THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in **Lai Fung Holdings Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s), or to the licensed securities dealer or other registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

LAI FUNG HOLDINGS

Lai Fung Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1125)

VERY SUBSTANTIAL ACQUISITION

(ACQUISITION OF LAND USE RIGHTS)

A letter from the Board is set out on pages 4 to 9 of this circular.

26 February 2019

CONTENTS

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

"Board"	the board of Directors;
"Company"	Lai Fung Holdings Limited (麗豐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1125);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Directors"	the directors of the Company;
"eSun"	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);
"Greater Bay Area"	the Guangdong–Hong Kong–Macao Greater Bay Area;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Joint Announcement"	the joint announcement of the Company, LSG, LSD and eSun dated 27 December 2018 in relation to the acquisition of land use rights of the Land;
"Land"	two parcels of land located at east side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road, Hengqin New Area, Zhuhai City, Guangdong Province of the PRC* (中國廣東省珠海市橫琴新區藝文二道東側、香江路南側、藝文一道西側、智水路北側) with a total site area of 143,768.37 sq.m. and a maximum plot ratio of 2 times, being the land required for the Project;
"Land Acquisition"	the acquisition of land use rights of the Land through the Listing-For-Sale Process and the signing of the Land Use Rights Grant Contract;

"Land Use Rights Grant Contract"	the state-owned construction land use rights grant contract* (國有建設用地使用權出讓合同) in respect of the Land entered into between Zhuhai Land Bureau and Supreme Motion on 29 December 2018;
"Latest Practicable Date"	19 February 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing-For-Sale Process"	the online listing-for-sale process conducted by Zhuhai Land Bureau for the sale of the land use rights of the Land;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"LSD"	Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 488);
"LSD Group"	LSD and its subsidiaries;
"LSG"	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 Stock Exchange (Stock Code: 191);
"LSG Group"	LSG and its subsidiaries;
"Macau"	the Macau Special Administrative Region of the PRC;
"Percentage Ratios"	has the meaning ascribed to it in Rule 14.07 of the Listing Rules;
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
"PRC Governmental Body"	has the meaning ascribed to it in Rule 19A.04 of the Listing Rules;
"PRC Law"	has the meaning ascribed to it in Rule 19A.04 of the Listing Rules;
"Project"	the development project, to be owned, undertaken and operated by the Project Company on the Land, which is currently expected to include the development of Real Madrid LBE and ILA Hengqin, subject to finalisation of the development proposal;

"Project Company"	珠海橫琴麗新創新方發展有限公司, a company established as a wholly-foreign-owned enterprise in the PRC and a direct wholly-owned subsidiary of Supreme Motion;
"Qualified Property Acquisition"	has the meaning ascribed to it in Rule 14.04(10C) of the Listing Rules;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
"Share(s)"	the ordinary share(s) of HK$5.00 each in the share capital of the Company;
"Shareholder(s)"	the duly registered holder(s) of the Shares;
"sq.m."	square metre;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"Supreme Motion"	Supreme Motion Limited (卓動有限公司), a company incorporated in Hong Kong with limited liability;
"US$" or "USD"	the United States dollars, the lawful currency of the United States of America;
"Zhuhai Land Bureau"	The Land and Resources Bureau of Zhuhai (珠海市國土資源局); and
"%"	per cent.

In this circular, amounts in RMB are converted into HK$ on the basis of RMB1=HK$1.1327. The conversion rate is for illustrative purpose only and should not be taken as a representation that RMB could actually be converted in HK$ at such rate or at all.

* *All the English translation of certain Chinese names or words in this circular is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

LAI FUNG HOLDINGS

Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1125)

Executive Directors:
Mr. Chew Fook Aun *(Chairman)*
Dr. Lam Kin Ming *(Deputy Chairman)*
Mr. Lam Kin Hong, Matthew *(Executive Deputy Chairman)*
Mr. Lam Hau Yin, Lester *(Chief Executive Officer)*
Mr. Cheng Shin How
Mr. Lee Tze Yan, Ernest
Madam U Po Chu

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

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

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

Principal Place of Business in Hong Kong:
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

26 February 2019

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

(ACQUISITION OF LAND USE RIGHTS)

INTRODUCTION

Reference is made to the Joint Announcement, where it was announced that, among other things, Supreme Motion, an indirect wholly-owned subsidiary of the Company, succeeded in the bid of land use rights of the Land offered for sale by Zhuhai Land Bureau through the Listing-For-Sale Process on 26 December 2018.

The purpose of this circular is to provide you with further details of the Land Acquisition for information purposes.

THE LAND ACQUISITION

On 26 December 2018, Supreme Motion, an indirect wholly-owned subsidiary of the Company, succeeded in the bid of land use rights of the Land offered for sale by Zhuhai Land Bureau through the Listing-For-Sale Process for RMB761,972,361 (equivalent to approximately HK$863,086,000). On 29 December 2018, Supreme Motion entered into the Land Use Rights Grant Contract with Zhuhai Land Bureau. The Project Company was established as a wholly-foreign-owned enterprise in the PRC within 1 month after the date of successful bid of the land use rights of the Land, and is wholly-owned by Supreme Motion, for holding the land use rights of the Land and owning, undertaking and operating the Project.

PRINCIPAL TERMS OF THE LAND USE RIGHTS GRANT CONTRACT

Date

29 December 2018

Parties

(1) Supreme Motion (an indirect wholly-owned subsidiary of the Company); and

(2) Zhuhai Land Bureau.

To their best knowledge, information and beliefs having made all reasonable enquiries, the Directors confirm that Zhuhai Land Bureau and its ultimate beneficial owners are independent of the Company and its connected persons under the Listing Rules.

Information about the Land

The Land is situated at east side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road, Hengqin New Area, Zhuhai City, Guangdong Province of the PRC* (中國廣東省珠海市橫琴新區藝文二道東側、香江路南側、藝文一道西側、智水路北側) with a total site area of 143,768.37 sq.m. and a maximum plot ratio of 2 times.

The Land is for cultural facilities, retail and commercial, as well as business and financial uses. The land use rights of the Land have been granted for a term of 50 years for cultural facility use, 40 years for retail and commercial use and 40 years for business and financial use.

Prior to the establishment of the Project Company, Supreme Motion entered into the Land Use Rights Grant Contract with Zhuhai Land Bureau. The Project Company has entered into an amendment contract with Supreme Motion and Zhuhai Land Bureau for the change of the grantee of the land use rights of the Land from Supreme Motion to the Project Company on 31 January 2019.

Land premium and payment

The land premium payable for the land use rights of the Land is RMB761,972,361 (equivalent to approximately HK$863,086,000) with accommodation value of approximately RMB2,650 per sq.m. (equivalent to approximately HK$3,000 per sq.m.).

The land premium was arrived at as a result of successful bidding of the land use rights of the Land by Supreme Motion through the Listing-For-Sale Process. In tendering the bid, Supreme Motion has taken into account, among other matters, the initial bidding price required under the listing-for-sale documents, prevailing market conditions, location of the Land and land price in the surrounding area.

A deposit in the amount of RMB380,990,000 (equivalent to approximately HK$431,547,000), representing the deposit required in order for Supreme Motion to qualify for tendering the bid through the Listing-For-Sale Process, has been paid by Supreme Motion on 21 December 2018 before the bid was awarded.

The relevant listing-for-sale documents provide that the deposit mentioned above will be applied towards payment of the land premium payable for the land use rights of the Land. The relevant listing-for-sale documents further provide that the land premium payable can be settled in full within 1 month from the date of signing of the Land Use Rights Grant Contract, or in two instalments whereby the first instalment has to be paid within 1 month from the date of signing of the Land Use Rights Grant Contract, and the second instalment being the remaining balance of the land premium payable has to be paid within 6 months from the date of signing of the Land Use Rights Grant Contract. If the land premium payable is not settled in full within 1 month from the date of signing of the Land Use Rights Grant Contract, interest will be charged against the remaining balance of the land premium payable at an interest rate equivalent to the interest rate of loans published by People's Bank of China (中國人民銀行) on the day whereby the first instalment of the land premium payable is paid and for the period commencing on the first day of the second month from the date of signing of the Land Use Rights Grant Contract and ending on the date of full payment of the second instalment, which shall be settled together with the payment of the second instalment. On 31 January 2019, the Project Company, Supreme Motion and Zhuhai Land Bureau entered into an amendment contract to the Land Use Rights Grant Contract (國有建設用地使用權出讓變更合同) for the change of the grantee of the land use rights of the Land from Supreme Motion to the Project Company ("**Amendment Contract**"). The Project Company paid on 1 February 2019 the land premium in full (excluding the above-mentioned deposit which was already paid on 21 December 2018). As the Project Company settled the remaining balance of the land premium in accordance with the time prescribed in the Amendment Contract, the Project Company is not required to pay the interest arising from the overdue payment of land premium.

The Directors consider that the terms and conditions of the Land Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Other Commitments

According to the Land Use Rights Grant Contract, Supreme Motion undertakes, among other things, that the total amount of investment for the Project, including the land premium, shall not be less than RMB3,500,000,000 (equivalent to approximately HK$3,964,450,000).

The sources of funding by the Company to finance the Project will be internal and external resources including but not limited to bank financing.

The Group is in the process of finalising the master layout plan for the Project with the PRC government. As such, the development plan and therefore the total development costs of the Project have yet to be finalised. Details of the development plan for the Project will be formulated and the Group will provide an update on the development plans when appropriate.

INFORMATION OF THE PROJECT COMPANY, SUPREME MOTION, THE COMPANY, eSUN, LSD AND LSG

The Project Company is established as a wholly-foreign-owned enterprise in the PRC and is principally engaged in the holding of the land use rights of the Land and owning, undertaking and operating the Project. It is wholly-owned by Supreme Motion.

