments that have been earned by the employees from their service to the Group at the end of the reporting period.

Retirement benefits

The Group operates Mandatory Provident Fund retirement benefit schemes (the "**MPF Schemes**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the respective schemes during the year. The assets of the schemes are held separately from those of the Group in the respective independently administered funds. Contributions to the MPF Schemes 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 respective schemes. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes.

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

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 the disclosure of contingent liabilities, at the end of the reporting period. However, 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:

Control over LSD

Note 18 describes that LSD is a subsidiary of the Group although the Group has only 47.97% interest and voting rights in LSD. The Group has held 47.97% interest since 30 September 2010 and the remaining shareholdings are owned by numerous widely dispensed shareholders that are unrelated to the Group. Details of LSD are set out in note 18.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Control over LSD (continued)

The directors assessed whether or not the Group has control over LSD based on whether the Group has the practical ability to direct the relevant activities of LSD unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in LSD and the relative size and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of LSD and therefore the Group has control over LSD.

Impairment of assets

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

Income tax

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 assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, the asset balance will be reduced and charged to the income statement.

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Provision for tax indemnity

Provision for tax indemnity is recognised at its fair value upon acquisition of LSD on 30 September 2010. The provision represents tax liability arising from disposal of certain property interests in the People's Republic of China (the "**PRC**") pursuant to certain indemnity deeds entered into by LSD. Management's judgement is required to determine (i) the estimated sale proceeds and outgoings; and (ii) the latest development plan and status of individual property development project. Further details are included in note 34(d) to the financial statements.

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 discussed below.

Estimation of fair value of investment properties and available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) independent valuations; (ii) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The carrying amount at fair value of investment properties as at 31 July 2012 was HK$10,254,611,000 (2011 (restated): HK$9,057,631,000) and of available-for-sale financial assets as at 31 July 2012 was HK$1,171,357,000 (2011 (restated): HK$1,020,614,000).

Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. Segment Information

For management purpose, the Group has the following reportable segments:

(a) the property development and sales segment engages in property development and sale of properties;

(b) the property investment segment engages in the leasing of and sale of investment properties and development of properties for investment purpose;

(c) the hotel and restaurant operations segment engages in the operation of hotels and restaurants; and

(d) the "others" segment comprises the Group's property management and consultancy services business, which provides property management, security and consultancy services to residential, office, industrial, commercial properties, hotel and restaurants.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that fair value gains on investment properties, reversal of provision/(provision) for tax indemnity, interest income, finance costs, dividend income, share of profits and losses of associates and share of profits of joint ventures are excluded from such measurement.

Segment assets mainly exclude interests in associates, interests in joint ventures, available-for-sale financial assets, equity investments at fair value through profit or loss, held-to-maturity debt investments, certain pledged bank balances and time deposits, and cash and cash equivalents.

Segment liabilities mainly exclude bank and other borrowings, note payable, accrued interest payable, tax payable, deferred tax and provision for tax indemnity.

Intersegment sales and transfers are transacted with reference to the prevailing market prices.

4. Segment Information (continued)

Segment revenue and results

The following table presents revenue and results for the Group's reportable segments:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Segment revenue:												
Sales to external customers	**92,122**	345,429	**468,228**	367,937	**362,759**	327,239	**24,138**	17,781	**—**	—	**947,247**	1,058,386
Intersegment sales	**—**	—	**11,585**	6,856	**—**	—	**26,094**	21,303	**(37,679)**	(28,159)	**—**	—
Other revenue	**5,444**	5,962	**2,388**	376	**2**	—	**973**	—	**—**	—	**8,807**	6,338
Total	**97,566**	351,391	**482,201**	375,169	**362,761**	327,239	**51,205**	39,084	**(37,679)**	(28,159)	**956,054**	1,064,724
Segment results	**5,349**	930	**368,502**	287,553	**68,442**	69,818	**4,214**	196	**—**	—	**446,507**	358,497
Interest income and unallocated gain											**12,135**	46,874
Fair value gains on investment properties	**—**	—	**1,175,491**	1,084,917	**—**	—	**—**	—	**—**	—	**1,175,491**	1,084,917
Unallocated expenses											**(281,467)**	(225,897)
Reversal of provision/(provision) for tax indemnity											**53,213**	(48,379)
Profit from operating activities											**1,405,879**	1,216,012
Finance costs											**(67,640)**	(57,038)
Gain on Shares Swap Transactions											**—**	2,884,095
Share of profits and losses of associates	**768**	(60)	**2,697**	13,000	**(1,538)**	787	**—**	—	**—**	—	**1,927**	13,727
Share of profits and losses of associates — unallocated											**440,377**	(31,478)
Share of profits of joint ventures	**28,293**	113,597	**648,437**	426,360	**—**	—	**—**	—	**—**	—	**676,730**	539,957
Discount on acquisition of additional interest in an associate											**88,695**	—
Loss on deemed disposal of interest in an associate											**—**	(3,552)
Profit before tax											**2,545,968**	4,561,723
Tax											**(35,080)**	(34,741)
Profit for the year											**2,510,888**	4,526,982

4. Segment Information (continued)

Segment assets and liabilities

The following table presents the total assets and liabilities for the Group's reportable segments:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Segment assets	**1,555,210**	1,434,970	**10,389,688**	9,094,740	**781,934**	789,548	**56,819**	55,143	**—**	—	**12,783,651**	11,374,401
Interests in associates	**14,734**	13,934	**23,998**	20,701	**27,516**	4,975	**—**	—	**—**	—	**66,248**	39,610
Interests in associate — unallocated											**3,048,867**	2,493,244
Interests in joint ventures	**281,506**	1,059,404	**3,632,895**	1,847,124	**—**	—	**—**	—	**—**	—	**3,914,401**	2,906,528
Unallocated assets											**2,922,797**	2,685,514
Total assets											**22,735,964**	19,499,297
Segment liabilities	**44,301**	33,382	**138,343**	125,667	**56,456**	47,743	**6,115**	14,690	**—**	—	**245,215**	221,482
Bank and other borrowings											**3,156,967**	2,793,282
Other unallocated liabilities											**1,364,133**	1,398,939
Total liabilities											**4,766,315**	4,413,703

Other segment information

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Amortisation of prepaid land lease payments	**—**	—	**—**	—	**1,028**	856	**—**	—	**—**	—	**1,028**	856
Depreciation	**127**	103	**10**	24	**25,450**	20,718	**102**	131	**—**	—	**25,689**	20,976
Depreciation — unallocated											**8,835**	7,198
											34,524	28,174
Capital expenditure	**211,730**	187,550	**91,832**	238,435	**16,435**	5,430	**61**	10	**—**	—	**320,058**	431,425
Capital expenditure — unallocated											**6,494**	1,385
											326,552	432,810

4. Segment Information (continued)

Geographical information

The following table presents revenue and assets by geographical location of assets for the years ended 31 July 2012 and 2011:

	Hong Kong		Vietnam		Others		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue								
Sales to external customers	**627,296**	763,752	**302,324**	273,799	**17,627**	20,835	**947,247**	1,058,386
Other revenue	**8,807**	6,338	**—**	—	**—**	—	**8,807**	6,338
Total	**636,103**	770,090	**302,324**	273,799	**17,627**	20,835	**956,054**	1,064,724
Segment assets								
Non-current assets	**11,543,235**	10,075,783	**518,173**	526,065	**216,992**	220,889	**12,278,400**	10,822,737
Current assets	**207,276**	306,540	**238,774**	220,722	**59,201**	24,402	**505,251**	551,664
	11,750,511	10,382,323	**756,947**	746,787	**276,193**	245,291	**12,783,651**	11,374,401

Information about major customers

For both the years ended 31 July 2012 and 31 July 2011, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

5. Related Party Transactions

In addition to the related party transactions and balances detailed elsewhere in the financial statements, the Group entered into the following material transactions with related parties during the year:

(a) Transactions with related parties

	Group 2012 HK$'000	2011 HK$'000 (Restated)
Rental income and building management fee received from:		
— eSun Holdings Limited ("**eSun**") and its subsidiaries (collectively the "**eSun Group**"), an associate	**7,766**	6,290
— a joint venture of the Group	**545**	2,366
Project management fee income received from a joint venture of the Group	**—**	3,600
Rental expenses and building management fees paid to an associate of the Group	**1,668**	1,251

The above transactions were entered based on terms stated in the respective lease agreements or contracts.

(b) Compensation of key management personnel of the Group

	Group 2012 HK$'000	2011 HK$'000 (Restated)
Short term employee benefits	**22,944**	19,320
Employee share option benefits	**12,673**	—
Post-employment benefits	**165**	162
Total compensation paid to key management personnel	**35,782**	19,482

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

6. Turnover And Other Revenue

Turnover comprises the proceeds from sale of properties, rental income and building management fee, and income from hotel, restaurant and other operations.

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

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Turnover		
Sale of properties	**92,122**	345,429
Rental income and building management fee	**468,228**	367,937
Hotel, restaurant and other operations	**386,897**	345,020
	947,247	1,058,386
Other revenue and gain		
Interest income from bank deposits	**4,616**	2,756
Interest income from held-to-maturity debt investments	**1,203**	1,649
Other interest income	**1,231**	1,479
Gain on disposal of an available-for-sale financial asset	**—**	27,795
Dividend income from listed equity investments at fair value through profit or loss	**391**	87
Dividend income from unlisted available-for-sale financial assets	**160**	3,926
Project management fee income received from a joint venture	**—**	3,600
Others	**13,341**	11,920
	20,942	53,212

7. Profit from Operating Activities

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

	Notes	Group 2012 HK$'000	2011 HK$'000 (Restated)
Depreciation#	14	**34,524**	28,174
Amortisation of prepaid land lease payments*	15	**1,028**	856
Staff costs (including directors' remuneration — note 9):			
Wages and salaries		**194,209**	148,711
Pension scheme contributions		**4,085**	3,215
Employee share option benefits		**12,673**	—
		210,967	151,926
Auditors' remuneration		**3,833**	3,427
Loss on disposal of items of property, plant and equipment*		**4,331**	31
Fair value loss on equity investments at fair value through profit or loss*		**803**	11,463
Loss/(gain) on disposal of equity investments at fair value through profit or loss*		**18,078**	(201)
Minimum lease payments under operating leases in respect of leasehold buildings		**15,619**	7,252
Rental income		**(468,228)**	(367,937)
Less: Outgoings		**67,258**	60,261
Net rental income		**(400,970)**	(307,676)
Foreign exchange losses/(gains), net		**93**	(401)

Depreciation charge of HK$31,856,000 (2011 (restated): HK$26,158,000) for property, plant and equipment is included in "other operating expenses, net" on the face of the consolidated income statement.

