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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institutions 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 Sun Development Company Limited**, you should at once hand this circular with the accompanying form of proxy, to the purchaser(s) or the transferee(s), or to the licensed securities dealer, registered institutions in securities, bank or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**LAI SUN DEVELOPMENT**

Lai Sun Development Company Limited  
(Incorporated in Hong Kong with limited liability)

**(Stock Code: 488)**

**VERY SUBSTANTIAL DISPOSAL  
DISPOSAL OF EQUITY INTEREST IN  
THE ENTITY OWNING AIA CENTRAL  
AND  
NOTICE OF GENERAL MEETING**

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Capitalised terms used in the lower portion of this cover page will have the same respective meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 6 to 20 of this circular.

The notice convening the general meeting of the Company (“**General Meeting**” or “**GM**”) to be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Wednesday, 22 May 2024 at 11:00 a.m. (or, if later, immediately following the conclusion of the relevant general meeting of LSG) is set out on pages GM-1 to GM-3 of this circular.

Shareholders are advised to read the notice of the General Meeting and if you are not able to attend the General Meeting or any adjournment thereof (as the case may be) in person but wish to exercise your right as a Shareholder, please complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

No refreshment or corporate gifts will be provided at the General Meeting.

Hong Kong, 7 May 2024

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*This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at “<http://www.laisun.com>” and Hong Kong Exchanges and Clearing Limited at “<http://www.hkexnews.hk>”. The English version will prevail in case of any inconsistency between the English and the Chinese versions of this circular.*

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## DEFINITIONS

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

“Agreed Property Value”	HK\$17,750,000,000, being the value of the Property as agreed between the Vendor and the Purchaser;
“Audited Completion Accounts”	the audited accounts of Bayshore Development as at the Completion Date;
“Bayshore Development”	Bayshore Development Group Limited, a private company limited by shares incorporated in the British Virgin Islands;
“Board”	the board of Directors;
“Business Day”	a day (excluding Saturdays, Sundays, public holidays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open for business in Hong Kong;
“Company” or “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);
“Completion”	the completion of the Disposal;
“Completion Accounts”	the unaudited management accounts of Bayshore Development as at the Completion Date;
“Completion Date”	31 May 2024 or any other later date which may be mutually agreed by the Vendor and the Purchaser in writing;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration to be paid by the Purchaser to the Vendor for the Sale Shares pursuant to the Sale and Purchase Agreement;

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## DEFINITIONS

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“Deed of Taxation Indemnity”	the deed of taxation indemnity to be entered into among the Vendor, the Company, the Purchaser and Bayshore Development upon Completion;
“Directors”	the directors of the Company;
“Disposal”	the transaction contemplated under the Sale and Purchase Agreement, namely the disposal of the Sale Shares by the Vendor to the Purchaser;
“eSun”	eSun Holdings Limited (豐德麗控股有限公司), 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 (Stock Code: 571), which was held as to approximately 63.40% by the Company as at the Latest Practicable Date;
“eSun Group”	eSun and its subsidiaries;
“Final Consideration”	the final Consideration equivalent to 10% of the Net Asset Value of Bayshore Development based on the Audited Completion Accounts;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“HKEX”	Hong Kong Exchanges and Clearing Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of PRC;
“Initial Consideration”	the amount equivalent to 10% of the Net Asset Value of Bayshore Development based on the Proforma Completion Accounts;
“Lai Fung”	Lai Fung Holdings Limited (麗豐控股有限公司), 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 (Stock Code: 1125), which was held as to approximately 55.08% by the Company as at the Latest Practicable Date;

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## DEFINITIONS

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“Lai Fung Group”	Lai Fung and its subsidiaries;
“Latest Practicable Date”	3 May 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time);
“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), the ultimate holding company of the Company;
“LSG Group”	LSG and its subsidiaries, including the Group;
“Material Adverse Change (or Effect)”	any change (or effect), the consequence of which is to materially and adversely affect the financial position, business, operation, prospect and/or asset of Bayshore Development and/or the Property;
“Net Asset Value”	the total assets less the total liabilities of Bayshore Development calculated in accordance with the Sale and Purchase Agreement;
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Proforma Completion Accounts”	the unaudited management accounts of Bayshore Development projected/forecasted on the Completion Date (which shows the total projected/forecasted assets and total liabilities of Bayshore Development of HK\$111,231,086 (excluding the Agreed Property Value) and HK\$3,644,967,838, respectively);

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## DEFINITIONS

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“Property”	all those pieces or parcels of land respectively registered in the Land Registry as Marine Lot No.275, Section A of Marine Lot No.278 and The Remaining Portion of Marine Lot No.278 together with all messuages, erections and buildings thereon now known as “AIA Central”, No.1 Connaught Road Central, Hong Kong;
“Purchaser”	Grand Design Development Limited, a company incorporated in the British Virgin Islands with limited liability;
“Relevant Authority”	any government, government department or governmental, quasi-governmental, supranational, federal, statutory, regulatory or investigative body, authority (including any national or supranational anti-trust or merger control authority), court, tribunal, stock exchange, trade agency, professional association or institution, environmental body or any other person or body whatsoever in any jurisdiction;
“Remaining Group”	the Group excluding the investment in the Sale Shares on the assumption that completion of the Disposal had taken place;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8 April 2024 in relation to the Disposal entered into between the Vendor and the Purchaser;
“Sale Shares”	10 ordinary shares in the capital of Bayshore Development, representing 10% of the total issued shares of Bayshore Development;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time);
“Shareholders”	the shareholders of the Company;
“Share(s)”	share(s) in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“USD” or “US\$”	the lawful currency of the United States;
“Vendor”	Peakflow Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company; and
“%”	per cent.

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## LETTER FROM THE BOARD

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# LAI SUN DEVELOPMENT

Lai Sun Development Company Limited  
(Incorporated in Hong Kong with limited liability)

**(Stock Code: 488)**

*Executive Directors:*

Dr. Lam Kin Ngok, Peter, *GBM, GBS (Chairman)*  
Mr. Lau Shu Yan, Julius (*Chief Executive Officer*)  
Mr. Cheung Sum, Sam (*Group Chief Financial Officer  
and Company Secretary*)  
Mr. Lam Hau Yin, Lester  
(*also alternate to Madam U Po Chu*)  
Mr. Lee Tze Yan, Ernest

*Registered office/Principal office:*

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

*Non-executive Director:*

Madam U Po Chu

*Independent Non-executive Directors:*

Mr. Lam Bing Kwan  
Mr. Leung Shu Yin, William  
Mr. Ip Shu Kwan, Stephen, *GBS, JP*  
Mr. Luk Hon Man

7 May 2024

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL  
DISPOSAL OF EQUITY INTEREST IN  
THE ENTITY OWNING AIA CENTRAL  
AND  
NOTICE OF GENERAL MEETING**

### 1. INTRODUCTION

Reference is made to the joint announcement issued by LSG and the Company dated 8 April 2024 in which the Board announced that on 8 April 2024, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser for the Disposal, representing 10% equity interest in Bayshore Development. Bayshore Development holds the entire legal and beneficial interest of the Property. Upon Completion, each of the LSG Group and the Group will cease to hold any interest in Bayshore Development.



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## LETTER FROM THE BOARD

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The Disposal constitutes very substantial disposals for the Company pursuant to Rule 14.06(4) of the Listing Rules as one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rule.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) financial information of the Group and Bayshore Development; (iii) unaudited pro forma financial information of the Remaining Group; (iv) management discussion and analysis of the Remaining Group; (v) a valuation report on Bayshore Development issued by Savills Valuation and Professional Services Limited; and (vi) a notice convening the GM, as well as other information as required under the Listing Rules.

## 2. THE DISPOSAL

### THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised below:

Date:	8 April 2024 (after trading hours)
Parties:	(i) the Vendor, a wholly-owned subsidiary of the Company, as vendor; and  (ii) the Purchaser, as purchaser.
Transaction structure:	The Disposal comprises the sale of the Sale Shares (representing 10% equity interest in Bayshore Development) by the Vendor to the Purchaser.  Bayshore Development holds the entire legal and beneficial interest of the Property.
Consideration:	The Consideration shall be based on the amount equivalent to 10% of the Net Asset Value based on the Audited Completion Account. Please refer to the paragraph headed "Calculation of Net Asset Value" below for the basis of calculating the Net Asset Value.

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## LETTER FROM THE BOARD

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### *Initial Consideration*

Subject to post-completion adjustment as described below, the initial consideration for the Sale Shares payable by the Purchaser to the Vendor upon Completion (the “**Initial Consideration**”) shall be HK\$1,421,626,325, which is an amount equivalent to 10% of the Net Asset Value based on the Proforma Completion Accounts.

### *Final Consideration*

The Initial Consideration shall be adjusted based on the amount equivalent to 10% of Net Asset Value based on the Audited Completion Accounts.

### *Payment terms*

The Consideration shall be payable in the following manner:

- (i) the Initial Consideration shall be payable by the Purchaser to the Vendor upon Completion; and
- (ii) an amount equivalent to the difference between the Initial Consideration and the Final Consideration shall be payable within ten (10) Business Days after the date of issue of the Audited Completion Accounts by (x) the Purchaser to the Vendor (if the Final Consideration exceeds the Initial Consideration); or (y) the Vendor to the Purchaser (if the Initial Consideration exceeds the Final Consideration).

Calculation of Net Asset Value:

The Net Asset Value shall be calculated as follows:

- (i) the Agreed Property Value (namely HK\$17,750,000,000, being the value of the Property as agreed between the Vendor and the Purchaser);

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## LETTER FROM THE BOARD

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- (ii) plus, the amount of all assets of Bayshore Development (excluding the Agreed Property Value) as at the Completion Date as shown in the Proforma Completion Accounts, the Completion Accounts or the Audited Completion Accounts (as the case may be); and
- (iii) less, the amount of all liabilities and provisions as at the Completion Date as shown in the Proforma Completion Accounts, the Completion Accounts or the Audited Completion Accounts (as the case may be).

The Vendor and the Purchaser shall procure, after Completion, Bayshore Development to prepare the Completion Accounts within twenty (20) Business Days after the Completion Date, and to appoint the auditor and to deliver to the auditor the Completion Accounts for the auditor's review and comment. The auditor shall complete and deliver to the Vendor and the Purchaser the Audited Completion Accounts and certify the Net Asset Value in any event within forty (40) Business Days (or as otherwise agreed by the Vendor and the Purchaser in writing) after Completion.

Conditions precedent:

Completion shall be subject to and conditional upon the Purchaser being satisfied with the following (the "**Conditions**") :

- (a) Bayshore Development being and as at Completion remaining the sole legal and beneficial owner of the Property and the title to the Property (subject to otherwise provided in the Sale and Purchase Agreement), and being good and free from all encumbrances;
- (b) the Vendor being and as at Completion remaining the sole legal and beneficial owner of the Sale Shares and the title to the Sale Shares being good and free from all encumbrances;

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## LETTER FROM THE BOARD

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- (c) there being no compulsory acquisition or notice, demand, direction or order of intended resumption and acquisition by the Relevant Authority affecting the Property or any part(s) thereof or otherwise materially and adversely affecting the Property or any part(s) thereof;
- (d) all the warranties given by the Vendor in the Sale and Purchase Agreement remaining true and accurate and not misleading as at Completion and there being no circumstance which results in a Material Adverse Change (or Effect) on (i) the Property; (ii) Bayshore Development; and/or (iii) the transactions contemplated under the Sale and Purchase Agreement;
- (e) there being no outstanding claims, proceedings or any other legal procedures having a Material Adverse Change (or Effect) on Bayshore Development and/or on the Property (or any part thereof); and
- (f) all necessary consents, confirmations, permits, approvals, licences and authorisations from all Relevant Authority or otherwise required from any third parties in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained.

The Purchaser may in its absolute discretion at any time waive in writing in whole or in part and conditionally or unconditionally any of the Conditions or any part thereof on such terms as it may decide (except Condition (f) above).