Supreme Motion is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries include property development for sale and property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities in the PRC.

eSun is an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. eSun acts as an investment holding company and the principal activities of its subsidiaries include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products, cinema operation, property development for sale and property investment for rental purposes, as well as the development, operation of and investment in cultural, leisure, entertainment and related facilities. As at the Latest Practicable Date, eSun owns approximately 50.55% of the total issued shares of the Company.

LSD is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSD Group include property investment, property development, investment in and operation of hotels and restaurants and investment holding. As at the Latest Practicable Date, LSD owns approximately 74.62% of the total issued shares of eSun.

LSG is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSG Group include property investment, property development, investment in and operation of hotels and restaurants and investment holding. As at the Latest Practicable Date, LSG owns approximately 56.07% of the total issued shares of LSD.

INFORMATION OF ZHUHAI LAND BUREAU

Zhuhai Land Bureau is a PRC Governmental Body.

REASONS FOR AND BENEFITS OF THE LAND ACQUISITION

The Company successfully secured the land use rights of the land for Phase I of the Novotown project in Hengqin ("**Novotown**") in September 2013. The construction work of Phase I of Novotown which is 80% owned by the Company and 20% by eSun is now progressing at a good pace and expected to complete in the first half of 2019. The Land is situated adjacent to Phase I and has been designated for the development of Phase II of Novotown.

The Group is in the process of finalising the master layout plan for the Project with the PRC government. As such, the development plan of the Project and therefore the total development costs of the Project have yet to be finalised. The Company has secured certain key partners for Novotown Phase II subject to the successful acquisition of the land use rights of the Land. In June 2017, the Group entered into a licence agreement with Real Madrid Club de Futbol ("**Real Madrid**") in relation to the development and operation of a location based entertainment centre, namely Real Madrid World in Novotown. The Real Madrid World is expected to consist of three floors with over 20 attractions spanning across a total area of approximately 12,000 sq.m., and will be made up of several signature experiences including the Flying Theatre and the Stuntpit, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets. In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up Innovation Leadership Academy Hengqin ("**ILA Hengqin**") in Hengqin. The curriculum at ILA Hengqin is structured to bring together the very best of British and Chinese educational philosophies and when it first opens in September 2020, the ILA Hengqin will initially offer grade 7-12 education for approximately 900 students as well as facilities for boarding students. The Group entered into a license agreement on 27 December 2018 with Ducati Motor Holding S.p.A ("**Ducati**") in relation to the development and operation of a motorcycle themed experience centre ("**Ducati Experience Centre**") in Novotown. The Ducati Experience Centre expects to cover an area of no less than 4,500 sq.m. and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions. Real Madrid World, ILA Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II. Details of the development plan for the Project will be formulated and upon finalisation of the master layout plan for the Project with the PRC government, the Group will provide an update on the development plans when appropriate.

With the opening of the Hong Kong-Zhuhai-Macau Bridge and the close proximity of the Land with Hong Kong, Macau and other cities in the Greater Bay Area, Novotown is expected to benefit from the strong momentum of the tourism development in the Greater Bay Area.

FINANCIAL EFFECTS OF THE LAND ACQUISITION

Immediately upon completion of Land Acquisition and as the remaining balance of the land premium of RMB380,982,361 (equivalent to approximately HK$431,539,000) payable under the Land Use Rights Grant Contract is satisfied by the internal resources of the Group, the Directors considers that there will not be any material effect on the total assets, total liabilities and earnings of the Group.

LISTING RULES IMPLICATIONS

As the applicable Percentage Ratios in respect of the Land Acquisition are greater than 100% for the Company, the Land Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules.

The Land Acquisition is a Qualified Property Acquisition under Rule 14.04(10C) of the Listing Rules as it involves an acquisition of governmental land in the PRC from a PRC Governmental Body through a tender, auction or listing-for-sale governed by the PRC Law. The Board confirms that the Land Acquisition is in the Group's ordinary and usual course of business and is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Under Rule 14.33A of the Listing Rules, the Land Acquisition is exempt from shareholders' approval of the Company as it was undertaken on a sole basis by the Company (through its subsidiaries) in its ordinary and usual course of business.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Lai Fung Holdings Limited
Chew Fook Aun
Chairman

FINANCIAL INFORMATION OF THE GROUP

By way of reference, the financial information of the Group for the three years ended 31 July 2018 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange at http://www.hkexnews.hk and the Company at http://www.laifung.com:

- the annual report of the Company for the year ended 31 July 2016 published on 16 November 2016, from pages 77 to 168;
- the annual report of the Company for the year ended 31 July 2017 published on 15 November 2017, from pages 69 to 190; and
- the annual report of the Company for the year ended 31 July 2018 published on 21 November 2018, from pages 93 to 194.

INDEBTEDNESS

As at 31 December 2018, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding consolidated total borrowings (after intra-group elimination) of approximately HK$8,058 million comprising bank loans of approximately HK$5,003 million, unsecured guaranteed notes of approximately HK$2,720 million, unsecured and unguaranteed advances from a former substantial shareholder of approximately HK$53 million and unsecured and unguaranteed loans from a fellow subsidiary of approximately HK$282 million.

As at 31 December 2018, the Group had bank loans of approximately HK$5,003 million in aggregate, of which approximately HK$3,952 million were secured while the remaining HK$1,051 million were unsecured. Certain properties (including investment properties, properties under development, serviced apartments (including related leasehold improvements) and construction in progress) and certain bank balances were pledged to banks to secure bank loan facilities granted to the Group. Equity interests in certain subsidiaries of the Company were pledged to banks to secure certain bank loan facilities granted to the Group. In addition, eSun (an intermediate holding company of the Company), the Company and certain of its subsidiaries have also provided corporate guarantees in favour of the banks in respect of certain bank loan facilities granted to the Group.

The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Lai Fung Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Group’s obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 December 2018, in respect of these guarantees, the contingent liabilities of the Group are estimated to be approximately HK$516 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 December 2018, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 July 2018, being the date to which the latest published audited financial statements of the Company were made up.

WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; (ii) the Group's presently available banking facilities and other borrowings; and (iii) completion of the Land Acquisition including settlement of the remaining balance of the land premium of RMB380,982,361 (equivalent to approximately HK$431,539,000) which has been made on 1 February 2019, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is engaged in property development for sale and property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities.

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

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

Property Investment

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

Property Development

The Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 3.3 million square feet to approximately 6.6 million square feet through developing the existing projects on hand over the next few years. Foundation works for the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building commenced in September 2017. The redevelopment plan includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group.

The construction works of Phase I of the Novotown project in Hengqin ("**Novotown**") commenced at the end of 2015 and is now progressing at a good pace. The completion is expected to be in the first half of 2019. The Group and Dr. Ing. h.c. F. Porsche AG ("**Porsche**") did not reach a final agreement in relation to the licensing of Porsche's intellectual property rights and the provision of consultation services for the development of the auto experience theme centre in Phase II of Novotown prior to the expiration of the framework agreement entered into in September 2017. In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up the ILA Hengqin in Hengqin, Zhuhai. The cooperation aims to enhance the general education experience in Hengqin and across the region catering for learning needs of local and overseas families residing within the Pearl River Delta area, including Hengqin, Zhuhai, Macau and the Greater Bay Area. The ILA Hengqin is planned to be launched in Phase II of the Novotown project in Hengqin. The Group entered into a license agreement on 27 December 2018 with Ducati in relation to the development and operation of the Ducati Experience Centre in Phase II of Novotown. The Group has been seeking for and successfully secured appropriate partners for the different aspects of Novotown project. The Group entered into investment agreements with China Cinda (HK) Asset Management Co., Limited ("**Cinda**") on 31 December 2018 and Cinda has invested 30% in two subsidiaries of the Group, the core businesses of which are the internal buildout, fitting, preparation and operation of themed indoor experience centres in Phase I of the Novotown project under the intellectual property licenses granted by "National Geographic" and "Lionsgate".

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

The Share Consolidation and change in board lot size from 20,000 shares to 400 shares announced by the Group on 18 July 2017 is effective from 15 August 2017. It is hoped that this will make investing in the shares of the Group more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company.

From August to September 2018, the Company went through a mandatory general offer ("**Lai Fung Offer**") triggered by LSD making a voluntary general offer to acquire shares of eSun that were not owned by LSD. The Lai Fung Offer closed on 13 September 2018. As at the Latest Practicable Date, the Company remains a 50.55%-owned subsidiary of eSun.

As at 31 July 2018, the Group has a landbank of 5.7 million square feet. The Group's strong cash position of HK$2,437.9 million of cash on hand and undrawn facilities of HK$3,552.0 million with a net debt to equity ratio of 32% as at 31 July 2018 provides the Group with full confidence and the means to review opportunities more actively. The financial liquidity of the Group has been bolstered by the US$350 million guaranteed notes issued in January 2018 which is listed on the Stock Exchange of Hong Kong Limited. The proceeds from this guaranteed notes helped to refinance the CNY1,800 million fixed rate senior notes which matured in April 2018. The Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP FOR THE YEAR ENDED 31 JULY 2018

Set out is the management discussion and analyses of the Group as extracted from the annual report of the Company for the year ended 31 July 2018. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Despite the challenging operating environment during the year under review, the business delivered an encouraging set of results underpinned by the steady and growing recurrent rental income base from investment properties of the Group.