* These items are included in "other operating expenses, net" on the face of the consolidated income statement.

8. Finance Costs

	Group 2012 HK$'000	2011 HK$'000 (Restated)
Interest on:		
Bank borrowings wholly repayable within five years	**56,946**	39,891
Other borrowings and note payable wholly repayable within five years	**11,350**	11,337
Bank financing charges	**9,623**	8,976
	77,919	60,204
Less: Amount capitalised in properties under development for sale (note 17)	**(10,279)**	(3,166)
	67,640	57,038

9. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2012 HK$'000	2011 HK$'000 (Restated)
Fees	**1,082**	999
Other emoluments:		
Salaries, allowances and benefits in kind	**21,862**	18,321
Employee share option benefits	**12,673**	—
Pension scheme contributions	**165**	162
	34,700	18,483
	35,782	19,482

9. Directors' Remuneration (continued)

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2012					
Executive directors:					
Lam Kin Ming	**48**	**810**	**—**	**—**	**858**
Lam Kin Ngok, Peter	**48**	**10,539**	**—**	**25**	**10,612**
Chew Fook Aun[1]	**—**	**1,089**	**12,673**	**5**	**13,767**
Lam Hau Yin, Lester (also alternate to U Po Chu)	**—**	**1,831**	**—**	**13**	**1,844**
Tam Kin Man, Kraven[7]	**—**	**3,014**	**—**	**109**	**3,123**
Shiu Kai Wah	**48**	**595**	**—**	**—**	**643**
Lam Kin Hong, Matthew	**48**	**384**	**—**	**13**	**445**
Lui Siu Tsuen, Richard[2]	**—**	**—**	**—**	**—**	**—**
Non-executive directors:					
U Po Chu	**48**	**3,600**	**—**	**—**	**3,648**
Chiu Wai (deceased)[3]	**8**	**—**	**—**	**—**	**8**
Leung Churk Yin, Jeanny[6]	**—**	**—**	**—**	**—**	**—**
Wan Yee Hwa, Edward[4]	**246**	**—**	**—**	**—**	**246**
Independent non-executive directors:					
Chow Bing Chiu	**96**	**—**	**—**	**—**	**96**
Leung Shu Yin, William	**246**	**—**	**—**	**—**	**246**
Lam Bing Kwan[5]	**246**	**—**	**—**	**—**	**246**
	1,082	**21,862**	**12,673**	**165**	**35,782**

9. Directors' Remuneration (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2011 (Restated)					
Executive directors:					
Lam Kin Ming	48	810	—	—	858
Lam Kin Ngok, Peter	48	8,815	—	22	8,885
Lam Hau Yin, Lester (also alternate to U Po Chu)	—	1,465	—	10	1,475
Tam Kin Man, Kraven	—	2,652	—	118	2,770
Shiu Kai Wah	48	595	—	—	643
Lam Kin Hong, Matthew	48	384	—	12	444
Lui Siu Tsuen, Richard[2]	—	—	—	—	—
Non-executive directors:					
U Po Chu	48	3,600	—	—	3,648
Chiu Wai (deceased)[3]	48	—	—	—	48
Leung Churk Yin, Jeanny[6]	—	—	—	—	—
Wan Yee Hwa, Edward[4]	221	—	—	—	221
Independent non-executive directors:					
Chow Bing Chiu	96	—	—	—	96
Leung Shu Yin, William	221	—	—	—	221
Lam Bing Kwan[5]	173	—	—	—	173
	999	18,321	—	162	19,482

1 Chew Fook Aun was appointed as an executive director of the Company on 5 June 2012.
2 Lui Siu Tsuen, Richard was appointed as an executive director of the Company on 1 January 2011.
3 Chiu Wai passed away on 2 October 2011.
4 Wan Yee Hwa, Edward was re-designated as a non-executive director of the Company on 1 February 2011.
5 Lam Bing Kwan was appointed as an independent non-executive director on 1 February 2011.
6 Leung Churk Yin, Jeanny was re-designated as a non-executive director of the Company on 1 January 2011 and resigned as a non-executive director of the Company on 1 September 2011.
7 Tam Kin Man, Kraven retired as an executive director on 1 May 2012.

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

10. Employees' Remuneration

The five highest paid employees during the year included four (2011: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2011: one) non-director, highest paid employee for the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Salaries, allowances and benefits in kind	**1,904**	1,567
Pension scheme contributions	**84**	70
	1,988	1,637

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

	Number of employees	
	2012	2011
		(Restated)
HK$1,500,001 to HK$2,000,000	**1**	1

11. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Current tax		
Hong Kong	**31,281**	13,804
Overseas	**14,894**	14,301
	46,175	28,105
Deferred tax (note 29)	**6,172**	6,853
Prior years' overprovision — Hong Kong	**(17,267)**	(217)
Tax charge for the year	**35,080**	34,741

11. Tax (continued)

A reconciliation of the tax charge applicable to profit before tax 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:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Profit before tax	**2,545,968**	4,561,723
Adjustments:		
Share of profits and losses of associates	**(442,304)**	17,751
Share of profits of joint ventures	**(676,730)**	(539,957)
Profit before tax attributable to the Company and its subsidiaries	**1,426,934**	4,039,517
Tax at the statutory tax rate of 16.5% (2011: 16.5%)	**235,444**	666,520
Higher tax rate for other countries	**935**	1,345
Adjustments in respect of current tax of previous periods	**(17,267)**	(217)
Income not subject to tax	**(240,913)**	(663,625)
Expenses not deductible for tax purposes	**56,183**	39,273
Tax losses utilised from previous periods	**(2,976)**	(11,755)
Tax losses not recognised	**3,674**	3,200
Tax charge for the year	**35,080**	34,741

12. Profit Attributable to Ordinary Equity Holders of the Company

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 July 2012 includes a profit of HK$77,413,000 (2011 (restated): HK$3,371,467,000) which has been dealt with in the financial statements of the Company (note 32(b)).

13. Earnings per Share Attributable to Ordinary Equity Holders of the Company

	2012 HK$'000	2011 HK$'000 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share	**1,385,898**	3,790,454
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	**(173)**	
Earnings for the purpose of diluted earnings per share	**1,385,725**	
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,617,423**	1,617,423
Effect of dilutive potential ordinary shares arising from share options	**391**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,617,814**	

14. Property, Plant and Equipment

Group

	Note	Hotel properties HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Motor vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:										
At 1 August 2010		–	–	–	7,738	3,204	–	16,951	–	27,893
Acquisition of LSD (note 18)		487,581	170,450	14,609	29,752	4,154	2,680	189	–	709,415
Additions		–	–	822	1,420	–	1,031	448	3,104	6,825
Disposals/write-off		–	–	–	(61)	–	(64)	–	–	(125)
At 31 July 2011 and 1 August 2011		487,581	170,450	15,431	38,849	7,358	3,647	17,588	3,104	744,008
Additions		–	–	3,112	9,334	1,175	807	2,580	6,489	23,497
Disposals/write-off		–	–	(2,315)	(8,546)	(351)	(127)	–	–	(11,339)
At 31 July 2012		**487,581**	**170,450**	**16,228**	**39,637**	**8,182**	**4,327**	**20,168**	**9,593**	**756,166**
Accumulated depreciation:										
At 1 August 2010		–	–	–	7,488	3,138	–	16,951	–	27,577
Depreciation provided for the year	7	13,330	3,245	4,153	4,506	1,366	1,184	390	–	28,174
Disposals/write-off		–	–	–	(61)	–	–	–	–	(61)
At 31 July 2011 and 1 August 2011		13,330	3,245	4,153	11,933	4,504	1,184	17,341	–	55,690
Depreciation provided for the year	7	15,994	3,895	5,194	5,509	1,697	1,474	761	–	34,524
Disposals/write-off		–	–	(1,169)	(5,674)	(103)	(62)	–	–	(7,008)
At 31 July 2012		**29,324**	**7,140**	**8,178**	**11,768**	**6,098**	**2,596**	**18,102**	**–**	**83,206**
Net carrying amount:										
At 31 July 2012		**458,257**	**163,310**	**8,050**	**27,869**	**2,084**	**1,731**	**2,066**	**9,593**	**672,960**
At 31 July 2011 (restated)		474,251	167,205	11,278	26,916	2,854	2,463	247	3,104	688,318

At 31 July 2012, the Group's hotel properties with a total carrying amount of HK$458,257,000 (2011 (restated): HK$474,251,000) were pledged to banks to secure banking facilities granted to the Group (note 27).