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## LETTER FROM THE BOARD

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In addition, pursuant to the Listing Rules, the Completion shall be conditional upon compliance of all necessary requirements which each of LSG and the Company are required to comply with under the Listing Rules (the “**Requirements**”). The Vendor shall use its best endeavour to procure each of LSG and the Company to comply with the Requirements as soon as possible. If the Requirements are not complied with at least five (5) Business Days prior to the Completion Date, notwithstanding the Vendor having used its best endeavour to procure compliance by LSG and the Company, the parties shall terminate the Sale and Purchase Agreement and the parties shall not have any claim against the other except antecedent breaches, save that the Vendor shall pay for the legal costs of the Purchaser in connection with the preparation, negotiation and execution of the Sale and Purchase Agreement and the said termination agreement, and all legal costs incurred in connection with the transactions contemplated under the Sale and Purchase Agreement.

Subject to the provisions in relation to the Requirements as described above, if the Conditions are (notwithstanding the Vendor having used its best endeavours) not satisfied or (as applicable) waived by the Purchaser on or before the Completion Date, then either the Purchaser or the Vendor may terminate the Sale and Purchase Agreement and all rights and obligations of the parties thereunder shall cease and terminate, save and except for the surviving clauses which shall remain in full force and effect, and following such termination no party shall have any claim against the other under the Sale and Purchase Agreement save for any antecedent breach by any party or any claim arising from breach of confidentiality obligation contained in the Sale and Purchase Agreement.

As of the date of this circular, the condition precedents under the Sale and Purchase Agreement have not yet been declared to be satisfied or waived.

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## LETTER FROM THE BOARD

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Completion: Completion shall take place on the Completion Date subject to the terms and conditions of the Sale and Purchase Agreement including satisfaction (or, where applicable, waiver) of the conditions precedent as mentioned in the paragraph headed “Conditions precedent” above.

The Deed of Taxation Indemnity will be entered into upon Completion. Pursuant to the Deed of Taxation Indemnity, the Vendor and the Company will jointly and severally agree to indemnify the Purchaser and Bayshore Development from and against, among other things, 10% of taxation liabilities made against Bayshore Development, save as otherwise provided in the Deed of Taxation Indemnity, up to the Completion Date.

### **3. INFORMATION OF BAYSHORE DEVELOPMENT AND THE PROPERTY**

#### **Information of Bayshore Development**

Bayshore Development is a private company limited by shares incorporated in the British Virgin Islands.

Bayshore Development is the sole legal and beneficial owner of the Property. The Property is situated in the central business district of Hong Kong. It is a 38-storey office tower which provides office space with a total GFA of approximately 428,962 square feet (excluding car parking spaces).

As at the date of this circular, Bayshore Development is owned as to 90% and 10%, by the Purchaser and the Vendor, respectively. Upon Completion, the Purchaser shall hold the entire equity interest in Bayshore Development.

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## LETTER FROM THE BOARD

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### Financial Information of Bayshore Development

The table below sets out certain consolidated financial information of Bayshore Development for the years ended 31 December 2022 and 2023:

	<b>2023</b> <i>(unaudited)</i> <b>HK\$'000</b>	2022 <i>(audited)</i> <b>HK\$'000</b>
Net profit before taxation	<b>346,387</b>	415,432
Net profit after taxation	<b>288,420</b>	346,077

The unaudited consolidated net asset value of Bayshore Development as at 31 December 2023 was HK\$117,367,085.

The carrying amount of the Sale Shares as at 31 July 2023 and 31 January 2024 was approximately HK\$1,576,268,000 and approximately HK\$1,544,544,000, respectively.

#### 4. INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. The Purchaser is an indirect wholly-owned subsidiary of AIA Group Limited (a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1299 (HKD Counter) and 81299 (RMB Counter))). The Purchaser is an investment holding company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

#### 5. INFORMATION OF LSG, THE COMPANY AND THE VENDOR

##### LSG

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, production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. LSG owns approximately 55.60% of the total issued shares of the Company as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### The Company

The Company 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 Group include property investment, property development, investment in and operation of hotels and restaurants, production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management, cinema operation, cultural, leisure, entertainment and related facilities and investment holding.

### The Vendor

The Vendor is a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company and an indirect non-wholly-owned subsidiary of LSG (through LSG's shareholding in the Company). The Vendor is an investment holding company.

## 6. VALUATION

Based on the valuation report by Savills Valuation and Professional Services Limited (the "**Property Valuation Report**"), the value of the Property is HK\$20,300,000,000 as at 29 February 2024. For details of the valuation of the Property, please refer to the Property Valuation Report in Appendix V to this circular. Disclosure of the reconciliation of the net book value and the valuation as required under Rule 5.07 of the Listing Rules is set out below:

	<i>HK\$'000</i>
Net book value of the Property as at 31 December 2023	<u>3,596,577</u>
Valuation surplus as at 29 February 2024	<u>16,703,423</u>
Valuation of the Property as at 29 February 2024 as set out in the Property Valuation Report included in Appendix V to this circular	<u><u>20,300,000</u></u>

## 7. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors undertake strategic reviews of the Group's assets from time to time with a view to maximising returns to the Shareholders.



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## LETTER FROM THE BOARD

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The Agreed Property Value and the basis of determining the Consideration were arrived after arm's length negotiations between the Purchaser and the Vendor. According to the valuation conducted by an independent valuer as engaged by the Vendor based on income capitalisation approach, the valuation of the Property as at 29 February 2024 is HK\$20,300,000,000. For details of the valuation of the Property, please refer to the Property Valuation Report in Appendix V to this circular.

While the Agreed Property Value of HK\$17,750,000,000 represents a discount to the property valuation, the Board has taken into account the prevailing and expected market dynamics under which deviations from property valuations are frequently observed and taking into consideration of factors including (i) the sentiment of the overall macro-economic and property market in Hong Kong, which experience ongoing challenges and is expected to remain uncertain as further discussed in the section headed "4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP - Hong Kong and Overseas Property Market" in Appendix I to this circular; (ii) the financial position and business operation of the Group; and (iii) the Disposal would provide immediate cash flow to the Group hence enhancing the Group's financial resources, the Board considers that the discount is both equitable and justifiable. Although the Group is expected to record a loss on the Disposal (under "*FINANCIAL EFFECTS AND USE OF PROCEEDS OF THE DISPOSAL*" section below), these losses are non-cash items and will not adversely affect the Group's financial position. The Board therefore concludes that it would be prudent for the Vendor to conduct the Disposal, and that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Board also considers the basis in arriving at the Initial Consideration to be fair and reasonable given that such amount is calculated based on the Agreed Property Value and the projected/estimated assets and liabilities of Bayshore Development on the Completion Date and that such amount will be adjusted based on the Audited Completion Accounts.

### **8. FINANCIAL EFFECTS AND USE OF PROCEEDS OF THE DISPOSAL**

Upon Completion, the Company will cease to hold any equity interest in Bayshore Development.

The 10% equity interest in Bayshore Development is recognised as unlisted investments under "Financial assets at fair value through other comprehensive income" on the consolidated statement of financial position of the Company. Any gains or losses on these financial assets are recognised under "Other Comprehensive Income/Expense" and will not be reclassified to profit or loss of the Company.

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## LETTER FROM THE BOARD

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Solely for reference purposes, based on the Initial Consideration, the Group is expected to record a loss on the Disposal of approximately HK\$154,642,000, net of transaction costs and taxation under “Other Comprehensive Income/Expense”. The aforesaid amount is arrived at based on the difference between the Initial Consideration of approximately HK\$1,421,626,000 and the carrying amount of the Sale Shares as at 31 July 2023 of approximately HK\$1,576,268,000. The definitive amount of any gain or loss shall be adjusted taking into account the Final Consideration and subject to audit, which is expected to be recorded in the financial statements of the Company for the financial year ending 31 July 2024.

In relation to the effect of the Disposal on the Remaining Group’s assets and liabilities, as set out in the unaudited pro forma financial information on the Remaining Group in Appendix III to this circular, assuming that completion of the Disposal had taken place on 31 January 2024, the total assets of the Remaining Group would have decreased from approximately HK\$71,492,943,000 to approximately HK\$71,366,025,000, the total liabilities of the Remaining Group will remain at approximately HK\$36,803,398,000 and the net assets of the Remaining Group will decrease from approximately HK\$34,689,545,000 to approximately HK\$34,562,627,000 as a result of the completion of the Disposal. Further details of the unaudited pro forma consolidated statement of assets and liabilities of the Remaining Group are set out in Appendix III to this circular.

The Company intends to apply the net proceeds from the Disposal for the repayment of bank loans and/or as general working capital of the Group.

### **9. LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes very substantial disposals for the Company pursuant to Rule 14.06(4) of the Listing Rules and are therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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### 10. WAIVER FROM STRICT COMPLIANCE WITH RULE 14.68(2)(A)(I) OF THE LISTING RULES

Pursuant to Rule 14.68(2)(a)(i) of the Listing Rules, for a circular issued in relation to a very substantial disposal, it is required that financial information of either (a) Bayshore Development; or (b) the Group with Bayshore Development being shown separately, to be included in the circular in relation to the Disposal, where such financial information must be reviewed by the Company's auditors or reporting accountants according to the relevant accounting standards as specified under Rule 14.68(2)(a)(i) of the Listing Rules. Pursuant to Note 1 to Rule 14.68(2)(a)(i) of the Listing Rules, the Company may include an accountants' report instead of a review by its auditors or reporting accountants.

The Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 14.68(2)(a)(i) of the Listing Rules based on the following grounds:

- (a) The assets of Bayshore Development are not consolidated in the accounts of the Company before the Disposal. The Company only has a 10% equity interest in Bayshore Development. The interest of the Company in Bayshore Development has been accounted for as financial assets at fair value through other comprehensive income since 1 August 2018.
- (b) With a 10% equity interest in Bayshore Development, the Vendor only has limited rights to access, as afforded to a minority shareholder, Bayshore Development's financial information. In order to complete the review procedure required under Rule 14.68(2)(a)(i) of the Listing Rules, or to prepare an accountants' report pursuant to Note 1 to Rule 14.68(2)(a)(i) of the Listing Rules, the Vendor needs consent from AIA Group Limited (the holding company of the Purchaser) and its auditors (namely PricewaterhouseCoopers) to provide the audited accounts as well as the relevant underlying financial information and books and records to the independent auditors of the Company (be it the Company's existing independent auditors, namely Ernst & Young ("**Ernst & Young**"), or a separately engaged reporting accountant) to perform the necessary work. AIA Group Limited has its issued shares listed and traded on the Main Board of the Stock Exchange (Stock Code: 1299 (HKD Counter) and 81299 (RMB Counter)), and is therefore required to comply with legal, regulatory and other requirements in relation to the disclosure of non-public information. Taking into account the aforesaid, the Company considers that the request for full access to the books and records for the purpose of performing the review or audit work would be unduly burdensome and there could be practical difficulties for its auditors to have such access in a timely manner.