Property Portfolio Composition

Approximate attributable GFA (in ’000 square feet) and number of car-parking spaces as at 31 July 2018:

	Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	1,643	1,048	–	–	2,691	799
Completed Hotel Properties and Serviced Apartments	–	–	598	–	598	–
Properties under Development[2]	1,100	1,740	821	2,052	5,713	4,380
Completed Properties Held for Sale	43[3]	–	–	486	529	2,271
Total GFA of major properties of the Group	**2,786**	**2,788**	**1,419**	**2,538**	**9,531**	**7,450**

1. *Completed and rental generating properties*

2. *All properties under construction*

3. *Completed properties for sale, including 33,699 square feet of commercial space in Zhongshan Palm Spring Rainbow Mall which is currently for self-use.*

Property Investment

Rental Income

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

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

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

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

** *Excluding self-use area*

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

	For the year ended 31 July 2018			For the year ended 31 July 2017		
	Group interest	Turnover	Attributable GFA	Group interest	Turnover	Attributable GFA
		(HK$ million)	*(square feet)*		*(HK$ million)*	*(square feet)*
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		181.2	468,434		181.7	468,434
Office		103.2	362,096		93.4	362,096
Serviced Apartments (room revenue and F&B)		125.2	355,267		117.1	355,267
Car-parking spaces		7.3	N/A		7.2	N/A
		416.9	1,185,797		399.4	1,185,797
Shanghai May Flower Plaza	100%			100%		
Retail		34.3	320,314		35.1	320,314
Hotel (room revenue and F&B)		37.6	143,846		36.6	143,846
Car-parking spaces		4.0	N/A		3.7	N/A
		75.9	464,160		75.4	464,160
Shanghai Regents Park	95%			95%		
Retail		21.0	77,959		16.6	77,959
Car-parking spaces		4.0	N/A		3.4	N/A
		25.0	77,959		20.0	77,959
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		98.6	357,424		91.3	357,424
Office		11.6	79,431		10.9	79,431
Car-parking spaces		3.0	N/A		3.3	N/A
		113.2	436,855		105.5	436,855
Guangzhou West Point	100%			100%		
Retail		19.8	171,968		18.4	171,968
Guangzhou Lai Fung Tower	100%			100%		
Retail		12.7	99,054		9.4	101,283
Office		86.6	606,495		62.5	525,463
Car-parking spaces		5.9	N/A		3.0	N/A
		105.2	705,549		74.9	626,746
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail*		4.2	147,408		3.3	127,884
Serviced Apartments (room revenue)		6.0	98,556		5.2	98,556
		10.2	245,964		8.5	226,440
Total:		766.2	3,288,252		702.1	3,189,925

* *Excluding self-use area*

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

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

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.19 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 362,100 square feet, 468,400 square feet and 355,300 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, Tiffany and internationally renowned luxury brands and a wide array of dining options.

The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

The Group owns 100% of this property.

Shanghai May Flower Plaza

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

The Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility. The lease of Lotte Mart, the anchor tenant in the retail podium was terminated early on 3 July 2018. The Group is discussing with several prospective tenants to fill the vacancy.

Guangzhou May Flower Plaza

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

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

The Group owns 100% of this property.

Guangzhou West Point

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

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

The asset swap transaction with Guangzhou Light Industry as announced on 15 January 2015 was completed in August 2017. As at 31 July 2018, the total GFA of this property owned by the Group increased to approximately 705,500 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring Rainbow Mall is the commercial element of the wholly owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,000 square feet and excluding self-use area, the occupancy rate as at year end was approximately 75.5%.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet GFA attributable to the Group has 308 contemporary apartments of various sizes: studios (640–750 sq.ft.), one-bedroom apartments (915–1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 87.3% was achieved during the year under review and the average room tariff was approximately HK$1,237.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 75.7% was achieved during the year under review and the average room tariff was approximately HK$545.

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game/Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type one-and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has an F&B outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 53.2% was achieved during the year under review and the average room tariff was approximately HK$378.

Property Development

Recognised Sales

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

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

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

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

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

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2018 is 0.8310*

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

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

Contracted Sales

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

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

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

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

Before business tax and value-added tax inclusive

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

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

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. The total development cost is estimated to be approximately RMB1,698 million (equivalent to approximately HK$1,953 million). Demolition of Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works commenced in September 2017. This project is expected to complete in the fourth quarter of 2021.

Shanghai May Flower Plaza

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

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units and approximately 627,500 square feet of GFA. As of 31 July 2018, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$103.4 million.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 83,700 square feet and is intended to be developed into a high end luxury residential project. The total development cost is estimated to be approximately RMB859 million (equivalent to approximately HK$988 million). Construction works commenced in August 2017. This project is expected to complete in the second quarter of 2019.

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development has a total GFA attributable to the Group of approximately 1,024,900 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block and ancillary retail spaces (GFA 705,500 square feet approximately). Construction work of residential blocks was completed during the year ended 31 July 2015 and the office block was completed in June 2016.

The residential portion of the Guangzhou Eastern Place Phase V comprised of 317 units. For the year ended 31 July 2018, 7,521 square feet was recognised at an average selling price of HK$6,980 per square foot, which contributed HK$50.2 million to the turnover. As of 31 July 2018, 20 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$12.7 million.

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou has a total project GFA of approximately 5.459 million square feet. The project comprises of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.833 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

During the year under review, 92,953 square feet attributable to the Group was recognised and generated attributable sale proceeds of HK$317.2 million. As at 31 July 2018, the contracted but not yet recognised sales of car-parking spaces amounted to approximately HK$0.4 million attributable to the Group. Construction of this project has been completed.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. The project was launched for sale in January 2014.

During the year under review, the sale of 1 commercial unit contributed HK$7.5 million to the turnover. As at 31 July 2018, the contracted but not yet recognised sales of the 2 car-parking spaces amounted to approximately HK$1.6 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 602,800 square feet and is intended to be developed for rental purposes. The total development cost is estimated to be approximately RMB1,266 million (equivalent to approximately HK$1,456 million). The completion is expected to be in the fourth quarter of 2022.

Zhongshan Palm Spring

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

During the year under review, 84,936 square feet of high-rise residential units were recognised at average selling prices of HK$1,148 per square foot, which contributed a total of HK$90.5 million to the sales turnover. As at 31 July 2018, contracted but not yet recognised sales for residential units amounted to HK$51.8 million, at average selling prices of HK$1,497 per square foot. As at 31 July 2018, completed units held for sale in this development amounted to 486,500 square feet with a carrying amount of approximately HK$395.9 million. The remaining GFA under development was approximately 2,099,200 square feet. The total development cost for the remaining phases is estimated to be approximately RMB1,206 million (equivalent to approximately HK$1,387 million).

Set out below is the current expectation on the development of the remaining phases:

Phase	**Description**	**Approximate GFA*** *(square feet)*	**Expected completion**
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q2 2021

* *Excluding car-parking spaces and ancillary facilities*

The Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

Hengqin Novotown

On 25 September 2013, the Company announced it had successfully won Phase I of the Novotown project in Hengqin which is 80% owned by the Group and 20% owned by eSun Holdings Limited. The Phase I of Novotown has a total GFA of 4.2 million square feet including car-parking spaces and ancillary facilities. The total development cost is estimated to be approximately RMB5,447 million (equivalent to approximately HK$6,265 million). The master layout plan for Phase I of Novotown was approved in January 2015 and construction work commenced at the end of 2015. Completion is expected to be in the first half of 2019.

The expected GFA breakdown by usage is set out below:

Usage	**GFA** *(square feet)*
Cultural themed hotel	596,727
Cultural workshop	429,641
Cultural commercial area	523,843
Performance halls	160,937
Cultural attractions	293,292
Office	542,447
Cultural studios (for sale)	244,936
Car-parking spaces	582,827
Ancillary facilities and others	844,817
Total:	**4,219,467**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of the Lionsgate Entertainment World™ in one of the two performance halls in the Phase I of Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase, oversee its preopening and to operate the Lionsgate Entertainment World™ for a minimum of ten years. The Lionsgate Entertainment World™ is expected to feature attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan.

The Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer, the size of which is expected to be approximately 50,200 square feet, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions.

In June 2017, the Group entered into a cooperation agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

In January 2017, the Group entered into a shareholders' agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company codeveloping a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximate 80,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

In June 2017, the Group entered into a licence agreement with Real Madrid in relation to the development and operation of the Real Madrid LBE in Novotown. In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. Real Madrid LBE and the ILA Hengqin are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

The Group and Porsche did not reach a final agreement in relation to the licensing of Porsche's intellectual property rights and the provision of consultation services for the development of the auto experience theme centre in Phase II of Novotown prior to the expiration of the framework agreement entered into in September 2017.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2018, cash and bank balances held by the Group amounted to HK$2,437.9 million and undrawn facilities of the Group was HK$3,552.0 million.

As at 31 July 2018, the Group had total borrowings amounting to HK$7,445.6 million (2017: HK$6,091.4 million), representing an increase of HK$1,354.2 million from 2017. The consolidated net assets attributable to the owners of the Company amounted to HK$15,502.9 million (2017: HK$14,584.1 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 32% (2017: 24%). The maturity profile of the Group's borrowings of HK$7,445.6 million is well spread with HK$419.2 million repayable within 1 year, HK$1,184.2 million repayable in the second year, HK$5,648.1 million repayable in the third to fifth years and HK$194.1 million repayable beyond the fifth year.

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

Apart from the guaranteed notes, the Group's other borrowings of HK$4,720.1 million were 53% denominated in Renminbi ("**RMB**"), 37% in Hong Kong dollars ("**HKD**") and 10% in United States dollars ("**USD**").

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

The Group's cash and bank balances of HK$2,437.9 million were 85% denominated in RMB, 8% in HKD and 7% in USD.