14. Property, Plant and Equipment (continued)

Group (continued)

The Group's hotel properties and leasehold buildings included above are held under the following lease terms:

	2012 HK$'000	2011 HK$'000 (Restated)
At cost:		
Medium-term leases		
Hong Kong	**170,450**	170,450
Elsewhere	**487,581**	487,581
	658,031	658,031

Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Motor vessels HK$'000	Total HK$'000
Cost:				
At 1 August 2010	7,624	3,204	16,951	27,779
Additions	12	—	—	12
Write-off	(61)	—	—	(61)
At 31 July 2011 and 1 August 2011	7,575	3,204	16,951	27,730
Additions	51	—	—	51
At 31 July 2012	**7,626**	**3,204**	**16,951**	**27,781**
Accumulated depreciation:				
At 1 August 2010	7,472	3,138	16,951	27,561
Depreciation provided during the year	121	66	—	187
Write-off	(61)	—	—	(61)
At 31 July 2011 and 1 August 2011	7,532	3,204	16,951	27,687
Depreciation provided during the year	26	—	—	26
At 31 July 2012	**7,558**	**3,204**	**16,951**	**27,713**
Net carrying amount:				
At 31 July 2012	**68**	**—**	**—**	**68**
At 31 July 2011	43	—	—	43

15. Prepaid Land Lease Payments

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Cost:		
At beginning of year	**26,894**	—
Acquisition of LSD (note 18)	**—**	26,894
At end of year	**26,894**	26,894
Accumulated amortisation:		
At beginning of year	**856**	—
Amortisation provided for the year (note 7)	**1,028**	856
At end of year	**1,884**	856
Net carrying amount:		
At beginning of year	**26,038**	—
At end of year	**25,010**	26,038

Leasehold land of the Group is held under a medium-term lease and is situated outside Hong Kong.

At 31 July 2012, the Group's prepaid land lease payments with a carrying amount of HK$25,010,000 (2011 (restated): HK$26,038,000) were pledged to banks to secure banking facilities granted to the Group (note 27).

16. Investment Properties

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Carrying amount at beginning of year	**9,057,631**	1,046,600	**320,200**	246,600
Exchange realignment	**(8,843)**	—	**—**	—
Acquisition of LSD (note 18)	**—**	6,699,200	**—**	—
Additions, at cost	**30,332**	238,435	**—**	606
Adjustment for the outstanding construction costs payable for an investment property	**—**	(11,521)	**—**	—
Fair value gains	**1,175,491**	1,084,917	**63,000**	72,994
Carrying amount at end of year	**10,254,611**	9,057,631	**383,200**	320,200

16. Investment Properties (continued)

The Group's investment properties are situated in Hong Kong and outside Hong Kong and are held under the following lease terms:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Long-term leases in Hong Kong	**3,020,500**	2,700,500	**—**	—
Medium-term leases in Hong Kong	**7,019,720**	6,141,500	**383,200**	320,200
Freehold land outside Hong Kong	**214,391**	215,631	**—**	—
	10,254,611	9,057,631	**383,200**	320,200

At 31 July 2012, the investment properties were stated at their aggregate open market value of HK$10,254,611,000 (2011: HK$9,057,631,000), based on their existing use with reference to a valuation performed by Savills Valuation and Professional Services Limited, independent chartered surveyors, on that date.

All investment properties of the Group and the Company are leased out under operating leases, further summary details of which are included in note 35(a) to the financial statements.

Certain investment properties of the Group and the Company with carrying amounts of HK$9,854,391,000 (2011: HK$9,034,331,000) and HK$372,400,000 (2011: HK$311,700,000), respectively, were pledged to banks to secure banking facilities granted to the Group (note 27).

17. Properties under Development for Sale

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
At beginning of year, at cost	**1,224,250**	—
Acquisition of LSD (note 18)	**—**	1,036,700
Additions	**200,944**	184,384
Interest and bank financing charges capitalised (note 8)	**10,279**	3,166
At end of year, at cost	**1,435,473**	1,224,250

17. Properties under Development for Sale (continued)

The Group's properties under development for sale are situated in Hong Kong and are held under the following lease terms:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Long-term leases	**768,342**	715,941
Medium-term leases	**667,131**	508,309
	1,435,473	1,224,250

As at 31 July 2012, the Group's properties under development for sale with a total carrying amount of HK$1,251,037,000 (2011 (restated): HK$506,109,000) were pledged to banks to secure banking facilities granted to the Group (note 27).

18. Interests in Subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Unlisted shares, at cost	**2,865,522**	2,811,755
Amounts due from subsidiaries	**2,205,873**	1,946,996
Amounts due to subsidiaries	**(261,226)**	(261,231)
	1,944,647	1,685,765
Provision for impairment	**(492,405)**	(492,405)
	4,317,764	4,005,115
Market value of listed shares at the end of the reporting period	**284,365**	293,923

Balances with subsidiaries were unsecured, interest-free and had no fixed terms of repayment except for an amount due from subsidiaries of HK$204,285,000 (2011: HK$150,635,000) as at 31 July 2012 which bore interest at the prevailing market lending rate.

The provision for impairment in respect of the amounts due from subsidiaries at the end of the reporting period was determined on the basis of the amounts recoverable from subsidiaries with reference to the fair value of the underlying assets held by the subsidiaries.

18. Interests in Subsidiaries (continued)

Reorganisation involving shares in the capital of Lai Fung Holdings Limited ("**Lai Fung**") and LSD

On 26 July 2010, the Company entered into a conditional shares swap agreement with eSun pursuant to which (i) the Company transferred its entire shareholding interest in Lai Fung, representing approximately 40.58% of the issued share capital of Lai Fung, to eSun (the "**Lai Fung Transaction**") whereby eSun transferred its entire shareholding interest in LSD, representing approximately 36.72% of the issued share capital of LSD, to the Company (the "**LSD Transaction**" and referred to as the "**Shares Swap Transactions**" together with the Lai Fung Transaction); and (ii) cash consideration of approximately HK$178.4 million was paid by eSun to the Company. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Shares Swap Transactions took place on 30 September 2010 (the "**Completion**").

Upon the Completion, Lai Fung ceased to be an associate of the Group and LSD became a 47.97%-owned subsidiary of the Group. As at 30 September 2010 and prior to the Completion, the Group held an 11.25% equity interest in LSD which was accounted for as an available-for-sale financial asset. Gain on Shares Swap Transactions, after taking into account the effect of the adoption of HKAS 12 (Amendments), were recognised in the Group's consolidated income statement for the year ended 31 July 2011 as below:

	HK$'000 (Restated)
Lai Fung Transaction	
Gain on disposal of 40.58% interest in Lai Fung	1,271,659
LSD Transaction	
Release of reserves upon 11.25% interest in LSD treated as if it were disposed of and reacquired	110,547
Gain on bargain purchase of 47.97% interest in LSD	1,501,889
Gain on Shares Swap Transactions	2,884,095

Further details of the Shares Swap Transactions were set out in the joint announcement of the Company and eSun dated 26 July 2010, the circulars of the Company and eSun both dated 30 August 2010 and the annual report 2010-2011 of the Company.

18. Interests in Subsidiaries (continued)

The fair values of the identifiable assets and liabilities of LSD acquired, after taking into account the effect of the adoption of HKAS 12 (Amendments), as at the Completion were as follows:

	Notes	HK$'000 (Restated)
Property, plant and equipment	14	709,415
Prepaid land lease payments	15	26,894
Investment properties	16	6,699,200
Properties under development for sale	17	1,036,700
Interests in associates		2,473,132
Interests in joint ventures		2,366,071
Available-for-sale financial assets		836,771
Pledged bank balances and time deposits		81,661
Completed properties for sale		538,430
Equity investments at fair value through profit or loss		4,974
Inventories		5,789
Debtors, deposits paid and other receivables		210,302
Held-to-maturity debt instruments		166,723
Cash and cash equivalents		1,303,567
Creditors, deposits received and accruals		(226,970)
Tax payable		(56,776)
Interest-bearing bank and other borrowings		(2,853,166)
Amounts due to associates		(15,808)
Deferred tax		(156,408)
Provision for tax indemnity		(721,442)
Long term rental deposits		(46,354)
Total identifiable net assets at fair value		12,382,705
Non-controlling interests		(6,639,310)
		5,743,395
Gain on bargain purchase of 47.97% interest in LSD recognised in consolidated income statement		(1,501,889)
		4,241,506
Satisfied by:		
Carrying amount of 11.25% interest in LSD		305,830
Carrying amount of 40.58% interest in Lai Fung		4,114,029
Cash consideration received from eSun		(178,353)
		4,241,506

18. Interests in Subsidiaries (continued)

The Group has elected to measure the non-controlling interest in LSD at the non-controlling interests' proportionate share of the fair value of LSD's identifiable net assets.

An analysis of the cash flows in respect of the acquisition of LSD is as follows:

	HK$'000
Cash consideration received from eSun	178,353
Cash and cash equivalents acquired	1,303,567
	1,481,920

Since the acquisition, LSD contributed approximately HK$999,320,000 to the Group's turnover and approximately HK$736,528,000 to the consolidated profit for the year ended 31 July 2011.

Had the acquisition taken place at 1 August 2010, the beginning of the year ended 31 July 2011, the Group's turnover and profit for the year ended 31 July 2011 would have been approximately HK$1,251,055,000 and HK$4,874,774,000, respectively.