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## LETTER FROM THE BOARD

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- (c) As alternative disclosure as set out in Appendix II to this circular, the Company has included in the aforesaid appendix by way of reproducing the accounts of Bayshore Development (“**Bayshore Audited Financial Statements**”) for the two financial years ended 31 December 2022 and 2023 prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and audited by PricewaterhouseCoopers, Bayshore Development’s auditor. The Company considers that the financial information of Bayshore Development disclosed in such form and manner in Appendix II to this circular contain sufficient information to enable the Shareholders to make a properly informed assessment in respect of the Disposal for the following reasons:
- (i) both the Bayshore Audited Financial Statements audited by PricewaterhouseCoopers and the financial statements of the Company prepared by Ernst & Young as the Company’s existing independent auditor are prepared in accordance with the HKFRS issued by HKICPA;
  - (ii) the Bayshore Audited Financial Statements generally cover the key items required by Chapter 4 of the Listing Rules, including (A) statement of comprehensive income; (B) statement of financial position; (C) statement of changes in equity; (D) statement of cash flows; and (E) notes to the financial statements;
  - (iii) the Bayshore Audited Financial Statements do not contain certain requirements required by Chapter 4 of the Listing Rules, including, *inter alia*, earnings per share and ageing analysis. The Company believes these are not relevant and material information for the Shareholders to base their decision on, as the inclusion of a valuation of the Property issued by Savills Valuation and Professional Services Limited, the independent property valuer, as set out in Appendix V to this circular will give the Shareholders relevant information about the value of the Property as valued by the aforesaid valuer and hence the value of the Vendor’s minority stake in Bayshore Development; and
  - (iv) the recognition of the Property is based on historical cost under the Bayshore Audited Financial Statements, while the Company recognised its 10% equity interest in Bayshore Development (which in turns owns the Property) based on fair value. Such differences in accounting policies would not affect the basis in arriving at the Consideration. As set out under the paragraph headed “2. THE DISPOSAL – THE SALE AND PURCHASE AGREEMENT” above, the Consideration is based on the amount equivalent to 10% of the Net Asset Value based on the Audited Completion Account, while the Net Asset Value is calculated based on the Agreed Property Value (being the value of the Property as agreed between the Vendor and the Purchaser, but not the historical cost of the Property in the Bayshore Audited Financial Statements), plus the amount of all assets (excluding the Agreed Property Value) and less the amount of all liabilities and provisions as at the Completion Date.

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## LETTER FROM THE BOARD

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- (d) Considering the additional costs and hurdles involved in the preparation of the information required under Rule 14.68(2)(a)(i) of the Listing Rules, as well as the readily available alternative information, the Company considers that it will be unduly burdensome, time consuming and costly to the Company for conducting such review work to comply with the requirements under Rule 14.68(2)(a)(i) of the Listing Rules.
- (e) Taking into consideration the aforesaid circumstances and the alternative disclosure as set out in paragraph (c) above, the Company considers that the grant of the waiver of strict compliance with the requirements under Rule 14.68(2)(a)(i) of the Listing Rules in this circular is not likely to mislead investors and/or the Shareholders and there would be no other undue risks to the Shareholders and investors.

### 11. GM

Set out on pages GM-1 to GM-3 of this circular is a notice convening the GM which will be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Wednesday, 22 May 2024 at 11:00 a.m. (or, if later, immediately following the conclusion of the relevant general meeting of LSG) at which an ordinary resolution will be proposed to approve the Disposal.

Shareholders are advised to read the notice for the GM and if you are not able to attend the GM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the GM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the GM or any adjournment thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to procedure or administrative matter to be voted by a show of hands, any vote of the Shareholders at a general meeting of the Company must be taken by way of a poll. Accordingly, the resolution to be considered and, if thought fit, passed at the GM will be voted by way of a poll by the Shareholders. Article 79 of the articles of association of the Company provides that on a poll, every Shareholder present in person or by proxy shall have one vote for every Share held by that Shareholder. An explanation of the detailed procedures of conducting a poll will be provided to the Shareholders at the GM. The Company will publish an announcement on the poll results of the resolution on the respective websites of the Company at "www.laisun.com" and the HKEX at "www.hkexnews.hk" after the conclusion of the GM.

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## LETTER FROM THE BOARD

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To the best of the knowledge, information and belief of the Directors having made all necessary enquiries, no Shareholders or any of their respective associates have any material interest in the Disposal. Therefore, no Shareholders would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for obtaining shareholders' approval for the Disposal.

**Completion of the Disposal is subject to fulfilment of various conditions precedent as set out in the section headed "The Disposal – Sale and Purchase Agreement – Conditions precedent" in this circular. Accordingly, the Disposal may or may not proceed. The Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.**

### 12. RECOMMENDATION

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the GM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

### 13. 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 Sun Development Company Limited**  
**Lam Kin Ngok, Peter**  
*Chairman*

**1. SUMMARY OF FINANCIAL RESULTS AND CONDITIONS OF THE GROUP**

The audited financial information of the Group for each of the three years ended 31 July 2021, 2022 and 2023 and the six months ended 31 January 2024 are disclosed in the following documents which have been published on the respective websites of the HKEX at “<http://www.hkexnews.hk>” and the Company at “<http://www.laisun.com>”:

- annual report of the Company for the year ended 31 July 2021 published on 17 November 2021 (pages 149 to 336)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1117/2021111700842.pdf>)
- annual report of the Company for the year ended 31 July 2022 published on 16 November 2022 (pages 165 to 352)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1116/2022111600666.pdf>)
- annual report of the Company for the year ended 31 July 2023 published on 16 November 2023 (pages 173 to 360)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1116/2023111600703.pdf>)
- interim report of the Company for the six months ended 31 January 2024 published on 18 April 2024 (pages 2 to 21)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0418/2024041801542.pdf>)

**2. STATEMENT OF INDEBTEDNESS**

As at 31 March 2024, being the latest practicable date for ascertaining certain information related to this indebtedness statement, the Group had outstanding consolidated total borrowings (after intragroup elimination) of approximately HK\$26,784 million, comprising secured bank borrowings of approximately HK\$21,839 million, unsecured and guaranteed bank borrowings of approximately HK\$332 million, unsecured guaranteed notes of approximately HK\$4,291 million, and unsecured and unguaranteed other borrowings of approximately HK\$322 million.

As at 31 March 2024, the Group, as lessees, had lease liabilities of approximately HK\$949 million.

As at 31 March 2024, certain investment properties, right-of-use assets, property, plant and equipment, completed properties for sale, properties under development, and bank balances and time deposits were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries were pledged to banks to secure banking borrowing facilities granted to the Group. Shares in certain joint ventures were pledged to banks to secure banking facilities granted to the respective joint ventures of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

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 March 2024, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK\$674 million.

As at 31 March 2024, the Group has provided corporate guarantees to banks in connection with facilities granted to and utilised by joint ventures of approximately HK\$779 million. The Group has also pledged a time deposit to a bank in connection with a bank guarantee for an associate of approximately HK\$15 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 March 2024, 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.

### **3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that, save as disclosed in the interim report of the Company for the six months ended 31 January 2024 or otherwise disclosed in this circular, there was no material adverse change in the financial or trading position or prospects of the Group since 31 July 2023, the date to which the latest published audited financial statements of the Group were made up.



#### 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Global economy encountered persistent challenges of inflation and subdued growth prospects. Despite a stronger-than-anticipated global GDP growth in 2023 largely due to post COVID-19 recovery, global GDP growth gradually slowed down due to geopolitical tensions, tighter financial conditions, weaker trade growth, and declining business and consumer confidence. The near-term outlook was unfavorable given heightened geopolitical tensions such as the ongoing Russia-Ukraine conflict, the recent conflict between Israel and Palestine, and significant tensions between major economies. These challenges, coupled with persistently high interest rates presented substantial obstacles to global recovery. The stronger than expected economic data in the United States, which led to a slower than expected interest rate cut surprised the market, implies a high interest rate environment is likely to persist for some time. Although China experienced limited direct impact, the enduring tensions with the United States, along with trade restrictions, resulted in the reduction of investor confidence and external demand. China sought to address this decline by implementing domestic initiatives and engaging in the belt and road initiative. Nevertheless, the repercussions of these challenges were felt across China, highlighting the widespread consequences on its economy.

##### **Hong Kong and Overseas Property Market**

Hong Kong continues to chart its course through challenging waters: geopolitical tensions, sustained high interest rates, underperforming stock market returns, and below-expectation GDP growth. These factors had a detrimental effect on investment sentiment and business confidence, leading to a fragile economic environment. Looking ahead, Hong Kong anticipates even greater volatility and geopolitical uncertainties. The government expects the GDP growth for 2024 to fall within the range of 2.5% to 3.5%. The weak consumption figure can be attributed to both high interest rates and subdued fundamental economic recovery.

Due to the uncertain economic recovery, tenants have remained cautious and delayed their relocation or expansion plans. The deteriorating business sentiment and reduced demand from multinational and Chinese enterprises have contributed to a subdued office leasing market. Consequently, the office leasing market is expected to experience ongoing challenges, including higher vacancy rates and suppressed rents in the near term. The reopening of borders and the return of tourists have provided some benefit to the retail segment, but domestic consumption remains the primary driving force. The poor economic outlook, interest rate hike cycle and underperforming stock market are expected to continue weighing on local consumption sentiment, therefore downward pressure on retail rents is expect to remain. Market activities have also slowed down in both the primary and secondary residential markets, amid the rising mortgage rates and weak purchase sentiment, resulting in softening home prices across different residential market segments. However, the removal of residential properties purchase restrictions has provided a much needed boost to the residential market and the Group is hopeful that the momentum will carry through to the rest of 2024.

The office and retail leasing business in Hong Kong is expected to be challenging. The Group has been coping with changing market trends and the evolving operating environment by continuing to optimise the tenant mix. Additionally, certain renovation and space optimisation works have been completed to improve the competitiveness of major rental properties of the Group.

With the planning consent approved by the City of London’s Planning and Transportation Committee, the Group keeps monitoring the market conditions in London closely for the potential redevelopment of the three properties on Leadenhall Street in London, comprising 100, 106 and 107 Leadenhall Street (“**Leadenhall Properties**”). A revised proposal was submitted to the City of London’s Planning and Transportation Committee in August 2022 for improving on the original design and repositioning the building to provide higher sustainability standards and enhanced amenities within the building. The revised proposal has been approved by the City of London Authority in May 2023. The Group is currently considering options and timing for the redevelopment of the Leadenhall Properties.

Construction work of Bal Residence in Kwun Tong was completed in October 2023, while fitting-out work was completed in late March 2024. Construction work of the Tai Kei Leng Project in Yuen Long was completed in late March 2024. These two residential projects added a total gross floor area (“**GFA**”) of approximately 71,800 square feet and 42,200 square feet, respectively, to the development portfolio of the Group. Presale of Bal Residence was launched in February 2023, followed by the official sale launch in late November 2023. Based on the latest available information, the Group has sold 47 units in Bal Residence with saleable area of approximately 16,024 square feet at an average selling price of approximately HK\$15,454 per square foot. The Tai Kei Leng Project is expected to be launched for pre-sale in the second quarter of 2024.

The pre-construction works of two residential projects secured by the Group in the past few years, namely the 116 Waterloo Road project and the 1&1A Kotewall Road project, are in progress. The Group intends to redevelop the 116 Waterloo Road project, which was acquired in September 2021 with vacant possession in March 2022, into a residential project offering around 85 residential units with total GFA of approximately 46,600 square feet. The Group also acquired the 1&1A Kotewall Road project in Mid-Levels, Hong Kong Island and the transaction was completed with vacant possession in March 2022. The Group plans to redevelop the site into a luxury residential project with a total GFA of approximately 55,200 square feet, offering around 27 medium-large sized residential units. Construction work of the residential project at the Wong Chuk Hang Station Package Five property development is in progress and is expected to be completed in the fourth quarter of 2025. The 79 Broadcast Drive project in Kowloon Tong will be developed into a high-quality luxury residential property with the maximum permissible GFA of approximately 71,600 square feet, offering around 46 medium-large sized units, including 2 houses. Project design and foundation works are in progress and the construction is expected to be completed in the first half of 2026.

All 605 units, including 23 houses in Alto Residences have been sold and 110 car parking spaces of Alto Residences have been released for sale. Based on the latest available information, 75 car parking spaces have been sold and the total sales proceeds amounted to approximately HK\$204.1 million.

All 209 residential units and 7 commercial units of 93 Pau Chung Street have been sold. The sale of car parking spaces of 93 Pau Chung Street is in progress. Based on the latest available information, 7 out of 20 car parking spaces and 4 out of 5 motor-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$10.2 million.

All 144 residential units in Monti have been sold. The sale of car parking spaces of Monti is in progress. Based on the latest available information, 6 car parking spaces remained unsold.

The Group will continue its prudent and flexible approach and be prepared to capture new development opportunities.