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

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$11,575.2 million, properties under development with a total carrying amount of approximately HK$1,366.7 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK$464.7 million, construction in progress with a total carrying amount of approximately HK$904.2 million and bank balances of approximately HK$650.7 million.

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

Contingent Liabilities

The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2018, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$520,342,000 (2017: HK$596,225,000).

Employees and Remuneration Policies

As at 31 July 2018, the Group employed a total of around 1,300 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP FOR THE YEAR ENDED 31 JULY 2017

Set out is the management discussion and analyses of the Group as extracted from the annual report of the Company for the year ended 31 July 2017. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Despite the challenging operating environment during the year under review, the business delivered an encouraging set of results underpinned by the steady and growing recurrent rental income base from investment properties of the Group.

Property Portfolio Composition

Approximate attributable GFA (in ’000 square feet) and number of car-parking spaces as at 31 July 2017:

	Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	1,625	967	–	–	2,592	799
Completed Hotel Properties and Serviced Apartments	–	–	598	–	598	–
Properties under Development[2]	1,109	1,745	821	2,051	5,726	4,402
Completed Properties Held for Sale	63[3]	77	–	671	811	2,319
Total GFA of major properties of the Group	**2,797**	**2,789**	**1,419**	**2,722**	**9,727**	**7,520**

1. *Completed and rental generating properties*

2. *All properties under construction*

3. *Completed properties for sale, including 53,223 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use and expected to be reclassified as completed properties held for rental purpose as it is being leased out over time.*

Property Investment

Rental Income

For the year ended 31 July 2017, the Group's rental operations recorded a turnover of HK$702.1 million (2016: HK$629.4 million), representing an 11.6% increase over last year. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated rental income was 17.0%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			For the year ended 31 July			Year end
	2017#	2016#	% Change	2017	2016	% Change	occupancy
	(HK$ million)	*(HK$ million)*		*(RMB million)*	*(RMB million)*		*(%)*
Shanghai							
Shanghai Hong Kong Plaza	399.4	398.2	0.3	350.6	333.2	5.2	Retail: 95.2%
							Office: 91.8%
							Serviced Apartments: 85.3%
Shanghai May Flower Plaza	75.4	71.4	5.6	66.2	59.7	10.9	Retail: 100.0%
							Hotel: 81.6%
Shanghai Regents Park	20.0	14.3	39.9	17.5	12.0	45.8	100.0%
Shanghai Northgate Plaza I	–	4.9	-100.0	–	4.1	-100.0	0.0%*
Guangzhou							
Guangzhou May Flower Plaza	105.5	109.5	-3.7	92.6	91.6	1.1	99.2%
Guangzhou West Point	18.4	17.2	7.0	16.1	14.4	11.8	99.6%
Guangzhou Lai Fung Tower	74.9	6.2	1,108.1	65.7	5.2	1,163.5	Retail: 100.0%
							Office: 100.0%**
Zhongshan							
Zhongshan Palm Spring	8.5	7.7	10.4	7.5	6.4	17.2	Retail: 86.4%***
							Serviced Apartments: 56.9%
Total:	702.1	629.4	11.6	616.2	526.6	17.0	

\# *The exchange rates adopted for the years ended 31 July 2017 and 2016 are 0.8777 and 0.8367, respectively*

* *All tenants were vacated for project redevelopment and demolition has been completed in May 2017*

** *Excluding the office area that is subject to the asset swap transaction as announced by the Company on 15 January 2015 and the asset swap transaction has been completed in August 2017*

*** *Excluding self-use area*

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

	For the year ended 31 July 2017			For the year ended 31 July 2016		
	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		181.7	468,434		175.4	468,434
Office		93.4	362,096		93.0	360,687
Serviced Apartments (room revenue and F&B)		117.1	355,267		123.3	354,239
Car-parking spaces		7.2	N/A		6.5	N/A
		399.4	1,185,797		398.2	1,183,360
Shanghai May Flower Plaza	100%			100%		
Retail		35.1	320,314		30.1	320,314
Hotel (room revenue and F&B)		36.6	143,846		38.3	143,846
Car-parking spaces		3.7	N/A		3.0	N/A
		75.4	464,160		71.4	464,160
Shanghai Regents Park	95%			95%		
Retail		16.6	77,959		10.7	77,959
Car-parking spaces		3.4	N/A		3.6	N/A
		20.0	77,959		14.3	77,959
Shanghai Northgate Plaza I*	100%			100%		
Retail		–	–		–	192,348
Office		–	–		4.7	130,233
Car-parking spaces		–	–		0.2	N/A
		–	–		4.9	322,581
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		91.3	357,424		94.5	357,424
Office		10.9	79,431		11.4	79,431
Car-parking spaces		3.3	N/A		3.6	N/A
		105.5	436,855		109.5	436,855
Guangzhou West Point	100%			100%		
Retail		18.4	171,968		17.2	171,968
Guangzhou Lai Fung Tower	100%			100%		
Retail		9.4	101,283			0.7100,341
Office		62.5	525,463		5.1	525,463
Car-parking spaces		3.0	N/A		0.4	N/A
		74.9	626,746		6.2	625,804
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail		3.3	127,884		2.9	112,124
Serviced Apartments (room revenue)		5.2	98,556		4.8	98,556
		8.5	226,440		7.7	210,680
Total:		702.1	3,189,925		629.4	3,493,367

* *Demolition of this property has been completed in May 2017 and foundation works for the redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and Hui Gong Building in Shanghai commenced in September 2017*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. Rental income growth was partially offset by depreciation of Renminbi during the year under review.

The asset swap transaction with Guangzhou Light Industry Real Estate Development Company ("**Guangzhou Light Industry**") as announced on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, has been completed in August 2017 post year end. This enables the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. As at the date of this Annual Report, the total GFA of this property owned by the Group increased to approximately 707,800 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property have been fully leased.

The acquisition of Hui Gong Building was completed in September 2016. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. Demolition of Shanghai Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

Excluding self-use area of approximately 53,223 square feet, all commercial area of Zhongshan Palm Spring Rainbow Mall has been reclassified as rental properties.

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.19 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 362,100 square feet, 468,400 square feet and 355,300 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, Tiffany and internationally renowned luxury brands and a wide array of dining options. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza has been completed and new tenants have moved in by the end of 2014.

The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

The Group owns 100% of this property.

Shanghai May Flower Plaza

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

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

Guangzhou May Flower Plaza

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

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

The Group owns 100% of this property.

Guangzhou West Point

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

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

The asset swap transaction with Guangzhou Light Industry as announced on 15 January 2015 has been completed in August 2017 post year end. As at the date of this Annual Report, the total GFA of this property owned by the Group increased to approximately 707,800 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring Rainbow Mall is the commercial element of the Group's wholly-owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at year end was approximately 86.4%.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet GFA attributable to the Group has 308 contemporary apartments of various sizes: studios (640–750 sq.ft.), one-bedroom apartments (915–1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 83.1% was achieved during the year under review and the average room tariff was approximately HK$1,220.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 79.1% was achieved during the year under review and the average room tariff was approximately HK$507.

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game/Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type: one-and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has an F&B outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 50.0% was achieved during the period under review and the average room tariff was approximately HK$354.

Property Development

Recognised Sales

For the year ended 31 July 2017, the Group's property development operations recorded a turnover of HK$624.6 million (2016: HK$1,414.1 million) from sale of properties, representing a 55.8% decrease in sales revenue over last year.

Total recognised sales was primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 21,364 and 641,366 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$129.2 million and HK$485.3 million, respectively.

For the year ended 31 July 2017, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$983 per square foot (2016: HK$4,207 per square foot). Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$2,584 per square foot (2016: HK$2,915 per square foot). This is recognised as a component of "Share of profits of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2017 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA	Average Selling Price#	Turnover*	
		(Square feet)	*(HK$/square foot)*	*(HK$ million##)*	*(RMB million)*
Guangzhou Eastern Place					
Residential Units – Phase V	19	21,364	6,481	129.2	113.4
Zhongshan Palm Spring					
Residential High-Rise Units	479	597,959	743	420.1	368.7
Residential House Units	15	43,407	1,582	65.2	57.2
Others				0.4	0.4
Subtotal	**513**	**662,730**	**983**	**614.9**	**539.7**
Guangzhou King's Park					
Car-parking Spaces	14			9.0	7.9
Guangzhou West Point					
Car-parking Spaces	1			0.7	0.6
Total				**624.6**	**548.2**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	514	737,122	2,570	1,794.7	1,575.2
Retail Units**(47.5% basis)	2	2,521	6,521	15.6	13.7
Subtotal	**516**	**739,643**	**2,584**	**1,810.3**	**1,588.9**
Car-parking Spaces**(47.5% basis)	373			122.4	107.4
Total				**1,932.7**	**1,696.3**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2017 is 0.8777*

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2017, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project was HK$3,811.2 million (excluding car-parking spaces) and approximately 1,557,142 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project was HK$257.7 million.*

Contracted Sales

As at 31 July 2017, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$91.1 million and HK$49.7 million from sales of residential units in Zhongshan Palm Spring and Guangzhou Eastern Place Phase V, respectively and HK$2.3 million from sales of 3 car-parking spaces in Guangzhou King's Park. Sales of the remainder of the completed residential units of Zhongshan Palm Spring were strong and achieved an average selling price of HK$1,087 per square foot. Excluding the effect of currency translation against a depreciated Renminbi, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 July 2017 amounted to RMB125.7 million (31 July 2016: RMB484.4 million).