Particulars of the principal subsidiaries as at 31 July 2012 were as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Notes	Principal activities
Bushell Limited	Hong Kong	HK$2	Ordinary	—	47.97	b	Property development
Chains Caravelle Hotel Joint Venture Company Limited ("**CCHJV**")	Vietnam	US$23,175,577	*	—	12.48	b, c	Hotel operations
Furama Hotel Enterprises Limited	Hong Kong	HK$102,880,454	Ordinary	—	47.97	b	Investment holding
Furama Hotels and Resorts International Limited	British Virgin Islands/ Hong Kong	US$1,000,000	Ordinary	—	47.97	b	Provision of management services
Gilroy Company Limited	Hong Kong	HK$10,000	Ordinary	—	47.97	b	Property investment

18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Notes	Principal activities
Glynhill Hotels and Resorts (Vietnam) Pte. Ltd.	Singapore/ Vietnam	S$2	Ordinary	—	47.97	b	Provision of management and consultancy services to hotel owners
Glynhill Investments (Vietnam) Pte Limited ("**GIV**")	Singapore	S$2	Ordinary	—	24.46	b, c	Investment holding
Goldmay Development Limited	Hong Kong	HK$2	Ordinary	—	47.97	b	Property development/ property sales
Hong Kong Hill Limited	Hong Kong	HK$100	Ordinary	—	47.97	b	Property investment
Joy Mind Limited	Hong Kong	HK$2	Ordinary	—	47.97	b	Investment holding
Kolot Property Services Limited	Hong Kong	HK$2	Ordinary	—	47.97	b	Property management
LSD	Hong Kong	HK$200,628,933	Ordinary	—	47.97	a	Property development, property investment, investment in and operation of hotel and restaurants and investment holding
Lai Sun Real Estate Agency Limited	Hong Kong	HK$2	Ordinary	—	47.97	b	Property management and real estate agency
Milirich Investment Limited	Hong Kong	HK$2	Ordinary	—	47.97	b	Property development

18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Notes	Principal activities
Modern Charm Limited	Hong Kong	HK$10,000	Ordinary	—	33.58	b	Restaurant operation
Oriental Style Limited	Hong Kong	HK$1	Ordinary	—	47.97	b	Property development
Peakflow Profits Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	—	47.97	b	Investment holding
Porchester Assets Limited ("**Porchester**")#	British Virgin Islands/ Hong Kong	US$100	Ordinary	—	24.46	b, c	Investment holding
Royal Team Limited	Hong Kong	HK$10,000	Ordinary	—	24.94	b	Restaurant operation
Speedy Result Limited	British Virgin Islands/ United Kingdom	US$1	Ordinary	—	47.97	b	Property investment
Transformation International Limited#	British Virgin Islands/ Hong Kong	US$1	Ordinary	—	47.97	b	Investment holding
Transtrend Holdings Limited	Hong Kong	HK$20	Ordinary	—	47.97	b	Investment holding
Unipress Investments Limited	Hong Kong	HK$1	Ordinary	—	100.00		Property investment
Zimba International Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—		Investment holding
韵港餐飲(上海)有限公司#	The PRC	US$1,000,000	*	—	30.25	b	Restaurant operation

* These subsidiaries have registered rather than issued share capital.

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

18. Interests in Subsidiaries (continued)

Notes:

a LSD is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Upon the Completion, the Company held 47.97% interest in LSD and held the same per cent of the voting rights in LSD. There has been no change in the Company's ownership in LSD since then. The remaining 52.03% of the ordinary shares of LSD are owned by numerous widely dispersed shareholders. No individual shareholder holds more than 5% interest in LSD. The directors concluded that the Company has a sufficiently dominant voting interest to direct the relevant activities of LSD on the basis of the Company's absolute size of shareholding and the relative size and dispersion of the shareholdings owned by the other shareholders.

b These subsidiaries are held by LSD, in which the percentage of equity attributable to the Company is arrived after considering the Company's ownership interest of 47.97% in LSD.

c LSD owns a 51% equity interest in Porchester, which in turn, through GIV, a wholly-owned subsidiary of Porchester, owns a 51% interest in CCHJV. By virtue of the 51% equity interest in CCHJV held by LSD through the 51%-owned Porchester, an effective equity interest of 26.01% in CCHJV was held by LSD. Accordingly, the Company holds effective equity interest of 24.94% in Porchester and 12.48% in CCHJV.

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. At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Shares of certain subsidiaries held by the Company were also pledged to banks to secure banking facilities granted to the Group (note 27).

18. Interests in Subsidiaries (continued)

Summarised consolidated financial information of LSD that has material non-controlling interests is set out below. The financial information below represents amounts after fair value adjustments and before intragroup eliminations.

	As at 31 July 2012 HK$'000	As at 31 July 2011 HK$'000 (Restated)
Current assets	**1,884,269**	1,374,430
Non-current assets	**18,957,543**	16,340,114
Current liabilities	**(1,410,048)**	(502,092)
Non-current liabilities	**(2,668,741)**	(3,200,361)
Equity attributable to ordinary equity holders of the Company	**7,820,118**	6,516,880
Non-controlling interests	**8,942,905**	7,495,211

	Year ended 31 July 2012 HK$'000	Period from 30 September 2010 to 31 July 2011 HK$'000 (Restated)
Turnover	**875,156**	1,000,091
Cost of sales	**(350,234)**	(561,700)
Profit for the year	**2,126,697**	1,378,904
Profit attributable to ordinary equity holders of the Company	**1,001,707**	642,376
Profit attributable to the non-controlling interests	**1,124,990**	736,528
Profit for the year	**2,126,697**	1,378,904

18. Interests in Subsidiaries (continued)

	Year ended 31 July 2012 HK$'000	Period from 30 September 2010 to 31 July 2011 HK$'000 (Restated)
Other comprehensive income attributable to owners of the Company	**7,796**	195,284
Other comprehensive income attributable to the non-controlling interests	**8,457**	144,482
Other comprehensive income for the year	**16,253**	339,766
Total comprehensive income attributable to ordinary equity holders of the Company	**1,009,503**	837,660
Total comprehensive income attributable to the non-controlling interests	**1,133,447**	881,010
Total comprehensive income for the year	**2,142,950**	1,718,670
Net cash flows from operating activities	**294,043**	544,014
Net cash flows (used in)/ from investing activities	**(632,585)**	919,673
Net cash flows from/(used in) financing activities	**901,566**	(461,307)
Net increase in cash and cash equivalents	**563,024**	1,002,380

19. INTERESTS IN ASSOCIATES/JOINT VENTURES

(a) Interests in associates

	Group			Company	
	31 July 2012 HK$'000	31 July 2011 HK$'000 (Restated)	1 August 2010 HK$'000 (Restated)	**2012 HK$'000**	2011 HK$'000 (Restated)
Unlisted shares, at cost	**—**	—	—	**—**	—
Share of net assets	**3,001,150**	2,427,296	3,336,833	**—**	—
	3,001,150	2,427,296	3,336,833	**—**	—
Amounts due from associates	**293,821**	279,270	12,611	**3,309**	3,180
	3,294,971	2,706,566	3,349,444	**3,309**	3,180
Provision for impairment	**(179,856)**	(173,712)	(956)	**(956)**	(956)
	3,115,115	2,532,854	3,348,488	**2,353**	2,224
Market value of listed shares at the end of the reporting period	**471,604**	944,445	881,736		
Amounts due to associates (classified as non-current liabilities)	**(20,799)**	(15,854)	—		

19. Interests in Associates/Joint Ventures (continued)

(a) Interests in associates (continued)

Balances with associates were unsecured, interest-free and had no fixed terms of repayment, except for amounts due from associates of HK$12,741,000 (2011: HK$12,010,000) by the Group and an amount due from an associate of HK$3,309,000 (2011: HK$3,180,000) by the Company as at 31 July 2012 which bore interest at the prevailing market rate.

The provision for impairment in respect of the amounts due from associates at the end of the reporting period was determined on the basis of the amounts recoverable from the associates with reference to the fair value of the underlying assets held by the associates.

Prior to the Completion of the Shares Swap Transactions (as detailed in note 18), a crossholding position existed between eSun and LSD that LSD's interest in eSun was 36.08% and eSun held 36.72% of the issued share capital of LSD. Upon the Completion, eSun no longer holds any interest in LSD but LSD continues to hold a 36.08% equity interest in eSun. Accordingly, the cross-holding relationship between eSun and LSD was eliminated.

In April 2011, certain share options granted by eSun under its share option scheme were exercised to subscribe for ordinary shares of eSun. Accordingly, LSD's interest in eSun was diluted from 36.08% to 36.00%.

In August 2011, LSD acquired a 1.93% additional interest in eSun at a cost of HK$43,301,000 and LSD's interest in eSun was increased from 36.00% to 37.93%. A discount on acquisition of HK$88,695,000 was arising from such acquisition and recognised in the consolidated income statement.

On 27 February 2012, eSun and Lai Fung issued a joint announcement in respect of the proposed open offer of Lai Fung (the "**Open Offer**") and an underwriting arrangement between eSun and Lai Fung, pursuant to which eSun irrevocably undertook to Lai Fung to take up all shares offered in the Open Offer. The Open Offer became unconditional on 6 June 2012. eSun increased its shareholding in Lai Fung from 40.58% to 47.39% immediately upon completion of the Open Offer on 11 June 2012. With early adoption of HKFRS 10 "Consolidated Financial Statements" in the current year, the directors of eSun concluded that eSun has had control over Lai Fung and Lai Fung has become a subsidiary of eSun since 11 June 2012. Subsequent to the Open Offer, eSun further acquired shares of Lai Fung from the market and increased its interest in Lai Fung to 47.87% in June 2012.

19. Interests in Associates/Joint Ventures (continued)

(a) Interests in associates (continued)

Particulars of the principal associates as at 31 July 2012 were as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Notes	Principal activities
Capital Artists Limited	Hong Kong	Ordinary	18.20	b	Music production and distribution
East Asia Entertainment Limited	Hong Kong	Ordinary	18.20	b	Entertainment activity production
East Asia Music (Holdings) Limited	Hong Kong	Ordinary	18.20	b	Music production and distribution
eSun Holdings Limited	Bermuda/ Hong Kong	Ordinary	18.20	a	Investment holding
Lai Fung Holdings Limited	Cayman Islands	Ordinary	8.71	b,c	*
Media Asia Entertainment Group Limited	Bermuda/ Hong Kong	Ordinary	18.20	b	Investment holding
Media Asia Group Holdings Limited (formerly known as Rojam Entertainment Holdings Limited) ("**Media Asia**")	Incorporated in the Cayman Islands and continued in Bermuda	Ordinary	9.30	d	**

* Lai Fung is an investment holding company. The principal activities of the subsidiaries of Lai Fung consist of property development for sale and property investment for rental purpose in the PRC.

** The principal activities of Media Asia include production and distribution of films and television drama series; organisation, management and production of concerts and lives performances; music production and publishing; investment in, and provision of contents, artist management services and consultancy services in entertainment related businesses, primarily in the PRC and Macau.