**Mainland China Property Market**

China announced GDP growth target this year of around 5.0% at the National People's Congress held in March 2024, indicating the challenges posed by the economic slowdown. Despite the stimulus and support measures rolled out by the Chinese government to bolster economic growth, China has experienced a deceleration in economic conditions due to the weakened trade and a deepening downturn in the real estate sector. The Group believes that the Chinese government will continue to forge ahead and demonstrate more commitment to stimulate consumers activities. These can be seen through reducing initial down payments, extending mortgage duration, and lowering mortgage rates. The Group remains cautiously optimistic about the long-term prospects and sustainability of the business environment in China and is confident about future prospects of the cities in which the Group operates, especially the Greater Bay Area in southern China, and continue to regard Hong Kong, where the Group's headquarters is situated, as one of the major beneficiary cities.

Lai Fung Group, the PRC property arm of the Group, has adopted a regional focus and rental-led strategy. The rental portfolio, comprising approximately 5.9 million square feet in Shanghai, Guangzhou, Zhongshan and Hengqin, all of which are Tier 1 cities in China and cities within the Greater Bay Area, has been delivering steady rental income for Lai Fung Group. Notably, the completion of two new grade A office towers, Shanghai Skyline Tower and Guangzhou Lai Fung International Center, in September and November 2022 respectively, has significantly expanded Lai Fung Group's rental portfolio. These new properties have made a significant contribution to Lai Fung Group's rental operations. Nonetheless, Lai Fung Group is facing a challenging business environment in China due to the economic slowdown. This has resulted in a dampening effect on office leasing activities and therefore is expected to suppress rental rates and some increase in vacancy levels.

Construction of Phase II (“**Novotown Phase II**”) of the Novotown project in Hengqin (“**Novotown**”) is in progress. This mixed-use development project is expected to provide commercial and experiential entertainment facilities, office and serviced apartment spaces of 355,500 square feet, 1,585,000 square feet and 578,400 square feet, respectively. Based on the latest available information, leasing of the commercial area of Phase I of Novotown (“**Novotown Phase I**”) is underway with approximately 83% of the leasable area being leased and key tenants include two themed indoor experience centers, namely “Lionsgate Entertainment World<sup>®</sup>” and “National Geographic Ultimate Explorer Hengqin”, Zhuhai Duty Free, Pokiddo Trampoline Park, Kungpeng Go-Kart Sports Centre, Snow Alarm, Da Yin Restaurant, Oyster King, Zhen Qi Ji, Ai Shang Niu Ding Ji, Vanguard Life Superstore and ULSC Hengqin. Lai Fung Group remains confident that the deepening of cooperation between Hengqin and Macau, and the continuous development of the Guangdong-Macau In-Depth Cooperation Zone in Hengqin will position Hengqin as a prominent piece within the Guangdong-Hong Kong-Macau Greater Bay Area development. The integration between Macau and Hengqin will encourage more businesses and population to reside in Hengqin which will further enhance the tourism market, making Novotown a new contributor to Lai Fung Group’s results in the long run.

The sale of remaining phases of Zhongshan Palm Spring, the cultural studios and cultural workshop units of Hengqin Novotown Phase I are in progress. The residential units in Zhongshan Palm Spring, the cultural studios, cultural workshops and office of Hengqin Novotown Phase I, as well as elements of Hengqin Novotown Phase II are expected to contribute to the income of Lai Fung Group in coming financial years.

Lai Fung Group will consider replenishing its landbank as and when opportunities arise, and will take into account, among other factors, overall macroeconomic conditions, Lai Fung Group’s existing presence in top tier cities and the Greater Bay Area and allocation of risks etc.

### **Cinema Operation/Media and Entertainment/Film Production and Distribution**

Although there has been a revival of social and economic activities since the reopening of borders and the return of tourists, consumer sentiment dampened by Hong Kong’s worse-than-expected economic outlook and the deterioration of global economic prospects. The Hong Kong box office has experienced a decline due to factors such as citizens traveling abroad, unfavorable economic situation and a shift in consumer behavior towards streaming platforms. These challenges have contributed to the weakened performance of eSun Group’s cinema operation. Moreover, in view of the challenging market condition and economic uncertainty in Mainland China, the Zhongshan Mayflower Cinema City was closed in February 2024. eSun Group remains committed to creating best in class media and entertainment content.

eSun Group added two new cinemas in Hong Kong, namely The ONE in Tsim Sha Tsui, Kowloon and AIRSIDE in Kai Tak, Kowloon, both of which commenced operations in September 2023. These new cinemas further enhance eSun Group's cinema network and strengthen eSun Group's market presence. eSun Group is closely monitoring the market conditions and will continue to improve its overall operating efficiency, including but not limited to, negotiating with existing landlords for rental concession/reduction. eSun Group will take a prudent approach in evaluating opportunities for further expansion of its footprint.

Media Asia Group Holdings Limited (an indirect wholly-owned subsidiary of eSun), being the media and entertainment arm of eSun Group, will continue to produce high quality and commercially viable products.

eSun Group continues to invest in original productions of quality films with Chinese themes. The current production pipeline includes "*Twilight of the Warriors: Walled In*", an action film directed by Cheng Poi-Shui, featuring Louis Koo, Sammo Hung, Richie Jen and Raymond Lam.

During the Hong Kong Filmart in March 2024, eSun Group has announced its strategic alliance with Alibaba Digital Media & Entertainment Group including Youku and Alibaba Pictures. The co-operation includes co-production and investment in film and TV drama and artiste management. The alliance enables eSun Group access to valuable channels securing investment and distribution of our production projects.

Project under production includes "*Heir to the Throne*", a 30-episode modern-drama series tailor-made for Alibaba's Youku streaming platform. eSun Group is also in discussion with various Chinese partners for new project development in TV drama production.

The distribution licence of music products with Tencent Music Entertainment (Shenzhen) Co., Ltd. and Warner Music continue to provide stable income to eSun Group.

The recent "*Leon Lai Concert 2023 in Hong Kong*" and "*On Chan Live after Life Concert 2024*" have earned good reputation and public praises. eSun Group will continue to work with prominent local and Asian artistes for concert promotion and the upcoming events include concerts of Tsai Chin and Sammi Cheng.

Looking ahead, the Group believes that eSun Group's integrated media platform comprising movies, TV programs, music, artiste management and live entertainment put it in a strong position to capture the opportunities of entertainment market by a balanced and synergetic approach and will continue to explore cooperation and investment opportunities to enrich its portfolio, broaden its income stream and maximise value for its shareholders.

### Other Business Updates

On 15 March 2024 (after trading hours), the Group had entered into a provisional sale and purchase agreement with an independent third party of the Group, in relation to the disposal of a non-residential property and car parking spaces situated at Wyler Centre Phase II (the “**Wyler Centre Phase II Disposal**”), for the consideration of HK\$80 million. The Wyler Centre Phase II Disposal enables the Group to reallocate more financial resources on capital structure enhancement and/or for general corporate purpose of the Group.

On 3 May 2024 (after trading hours), an offer letter was entered into between Boom Goal Limited (a wholly-owned subsidiary of LSD) (“**Boom Goal**”) as vendor and Star Gallery Limited (“**Star Gallery**”) as purchaser (the “**Offer Letter**”), pursuant to which Star Gallery has conditionally agreed to acquire the entire issued share capital of Hong Kong Hill Limited (“**Hong Kong Hill**”), the sole legal and beneficial owner of the residential property situated at Eighteenth Floor and Nineteenth Floor of May Tower II, May Road, Hong Kong and car parking spaces nos. 60 and 67 of May Tower I and May Tower II, from Boom Goal and take up the assignment of all such sum of money due and owing by Hong Kong Hill to LSD at completion of the Offer Letter from LSD, with a purchase price of HK\$215,800,000 (subject to proforma net tangible asset value adjustments and completion net tangible asset value adjustments). Upon completion of the Offer Letter, Hong Kong Hill will cease to be a subsidiary of LSG and LSD.

Since the publication of the Company’s annual report for the year ended 31 July 2023 and up to the Latest Practicable Date, there have been no other significant business updates.

## 5. WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the estimated net proceeds from the Disposal; (ii) the internal resources of the Group; (iii) the Group’s presently available banking facilities and other borrowings; and (iv) the expected financing and refinancing of certain bank loans, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

The Company has obtained the relevant confirmation(s) as required under Rule 14.66(12) of the Listing Rules.

*Set out below are the Bayshore Audited Financial Statements for the two financial years ended 31 December 2022 and 2023 prepared in accordance with HKFRS issued by the HKICPA and audited by PricewaterhouseCoopers, Bayshore Development’s auditor. These Bayshore Audited Financial Statements have been reproduced from the audited financial statements of Bayshore Development for the two financial years ended 31 December 2022 and 2023, and contain page references to pages set forth in such audited financial statements.*

*The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Group has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.*

*The recognition of the Property in the Bayshore Audited Financial Statements is based on historical cost, whereas it is based on fair value by the Company in its own accounts. Nevertheless, the Company considers that such differences in accounting policies have already been demonstrated through the adjustments of the Initial Consideration in the Sale and Purchase Agreement. As set out under the paragraph headed “2. THE DISPOSAL – THE SALE AND PURCHASE AGREEMENT” from the Letter from the Board in this circular, the Final Consideration shall be calculated by adjusting the Initial Consideration based on the amount equivalent to 10% of Net Asset Value based on the Audited Completion Accounts.*





羅兵咸永道

### *Independent Auditor's Report*

To the Board of Directors of Bayshore Development Group Limited  
(incorporated in the British Virgin Islands with limited liability)

#### **Opinion**

##### *What we have audited*

The financial statements of Bayshore Development Group Limited (the "Company"), which are set out on pages 4 to 26, comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

##### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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#### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

##### *Independence*

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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羅兵咸永道

### *Independent Auditor's Report*

To the Board of Directors of Bayshore Development Group Limited (Continued)  
(incorporated in the British Virgin Islands with limited liability)

#### **Responsibilities of Directors for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



羅兵咸永道

***Independent Auditor's Report***

To the Board of Directors of Bayshore Development Group Limited (Continued)  
(incorporated in the British Virgin Islands with limited liability)

**Auditor's Responsibilities for the Audit of the Financial Statements  
(Continue)**

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

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 29 April 2024

## BAYSHORE DEVELOPMENT GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
Revenue	5	564,018,002	606,974,643
Other income	5	13,644,322	29,912,176
<b>Total income</b>		<b>577,662,324</b>	<b>636,886,819</b>
Administrative expenses	6	(81,214,363)	(78,585,183)
Property management fee		(14,222,197)	(14,482,010)
Asset management fee	7	(9,500,000)	(9,500,000)
Leasing commission expenses		(8,604,710)	(7,554,019)
Foreign exchange loss		(7,738,188)	(1,311,346)
<b>Total expenses</b>		<b>(121,279,458)</b>	<b>(111,432,558)</b>
<b>Operating profit</b>		<b>456,382,866</b>	<b>525,454,261</b>
Finance costs	8	(109,995,611)	(110,022,418)
<b>Profit before tax</b>		<b>346,387,255</b>	<b>415,431,843</b>
Taxation	9	(57,966,769)	(69,355,088)
<b>Net profit attributable to equity holders of the Company</b>		<b>288,420,486</b>	<b>346,076,755</b>
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>288,420,486</b>	<b>346,076,755</b>

The notes on pages 8 to 26 are an integral part of these financial statements.