The total contracted but not yet recognised sales of the Group as at 31 July 2017 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$402.8 million (31 July 2016: HK$2,249.1 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 July 2017 amounted to RMB353.6 million (31 July 2016: RMB1,881.8 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2017 is as follows:

Contracted basis	**No. of Units**	**Approximate GFA**	**Average Selling Price#**	**Turnover#**	
		(Square feet)	*(HK$/square foot)*	*(HK$ million##)*	*(RMB million)*
Guangzhou Eastern Place					
Residential Units – Phase V	7	7,522	6,607	49.7	43.6
Zhongshan Palm Spring					
Residential High-rise Units	69	83,791	1,087	91.1	80.0
Subtotal	**76**	**91,313**	**1,542**	**140.8**	**123.6**
Guangzhou King's Park					
Car-parking Spaces	3			2.3	2.1
Subtotal				**143.1**	**125.7**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	38	80,140	3,203	256.6	225.2
Car-parking Spaces**(47.5% basis)	9			3.1	2.7
Subtotal				**259.7**	**227.9**
Total (excluding car-parking spaces)	**114**	**171,453**	**2,318**	**397.4**	**348.8**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2017 is 0.8777*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2017, the contracted but not yet recognised sales attributable to the full project was HK$540.2 million (excluding car-parking spaces) and approximately 168,715 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project was HK$6.5 million.*

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. Demolition of Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

Shanghai May Flower Plaza

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

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units with a total GFA of approximately 627,500 square feet. The for sale portion of the office apartments comprised of 96 units with a total GFA of approximately 57,500 square feet. All residential units and office apartments units have been sold out. As of 31 July 2017, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$104.2 million.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 83,700 square feet and is intended to be developed into a high end luxury residential project. Construction work commenced in August 2017. This project is expected to complete in the first quarter of 2019.

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development will have a total GFA attributable to the Group of approximately 946,100 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block and ancillary retail spaces (GFA 626,700 square feet approximately). Construction work of residential blocks was completed during the year ended 31 July 2015 and the office block was completed in June 2016.

The residential portion of the Guangzhou Eastern Place Phase V comprised of 317 units. For the year ended 31 July 2017, 21,364 square feet was recognised at an average selling price of HK$6,481 per square foot, which contributed HK$129.2 million to the turnover. As at 31 July 2017, completed residential units held for sale in this development amounted to approximately 7,522 square feet with a carrying amount of approximately HK$19.9 million.

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou has a total project GFA of approximately 5.459 million square feet. The project comprises of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.833 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

During the year under review, 739,643 square feet attributable to the Group was recognised and generated attributable sale proceeds of HK$1,810.3 million. As at 31 July 2017, contracted but not yet recognised sales excluding car-parking spaces amounted to HK$256.6 million at average selling prices of HK$3,203 per square foot. Up to the year end, constructions of this project have been completed except for the commercial units with a total GFA of approximately 18,900 square feet that are currently used by the Group as a sales centre for the project. These commercial units are expected to be refurbished for sale by end of 2017.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. The project was launched for sale in January 2014.

During the year under review, the sales of 14 car-parking spaces contributed HK$9.0 million to the turnover. As at 31 July 2017, the contracted but not yet recognised sales of the 3 car-parking spaces amounted to approximately HK$2.3 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 602,800 square feet and is intended to be developed for rental purposes. The completion is expected to be in the first half of 2021.

Zhongshan Palm Spring

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

During the year under review, 43,407 square feet of house units and 597,959 square feet of residential units were recognised at average selling prices of HK$1,582 and HK$743 per square foot, respectively, which contributed a total of HK$485.3 million to the sales turnover. As at 31 July 2017, contracted but not yet recognised sales for high-rise residential units amounted to HK$91.1 million, at average selling prices of HK$1,087 per square foot. As at 31 July 2017, completed residential units held for sale in this development amounted to 571,600 square feet with a carrying amount of approximately HK$456.3 million. The remaining GFA under development was approximately 2,099,200 square feet.

Set out below is the current expectation on the development of the remaining phases:

Phase	**Description**	**Approximate GFA*** *(square feet)*	**Expected completion**
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2022

* *Excluding car-parking spaces and ancillary facilities*

The Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

Hengqin Novotown

On 25 September 2013, the Company announced it had successfully won Phase I of the Novotown project in Hengqin which is 80% owned by the Group and 20% owned by eSun Holdings Limited. The Phase I of Novotown has a total GFA of 4.2 million square feet including car-parking spaces and ancillary facilities. The minimum investment requirement for the Phase I of Novotown is approximately RMB3.0 billion (equivalent to approximately HK$3.5 billion), of which approximately RMB523.3 million (equivalent to approximately HK$606.7 million) is land cost as per the land grant contract entered into between the Group and The Land and Resources Bureau of Zhuhai on 27 September 2013. The master layout plan for Phase I of Novotown has been approved in January 2015 and construction work commenced at the end of 2015.

The expected GFA breakdown of Hengqin Novotown Phase I by usage is set out below:

Usage	**GFA** *(square feet)*
Cultural themed hotel	596,727
Cultural workshop	429,641
Cultural commercial area	523,843
Performance halls	167,982
Cultural attractions	286,247
Office	542,447
Cultural studios (for sale)	250,553
Car-parking spaces	593,797
Ancillary facilities and others	828,800
Total	**4,220,037**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of an immersive experience center in one of the two performance halls in Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase of the Lionsgate-themed immersive experience center in Phase I of Novotown, oversee the preopening and to operate the immersive experience center for a minimum of ten years. The immersive experience center is expected to feature attractions, retail, and dining experiences themed around some of Lionsgate's most captivating global film franchises, including The Hunger Games, The Divergent Series, Now You See Me and three additional film franchises yet to be announced.

The Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a Family Edutainment Center. The size of the Family Edutainment Center is expected to be approximately 50,200 square feet, containing no less than 5 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions.

In April 2016, the Group entered into a cooperation framework agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

In January 2017, the Group entered into a shareholders' agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company co-developing a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximately 86,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

In June 2017, the Group entered into a licence agreement with Real Madrid in relation to the development and operation of a location based entertainment centre in Novotown and subsequent to the year end, the Group entered into a framework agreement in September 2017 with Porsche in relation to the development and operation of an auto experience theme centre in Novotown. Both Real Madrid LBE and the Porsche Experience Centre are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2017, cash and bank balances held by the Group amounted to HK$2,628.4 million and undrawn facilities of the Group was HK$3,528.0 million.

As at 31 July 2017, the Group had total borrowings amounting to HK$6,091.4 million (2016: HK$5,977.4 million), representing an increase of HK$114.0 million from 2016. The consolidated net assets attributable to the owners of the Company amounted to HK$14,584.1 million (2016: HK$13,314.8 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 24% (2016: 18%). The maturity profile of the Group's borrowings of HK$6,091.4 million is well spread with HK$2,355.1 million repayable within 1 year, HK$692.9 million repayable in the second year, HK$2,954.2 million repayable in the third to fifth years and HK$89.2 million repayable beyond the fifth year.

Approximately 48% and 48% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK$4,011.0 million were 55% denominated in Renminbi ("**RMB**"), 33% in Hong Kong dollars ("**HKD**") and 12% in United States dollars ("**USD**").

The Group's fixed rate senior notes of HK$2,080.4 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK$2,628.4 million were 81% denominated in RMB, 11% in HKD and 8% in USD.

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

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$10,401.2 million, properties under development with a total carrying amount of approximately HK$497.2 million, serviced apartments and related properties with a total carrying amount of approximately HK$517.6 million, construction in progress with a total carrying amount of approximately HK$726.1 million and bank balances of approximately HK$401.3 million.

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

Contingent Liabilities

The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2017, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$596,225,000 (2016: HK$666,669,000).

Employees and Remuneration Policies

As at 31 July 2017, the Group employed a total of around 1,300 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP FOR THE YEAR ENDED 31 JULY 2016

Set out is the management discussion and analyses of the Group as extracted from the annual report of the Company for the year ended 31 July 2016. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Despite the challenging operating environment during the year under review, the business delivered an encouraging set of results underpinned by the steady and growing recurrent rental income base from investment properties of the Group.

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 July 2016:

	Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	1,801	1,096	–	–	2,897	792
Completed Hotel Properties and Serviced Apartments	–	–	597	–	597	–
Properties under Development[2]	1,206	1,446	822	3,841	7,315	5,471
Completed Properties Held for Sale	81[3]	76	–	280	437	1,230
Total GFA of major properties of the Group	**3,088**	**2,618**	**1,419**	**4,121**	**11,246**	**7,493**

1. *Completed and rental generating properties*

2. *All properties under construction*

3. *Completed properties for sale, including 68,982 square feet of shopping arcade space which is expected to be reclassified as completed properties held for rental purpose as it is being leased out over time*

Property Investment

Rental Income

For the year ended 31 July 2016, the Group's rental operations recorded a turnover of HK$629.4 million (2015: HK$626.0 million), representing a 0.5% increase over last year. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated rental income was 5.2%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			Year end
	2016	**2015**	**% Change**	**occupancy**
	HK$ million	*HK$ million*		*(%)*
Shanghai Hong Kong Plaza	398.2	407.2	-2.2	Retail: 98.3% Office: 97.8% Serviced Apartments: 88.8%
Shanghai May Flower Plaza	71.4	61.7	15.7	Retail: 99.5% Hotel: 90.4%
Shanghai Regents Park	14.3	13.4	6.7	100.0%
Shanghai Northgate Plaza I	4.9	10.8	-54.6	0.0%*
Guangzhou May Flower Plaza	109.5	108.9	0.6	98.6%
Guangzhou West Point	17.2	17.2	0	98.7%
Guangzhou Lai Fung Tower	6.2	–	N/A	Retail: 91.8% Office: 53.9%
Zhongshan Palm Spring	7.7	6.8	13.2	Retail: 82.0%** Serviced Apartments: 57.1%
Total:	629.4	626.0	0.5	