19. Interests in Associates/Joint Ventures (continued)

(a) Interests in associates (continued)

Notes:

a eSun is listed on the Main Board of the Stock Exchange. LSD owns 37.93% interest in eSun and the percentage of ownership attributable to the Group is arrived after considering the Group's beneficial interest of 47.97% in LSD.

b These entities are subsidiaries of eSun. LSD held 37.93% interest in eSun and the percentage of ownership interest attributable to the Group is arrived after considering the Company's beneficial ownership interest of 47.97% in LSD.

c Lai Fung is listed on the Main Board of the Stock Exchange. eSun owns 47.87% in Lai Fung.

d Media Asia is listed on the Growth Enterprise Market of the Stock Exchange. eSun owns 51.09% interest in Media Asia.

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

19. Interests in Associates/Joint Ventures (continued)

(a) Interests in associates (continued)

The financial year end dates of the above associates are coterminous with that of the Group.

All the associates have been accounted for using the equity method in these financial statements.

The below summarised financial information is extracted from the published financial statements of the eSun Group. The consolidated financial statements of the eSun Group are prepared in accordance with HKFRSs and complied with the Group's accounting policies.

	31 July 2012 HK$'000	31 July 2011 HK$'000
Current assets	**8,026,791**	2,678,531
Non-current assets	**15,691,930**	4,967,235
Current liabilities	**(3,212,071)**	(349,704)
Non-current liabilities	**(4,639,865)**	(320,331)
Net assets attributable to ordinary equity holders of eSun	**7,997,900**	6,837,486
Non-controlling interests	**7,868,885**	138,245

	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Turnover	**702,151**	316,285
Profit for the year/period	**1,086,011**	518,215
Other comprehensive (expenses)/income for the year	**(191,719)**	103,051
Total comprehensive income for the year/period	**894,292**	621,266

19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)

(a) Interests in associates (continued)

Reconciliation of the above summarised financial information of the eSun Group to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	31 July 2012 HK$'000	31 July 2011 HK$'000
Net assets attributable to ordinary equity holders of eSun	**7,997,900**	6,837,486
LSD's 37.93% interest in the eSun Group (2011: 36.00%)	**3,033,604**	2,461,495
Fair value adjustment	**6,694**	6,960
The Group's share of net liabilities of remaining associates not individually material	**(39,148)**	(41,159)
The Group's share of net assets of associates	**3,001,150**	2,427,296

	Year ended 31 July 2012 HK$'000	Year ended 31 July 2011 HK$'000
The Group's share of profit and total comprehensive income of remaining associates not individually material	**2,011**	13,726

(b) Interests in joint ventures

	Group	
	2012 HK$'000	2011 HK$'000 (Restated)
Unlisted shares, at cost	**—**	—
Share of net assets	**3,183,290**	2,231,282
	3,183,290	2,231,282
Amounts due from joint ventures	**731,111**	675,246
	3,914,401	2,906,528

Balances with joint ventures were unsecured, interest-free and had no fixed terms of repayment.

19. Interests in Associates/Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Particulars of the joint ventures as at 31 July 2012 were as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Best Value International Limited ("**Best Value**")#	Hong Kong	Ordinary	23.99	Property development
Brilliant Pearl Limited ("**Brilliant Pearl**")#	Hong Kong	Ordinary	23.99	Property development/ property sales
Diamond String Limited ("**Diamond String**")	Hong Kong	Ordinary	23.99	Property investment
Lucky Result Limited ("**Lucky Result**")#	British Virgin Islands/ Hong Kong	Ordinary	23.99	Investment holding

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Certain shares of a joint venture held by the Group were pledged to a bank to secure a banking facility granted to the joint venture.

All joint ventures are 50% held by LSD. The percentage of ownership interest attributable to the Group is arrived after considering the Company's ownership interest of 47.97% in LSD.

The financial year end dates of the above joint ventures are different from that of the Group, among which (i) Lucky Result, Brilliant Pearl and Diamond String have a financial year end date of 31 December and (ii) Best Value has financial year end date of 30 June.

All the joint ventures have been accounted for using the equity method in these financial statements.

19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)

(b) Interests in joint ventures (continued)

The summarised financial information below represents amounts shown in the financial statements of respective joint ventures prepared in accordance with HKFRSs and complied with the Group's accounting policies.

Best Value Group (acquired on 11 November 2011 as set out in note 23)

	31 July 2012 HK$'000
Assets and liabilities	
Current assets	4,981
Non-current assets	1,740,000
Current liabilities	(74)
Non-current liabilities	(675,178)
The above amounts of assets and liabilities include the following:	
Non-current financial liabilities (excluding trade and other payables and provisions)	(675,178)

	Period from 11 November 2011 to 31 July 2012 HK$'000
Profit for the period	
Turnover	—
Profit and total comprehensive income for the period	42,571

Reconciliation of the above summarised financial information of the Best Value Group to the carrying amount of the interest in the Best Value Group recognised in the consolidated financial statements:

	31 July 2012 HK$'000
Net assets of Best Value Group	1,069,729
LSD's 50% ownership interest in Best Value Group	534,865
Amount due from Best Value Group	337,589
Carrying amount of the Group's interest in Best Value Group	872,454

19. Interests in Associates/Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Diamond String

	2012 HK$'000	2011 HK$'000 (Restated)
Assets and liabilities		
Current assets	**136,064**	140,896
Non-current assets	**6,410,000**	4,710,000
Current liabilities	**(96,577)**	(34,793)
Non-current liabilities	**(1,715,649)**	(1,336,567)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**135,159**	140,785
Non-current financial liabilities (excluding trade and other payables and provisions)	**(1,715,649)**	(1,336,567)
Interest income (capitalised as non-current assets)	**1,342**	553
Interest expense (capitalised as non-current assets)	**18,964**	15,627

	Year ended 31 July 2012 HK$'000	Year ended 31 July 2011 HK$'000 (Restated)
Profit for the year		
Turnover	**—**	—
Profit and total comprehensive income for the year	**1,254,303**	1,108,618

Reconciliation of the above summarised financial information of Diamond String to the carrying amount of the interest in Diamond String recognised in the consolidated financial statements:

	2012 HK$'000	2011 HK$'000
Net assets of Diamond String	**4,733,838**	3,479,536
LSD's 50% ownership interest in Diamond String	**2,366,919**	1,739,768
Amount due from Diamond String	**393,522**	393,547
Carrying amount of the Group's interest in Diamond String	**2,760,441**	2,133,315

19. Interests in Associates/Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Lucky Result (consolidated Brilliant Pearl as a wholly-owned subsidiary)

	2012 HK$'000	2011 HK$'000
Assets and liabilities		
Current assets	**805,146**	1,718,327
Current liabilities	**(292,420)**	(290,663)
Non-current liabilities	**—**	(563,398)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**518,396**	262,322
Non-current financial liabilities (excluding trade and other payables and provisions)	**—**	(563,398)

	Year ended 31 July 2012 HK$'000	Year ended 31 July 2011 HK$'000
Profit for the year		
Turnover	**314,692**	1,987,352
Profit and total comprehensive income for the year	**125,062**	872,889
Dividends received from Lucky Result during the year	**476,603**	—
The above profit for the year includes the following:		
Tax charge	**24,170**	170,813

Reconciliation of the above summarised financial information of Lucky Result (consolidated Brilliant Pearl as a wholly-owned subsidiary) to the carrying amount of the interest in Lucky Result recognised in the consolidated financial statements:

	2012 HK$'000	2011 HK$'000
Net assets of Lucky Result	**512,726**	864,266
LSD's 50% ownership interest in Lucky Result	**256,363**	432,133
Amount due from Lucky Result	**—**	281,699
Fair value adjustment	**25,143**	59,381
Carrying amount of the Group's interest in Lucky Result	**281,506**	773,213

20. Available-For-Sale Financial Assets

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Available-for-sale investments, at fair value		
Unlisted equity investments	**1,138,591**	988,107
Unlisted debt investments	**32,766**	32,507
	1,171,357	1,020,614
Unlisted equity investments, at cost	**176,247**	177,117
Provision for impairment	**(161,794)**	(161,794)
	14,453	15,323
	1,185,810	1,035,937

As at 31 July 2012, unlisted investments of the Group with a carrying amount of HK$14,453,000 (2011(restated): HK$15,323,000) were stated at cost less impairment because the directors are of the opinion that the variability in the range of reasonable fair value estimate is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

As at 31 July 2012, included in available-for-sale financial assets at fair value were equity and debt interests in Bayshore Development Limited ("**Bayshore**"), the principal activity of which is property investment, with an aggregate amount of HK$1,120,420,000 (2011(restated): HK$1,014,419,000). The interest held by the Group was pledged to banks to secure a syndicated loan facility granted to Bayshore.

21. Held-To-Maturity Debt Investments

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Debt securities, at amortised cost	**—**	33,963

The held-to-maturity debt investments held as at 31 July 2011 were listed overseas. The weighted average effective interest rate of these held-to-maturity debt investments was approximately 2.0% per annum.

22. Pledged Bank Balances and Time Deposits and Cash And Cash Equivalents

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Cash and bank balances	**681,228**	417,619	**11,594**	6,731
Time deposits	**1,171,631**	1,137,082	**132,608**	415,064
	1,852,859	1,554,701	**144,202**	421,795
Less: Pledged balances for bank borrowings:				
Bank balances	**(4,849)**	(3,772)	**—**	—
Time deposits	**(101,188)**	(95,819)	**—**	—
Pledged bank balances and time deposits	**(106,037)**	(99,591)	**—**	—
Cash and cash equivalents	**1,746,822**	1,455,110	**144,202**	421,795

At the end of the reporting period, cash and bank balances of the Group denominated in Vietnamese Dong ("**VND**") and Renminbi ("**RMB**") amounted to approximately HK$18,816,000 (2011 (restated): HK$17,596,000) and HK$8,918,000 (2011 (restated): HK$2,013,000), respectively. The conversion of VND/RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies balances out of Vietnam/the PRC are subject to the relevant rules and regulation of foreign exchange control promulgated by the respective government authorities concerned.