## BAYSHORE DEVELOPMENT GROUP LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	11	3,596,576,969	3,631,633,021
Property, plant and equipment	12	45,758,262	23,380,413
Other non-current assets	13	17,281,028	20,294,086
<b>Total non-current assets</b>		<b>3,659,616,259</b>	<b>3,675,307,520</b>
<b>Current assets</b>			
Other current assets	13	24,018,380	29,852,977
Cash and cash equivalents	14	97,535,421	108,920,271
<b>Total current assets</b>		<b>121,553,801</b>	<b>138,773,248</b>
<b>Total assets</b>		<b>3,781,170,060</b>	<b>3,814,080,768</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings from ultimate holding company (secured)	15	3,429,848,274	3,422,975,260
Other non-current liabilities	16	97,082,110	97,735,215
Deferred income tax liabilities	9(c)	72,501,072	69,183,112
<b>Total non-current liabilities</b>		<b>3,599,431,456</b>	<b>3,589,893,587</b>
<b>Current liabilities</b>			
Other current liabilities	16	60,655,214	62,121,633
Income tax payable		3,716,304	23,118,948
<b>Total current liabilities</b>		<b>64,371,518</b>	<b>85,240,581</b>
<b>Total liabilities</b>		<b>3,663,802,974</b>	<b>3,675,134,168</b>
<b>EQUITY</b>			
Share capital	17	780	780
Retained earnings		117,366,306	138,945,820
<b>Total equity</b>		<b>117,367,086</b>	<b>138,946,600</b>
<b>Total liabilities and equity</b>		<b>3,781,170,060</b>	<b>3,814,080,768</b>

The notes on pages 8 to 26 are an integral part of these financial statements.

The financial statements on pages 4 to 26 were approved by the Board of Directors on 29 April 2024.

Wai-Cheong Fung  
Director

Myra Mo-Chi Lee  
Director

## BAYSHORE DEVELOPMENT GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Share capital HK\$	Retained earnings HK\$	Total HK\$
At 1 January 2022		780	192,869,065	192,869,845
Dividends	10	-	(400,000,000)	(400,000,000)
Profit for the year		-	346,076,755	346,076,755
At 31 December 2022 and at 1 January 2023		780	138,945,820	138,946,600
Dividends	10	-	(310,000,000)	(310,000,000)
Profit for the year		-	288,420,486	288,420,486
At 31 December 2023		780	117,366,306	117,367,086

The notes on pages 8 to 26 are an integral part of these financial statements.

## BAYSHORE DEVELOPMENT GROUP LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
<b>Cash flows from operating activities</b>			
Profit before tax		346,387,255	415,431,843
<b>Adjustments for:</b>			
Depreciation of investment property	11	35,056,052	35,056,052
Depreciation of property, plant and equipment	12	6,703,322	5,629,362
Bank interest income	5	(1,322)	(1,545)
Finance costs	8	109,995,611	110,022,418
Exchange loss		6,873,014	240,191
<b>Operating profit before working capital changes</b>		<u>505,013,932</u>	<u>566,378,321</u>
<b>Changes in working capital</b>			
Decrease/(increase) in other assets		8,847,655	(7,644,405)
(Decrease)/increase in other liabilities		(2,132,353)	3,416,896
<b>Cash generated from operations</b>		<u>511,729,234</u>	<u>562,150,812</u>
Interest received		1,322	1,545
Income tax paid		(74,051,453)	(45,700,722)
<b>Net cash generated from operating activities</b>		<u>437,679,103</u>	<u>516,451,635</u>
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment	12	(29,081,171)	(9,757,726)
<b>Net cash used in investing activities</b>		<u>(29,081,171)</u>	<u>(9,757,726)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(109,982,782)	(110,021,969)
Dividends paid	10	(310,000,000)	(400,000,000)
<b>Net cash used in financing activities</b>		<u>(419,982,782)</u>	<u>(510,021,969)</u>
<b>Net decrease in cash and cash equivalents</b>		(11,384,850)	(3,328,060)
<b>Cash and cash equivalents at the beginning of the year</b>		<u>108,920,271</u>	<u>112,248,331</u>
<b>Cash and cash equivalents at the end of the year</b>	14	<u>97,535,421</u>	<u>108,920,271</u>

The notes on pages 8 to 26 are an integral part of these financial statements.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****1 General information**

The Company is a limited liability company incorporated in the British Virgin Islands. The address of the Company's registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands. The address of its principal place of business is 18/F, AIA Central, 1 Connaught Road Central, Hong Kong.

The Company is an investment holding company. It is principally engaged in the leasing of investment property held.

The financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

**2 Material accounting policy information**

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

**Amended standards and accounting guideline adopted by the Company**

The following relevant amended standards and accounting guideline have been adopted for the first time for the financial year ended 31 December 2023 and have no material impact to the Company:

- Amendments to HKAS 8, Definition of Accounting Estimates;
- Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to HKAS 12, International Tax Reform - Pillar Two Model Rules;
- HKFRS 17, Insurance Contracts and the related amendments; and
- HKFRS 17, Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information.



## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 2 Material accounting policy information (continued)

## (a) Basis of preparation (continued)

**New and amended standards and interpretations not yet adopted by the Company**

The following relevant new and amended standards and interpretations have been issued but are not effective for the financial year ended 31 December 2023 and have not been early adopted.

The Company has assessed the impact of these new amendments on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Company but may require additional disclosures:

- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current;
- Amendments to HKAS 1, Non-current Liabilities with Covenants;
- Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback;
- HK Int 5 (Revised), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause;
- Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements;
- Amendments to HKAS 21, Lack of Exchangeability; and
- Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****2 Material accounting policy information (continued)****(b) Investment property**

Land and property held for long term rental that is not occupied by the Company is classified as investment property, and is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property comprises freehold or leasehold land and buildings. Buildings located on leasehold land are classified as investment property if held for long term rental and not occupied by the Company. These leases are recorded at original cost and amortised over the term of the lease. Buildings that are held as investment property are amortised on a straight line basis over their estimated useful lives of 40 years.

If an investment property becomes held for use, it is reclassified as property, plant and equipment. Where a property is partly used as an investment property and partly for the use of the Company, these elements are recorded separately within property, plant and equipment and investment property respectively, where the component used as investment property would be capable of separate sale or finance lease.

The fair value of investment property is disclosed under note 11. It is the Company's policy to obtain external property valuation annually except in the case a discrete event occurs in the interim that has a significant impact on the fair value of the properties.

**(c) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities at acquisition of three months or less. The interest rates of these deposits fluctuate based on changes in certain interest rate indices. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 2(d)(ii).

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 2 Material accounting policy information (continued)

## (d) Financial assets

## (i) At initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

## (ii) At subsequent measurement

Financial assets at amortised cost

The Company's business model in managing its financial assets involves collecting the contractual cash flows from these financial assets which represents solely payment of principal and interest.

These assets mainly comprise of amount due from other related parties, deposits and receivables and cash and cash equivalents.

Accordingly, subsequent to initial measurement, the Company measures its financial assets at amortised cost. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest method.

Impairment of financial assets

The Company assesses on forward looking basis the expected credit losses associated with its financial assets carried at amortised cost.

For rental income receivable, deposits receivables, the Company applied the simplified approach permitted by HKFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****2 Material accounting policy information (continued)****(e) Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of the asset less cost to sell and value in use.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year in which the reversals are recognised.

**(f) Borrowings**

Borrowings from ultimate holding company are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

**(g) Revenue recognition****(i) Rental income from operating leases**

Rental income, car park rental income and license fee income are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

**(ii) Car park rental and license fee income**

Car park rental and license fee income are recognised on an accrual basis.

**(iii) Management fee income**

Management fee income is recognised over time when such services are rendered.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****2 Material accounting policy information (continued)****(g) Revenue recognition (continued)****(iv) Utilities fee income**

Utilities fee income is recognised at a point in time when such services are rendered.

**(v) Interest income**

Bank interest income is recognised as it accrues using effective interest method.

**3 Critical accounting estimates and judgements**

The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities, and revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly.

The Company's management determines the estimated useful lives, residual values and related depreciation charges for the Company's investment property. This estimate is based on the historical experience of the actual useful lives and residual values of investment property of similar nature and functions. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore affect the depreciation expense in the future periods.

**4 Financial risk management**

The Company is exposed to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk.

Risk management is carried out by the management to identify, evaluate and hedge financial risks in close co-operation with the Company's operating units.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****4 Financial risk management (continued)****(a) Market risk****(i) Currency risk**

The Company's transactions, assets and liabilities are mainly denominated in HK\$, other than the borrowings from ultimate holding company, which is denominated in United States dollars ("US\$").

At 31 December 2023, a general appreciation/depreciation of US\$ against HK\$ of 50 basis points (2022: 50 basis points), with all other variables held constant, would result in a decrease/increase of the Company's profits by approximately HK\$17 million (2022: HK\$17 million). Other components of equity would not be materially affected by the changes in exchange rates.

**(ii) Interest rate risk**

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances. No sensitivity analysis is presented since the directors of the Company consider that the cash flow interest rate risk only exposes the Company to interest rate risk at a limited level.

**(b) Credit risk**

The Company's credit risk primarily arises from cash and cash equivalents, deposit and other receivables, mainly rental income receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December 2023 and 2022, all the cash was deposited in financial institution without significant credit risk.

For rental income receivables, the impairment provision is measured at the lifetime expected credit losses, which are estimated based on historical loss rate as adjusted by forward-looking information and the provision is close to zero. For other financial assets subject to impairment, management considers that credit risk has not increased significantly since the initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

**(c) Liquidity risk**

The Company is mainly exposed to repayments of borrowings and other liabilities when they fall due. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Company has policies in place to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and funding from its shareholders to meet its liquidity requirements in the short and longer term.

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 4 Financial risk management (continued)

## (c) Liquidity risk (continued)

The table below analyses the Company's financial and other liabilities into relevant maturity groupings based on the remaining period from the date of statement of financial position to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balance, as the impact of discounting is not significant. The maturity analysis for borrowings is prepared based on the scheduled repayment dates.

	Less than one year	Between one and five years	Total contractual cash flows	Carrying amount
	HK\$	HK\$	HK\$	HK\$
<b>At 31 December 2023</b>				
Borrowings from ultimate holding company (secured)	-	3,429,848,274	3,429,848,274	3,429,848,274
Other liabilities	<u>164,007,973</u>	<u>116,594,136</u>	<u>280,602,109</u>	<u>157,737,324</u>
Total	<u>164,007,973</u>	<u>3,546,442,410</u>	<u>3,710,450,383</u>	<u>3,587,585,598</u>
<b>At 31 December 2022</b>				
Borrowings from ultimate holding company (secured)	-	3,422,975,260	3,422,975,260	3,422,975,260
Other liabilities	<u>165,267,287</u>	<u>226,743,350</u>	<u>392,010,637</u>	<u>159,856,848</u>
Total	<u>165,267,287</u>	<u>3,649,718,610</u>	<u>3,814,985,897</u>	<u>3,582,832,108</u>

## (d) Capital management

The Company's objectives on managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital structure is regularly reviewed and managed with regard to the capital management practices of the Company. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company, to the extent that these do not conflict with the directors' fiduciary duties towards the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 4 Financial risk management (continued)

## (e) Fair value estimation

The carrying amount of the Company's financial assets and liabilities, including cash and cash equivalents, deposits, prepayments and other receivables, interest payable to ultimate holding company and accruals and other payables, approximate their fair values due to their short-term maturities.

The Company classifies borrowings from ultimate holding company and non-current rental deposits received at amortised cost. The following tables present the fair values of the Company's financial liabilities:

	Total <u>carrying value</u> HK\$	Total <u>fair value</u> HK\$
<b>31 December 2023</b>		
Borrowings from ultimate holding company	3,429,848,274	3,303,195,126
Non-current portion of rental deposits received	97,082,110	90,164,432
	<u>3,526,930,384</u>	<u>3,393,359,558</u>
	=====	=====
<b>31 December 2022</b>		
Borrowings from ultimate holding company	3,422,975,260	3,194,356,502
Non-current portion of rental deposits received	97,735,215	89,962,625
	<u>3,520,710,475</u>	<u>3,284,319,127</u>
	=====	=====



**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****4 Financial risk management (continued)****(e) Fair value estimation (continued)**

Investment properties are not measured at fair value in the statement of financial position but for which the fair value is disclosed.