* *All tenants have been vacated for project redevelopment*

** *Excluding self-use area*

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

	For the year ended 31 July 2016			For the year ended 31 July 2015		
	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		175.4	468,434		179.9	468,434
Office		93.0	360,687		96.0	360,687
Serviced Apartments (room revenue and F&B)		123.3	354,239		124.1	354,239
Car-parking spaces		6.5	N/A		7.2	N/A
		398.2	1,183,360		407.2	1,183,360
Shanghai May Flower Plaza	100%			100%		
Retail		30.1	320,314		27.8	320,314
Hotel (room revenue and F&B)		38.3	143,846		32.0	143,846
Car-parking spaces		3.0	N/A		1.9	N/A
		71.4	464,160		61.7	464,160
Shanghai Regents Park	95%			95%		
Retail		10.7	77,959		11.0	77,959
Car-parking spaces		3.6	N/A		2.4	N/A
		14.3	77,959		13.4	77,959
Shanghai Northgate Plaza I	100%			99%		
Retail		–	192,348		–	190,425
Office		4.7	130,233		10.2	128,931
Car-parking spaces		0.2	N/A		0.6	N/A
		4.9	322,581		10.8	319,356
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		94.5	357,424		94.2	357,424
Office		11.4	79,431		10.9	79,431
Car-parking spaces		3.6	N/A		3.8	N/A
		109.5	436,855		108.9	436,855
Guangzhou West Point	100%			100%		
Retail		17.2	171,968		17.2	171,968
Guangzhou Lai Fung Tower	100%			100%		
Retail		0.7	100,341		–	23,326
Office		5.1	525,463		–	N/A
Car-parking spaces		0.4	N/A		–	N/A
		6.2	625,804		–	23,326
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail		2.9	112,124		1.9	74,174
Serviced Apartments (room revenue)		4.8	98,556		4.9	98,556
		7.7	210,680		6.8	172,730
Total:		629.4	3,493,367		626.0	2,849,714

Rental income performed steadily as a whole with almost full occupancy in all the major properties. Rental income growth was partially offset by depreciation of Renminbi during the year under review. The increase in turnover of Shanghai May Flower Plaza is mainly driven by a better performance of the STARR Hotel Shanghai since its soft opening in November 2013.

Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed and added to the rental portfolio of the Group in June 2016 and has started to contribute to the rental income of the Group. Up to the date of this Annual Report, excluding the office area that is subject to the asset swap transaction as announced by the Company on 15 January 2015, approximately 83.5% of the GFA of the building has been leased or has offers to lease.

All tenants of Shanghai Northgate Plaza I have been vacated for redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the 6th to 11th floors of Hui Gong Building acquired by the Group in September 2016. The Group is currently discussing the redevelopment proposal with professional consultants and local authorities.

A portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 62% of total GFA, has been reclassified as rental properties as the floor space was leased out. Further reclassification and rental income recognition will take place in due course as the property becomes fully leased.

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.18 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 360,700 square feet, 468,400 square feet and 354,200 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, MCM, Tiffany, Y3 and internationally renowned luxury brands and a wide array of dining options. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza has been completed and new tenants have moved in by the end of 2014.

The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

The Group owns 100% of this property.

Shanghai May Flower Plaza

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

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

Shanghai Northgate Plaza

Shanghai Northgate Plaza I (now closed and pending redevelopment) comprises office units, a retail podium and car-parking spaces. Located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal, this property has a total GFA of approximately 322,600 square feet excluding car-parking spaces and ancillary area. The Group acquired the 1% minority interest in this property in March 2016 and now owns 100% of this property.

Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. The site area of Northgate Plaza II is approximately 44,300 square feet and its buildable GFA is approximately 259,900 square feet excluding car-parking spaces and ancillary facilities. The Group acquired the 1% minority interest in this property in March 2016 and now owns 100% of this property.

In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I with a total GFA of approximately 111,400 square feet, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan. The redeveloped project will include an office tower, a shopping arcade and underground car-parking spaces. The Group is currently discussing the redevelopment proposal with professional consultants and local authorities and all tenants of Northgate Plaza I have been vacated for such redevelopment.

Guangzhou May Flower Plaza

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

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

The Group owns 100% of this property.

Guangzhou West Point

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

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016. The Group currently owns a total GFA of approximately 625,800 square feet of this property excluding 204 car-parking spaces.

The asset swap transaction with Guangzhou Light Industry Real Estate Development Company ("**Guangzhou Light Industry**") as announced on 15 January 2015 was approved by the shareholders of eSun Holdings Limited ("**eSun**"), the ultimate holding company of the Company, on 5 March 2015 and is now pending for completion. This would enable the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. Upon completion of the asset swap transaction, the total GFA of Guangzhou Lai Fung Tower is expected to be approximately 707,000 square feet excluding car-parking spaces.

Up to the date of this Annual Report, excluding the office area that is subject to the asset swap transaction with Guangzhou Light Industry, approximately 83.5% of the GFA of the building has been leased or has offers to lease.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 354,200 square feet GFA attributable to the Group has 308 contemporary apartments of various sizes: studios (640–750 sq.ft.), one bedroom apartments (915–1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 87.0% was achieved during the year under review and the average room tariff was approximately HK$1,290.

STARR Hotel Shanghai

STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel located in the Mayflower Lifestyle complex, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 83.1% was achieved during the year under review since its soft opening in November 2013 and the average room tariff was approximately HK$520.

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game/Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type one- and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has a F&B outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 47.4% was achieved during the year under review and the average room tariff was approximately HK$370.

Property Development

Recognised Sales

For the year ended 31 July 2016, the Group's property development operations recorded a turnover of HK$1,414.1 million (2015: HK$1,275.4 million) from sale of properties, representing a 10.9% increase in sales revenue over last year. Total recognised sales was primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V of which approximately 182,574 square feet of residential GFA were sold, achieving sales revenue of HK$1,052.5 million. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated turnover from sales of properties during the year under review was 16.0%.

Primarily due to the depreciation of Renminbi, average selling price recognised as a whole (excluding Guangzhou Dolce Vita) for the year ended 31 July 2016 decreased to approximately HK$4,207 per square foot (2015: HK$4,243 per square foot).

Sales of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$2,915 per square foot. This is recognised as a component of "Share of profits of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2016 from property sales is as follows:

Recognised basis	**Approximate GFA** *(Square feet)*	**Average Selling Price#** *(HK$/square foot)*	**Turnover*** *(HK$ million)*
Shanghai May Flower Plaza			
Residential Units	9,681	5,169	47.2
Office Apartment Units	12,564	3,660	43.4
Guangzhou Eastern Place			
Residential Units – Phase V	182,574	6,087	1,052.5
Residential Units – Phase IV	891	4,226	3.6
Guangzhou King's Park			
Residential Units	21,404	4,707	95.0
Zhongshan Palm Spring			
Residential High-Rise Units	11,190	701	7.4
Residential House Units	113,709	1,416	151.8
Subtotal	**352,013**	**4,207**	**1,400.9**
Guangzhou King's Park			
Car-parking Spaces			13.2
Total			**1,414.1**
Recognised sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	249,775	2,886	680.9
Retail Units**(47.5% basis)	1,953	6,516	11.7
Subtotal	**251,728**	**2,915**	**692.6**
Car-parking Spaces**(47.5% basis)			19.2
Total			**711.8**

\# *Before business tax and value-added tax inclusive*

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of the Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2016, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK$1,458.1 million (excluding car-parking spaces) and approximately 529,954 square feet of GFA (excluding car-parking spaces) were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$40.4 million.*

Contracted Sales

As at 31 July 2016, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$571.7 million from sale of residential units in Zhongshan Palm Spring and HK$7.3 million from sales of 10 car-parking spaces in Guangzhou King's Park. Sales of the remainder of completed residential units of Zhongshan Palm Spring were strong and achieved an average selling price of HK$846 per square foot (excluding car-parking spaces). Excluding the effect of currency translation against a depreciated Renminbi, the Renminbi denominated contracted but not yet recognised sales of residential units, excluding Guangzhou Dolce Vita as at 31 July 2016 amounted to RMB478.3 million (2015: RMB162.1 million).

The total contracted but not yet recognised sales of the Group as at 31 July 2016 including Guangzhou Dolce Vita amounted to HK$2,249.1 million (including car-parking spaces of Guangzhou King's Park and Guangzhou Dolce Vita). The Renminbi denominated contracted but not yet recognised sales of residential units, including Guangzhou Dolce Vita as at 31 July 2016 amounted to RMB1,875.2 million (2015: RMB1,048.4 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2016 is as follows:

Contracted basis	**Approximate GFA** *(Square feet)*	**Average Selling Price**[#] *(HK$/square foot)*	**Turnover*** *(HK$ million)*
Zhongshan Palm Spring			
Residential High-rise Units	635,762	798	507.4
Residential House Units	39,917	1,611	64.3
Subtotal	**675,679**	**846**	**571.7**
Guangzhou King's Park			
Car-parking spaces			7.3
Subtotal			**579.0**
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	665,452	2,492	1,658.6
Retail Units**(47.5% basis)	1,585	6,814	10.8
Subtotal	**667,037**	**2,503**	**1,669.4**
Car-parking spaces**(47.5% basis)			0.7
Subtotal			**1,670.1**
Total (excluding car-parking spaces)	**1,342,716**	**1,669**	**2,241.1**

\# *Before business tax and value-added tax inclusive*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2016, the contracted but not yet recognised sales attributable to the full project is HK$3,514.5 million (excluding car-parking spaces) and approximately 1,404,288 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$1.5 million.*

Review of Major Properties Completed for Sale and under Development

Shanghai May Flower Plaza

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

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units and approximately 627,500 square feet of GFA. During the year under review, 9,681 square feet was recognised at an average selling price of HK$5,169 per square foot, which contributed HK$47.2 million to the turnover. The for sale portion of the office apartments comprised of 96 units with a total GFA of approximately 57,500 square feet. During the year under review, sales of 12,564 square feet was recognised at an average selling price of HK$3,660 per square foot, which contributed HK$43.4 million to the turnover.