Cash at banks earns interest at floating rates based on bank deposit rates. Short term time deposits are spread over varying periods up to one month based on the estimated cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. Deposits Paid

At 31 July 2012, deposit of HK$61,500,000 was paid for acquisition for an investment property.

At 31 July 2011, deposit of HK$90,000,000 was paid for acquisition of interest in a joint venture.

On 12 July 2011, Luck Reach Limited (the "**Purchaser**", a wholly-owned subsidiary of LSD), LSD, three vendors (the "**Vendors**"), guarantors for the Vendors and a trustee for a vendor entered into an agreement (the "**Acquisition Agreement**"), pursuant to which:

(a) the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell 50% equity and loan interests in Best Value at a total consideration of approximately HK$846 million (subject to adjustment in accordance with the terms and conditions of the Acquisition Agreement); and

23. Deposits Paid (continued)

(b) the Vendors granted an option to the Purchaser to purchase an additional 10% equity and loan interests in Best Value (the "**Option**") for a consideration of approximately HK$169 million (subject to adjustment in accordance with the terms and conditions of the Acquisition Agreement), exercisable by the Purchaser subject to certain conditions stipulated in the Acquisition Agreement.

The principal assets of Best Value and its subsidiaries (the "**Best Value Group**") comprise properties, which represent parcels of ground on Observatory Road, Kowloon, Hong Kong with the buildings erected thereon (now known as Nos. 2, 4, 6, 8, 10 and 12, Observatory Road, Kowloon, Hong Kong) (the "**Land**"). The Group currently intends that the Best Value Group will develop a multi-storey commercial complex on the Land.

In July 2011, the Group paid an amount of HK$90 million to the Vendors' solicitors as the deposit upon signing of the Acquisition Agreement.

The acquisition of 50% equity and loan interests in Best Value, the exercise of the Option and the financial assistance to be provided by the Group to the Best Value Group for redevelopment of the Land (collectively as the "**Transactions**") together constituted a major transaction for LSD under Chapter 14 of the Listing Rules and are, therefore, subject to the approval of LSD's shareholders by way of poll. Further details of the Transactions and the Acquisition Agreement were set out in the circular of LSD dated 4 October 2011.

Resolutions approving the Transactions were duly passed at the extraordinary general meeting of LSD on 22 October 2011. Completion of the acquisition of 50% interest took place on 11 November 2011.

Given the fact that the conditions in relation to the Option were not fulfilled, the Option was not exercisable by the Purchaser. Accordingly, the Group ended up holding a 50% interest in Best Value.

Based on terms and conditions of the Acquisition Agreement, the final consideration for acquisition of 50% equity and loan interests was approximately HK$842 million. The remaining balance of the final consideration was fully paid to the Vendors during the year.

24. Completed Properties for Sale

The completed properties for sale are carried at cost as at the end of the reporting period.

25. Equity Investments at Fair Value Through Profit or Loss

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Equity investments at market value:				
Listed in Hong Kong	**—**	11,187	**—**	3,480
Listed overseas	**1,648**	2,451	**—**	—
	1,648	13,638	**—**	3,480

The above equity instruments as at the end of the reporting period were classified as held for trading.

26. Debtors, Deposits Paid and other Receivables/Creditors, Deposits Received and Accruals

(a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

An ageing analysis of the trade debtors, based on payment due date, as at the end of the reporting period is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Trade debtors:				
Not yet due or less than 30 days past due	**5,362**	7,713	**281**	292
31 — 60 days past due	**1,287**	2,207	**5**	64
61 — 90 days past due	**348**	549	**1**	164
Over 90 days past due	**3,059**	2,645	**318**	50
	10,056	13,114	**605**	570
Deposits paid, prepayments and other receivables	**94,636**	119,648	**2,836**	4,437
	104,692	132,762	**3,441**	5,007

Movements in provision for impairment of trade debtors are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
At 1 August	**407**	201	**201**	201
Acquisition of LSD	**—**	1,446	**—**	—
Impairment losses recognised	**541**	—	**—**	—
Amount written off as uncollectible	**(948)**	(1,240)	**(201)**	—
At 31 July	**—**	407	**—**	201

26. Debtors, Deposits Paid and other Receivables/Creditors, Deposits Received and Accruals (continued)

(a) (continued)

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors. The individually impaired trade debtors related to customers who defaulted in settlement of the receivables and a portion of the receivables were expected not to be recovered after taking into account the rental deposits held by the Group.

Debtors that were past due but not impaired mainly 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 rental deposits are received by the Group in advance from its customers, and accordingly, the balances are still considered fully recoverable. Other than rental deposits received, the Group does not hold any collateral or other credit enhancements over these balances.

(b) An ageing analysis of the Group's trade creditors, based on payment due date, as at the end of the reporting period is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Trade creditors:		
Not yet due or less than 30 days past due	**8,278**	15,829
31 — 60 days past due	**1,319**	1,273
61 — 90 days past due	**153**	395
Over 90 days past due	**486**	481
	10,236	17,978
Deposits received, other payables and accruals	**262,834**	233,804
	273,070	251,782

The trade creditors are non-interest-bearing normally with one month credit period.

27. Interest-Bearing Bank and other Borrowings

	Notes	Effective annual interest rate (%)	Group 2012 HK$'000	Group 2011 HK$'000 (Restated)	Company 2012 HK$'000	Company 2011 HK$'000
Current						
Bank borrowings — secured	(b)	1.5 — 3.6	**1,417,818**	249,097	**—**	—
Non-current						
Bank borrowings — secured	(b)	1.5 — 3.6	**1,707,404**	2,512,440	**—**	—
Other borrowing — unsecured	(a)	5.0	**31,745**	31,745	**31,745**	31,745
			3,156,967	2,793,282	**31,745**	31,745

	Group 2012 HK$'000	Group 2011 HK$'000 (Restated)	Company 2012 HK$'000	Company 2011 HK$'000
Analysed into:				
Bank borrowings repayable:				
Within one year	**1,417,818**	249,097	**—**	—
In the second year	**357,500**	1,406,814	**—**	—
In the third to fifth years, inclusive	**1,349,904**	1,105,626	**—**	—
	3,125,222	2,761,537	**—**	—

Notes:

(a) Other borrowing as at 31 July 2012 was a loan of HK$31,745,000 (2011: HK$31,745,000) due to the late Mr. Lim Por Yen. Mr. Lim Por Yen, who passed away on 18 February 2005, was a former executive director and shareholder of the Company. A loan facility of HK$100 million was granted by him in prior years, which bore interest at the best lending rate quoted by a designated bank in Hong Kong and was originally due for repayment on 30 November 2005. On 31 January 2012, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the outstanding amount or the related interest would be made on or before 1 August 2013.

(b) The Group's bank borrowings as at the end of the reporting period were secured, inter alia, by:

(i) fixed charges over the Group's hotel properties, certain investment properties, certain properties under development for sale and prepaid land lease payments;

(ii) floating charges over certain assets held by the Group;

(iii) charges over certain bank balances and time deposits of the Group;

(iv) charges over shares of certain subsidiaries held by the Group; and

(v) guarantee given to the bank by the Company.

28. Note Payable and Accrued Interest Payable

Note payable represented a loan note payable to the late Mr. Lim Por Yen (the "**Loan Note**"). According to the terms of the Loan Note, it was unsecured, bore interest at the best lending rate quoted by a designated bank in Hong Kong and was due for repayment on 30 April 2006.

On 31 January 2012, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the Loan Note or the related interest would be made on or before 1 August 2013.

Accrued interest payable represented accrued interests on the loan payable to the late Mr. Lim Por Yen (note 27(a)) and the Loan Note.

29. Deferred Tax

The movements in deferred tax assets/(liabilities) during the year are as follows:

Group

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 August 2010, as originally stated	(84,250)	(2,769)	978	—	(86,041)
Effect of changes in accounting policies (note 2.2)	84,250	—	—	—	84,250
At 1 August 2010, as restated	—	(2,769)	978	—	(1,791)
Acquisition of LSD	—	(155,607)	355	(1,156)	(156,408)
Deferred tax charged to the consolidated income statement during the year (note 11)	—	(6,433)	(420)	—	(6,853)
At 31 July 2011 and 1 August 2011	—	(164,809)	913	(1,156)	(165,052)
Deferred tax charged to the consolidated income statement during the year (note 11)	—	(6,439)	267	—	(6,172)
At 31 July 2012	**—**	**(171,248)**	**1,180**	**(1,156)**	**(171,224)**

The Group had tax losses arising in Hong Kong of approximately HK$1,304 million (2011 (restated): HK$1,308 million) 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 future taxable profit may not be available to utilise such losses in the foreseeable future.

29. Deferred Tax (continued)

Company

	Revaluation of investment properties HK$'000
At 1 August 2010, as originally stated	(39,625)
Effect of changes in accounting policies (note 2.2)	39,625
At 1 August 2010, as restated, 31 July 2011 and 31 July 2012	**—**

30. Share Capital

	2012 HK$'000	2011 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each (2011: 4,000,000,000 ordinary shares of HK$0.01 each)	**40,000**	40,000
Issued and fully paid:		
1,617,423,423 ordinary shares of HK$0.01 each (2011: 1,617,423,423 ordinary shares of HK$0.01 each)	**16,174**	16,174

31. Share Option Schemes

Company

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants for their contribution or would-be contribution to the Group, to enable the Group to recruit and retain high-calibre employees and to attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors (including executive, non-executive and independent non-executive directors), employees of the Group, agents or consultants of the Group, and any employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group. The Share Option Scheme which was adopted on 22 December 2006 and became effective on 29 December 2006, unless otherwise terminated or amended, will remain in force for a period of 10 years from the latter date.