**(i) Determination of fair value for investment property**

The Company engaged external, independent and qualified valuers to determine the fair value of the Company's property at least on an annual basis. This estimated valuation was made by referencing to the assessment of an independent professional valuer, Colliers International (Hong Kong) Limited ("Colliers"). Colliers has, among its staff, registered Fellows of the Hong Kong Institute of Surveyors with relevant experience in the location and category of property being valued. The valuation estimated by Colliers was determined by adopting a number of valuation approaches and methods, including:

- (1) the Market Approach: provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. In analysing such sales, adjustments are made to reflect differences between the comparables and the subject of this valuation in matters such as transaction dates, size, location, quality, age and amenities and any other relevant factors, to assess the value of the subject asset;
- (2) the Income Approach: provides an indication of value by converting future cash flows to a single current capital value. The Income Approach - Discounted Cash Flow Method is the process of valuing an investment property or asset by undertaking an estimation of future cash flows and taking into account the time value of money. Income is projected over the investment cycle and the net income is arrived at after deducting capital, operating, and other necessary expenses.

The investment property, in most cases, is valued on the basis of the highest and best use of the property that is physically possible, legally permissible and financially feasible. The existing use value of the property is considered to be its highest and best use.

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 4 Financial risk management (continued)

## (e) Fair value estimation (continued)

- (ii) Fair value of assets and liabilities for which the fair value is disclosed at reporting date

Fair value of assets and liabilities is classified in a hierarchy for disclosure purposes consisting of three “levels” based on the observability of inputs available in the marketplace used to measure their fair values as discussed below:

- **Level 1:** Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Company does not adjust the quoted price for such instruments.
- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2023 and 2022 is given below.

HK\$ Million	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>31 December 2023</b>				
<b>Asset for which the fair value is disclosed</b>				
Investment property	-	-	18,900	18,900
<b>Total asset for which the fair value is disclosed</b>	<b>-</b>	<b>-</b>	<b>18,900</b>	<b>18,900</b>

HK\$ Million	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>31 December 2022</b>				
<b>Asset for which the fair value is disclosed</b>				
Investment property	-	-	19,500	19,500
<b>Total asset for which the fair value is disclosed</b>	<b>-</b>	<b>-</b>	<b>19,500</b>	<b>19,500</b>

## (f) Offsetting financial assets and financial liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 5 Revenue and other income

The primary source of earnings of the Company is rental income generated from the investment property held.

The following table disaggregates the Company's revenue and other income by major sources:

	2023	2022
	HK\$	HK\$
<b>Revenue recognition over time:</b>		
Gross rental income	497,375,000	542,140,348
Management fee income	56,189,661	55,271,523
Car park rental income	3,795,159	3,590,992
License fee income	1,667,998	1,661,558
<b>Revenue recognition at point in time:</b>		
Utilities fee income	4,990,184	4,310,222
	<u>564,018,002</u>	<u>606,974,643</u>
<b>Other income:</b>		
Net reinstatement income	13,643,000	29,910,631
Bank interest income	1,322	1,545
	<u>13,644,322</u>	<u>29,912,176</u>
<b>6. Administrative expenses</b>		
	2023	2022
	HK\$	HK\$
Auditor's remuneration	202,881	195,078
Depreciation of investment property (note 11)	35,056,052	35,056,052
Depreciation of property, plant and equipment (note 12)	6,703,322	5,629,362
Direct operating expenses arising from investment property:		
Legal and professional fee	979,198	1,006,208
Utilities	16,130,933	14,300,825
Others	22,141,977	22,397,658
	<u>81,214,363</u>	<u>78,585,183</u>

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 7 Asset management fee

	2023	2022
	HK\$	HK\$
Asset management fee	9,500,000	9,500,000

According to the Master Services Agreement (the "Agreement"), the Company is obligated to pay asset management fee to AIA Company Limited ("AIA Co"), the Company's intermediate holding company, and the Agreement shall be automatically renewed for a further term of one year at the expiration of the initial term and each and every subsequent one year terms and shall continue unless terminated earlier. The asset management fee has fixed at 3.5% (2022: 3.5%) of the monthly rental income, including license fee, but subject to a maximum of HK\$9,500,000 (2022: HK\$9,500,000) per annum.

## 8 Finance costs

	2023	2022
	HK\$	HK\$
Interest on borrowings from ultimate holding company	109,995,611	110,022,418

## 9 Current and deferred income tax

The amount of income tax expense charged to the statement of comprehensive income represents:

	2023	2022
	HK\$	HK\$
Current income tax		
- Current year	54,672,630	67,959,590
- Over-provision in prior years	(23,821)	(10,000)
Deferred income tax		
- Current year	3,300,139	1,405,498
- Under-provision in prior years	17,821	-
Income tax expense	57,966,769	69,355,088

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 9 Current and deferred income tax (continued)

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year.
- (b) Reconciliation between income tax expense and profit before tax at applicable tax rate is as follows:

	2023	2022
	HK\$	HK\$
Profit before tax	346,387,255	415,431,843
Calculated at Hong Kong taxation rate of 16.5% (2022: 16.5%)	57,153,897	68,546,254
Income not subject to tax	(217)	(255)
Expenses not deductible for tax purposes	819,089	819,089
Over-provision in prior years	(6,000)	(10,000)
Income tax expense	57,966,769	69,355,088

- (c) Deferred income tax liabilities

The components of deferred income tax liabilities recognised and the movements during the year are analysed as follows:

	Accelerated tax depreciation
	HK\$
At 1 January 2022	67,777,614
Charged to the income statement	1,405,498
At 31 December 2022 and 1 January 2023	69,183,112
Charged to the income statement	3,317,960
At 31 December 2023	72,501,072

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 10 Dividends

	<u>2023</u>	<u>2022</u>
	HK\$	HK\$
First interim dividend paid to an immediate holding company and minority shareholder of HK\$1,400,000 per share (2022: HK\$1,800,000 per share)	140,000,000	180,000,000
Second interim dividend paid to an immediate holding company and minority shareholder of HK\$1,700,000 per share (2022: HK\$2,200,000 per share)	<u>170,000,000</u>	<u>220,000,000</u>
	<u>310,000,000</u>	<u>400,000,000</u>

On 23 March 2023, the board passed a resolution to declare an interim dividend of HK\$1,400,000 per share, totally amounting to HK\$140,000,000; and payable in cash, and the total dividend amount was fully paid by 28 March 2023.

On 15 September 2023, the board passed a resolution to declare an interim dividend of HK\$1,700,000 per share, totally amounting to HK\$170,000,000 and payable in cash, and the total dividend amount was fully paid by 21 September 2023.

## 11 Investment property

	<u>2023</u>	<u>2022</u>
	HK\$	HK\$
<b>Cost</b>		
At the beginning of the year and at the end of the year	<u>4,268,195,115</u>	<u>4,268,195,115</u>
<b>Accumulated depreciation</b>		
At the beginning of the year	636,562,094	601,506,042
Charge for the year (note 6)	<u>35,056,052</u>	<u>35,056,052</u>
At the end of the year	<u>671,618,146</u>	<u>636,562,094</u>
<b>Net book value</b>		
At the end of the year	<u>3,596,576,969</u>	<u>3,631,633,021</u>

The Company leases out the investment property under operating leases. The leases typically run for an initial period of three to six years (2022: three to six years). The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. The leases include no contingent rentals during 2023 (2022: nil).

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 11 Investment property (continued)

The fair value of the investment property and leasehold land at 31 December 2023 was estimated by the directors to be HK\$18,900 million (2022: HK\$19,500 million). The Company's total future minimum lease payments receivable under non-cancellable operating leases are receivable as follows:

	2023 HK\$	2022 HK\$
Within 1 year	474,066,081	473,971,465
After 1 year but within 2 years	284,775,331	413,485,802
After 2 years but within 3 years	94,763,519	216,580,217
After 3 years but within 4 years	57,350,220	46,764,753
After 4 years but within 5 years	32,964,974	31,330,080
Over 5 years	17,346,760	6,944,834
	<u>961,266,885</u>	<u>1,189,077,151</u>

## 12 Property, plant and equipment

	Computer equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Leasehold improvement HK\$	Total HK\$
<b>Cost</b>					
At 1 January 2023	225,283	551,801	8,752,006	51,683,331	61,212,421
Additions	10,200	-	1,083,220	27,987,751	29,081,171
At 31 December 2023	235,483	551,801	9,835,226	79,671,082	90,293,592
<b>Accumulated depreciation</b>					
At 1 January 2023	191,140	540,185	3,287,734	33,812,949	37,832,008
Charge for the year (note 6)	15,321	11,616	1,511,178	5,165,207	6,703,322
At 31 December 2023	206,461	551,801	4,798,912	38,978,156	44,535,330
<b>Net book value</b>					
At 31 December 2023	29,022	-	5,036,314	40,692,926	45,758,262
<b>Cost</b>					
At 1 January 2022	183,569	551,801	6,051,810	44,667,515	51,454,695
Additions	41,714	-	2,700,196	7,015,816	9,757,726
At 31 December 2022	225,283	551,801	8,752,006	51,683,331	61,212,421
<b>Accumulated depreciation</b>					
At 1 January 2022	183,569	468,441	2,163,964	29,386,672	32,202,646
Charge for the year (note 6)	7,571	71,744	1,123,770	4,426,277	5,629,362
At 31 December 2022	191,140	540,185	3,287,734	33,812,949	37,832,008
<b>Net book value</b>					
At 31 December 2022	34,143	11,616	5,464,272	17,870,382	23,380,413

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 13 Other assets

	2023	2022
	HK\$	HK\$
Rental income receivables	21,190,648	22,636,075
Deferred leasing commission	13,518,331	13,912,736
Deferred legal fee	409,032	374,988
Deferred stamp duty	890,460	966,366
Deposits, prepayments and other receivables	5,290,937	12,256,898
	<u>41,299,408</u>	<u>50,147,063</u>
Less: portion classified as non-current	<u>(17,281,028)</u>	<u>(20,294,086)</u>
Current portion	<u>24,018,380</u>	<u>29,852,977</u>

## 14 Cash and cash equivalents

	2023	2022
	HK\$	HK\$
Cash at bank and in hand	<u>97,535,421</u>	<u>108,920,271</u>

## 15 Borrowings from ultimate holding company

	2023	2022
	HK\$	HK\$
Borrowings from ultimate holding company	<u>3,429,848,274</u>	<u>3,422,975,260</u>

Borrowings from ultimate holding company of US\$439,000,000 (2022: US\$439,000,000) is secured by a first-fixed legal charge over the investment property of the Company, with total carrying value of HK\$3,597 million as at 31 December 2023 (2022: HK\$3,632 million). It carries a fixed interest at 3.2% (2022: 3.2%) and maturing in March 2025.

Further details of the Company's management of currency risk and liquidity risk are set out in note 4.

## 16 Other liabilities

	2023	2022
	HK\$	HK\$
Rental deposits received	120,814,442	130,320,362
Other deposits received	1,544,902	1,340,585
Rental received in advance	16,771,880	14,968,862
Interest payable to the ultimate holding company	6,402,383	6,389,554
Accruals and other payables	12,203,717	6,837,485
	<u>157,737,324</u>	<u>159,856,848</u>
Less: portion classified as non-current	<u>(97,082,110)</u>	<u>(97,735,215)</u>
Current portion	<u>60,655,214</u>	<u>62,121,633</u>



## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 17 Share capital

	<u>2023</u> HK\$	<u>2022</u> HK\$
Authorised: 50,000 ordinary shares of US\$1 each	<u>390,000</u>	<u>390,000</u>
Issued and fully paid: 100 ordinary shares of US\$1 each	<u>780</u>	<u>780</u>

## 18 Related-party transactions

Except as disclosed in the elsewhere of financial statement, the Company had the following material transactions with its related parties during the year:

	<u>2023</u> HK\$	<u>2022</u> HK\$
(a) Transactions with related companies		
Revenue earned from intermediate holding company – AIA Co	67,770,449	67,714,166
Asset management fee to intermediate holding company – AIA Co	(9,500,000)	(9,500,000)
Interest expense to ultimate holding company	<u>(109,995,611)</u>	<u>(110,022,418)</u>
	<u>2023</u> HK\$	<u>2022</u> HK\$
(b) Balances with related companies		
Other receivables due from intermediate holding company – AIA Co	94,866	116,073
Borrowings from the ultimate holding company	(3,429,848,274)	(3,422,975,260)
Interest payable to the ultimate holding company	(6,402,383)	(6,389,554)
Rental deposits received from intermediate holding company – AIA Co	<u>(15,851,090)</u>	<u>(18,424,160)</u>

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****19 Immediate and ultimate holding company**

At the date of statement of financial position, the Company's immediate holding company was Grand Design Development Limited, a company incorporated in the British Virgin Islands, and Peakflow Profits Limited, which is incorporated in the British Virgin Islands, was a minority shareholder. Grand Design Development Limited is a wholly-owned subsidiary of AIA International Limited whose immediate holding company is AIA Co. AIA Co's immediate and ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

**20 Credit Facility**

The Company has access to a US\$10 million multi-currency revolving credit facility expiring in 2024. The credit facility will be used for general corporate purposes. As at 31 December 2023, there were no outstanding borrowings under this credit facility.