As of 31 July 2016, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$105.2 million.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu district in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 83,200 square feet and is intended to be developed into a high end luxury residential project. This project is expected to complete in the fourth quarter of 2018.

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development will have a total GFA attributable to the Group of approximately 964,700 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block (GFA 625,800 square feet approximately) and ancillary retail spaces. Construction work of residential blocks was completed during the year ended 31 July 2015 and the office block was completed in June 2016.

The residential portion of the Guangzhou Eastern Place Phase V comprised of 317 units. For the year ended 31 July 2016, 182,574 square feet was recognised at an average selling price of HK$6,087 per square foot, which contributed HK$1,052.5 million to the turnover. As at 31 July 2016, completed residential units held for sale in this development amounted to approximately 28,839 square feet with a carrying amount of approximately HK$79.7 million.

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou will have a total project GFA of approximately 5.860 million square feet. The project will comprise of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.820 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

The project is divided into five phases of development. Phase I comprising 8 high-rise residential blocks has been sold out. During the year under review, 251,728 square feet attributable to the Group was recognised and generated attributable sale proceeds of HK$692.6 million. As at 31 July 2016, attributable GFA of completed units held for sale amounted to 202,067 square feet with a carrying amount of approximately HK$246.1 million (excluding car-parking spaces). The remaining high-rise residential units under development was approximately 1,313,187 square feet and expected to be completed in the fourth quarter of 2016.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. Project was launched for sale in January 2014.

During the year under review, sales of 21,404 square feet was recognised at an average selling price of HK$4,707 per square foot, which contributed HK$95.0 million to the turnover. As at 31 July 2016, attributable GFA of a completed commercial unit held for sale amounted to 3,337 square feet and 34 car-parking spaces with a carrying amount of approximately HK$33.5 million.

Guangzhou Paramount Centre

This property locates at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District. The attributable GFA is approximately 83,000 square feet excluding 46 car-parking spaces and ancillary facilities. This project is subject to the asset swap transaction that was announced by the Company and eSun on 15 January 2015, which is now pending for completion.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 602,800 square feet and is intended to be developed for rental purposes. The completion is expected to be in the first half of 2021.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.041 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.461 million square feet.

Phase Ia of the project, which was completed during the first half of the financial year ended 31 July 2013, comprises of high-rise residential towers and house units. During the year under review, 11,190 square feet of high-rise residential units and 113,709 square feet of house units were recognised at average selling prices of HK$701 and HK$1,416 per square foot, respectively, which contributed a total of HK$159.2 million to the sales turnover. As at 31 July 2016, contracted but not yet recognised sales for high-rise and townhouses amounted to HK$507.4 million and HK$64.3 million, at average selling prices of HK$798 and HK$1,611 per square foot, respectively. As at 31 July 2016, completed units held for sale in this development amounted to 51,838 square feet with a carrying amount of approximately HK$54.1 million. The remaining GFA under development was approximately 3,405,900 square feet.

Set out below is the current expectation on the development of the remaining phases:

Phase	**Description**	**Approximate GFA*** *(square feet)*	**Expected completion**
Ib	High-rise residential units	980,400	Q2 2017
II	Townhouses	202,400	Q3 2017
III	High-rise residential units including commercial units	1,571,600	Q3 2020
IV	High-rise residential units including commercial units	651,500	Q3 2022

* *Excluding car-parking spaces and ancillary facilities*

The Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

Hengqin Novotown

On 25 September 2013, the Company announced it had successfully won Phase I of the Novotown project in Hengqin ("**Novotown**") which is 80% owned by the Group and 20% owned by eSun. The Novotown has a total GFA of 4.1 million square feet including car-parking spaces and ancillary facilities. The minimum investment requirement for the Novotown is approximately RMB3.0 billion (equivalent to approximately HK$3.5 billion), of which approximately RMB523.3 million (equivalent to approximately HK$612.6 million) is land cost as per the land grant contract entered into between the Group and The Land and Resources Bureau of Zhuhai on 27 September 2013. The master layout plan for Novotown has been approved in January 2015 and construction work commenced in the end of 2015.

The expected GFA breakdown by usage is set out below:

Usage	GFA *(square feet)*
Cultural themed hotel	596,416
Cultural workshop	430,610
Cultural commercial area	527,376
Performance halls	150,551
Cultural attractions	285,246
Office	559,966
Cultural studios	362,503
Car-parking spaces	564,500
Ancillary facilities and others	671,207
Total:	**4,148,375**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. ("**LG**") for the development and operation of an immersive experience center in the Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase of the Lionsgate-themed immersive experience center in Novotown, oversee the preopening and operate the experience center for a minimum of ten years. The immersive experience center is expected to feature attractions, retail, and dining experiences themed around some of Lionsgates most captivating global film franchises, including *The Hunger Games, The Divergent Series, Now You See Me* and three additional properties yet to be announced.

The Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a Family Edutainment Center. The size of the Family Edutainment Center is expected to be approximately 48,400 square feet, containing no less than 5 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment & educational attractions.

In April 2016, the Group entered into a cooperation framework agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2016, cash and bank balances held by the Group amounted to HK$3,612.6 million and undrawn facilities of the Group was HK$3,576.2 million.

As at 31 July 2016, the Group had total borrowings amounting to HK$5,977.4 million (2015: HK$5,902.4 million), representing an increase of HK$75.0 million from 2015. The consolidated net assets attributable to the owners of the Company amounted to HK$13,314.8 million (2015: HK$13,466.4 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 18% (2015: 23%). The maturity profile of the Group's borrowings of HK$5,977.4 million is well spread with HK$637.9 million repayable within 1 year, HK$2,906.6 million repayable in the second year, HK$2,307.7 million repayable in the third to fifth years and HK$125.2 million repayable beyond the fifth year.

Approximately 44% and 51% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 5% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK$3,884.7 million were 46% denominated in Renminbi ("**RMB**"), 42% in Hong Kong dollars ("**HKD**") and 12% in United States dollars ("**USD**").

The Group's fixed rate senior notes of HK$2,092.7 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK$3,612.6 million were 86% denominated in RMB, 5% in HKD and 9% in USD.

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

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$9,431.5 million, properties under development with a total carrying amount of approximately HK$361.7 million, serviced apartments and related properties with a total carrying amount of approximately HK$572.1 million, completed properties for sale with a total carrying amount of approximately HK$55.9 million, construction in progress with a total carrying amount of approximately HK$411.9 million and bank balances of approximately HK$131.5 million.

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

Contingent Liabilities

The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2016, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$666,669,000 (2015: HK$120,159,000).

Employees and Remuneration Policies

As at 31 July 2016, the Group employed a total of around 1,400 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register to be kept by the Company pursuant to section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules were disclosed as follows:

(1) The Company

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

		Number of Shares		Number of underlying Shares		
Name of Director	**Capacity**	**Personal interests**	**Corporate interests**	**Personal interests** *(Note 1)*	**Total**	**Approximate percentage of total issued Shares** *(Note 2)*
Chew Fook Aun ("**Mr. FA Chew**")	Beneficial owner/ Owner of controlled corporation	Nil	600,000 *(Note 3)*	1,009,591	1,609,591	0.49%
Lam Hau Yin, Lester ("**Mr. Lester Lam**")	Beneficial owner	Nil	Nil	3,219,182	3,219,182	0.98%
Cheng Shin How ("**Mr. SH Cheng**")	Beneficial owner	Nil	Nil	643,836	643,836	0.20%
Lee Tze Yan, Ernest ("**Mr. Ernest Lee**")	Beneficial owner	Nil	Nil	640,000	640,000	0.20%

Notes:

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

Name of Director	***Date of grant***	***Number of underlying Shares comprised in share options***	***Option period***	***Exercise price per Share*** *(HK$)*
Mr. FA Chew	*12/06/2012*	*1,009,591*	*12/06/2012–11/06/2020*	*6.65*
Mr. Lester Lam	*18/01/2013*	*3,219,182*	*18/01/2013–17/01/2023*	*11.40*
Mr. SH Cheng	*18/01/2013*	*643,836*	*18/01/2013–17/01/2023*	*11.40*
Mr. Ernest Lee	*18/01/2013*	*640,000*	*18/01/2013–17/01/2023*	*11.40*

2. *The percentage has been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 327,386,965 Shares).*

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

(2) Associated Corporations

(i) eSun

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

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

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

(ii) LSD

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

Name of Director	Capacity	Number of LSD Shares		Number of underlying LSD Shares	Total	Approximate percentage of total issued LSD Shares
		Personal interests	Corporate interests	Personal interests *(Note 1)*		*(Note 2)*
Mr. FA Chew	Beneficial owner/ Owner of controlled corporation	Nil	400,000 *(Note 3)*	3,773,081	4,173,081	0.69%
Mr. Lester Lam	Beneficial owner	Nil	Nil	4,173,081	4,173,081	0.69%
U Po Chu ("**Madam U**")	Beneficial owner	26,919	Nil	Nil	26,919	0.01%
Mr. Ernest Lee	Beneficial owner	Nil	Nil	832,000	832,000	0.14%

Notes:

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

Name of Director	*Date of grant*	*Number of underlying LSD Shares comprised in share options*	*Option period*	*Exercise price per LSD Share (HK$)*
Mr. FA Chew	*05/06/2012*	*3,773,081*	*05/06/2012–04/06/2022*	*5.35*
Mr. Lester Lam	*18/01/2013*	*4,173,081*	*18/01/2013–17/01/2023*	*16.10*
Mr. Ernest Lee	*18/01/2013*	*832,000*	*18/01/2013–17/01/2023*	*16.10*

2. *The percentage has been compiled based on the total number of issued LSD Shares as at the Latest Practicable Date (i.e. 606,464,125 LSD Shares).*

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

(iii) LSG

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

Name of Director	Capacity	Number of LSG Shares: Personal interests	Number of LSG Shares: Corporate interests	Number of underlying LSG Shares: Personal interests *(Note 1)*	Total	Approximate percentage of total issued LSG Shares *(Note 2)*
Lam Kin Ming ("**Dr. KM Lam**")	Beneficial owner	1,013,879	Nil	Nil	1,013,879	0.26%
Mr. FA Chew	Beneficial owner/ Owner of controlled corporation	Nil	202,422 *(Note 3)*	3,819,204	4,021,626	1.04%
Madam U	Beneficial owner	825,525	Nil	Nil	825,525	0.21%
Mr. Lester Lam	Beneficial owner	12,366,937	Nil	7,571,626	19,938,563	5.16%

Notes:

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

Name of Director	*Date of grant*	*Number of underlying LSG Shares comprised in share options*	*Option period*	*Exercise price per LSG Share (HK$)*
Mr. FA Chew	*19/06/2017*	*3,819,204*	*19/06/2017–18/06/2027*	*15.00*
Mr. Lester Lam	*18/01/2013*	*3,752,422*	*18/01/2013–17/01/2023*	*6.05*
Mr. Lester Lam	*19/06/2017*	*3,819,204*	*19/06/2017–18/06/2027*	*15.00*

2. *The percentage has been compiled based on the total number of issued LSG Shares as at the Latest Practicable Date (i.e. 386,604,822 LSG Shares).*

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

(iv) LSD Bonds (2017) Limited

Long position in the 4.6% guaranteed notes due 2022

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

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

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

Save as disclosed below (and their respective interests disclosed above), as at the Latest Practicable Date, there was no Director or proposed Director who is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

1. Mr. FA Chew (an executive Director) is also an executive director of each of eSun, LSD and LSG;

2. Dr. KM Lam (an executive Director) is also a non-executive director of LSD and an executive director of LSG;

3. Mr. Lam Kin Hong, Matthew (an executive Director) is also an executive director of LSG;

4. Mr. Lester Lam (an executive Director) is also an executive director of each of eSun, LSD and LSG;

5. Madam U (an executive Director) is also an non-executive director of each of eSun and LSD, and an executive director of LSG;

6. Mr. Ernest Lee (an executive Director) is also an employee of LSD; and

7. Mr. Lam Bing Kwan (an independent non-executive Director) is also an independent non-executive director of each of LSD and LSG.

3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Mr. FA Chew, Dr. KM Lam, Mr. Lam Kin Hong, Matthew, Mr. Lester Lam, Madam U, Mr. Ernest Lee, Mr. Lucas Ignatius Loh Jen Yuh and Mr. Puah Tze Shyang (together, "**Interested Directors**") held shareholding or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in the PRC.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or may compete with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were treated as a controlling shareholder of the Company).

6. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 July 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Group within the two years immediately preceding the Latest Practicable Date:

(a) a cooperation agreement dated 1 June 2017 entered into between Zhuhai Hengqin Laisun Creative Culture City Co. Ltd.* (珠海橫琴麗新文創天地有限公司) ("**ZH**", a company owned as to 20% by eSun and 80% by the Company) and Trans-Island Limousine Service Limited (環島旅運有限公司) ("**Trans-Island**") to develop cross-border bus services, whereby ZH shall lease a retail space with gross floor area of approximately 119.37 square metres in Phase I of the Novotown project at a monthly rental rate of RMB67 per square metre to Trans-Island as customer service centre together with six bus parking spaces for its provision of the aforementioned cross-border bus services, and Trans-Island shall provide the cross-border bus services and other tourist services as set out in the cooperation agreement;

(b) a licence agreement dated 30 June 2017 entered into between Fortunate Century Limited (福運世紀有限公司) ("**Fortunate Century**", a wholly-owned subsidiary of the Company) (as the licensee) and Real Madrid (as the licensor) in relation to the development and operation of a location based entertainment centre ("**Real Madrid LBE**") which is planned to be launched in Phase II of the Novotown project, subject to the successful acquisition of the relevant Phase II lands by the Company for the Novotown project, whereby Real Madrid shall license its licensed intellectual property rights to Fortunate Century in return for payments, largely in the form of royalties against various revenue streams of the Real Madrid LBE payable on a yearly basis (subject to adjustments pursuant to the terms of the licence agreement);

(c) a cooperation agreement dated 22 November 2017 (as supplemented) entered into between Supreme Motion (a wholly-owned subsidiary of the Company), Harrow International (China) Management Services Limited ("**HICMS**") and ILA Holdings Limited ("**ILA**") in relation to the setting up of the Innovation Leadership Academy Hengqin ("**School**") in Phase II of the Novotown project, subject to, among other things, the successful acquisition of the relevant Phase II lands by the Company for the Novotown project, whereby Supreme Motion shall acquire the relevant land use right and develop the relevant land for the setting up of the School ("**Development**") and HICMS and ILA shall pay Supreme Motion the total costs and expenses incurred by it for the Development in annual instalment of 7% of the gross revenue of the School and/or such other amounts as may be paid by HICMS and ILA pursuant to the cooperation agreement;

(d) a subscription agreement dated 10 January 2018 entered into between the Company, Lai Fung Bonds (2018) Limited ("**Lai Fung Bonds**", a wholly-owned subsidiary of the Company), LSD and the joint lead managers (being DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, Oversea-Chinese Banking Corporation Limited and UBS AG Hong Kong Branch) in relation to the issue and distribution of the 5.65% guaranteed notes due 2023 in the principal amount of US$350,000,000 to be issued by Lai Fung Bonds;

(e) the Land Use Rights Grant Contract;

(f) a licence agreement dated 27 December 2018 entered into between Wealth Creation Limited (富威基業有限公司) ("**Wealth Creation**", a wholly-owned subsidiary of the Company) (as the licensee) and Ducati (as the licensor) in relation to the development and operation of a motorcycle-themed experience centre ("**Centre**") which is planned to be launched in Phase II of the Novotown project, whereby Ducati shall license its licensed intellectual property rights to Wealth Creation in return for payments, largely in the form of royalties against various revenue streams of the Centre payable on a yearly basis (subject to adjustments pursuant to the terms of the licence agreement);

(g) an agreement dated 31 December 2018 made among Rosy Commerce Holdings Limited (業佳控股有限公司) ("**Rosy Commerce**", a company owned by the Company and eSun as to 80% and 20%, respectively), China Cinda (HK) Asset Management Co., Limited (中國信達(香港)資產管理有限公司) ("**Investor**", an indirect wholly-owned subsidiary of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a joint stock company incorporated in the PRC and whose shares and preference shares are listed on the Main Board of the Stock Exchange (Stock Code: 1359; Preference Shares Stock Code: 4607)) and Glorious Stand Limited (榮立有限公司) ("**Glorious Stand**", an indirect wholly-owned subsidiary of the Company) in relation to the sale and purchase and subscription of shares in Glorious Stand ("**GSL Investment Agreement**"), whereby:

(1) Rosy Commerce agreed to subscribe for nine new shares in Glorious Stand at the aggregate subscription price of US$9;

(2) the Investor agreed to acquire three shares in Glorious Stand from Rosy Commerce at the USD equivalent of approximately RMB7 million;

(3) the Investor agreed to subscribe for 27 new shares in Glorious Stand at the aggregate subscription price of the USD equivalent of approximately RMB50 million; and

(4) Rosy Commerce agreed to subscribe for 63 new shares in Glorious Stand at the aggregate subscription price of US$63;

(h) an agreement dated 31 December 2018 made among Rosy Commerce, the Investor and Harmonic Run Limited (和運有限公司) ("**Harmonic Run**", an indirect wholly-owned subsidiary of the Company) in relation to the subscription of shares in Harmonic Run ("**HRL Investment Agreement**"), whereby:

(1) the Investor agreed to subscribe for 30 new shares in Harmonic Run at the aggregate subscription price of the USD equivalent of RMB186 million; and

(2) Rosy Commerce agreed to subscribe for 69 new shares in Harmonic Run at the aggregate subscription price of the USD equivalent of approximately RMB314 million;

(i) a shareholders' agreement dated 25 January 2019 entered into among Rosy Commerce, the Investor, Glorious Stand, the Company and eSun in relation to Glorious Stand upon completion of the GSL Investment Agreement;

(j) a shareholders' agreement dated 25 January 2019 entered into among Rosy Commerce, the Investor, Harmonic Run, the Company and eSun in relation to Harmonic Run upon completion of the HRL Investment Agreement; and

(k) the Amendment Contract.

8. GENERAL

(a) The address of the registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal office is at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

(b) The company secretary of the Company is Ms. Yim Lai Wa, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(c) The share registrar and transfer office of the Company in Cayman Islands is SMP Partners (Cayman) Limited, Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.

(d) The branch share registrar and the transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the following business hours (i.e. from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (Saturdays and public holidays excepted) unless (i) a tropical cyclone warning signal number 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for 14 days from the date of this circular:

(a) the Amended and Restated Memorandum and Articles of Association of the Company;

(b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix III;

(c) the annual reports of the Company for the three years ended 31 July 2016, 31 July 2017 and 31 July 2018; and

(d) this circular.