31. Share Option Schemes (continued)

Company (continued)

The maximum number of the Company's shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue at any time. The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adopting the Share Option Scheme, but the Company may seek approval of its shareholders in a general meeting to refresh the 10% limit under the Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant except a substantial shareholder or an independent non-executive director of the Company or any of their associates (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors of the Company. In addition, any grant of share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's share at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of offer to be accompanied by payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors of the Company save that such period must not be more than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of the grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at general meetings of the Company.

During the period from the date of the adoption of the Share Option Scheme on 22 December 2006 to 31 July 2011, no share options had been granted under the Share Option Scheme.

31. Share Option Schemes (continued)

Company (continued)

The following share options were granted during the year and vested on the same day and outstanding and exercisable under the Share Option Scheme as at 31 July 2012.

Name and category of participant	Number of share options granted during the year and outstanding as at 31 July 2012	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Director				
Chew Fook Aun	16,174,234	05/06/2012	05/06/2012 to 04/06/2022	0.582

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

The fair value of the share options granted during the year was HK$3,665,000 of which the Group recognised the amount as expense during the year as there was no vesting period.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	—
Expected volatility (%)	45.038
Historical volatility (%)	45.038
Risk-free interest rate (%)	1.024
Expected life of options (years)	10
Closing share price (HK$ per share)	0.570

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Other than the grant of the above share options, during the year, no other options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme. As at the date of the approval of these financial statements, 145,568,108 (2011: 161,742,342) shares of HK$0.01 each of the Company were available for issue under the share option scheme, representing 10% of the Company's shares in issue at that date.

31. Share Option Schemes (continued)

LSD

LSD operates a share option scheme (the "**LSD Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants for their contribution or would-be contribution to LSD, to enable LSD to recruit and retain high-calibre employees and to attract human resources that are valuable to LSD. Eligible participants of the LSD Share Option Scheme include the directors (including executive, non-executive and independent non-executive directors of LSD), employees of LSD, agents or consultants of LSD, and any employee of the shareholder or any member of LSD or any holder of any securities issued by any member of LSD. The LSD Share Option Scheme which was adopted on 22 December 2006 and became effective on 29 December 2006, unless otherwise terminated or amended, will remain in force for a period of 10 years from the latter date.

The maximum number of LSD's shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the LSD's Share Option Scheme and any other schemes of LSD must not exceed 30% of the LSD's shares in issue at any time. The total number of shares which may be issued upon exercise of all share options to be granted under the LSD Share Option Scheme and any other schemes of LSD must not in aggregate exceed 10% of the shares of LSD in issue as at the date of adopting the LSD Share Option Scheme, but LSD may seek approval of its shareholders in a general meeting to refresh the 10% limit under the LSD Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant except a substantial shareholder or an independent non-executive director of LSD or any of their associates (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of LSD's shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of LSD.

Each grant of share options to a director, chief executive or substantial shareholder of LSD, or to any of their associates, is subject to approval in advance by the independent non-executive directors of LSD. In addition, any grant of share options granted to a substantial shareholder or an independent non-executive director of LSD, or to any of their associates, in excess of 0.1% of the shares of LSD in issue at any time or with an aggregate value (based on the closing price of LSD's share at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance in a general meeting of LSD.

The offer of a grant of share options may be accepted within 28 days from the date of offer to be accompanied by payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors of LSD save that such period must not be more than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of LSD, but must not be less than the highest of (i) the closing price of LSD's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant, which must be a trading day; (ii) the average closing price of LSD's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of the grant; and (iii) the nominal value of LSD's shares.

Share options do not confer rights on the holders to dividends or to vote at general meetings of LSD.

31. Share Option Schemes (continued)

LSD (continued)

The following share options were granted during the year ended 31 July 2007 and vested on the same day, lapsed during the year ended 31 July 2011:

Name and category of participant	Number of share options granted in 2007 and lapsed during the year ended 31 July 2011	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Director				
Lau Shu Yan, Julius	15,000,000	19/01/2007	19/01/2007 — 31/12/2010	0.45
	15,000,000	19/01/2007	19/01/2007 — 31/12/2010	0.55
	15,000,000	19/01/2007	19/01/2007 — 31/12/2010	0.65
	15,000,000	19/01/2007	19/01/2007 — 31/12/2010	0.75
	60,000,000			

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

The following share options were granted during the year and vested on the same day and outstanding and exercisable under the LSD Share Option Scheme as at 31 July 2012.

Name and category of participant	Number of share options granted during the year and outstanding as at 31 July 2012	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Director				
Chew Fook Aun	200,628,932	05/06/2012	05/06/2012 to 04/06/2022	0.112

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

31. Share Option Schemes (continued)

LSD (continued)

Other than the grant of the above share options, during the year, no other options were granted, exercised, cancelled or lapsed in accordance with the terms of the LSD Share Option Scheme.

The fair value of the share options granted during the year was HK$9,008,000 of which the Group recognised the amount as expense during the year as there was no vesting period.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	—
Expected volatility (%)	46.012
Historical volatility (%)	46.012
Risk-free interest rate (%)	1.024
Expected life of options (years)	10
Closing share price (HK$ per share)	0.111

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

32. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

32. Reserves (continued)

(b) Company

	Share premium account HK$'000	Asset revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 August 2010, as originally stated	1,908,840	55,494	37,278	—	(965,873)	1,035,739
Effect of changes in accounting policies (note 2.2)	—	—	—	—	39,625	39,625
At 1 August 2010, as stated	1,908,840	55,494	37,278	—	(926,248)	1,075,364
Profit for the year (restated) (note 12)	—	—	—	—	3,371,467	3,371,467
Reversal of reserve upon the Completion of the Shares Swap Transactions	—	—	(37,278)	—	—	(37,278)
At 31 July 2011 and 1 August 2011, as restated	1,908,840	55,494	—	—	2,445,219	4,409,553
Profit for the year (note 12)	—	—	—	—	77,413	77,413
Recognition of share-based payments	—	—	—	3,665	—	3,665
At 31 July 2012	**1,908,840**	**55,494**	**—**	**3,665**	**2,522,632**	**4,490,631**

33. Capital Commitments

The Group had the following commitments in respect of purchase of items of property, plant and equipment not provided for in the financial statements at the end of the reporting period:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Contracted, but not provided for	**2,453**	4,168	**—**	—

34. Contingent Liabilities

(a) Contingent liabilities not provided for in the financial statements at the end of the reporting period are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to and utilised by:				
Subsidiaries	**—**	—	**313,000**	345,000
A joint venture	**465,287**	277,979	**—**	—
	465,287	277,979	**313,000**	345,000

(b) During the year ended 31 July 2006, the Company disposed of its entire interests in Assetop Asia Limited ("**Assetop**"), a then wholly-owned subsidiary of the Group, to Goldthorpe Limited ("**Goldthorpe**"), a wholly-owned subsidiary of Lai Fung. The principal asset held by Assetop is a property under development in Shanghai, the PRC. Certain subsidiaries of Assetop in the PRC were undergoing merger by absorption and completion of the merger was conditional upon approval of the relevant PRC government authorities. During the year ended 31 July 2007, the aforementioned merger of the PRC subsidiaries of Assetop was successfully completed. The Company had agreed to indemnify Lai Fung and Goldthorpe against all losses incurred by Lai Fung and Goldthorpe for the resettlement costs of approximately RMB124 million, which had been incurred and paid in prior years in connection with the relocation of the original inhabitants and the demolition of the then building structure erected on the property under development (the "**Resettlement Costs**"), not being tax deductible, up to a maximum amount of HK$102,000,000, which was estimated based on the prevailing tax regulations. The Resettlement Costs are properly incurred for the project and are properly recorded in the books of the PRC subsidiaries of Assetop. The liability of the Company under this indemnity was terminated on 29 May 2012 (being six years after the completion of the disposal of Assetop). Based on the prevailing rules and regulations, the directors of the Company consider such Resettlement Costs are tax deductible and thus no material liabilities are expected to crystallise under this indemnity.

(c) In connection with the disposal (the "**Transaction**") of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company, Limited ("**Taiwa**"), an indirect 50%-owned associate of LSD, Taiwa, LSD, and the other 50% beneficial shareholder of Taiwa (collectively the "**Covenantors**") entered into a tax deed (the "**Tax Deed**") with the purchaser of the Transaction, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries (collectively the "**Properties Holding Companies**") on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events happened prior to the completion of the Transaction for a maximum amount of HK$30,000,000. As such, the maximum liability of LSD under the Tax Deed is HK$15,000,000. The Tax Deed is valid for a period of 7 years from the date of its execution.

34. Contingent Liabilities (continued)

(d) Pursuant to an indemnity deed (the "**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between LSD and Lai Fung, LSD has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("**LAT**") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates 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**"), independent chartered surveyors, as at 31 October 1997 (the "**Valuation**"); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The Lai Fung Tax 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 PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by LSD do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on the Stock Exchange (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 Lai Fung as set out in Lai Fung's prospectus dated 18 November 1997.

Upon completion of the Shares Swap Transactions, LSD became a subsidiary of the Company. In accordance with HKFRS 3 "Business Combination", the Group recognised the provision for tax indemnity at its fair value as at 30 September 2010. After initial recognition, the Group measures the provision for tax indemnity at the higher of the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised on 30 September 2010 until the tax indemnity is settled, cancelled or expired.

The fair value at initial recognition was HK$721,442,000 as at 30 September 2010. After taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group subsequently recorded the provision for tax indemnity of HK$716,608,000 and HK$769,821,000 as at 31 July 2012 and 31 July 2011, respectively. Therefore, a reversal of provision for tax indemnity of HK$53,213,000 (2011 (restated): provision for tax indemnity of HK$48,379,000) was recognised in the income statement for the year ended 31 July 2012.

35. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Certain leases include contingent rental calculated with reference to turnover of the tenants.