**21 Event after the date of statement of financial position**

As of 12 March 2024, the directors approved the payment of an interim dividend of HK\$1,390,000 per ordinary share, totalling HK\$139,000,000. The dividend has been declared on the same date and was paid on 25 March 2024.

On 8 April 2024, Grand Design Development Limited entered into a sale and purchase agreement with Peakflow Profits Limited to acquire 10% of the total issued shares of the Company at a consideration of HK\$1,421,626,325 ("Transaction"), subject to post-completion adjustment. The target completion date of the Transaction is 31 May 2024. Upon completion, Grand Design Development Limited shall hold the entire equity interest in the Company.

**22 Approval of financial statements**

The financial statements were approved by the Board of Directors of the Company on 29 April 2024.



羅兵咸永道

### *Independent Auditor's Report*

To the Board of Directors of Bayshore Development Group Limited  
(incorporated in the British Virgin Islands with limited liability)

#### **Opinion**

##### *What we have audited*

The financial statements of Bayshore Development Group Limited (the "Company"), which are set out on pages 4 to 26, comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

##### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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#### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

##### *Independence*

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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羅兵咸永道

### *Independent Auditor's Report*

To the Board of Directors of Bayshore Development Group Limited (Continued)  
(incorporated in the British Virgin Islands with limited liability)

#### **Responsibilities of Directors for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



羅兵咸永道

***Independent Auditor's Report***

To the Board of Directors of Bayshore Development Group Limited (Continued)  
(incorporated in the British Virgin Islands with limited liability)

**Auditor's Responsibilities for the Audit of the Financial Statements  
(Continue)**

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

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 17 May 2023

## BAYSHORE DEVELOPMENT GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK\$	2021 HK\$
Revenue	5	606,974,643	599,491,431
Other income	5	29,912,176	5,316,549
<b>Total income</b>		<u>636,886,819</u>	<u>604,807,980</u>
Administrative expenses	6	(78,585,183)	(77,705,536)
Property management fee		(14,482,010)	(14,558,583)
Asset management fee	7	(9,500,000)	(9,500,000)
Leasing commission expenses		(7,554,019)	(5,925,062)
Foreign exchange loss		(1,311,346)	(20,005,583)
<b>Total expenses</b>		<u>(111,432,558)</u>	<u>(127,694,764)</u>
<b>Operating profit</b>		525,454,261	477,113,216
Finance costs	8	(110,022,418)	(109,228,237)
<b>Profit before tax</b>		415,431,843	367,884,979
Taxation	9	(69,355,088)	(61,500,771)
<b>Net profit attributable to equity holders of the Company</b>		<u>346,076,755</u>	<u>306,384,208</u>
<b>Total comprehensive income attributable to equity holders of the Company</b>		<u>346,076,755</u>	<u>306,384,208</u>

The notes on pages 8 to 26 are an integral part of these financial statements.

## BAYSHORE DEVELOPMENT GROUP LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Notes	2022 HK\$	2021 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	11	3,631,633,021	3,666,689,073
Property, plant and equipment	12	23,380,413	19,252,049
Other non-current assets	13	20,294,086	19,358,695
<b>Total non-current assets</b>		<u>3,675,307,520</u>	<u>3,705,299,817</u>
<b>Current assets</b>			
Other current assets	13	29,852,977	23,143,963
Cash and cash equivalents	14	108,920,271	112,248,331
<b>Total current assets</b>		<u>138,773,248</u>	<u>135,392,294</u>
<b>Total assets</b>		<u>3,814,080,768</u>	<u>3,840,692,111</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings from ultimate holding company (secured)	15	3,422,975,260	3,422,735,069
Other non-current liabilities	16	97,735,215	79,908,296
Deferred income tax liabilities	9(c)	69,183,112	67,777,614
<b>Total non-current liabilities</b>		<u>3,589,893,587</u>	<u>3,570,420,979</u>
<b>Current liabilities</b>			
Other current liabilities	16	62,121,633	76,531,207
Income tax payable		23,118,948	870,080
<b>Total current liabilities</b>		<u>85,240,581</u>	<u>77,401,287</u>
<b>Total liabilities</b>		<u>3,675,134,168</u>	<u>3,647,822,266</u>
<b>EQUITY</b>			
Share capital	17	780	780
Retained earnings		138,945,820	192,869,065
<b>Total equity</b>		<u>138,946,600</u>	<u>192,869,845</u>
<b>Total liabilities and equity</b>		<u>3,814,080,768</u>	<u>3,840,692,111</u>

The notes on pages 8 to 26 are an integral part of these financial statements.

The financial statements on pages 4 to 26 were approved by the Board of Directors on 17 May 2023.

Wai-Cheong Fung  
Director

Myra Mo-Chi Lee  
Director

## BAYSHORE DEVELOPMENT GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share capital HK\$	Retained earnings HK\$	Total HK\$
At 1 January 2021		780	186,484,857	186,485,637
Dividends	10	-	(300,000,000)	(300,000,000)
Profit for the year		-	306,384,208	306,384,208
At 31 December 2021 and at 1 January 2022		780	192,869,065	192,869,845
Dividends	10	-	(400,000,000)	(400,000,000)
Profit for the year		-	346,076,755	346,076,755
At 31 December 2022		780	138,945,820	138,946,600

The notes on pages 8 to 26 are an integral part of these financial statements.



## BAYSHORE DEVELOPMENT GROUP LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022	2021
		HK\$	HK\$
<b>Cash flows from operating activities</b>			
Profit before tax		415,431,843	367,884,979
<b>Adjustments for:</b>			
Depreciation of investment property	11	35,056,052	35,056,052
Depreciation of property, plant and equipment	12	5,629,362	4,996,127
Bank interest income	5	(1,545)	(56,601)
Finance costs	8	110,022,418	109,228,237
Exchange loss		240,191	19,581,532
<b>Operating profit before working capital changes</b>		<u>566,378,321</u>	<u>536,690,326</u>
<b>Changes in working capital</b>			
Increase in other assets		(7,644,405)	(27,325,814)
Increase/(decrease) in other liabilities		3,416,896	(16,126,387)
<b>Cash generated from operations</b>		<u>562,150,812</u>	<u>493,238,125</u>
Interest received		1,545	56,601
Income tax paid		(45,700,722)	(73,550,233)
<b>Net cash generated from operating activities</b>		<u>516,451,635</u>	<u>419,744,493</u>
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment	12	(9,757,726)	(4,100,000)
<b>Net cash used in investing activities</b>		<u>(9,757,726)</u>	<u>(4,100,000)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(110,021,969)	(109,191,685)
Dividends paid	10	(400,000,000)	(300,000,000)
<b>Net cash used in financing activities</b>		<u>(510,021,969)</u>	<u>(409,191,685)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(3,328,060)	6,452,808
<b>Cash and cash equivalents at the beginning of the year</b>		<u>112,248,331</u>	<u>105,795,523</u>
<b>Cash and cash equivalents at the end of the year</b>	14	<u>108,920,271</u>	<u>112,248,331</u>

The notes on pages 8 to 26 are an integral part of these financial statements.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****1 General information**

The Company is a limited liability company incorporated in the British Virgin Islands. The address of the Company's registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands. The address of its principal place of business is 18/F, AIA Central, 1 Connaught Road Central, Hong Kong.

The Company is an investment holding company. It is principally engaged in the leasing of investment property held.

The financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

**2 Material accounting policy information**

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

**Amended standards and accounting guideline adopted by the Company**

The following relevant amended standards and accounting guideline have been adopted for the first time for the financial year ended 31 December 2022 and have no material impact to the Company:

- Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to HKAS 37, Onerous Contracts - Cost of Fulfilling a Contract; and
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****2 Material accounting policy information (continued)****(a) Basis of preparation (continued)****New and amended standards and interpretations not yet adopted by the Company**

The following relevant new and amended standards and interpretations have been issued but are not effective for the financial year ended 31 December 2022 and have not been early adopted.

The Company has assessed the impact of these new amendments on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Company but may require additional disclosures:

- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current (amendments); and
- Amendments to HKAS 8, Definition of Accounting Estimates (amendments).

Other new amendments or interpretations to standards would also not have any material impact to the financial statements.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****2 Material accounting policy information (continued)****(b) Investment property**

Land and property held for long term rental that is not occupied by the Company is classified as investment property, and is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property comprises freehold or leasehold land and buildings. Buildings located on leasehold land are classified as investment property if held for long term rental and not occupied by the Company. Where the cost of the land is known, or can be reliably determined at the inception of the lease, the Company records its interest in leasehold land and land use rights separately as operating leases or finance leases depending on whether substantially all the risks and rewards incidental to ownership of the land are transferred to the Company. These leases are recorded at original cost and amortised over the term of the lease. Buildings that are held as investment property are amortised on a straight line basis over their estimated useful lives of 40 years.

If an investment property becomes held for use, it is reclassified as property, plant and equipment. Where a property is partly used as an investment property and partly for the use of the Company, these elements are recorded separately within property, plant and equipment and investment property respectively, where the component used as investment property would be capable of separate sale or finance lease.

The fair value of investment property and property held for use is disclosed under note 11. It is the Company's policy to obtain external property valuation annually except in the case a discrete event occurs in the interim that has a significant impact on the fair value of the properties.

**(c) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities at acquisition of three months or less. The interest rates of these deposits fluctuate based on changes in certain interest rate indices. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 2(d)(ii).

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****2 Material accounting policy information (continued)****(d) Financial assets****(i) At initial recognition**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

**(ii) At subsequent measurement**Financial assets at amortised cost

The Company's business model in managing its financial assets involves collecting the contractual cash flows from these financial assets which represents solely payment of principal and interest.

These assets mainly comprise of amount due from other related parties, deposits and receivables and cash and cash equivalents.

Accordingly, subsequent to initial measurement, the Company measures its financial assets at amortised cost. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest method.

Impairment of financial assets

The Company assesses on forward looking basis the expected credit losses associated with its financial assets carried at amortised cost.

For deposits and receivables, the Company applied the simplified approach permitted by HKFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****2 Material accounting policy information (continued)****(e) Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of the asset less cost to sell and value in use.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year in which the reversals are recognised.

**(f) Borrowings**

Borrowings from ultimate holding company are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

**(g) Revenue recognition****(i) Rental income from operating leases**

Rental income, car park rental income and license fee income are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

**(ii) Car park rental and license fee income**

Car park rental and license fee income are recognised on an accrual basis.

**(iii) Management fee income**

Management fee income is recognised over time when such services are rendered.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****2 Material accounting policy information (continued)****(g) Revenue recognition (continued)****(iv) Utilities fee income**

Utilities fee income is recognised at a point in time when such services are rendered.

**(v) Interest income**

Bank interest income is recognised as it accrues using effective interest method.

**3 Critical accounting estimates and judgements**

The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities, and revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly.