At the end of the reporting period, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Within one year	**318,908**	300,830	**9,780**	8,482
In the second to fifth years, inclusive	**236,187**	211,353	**5,912**	5,272
	555,095	512,183	**15,692**	13,754

(b) As lessee

The Group leases certain properties under operating lease arrangements, with an original lease term of twelve years with option to terminate the leases upon expiry of six years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Within one year	**27,953**	26,494	**273**	92
In the second to fifth years, inclusive	**20,553**	45,353	**114**	—
	48,506	71,847	**387**	92

36. 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:

2012 **Group**

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 financial assets	—	—	1,185,810	1,185,810
Amounts due from associates	—	293,821	—	293,821
Amounts due from joint ventures	—	731,111	—	731,111
Trade debtors and other receivables	—	28,719	—	28,719
Equity investments at fair value through profit or loss	1,648	—	—	1,648
Pledged bank balances and time deposits	—	106,037	—	106,037
Cash and cash equivalents	—	1,746,822	—	1,746,822
	1,648	2,906,510	1,185,810	4,093,968

Financial liabilities

2012	Group Financial liabilities at amortised cost HK$'000
Amounts due to associates	20,799
Trade creditors, other payables and accruals	158,777
Interest-bearing bank and other borrowings	3,156,967
Note payable	195,000
Accrued interest payable	100,875
	3,632,418

36. Financial Instruments by Category (continued)

2011 (Restated) — Group

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Held-to-maturity debt investments HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	1,035,937	—	1,035,937
Held-to-maturity debt investments	—	—	—	33,963	33,963
Amounts due from associates	—	279,270	—	—	279,270
Amounts due from joint ventures	—	675,246	—	—	675,246
Trade debtors and other receivables	—	74,133	—	—	74,133
Equity investments at fair value through profit or loss	13,638	—	—	—	13,638
Pledged bank balances and time deposits	—	99,591	—	—	99,591
Cash and cash equivalents	—	1,455,110	—	—	1,455,110
	13,638	2,583,350	1,035,937	33,963	3,666,888

Financial liabilities

2011 (Restated)	Group Financial liabilities at amortised cost HK$'000
Amounts due to associates	15,854
Trade creditors, other payables and accruals	144,983
Interest-bearing bank and other borrowings	2,793,282
Note payable	195,000
Accrued interest payable	89,525
	3,238,644

36. Financial Instruments by Category (continued)

Financial assets

	Company			
	2012	2011		
	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000
Amounts due from subsidiaries	**1,713,468**	—	1,454,591	1,454,591
Amounts due from associates	**2,353**	—	2,224	2,224
Equity investments at fair value through profit or loss	**—**	3,480	—	3,480
Trade debtors and other receivables	**2,295**	—	3,928	3,928
Cash and cash equivalents	**144,202**	—	421,795	421,795
	1,862,318	3,480	1,882,538	1,886,018

Financial liabilities

	Company	
	2012	2011
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Amounts due to subsidiaries	**261,226**	261,231
Trade creditors, other payables and accruals	**10,451**	9,680
Interest-bearing bank and other borrowings	**31,745**	31,745
Note payable	**195,000**	195,000
Accrued interest payable	**100,875**	89,525
	599,297	587,181

The carrying amounts of all financial assets and financial liabilities at amortised cost of the Group and the Company approximate to their fair values.

37. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 July 2012				
Available-for-sale financial assets, at fair value (note 20)	**—**	**1,171,357**	**—**	**1,171,357**
Equity investments at fair value through profit or loss (note 25)	**1,648**	**—**	**—**	**1,648**
	1,648	**1,171,357**	**—**	**1,173,005**
As at 31 July 2011 (Restated)				
Available-for-sale financial assets, at fair value (note 20)	—	1,020,614	—	1,020,614
Equity investments at fair value through profit or loss (note 25)	13,638	—	—	13,638
	13,638	1,020,614	—	1,034,252

Company

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 July 2011				
Equity investments at fair value through profit or loss (note 25)	3,480	—	—	3,480

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 (2011: Nil).

38. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group comprise held-to-maturity debt investments, available-for-sale financial assets, pledged bank balances and time deposits and cash and cash equivalents. The management would base on the Group's projected cashflow requirements, determine the types and levels of these financial instruments with a view to maintaining appropriate level of fundings for the Group's operations and to enhancing the returns generated from these financial instruments. The Group's principal financial liabilities are bank borrowings. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment projects. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are interest rate risks, foreign currency risk, credit risk and equity price risk. The management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group has adopted relatively conservative strategies on its risk management and the Group has not used any derivatives and other instruments for hedging purposes during the year. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and determine policies for managing each of these risks and they are summarised as follows:

(i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument fluctuates because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's pledged bank balances and time deposits, cash and cash equivalents and bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group constantly reviews the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant and before any impact on tax, of the Group's profit or loss (through the impact on floating rate pledged bank balances and time deposits, cash and cash equivalents, bank and other borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase in interest rate (in percentage)	**Decrease in profit** HK$'000	**Decrease in equity** HK$'000	**Increase in interest rate (in percentage)**	**Decrease/ (increase) in equity** HK$'000
2012	**0.5**	**7,496**	**7,496**	**0.5**	**413**
2011 (Restated)	0.5	7,168	7,168	0.5	(975)

38. Financial Risk Management Objectives and Policies (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of changes in foreign exchange rates.

The Group's major assets and liabilities and transactions are principally denominated in HK$ or US$. As HK$ is pegged against US$, the Group does not expect any significant movements in the exchange rate in the foreseeable future.

The Group had an investment in the United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK$124 million (2011: HK$86 million) which only accounted for an insignificant portion of the consolidated net assets of the Group as at 31 July 2012. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in RMB and VND which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure.

(iii) Credit risk

The Group maintains various credit policies for different business operations as described in note 26. In addition, trade debtors balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk on held-to-maturity debt investments is limited because most of the counter-parties are financial institutions and corporates with investment grade credit-ratings assigned by international credit-rating agencies.

The credit risk of the Group's financial assets, which comprise trade debtors, other receivables, amounts due from associates and joint ventures, held-to-maturity debt investments, pledge bank balance and time deposits, cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

38. Financial Risk Management Objectives and Policies (continued)

(iv) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 25) as at 31 July 2012. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 5% increase in the fair value of the equity investments, with all other variables held constant and before any impact on tax, of the Group's profit or loss and equity and the Company's equity based on their carrying amounts at the end of the reporting period.

	Group Increase in profit and increase in equity		Company Increase in equity
	2012	2011	2011
	HK$'000	HK$'000 (Restated)	HK$'000
Investments listed in:			
Hong Kong — Held-for-trading	**82**	682	174

38. Financial Risk Management Objectives and Policies (continued)

(v) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its capital expenditure and financial liabilities. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

2012

	Less than 3 months HK$'000	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**No fixed repayment term HK$'000**	**Total HK$'000**
Amounts due to associates	**—**	**—**	**—**	**20,799**	**20,799**
Trade creditors, other payables and accruals	**158,777**	**—**	**—**	**—**	**158,777**
Interest-bearing bank and other borrowings	**63,733**	**1,405,239**	**1,826,419**	**—**	**3,295,391**
Note payable	**—**	**—**	**204,750**	**—**	**204,750**
Accrued interest payable	**—**	**—**	**100,875**	**—**	**100,875**
	222,510	**1,405,239**	**2,132,044**	**20,799**	**3,780,592**

2011 (Restated)

	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to associates	—	—	—	15,854	15,854
Trade creditors, other payables and accruals	144,983	—	—	—	144,983
Interest-bearing bank and other borrowings	38,766	255,869	2,634,924	—	2,929,559
Note payable	—	—	204,750	—	204,750
Accrued interest payable	—	—	89,525	—	89,525
	183,749	255,869	2,929,199	15,854	3,384,671

38. Financial Risk Management Objectives and Policies (continued)

(v) Liquidity risk (continued)

Company

2012

	Less than 3 months HK$'000	**1 to 5 years HK$'000**	**No fixed repayment term HK$'000**	**Total HK$'000**
Amounts due to subsidiaries	**—**	**—**	**261,226**	**261,226**
Trade creditors, other payables and accruals	**10,451**	**—**	**—**	**10,451**
Interest-bearing bank and other borrowings	**—**	**33,332**	**—**	**33,332**
Note payable	**—**	**204,750**	**—**	**204,750**
Accrued interest payable	**—**	**100,875**	**—**	**100,875**
	10,451	**338,957**	**261,226**	**610,634**

2011

	Less than 3 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to subsidiaries	—	—	261,231	261,231
Trade creditors, other payables and accruals	9,680	—	—	9,680
Interest-bearing bank and other borrowings	—	33,332	—	33,332
Note payable	—	204,750	—	204,750
Accrued interest payable	—	89,525	—	89,525
	9,680	327,607	261,231	598,518

(vi) Risk associated with interests in joint ventures

Details of the Group's contingent liabilities in relation to the guarantees given to banks for facilities granted to and utilised by a joint venture are described in note 34 (a).

38. Financial Risk Management Objectives and Policies (continued)

(vii) Capital management

The Group manages its capital structure to ensure that entities in the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of mainly bank borrowings and equity attributable to ordinary equity holders 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 the recommendation of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintenance of appropriate types and level of debts.

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by total equity (2011: net debt divided by total equity). Net debt includes bank borrowings, less pledged bank balances and time deposits and cash and cash equivalents. Total equity represented equity attributable to owners of the Company. The gearing ratio as at the end of the reporting period is as follows:

	2012 **HK$'000**	2011 HK$'000 (Restated)
Interest-bearing bank and other borrowings	**3,156,967**	2,793,282
Note payable	**195,000**	195,000
Accrued interest payable	**100,875**	89,525
Less: Pledged bank balances and time deposits	**(106,037)**	(99,591)
Cash and cash equivalents	**(1,746,822)**	(1,455,110)
Net debt	**1,599,983**	1,523,106
Equity attributable to ordinary equity holders of the Company	**9,026,744**	7,590,383
Gearing ratio	18%	20%

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 October 2012.

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