The Company's management determines the estimated useful lives, residual values and related depreciation charges for the Company's investment property. This estimate is based on the historical experience of the actual useful lives and residual values of investment property of similar nature and functions. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore affect the depreciation expense in the future periods.

**4 Financial risk management**

The Company is exposed to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk.

Risk management is carried out by the management to identify, evaluate and hedge financial risks in close co-operation with the Company's operating units.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****4 Financial risk management (continued)****(a) Market risk****(i) Currency risk**

The Company's transactions, assets and liabilities are mainly denominated in HK\$, other than the borrowings from ultimate holding company, which is denominated in United States dollars ("US\$").

At 31 December 2022, a general appreciation/depreciation of 50 basis points (2021: 50 basis points) in HK\$/US\$ exchange rates, with all other variables held constant, would result in a decrease/increase of the Company's profits by approximately HK\$17 million (2021: HK\$17 million). Other components of equity would not be materially affected by the changes in exchange rates.

**(ii) Interest rate risk**

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances. No sensitivity analysis is presented since the directors of the Company consider that the cash flow interest rate risk only exposes the Company to interest rate risk at a limited level.

**(b) Credit risk**

The Company's credit risk primarily arises from cash and cash equivalents, deposit and other receivables, mainly rental income receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December 2022 and 2021, all the cash was deposited in financial institution without significant credit risk.

Management considers that credit risk on deposits and other receivables has not increased significantly since the initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

**(c) Liquidity risk**

The Company is mainly exposed to repayments of borrowings and other liabilities when they fall due. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Company has policies in place to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and funding from its shareholders to meet its liquidity requirements in the short and longer term.



## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 4 Financial risk management (continued)

## (c) Liquidity risk (continued)

The table below analyses the Company's financial and other liabilities into relevant maturity groupings based on the remaining period from the date of statement of financial position to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balance, as the impact of discounting is not significant. The maturity analysis for borrowings is prepared based on the scheduled repayment dates.

	Less than one year	Between one and five years	Total contractual cash flows	Carrying amount
	HK\$	HK\$	HK\$	HK\$
<b>At 31 December 2022</b>				
Borrowings from ultimate holding company (secured)	-	3,422,975,260	3,422,975,260	3,422,975,260
Other liabilities	<u>165,267,287</u>	<u>226,743,350</u>	<u>392,010,637</u>	<u>159,856,848</u>
Total	<u>165,267,287</u>	<u>3,649,718,610</u>	<u>3,814,985,897</u>	<u>3,582,832,108</u>
<b>At 31 December 2021</b>				
Borrowings from ultimate holding company (secured)	-	3,422,735,069	3,422,735,069	3,422,735,069
Other liabilities	<u>179,669,627</u>	<u>318,434,899</u>	<u>498,104,526</u>	<u>156,439,503</u>
Total	<u>179,669,627</u>	<u>3,741,169,968</u>	<u>3,920,839,595</u>	<u>3,579,174,572</u>

## (d) Capital management

The Company's objectives on managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital structure is regularly reviewed and managed with regard to the capital management practices of the Company. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company, to the extent that these do not conflict with the directors' fiduciary duties towards the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****4 Financial risk management (continued)****(e) Fair value estimation**

The carrying amount of the Company's financial assets and liabilities, including cash and cash equivalents, deposits, prepayments and other receivables, amount due from intermediate holding company and accruals and other payables, approximate their fair values due to their short-term maturities.

Investment properties are not measured at fair value in the statement of financial position but for which the fair value is disclosed.

**(i) Determination of fair value for investment property**

The Company engaged external, independent and qualified valuers to determine the fair value of the Company's property at least on an annual basis. This estimated valuation was made by referencing to the assessment of an independent professional valuer, Colliers International (Hong Kong) Limited ("Colliers"). Colliers has, among its staff, registered Fellows of the Hong Kong Institute of Surveyors with relevant experience in the location and category of property being valued. The valuation estimated by Colliers was determined by adopting a number of valuation approaches and methods, including:

- (1) the Market Approach: provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. In analysing such sales, adjustments are made to reflect differences between the comparables and the subject of this valuation in matters such as transaction dates, size, location, quality, age and amenities and any other relevant factors, to assess the value of the subject asset;
- (2) the Income Approach: provides an indication of value by converting future cash flows to a single current capital value. The Income Approach - Discounted Cash Flow Method is the process of valuing an investment property or asset by undertaking an estimation of future cash flows and taking into account the time value of money. Income is projected over the investment cycle and the net income is arrived at after deducting capital, operating, and other necessary expenses.

The investment property, in most cases, is valued on the basis of the highest and best use of the property that is physically possible, legally permissible and financially feasible. The existing use value of the property is considered to be its highest and best use.

**(ii) Fair value of assets and liabilities for which the fair value is disclosed at reporting date**

Fair value of assets and liabilities is classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure their fair values as discussed below:

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 4 Financial risk management (continued)

## (e) Fair value estimation (continued)

(ii) Fair value of assets and liabilities for which the fair value is disclosed at reporting date (continued)

- **Level 1:** Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Company does not adjust the quoted price for such instruments.
- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2022 and 2021 is given below.

HK\$ Million	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>31 December 2022</b>				
<b>Asset for which the fair value is disclosed</b>				
Investment property	-	-	19,500	19,500
<b>Total asset for which the fair value is disclosed</b>	<b>-</b>	<b>-</b>	<b>19,500</b>	<b>19,500</b>

HK\$ Million	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>31 December 2021</b>				
<b>Asset for which the fair value is disclosed</b>				
Investment property	-	-	19,200	19,200
<b>Total asset for which the fair value is disclosed</b>	<b>-</b>	<b>-</b>	<b>19,200</b>	<b>19,200</b>

## (f) Offsetting financial assets and financial liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 5 Revenue and other income

The primary source of earnings of the Company is rental income generated from the investment property held.

The following table disaggregates the Company's revenue and other income by major sources:

	2022	2021
	HK\$	HK\$
<b>Revenue recognition over time:</b>		
Gross rental income	542,140,348	538,487,916
Management fee income	55,271,523	51,026,902
Car park rental income	3,590,992	3,389,689
License fee income	1,661,558	1,846,638
<b>Revenue recognition at point in time:</b>		
Utilities fee income	4,310,222	4,740,286
	<u>606,974,643</u>	<u>599,491,431</u>
<b>Other income:</b>		
Net reinstatement income	29,910,631	4,997,548
Bank interest income	1,545	56,601
Others	-	262,400
	<u>29,912,176</u>	<u>5,316,549</u>

## 6. Administrative expenses

	2022	2021
	HK\$	HK\$
Auditor's remuneration	195,078	187,575
Depreciation of investment property (note 11)	35,056,052	35,056,052
Depreciation of property, plant and equipment (note 12)	5,629,362	4,996,127
Direct operating expenses arising from investment property:		
Legal and professional fee	1,006,208	1,115,420
Utilities	14,300,825	12,031,909
Others	22,397,658	24,318,453
	<u>78,585,183</u>	<u>77,705,536</u>

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 7 Asset management fee

	2022	2021
	HK\$	HK\$
Asset management fee	9,500,000	9,500,000

According to the Master Services Agreement (the "Agreement"), the Company is obligated to pay asset management fee to AIA Company Limited ("AIA Co"), the Company's intermediate holding company, and the Agreement shall be automatically renewed for a further term of one year at the expiration of the initial term and each and every subsequent one year terms and shall continue unless terminated earlier. The asset management fee has fixed at 3.5% of the monthly rental income, including license fee, but subject to a maximum of HK\$9,500,000 per annum.

## 8 Finance costs

	2022	2021
	HK\$	HK\$
Interest on borrowings from ultimate holding company	110,022,418	109,228,237

## 9 Current and deferred income tax

The amount of income tax expense charged to the statement of comprehensive income represents:

	2022	2021
	HK\$	HK\$
Current income tax		
- Current year	67,959,590	59,787,523
- Over-provision in prior years	(10,000)	(10,000)
Deferred income tax	1,405,498	1,723,248
Income tax expense	69,355,088	61,500,771

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 9 Current and deferred income tax (continued)

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year.
- (b) Reconciliation between income tax expense and profit before tax at applicable tax rate is as follows:

	2022	2021
	HK\$	HK\$
Profit before tax	415,431,843	367,884,979
Calculated at Hong Kong taxation rate of 16.5% (2021: 16.5%)	68,546,254	60,701,021
Income not subject to tax	(255)	(9,339)
Expenses not deductible for tax purposes	819,089	819,089
Over-provision in prior years	(10,000)	(10,000)
Income tax expense	69,355,088	61,500,771

- (c) Deferred income tax liabilities

The components of deferred income tax liabilities recognised and the movements during the year are analysed as follows:

	Accelerated tax depreciation
	HK\$
At 1 January 2021	66,054,366
Charged to the income statement	1,723,248
At 31 December 2021 and 1 January 2022	67,777,614
Charged to the income statement	1,405,498
At 31 December 2022	69,183,112

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 10 Dividends

	<u>2022</u> HK\$	<u>2021</u> HK\$
First interim dividend paid to an immediate holding company and minority shareholder of HK\$1,800,000 per share (2021: HK\$1,200,000 per share)	180,000,000	120,000,000
Second interim dividend paid to an immediate holding company and minority shareholder of HK\$2,200,000 per share (2021: HK\$1,800,000 per share)	<u>220,000,000</u>	<u>180,000,000</u>
	<u>400,000,000</u>	<u>300,000,000</u>

On 17 March 2022, the board passed a resolution to declare an interim dividend of HK\$1,800,000 per share, totally amounting to HK\$180,000,000; and payable in cash, and the total dividend amount was fully paid by 30 March 2022.

On 19 September 2022, the board passed a resolution to declare an interim dividend of HK\$2,200,000 per share, totally amounting to HK\$220,000,000 and payable in cash, and the total dividend amount was fully paid by 22 September 2022.

## 11 Investment property

	<u>2022</u> HK\$	<u>2021</u> HK\$
<b>Cost</b>		
At the beginning of the year and at the end of the year	<u>4,268,195,115</u>	<u>4,268,195,115</u>
<b>Accumulated depreciation</b>		
At the beginning of the year	601,506,042	566,449,990
Charge for the year (note 6)	<u>35,056,052</u>	<u>35,056,052</u>
At the end of the year	<u>636,562,094</u>	<u>601,506,042</u>
<b>Net book value</b>		
At the end of the year	<u>3,631,633,021</u>	<u>3,666,689,073</u>

The Company leases out the investment property under operating leases. The leases typically run for an initial period of three to six years (2021: three to four years). The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. The leases include no contingent rentals during 2022 (2021: nil).

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 11 Investment property (continued)

The fair value of the investment property and leasehold land at 31 December 2022 was estimated by the directors to be HK\$19,500 million (2021: HK\$19,200 million). The Company's total future minimum lease payments receivable under non-cancellable operating leases are receivable as follows:

	2022 HK\$	2021 HK\$
Within 1 year	473,971,465	527,818,957
After 1 year but within 5 years	708,160,852	780,083,921
Over 5 years	6,944,834	-
	<u>1,189,077,151</u>	<u>1,307,902,878</u>

## 12 Property, plant and equipment

	Computer equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Leasehold improvement HK\$	Total HK\$
At 1 January 2022	183,569	551,801	6,051,810	44,667,515	51,454,695
Additions	41,714	-	2,700,196	7,015,816	9,757,726
At 31 December 2022	<u>225,283</u>	<u>551,801</u>	<u>8,752,006</u>	<u>51,683,331</u>	<u>61,212,421</u>
<b>Accumulated depreciation</b>					
At 1 January 2022	183,569	468,441	2,163,964	29,386,672	32,202,646
Charge for the year (note 6)	7,571	71,744	1,123,770	4,426,277	5,629,362
At 31 December 2022	<u>191,140</u>	<u>540,185</u>	<u>3,287,734</u>	<u>33,812,949</u>	<u>37,832,008</u>
<b>Net book value</b>					
At 31 December 2022	<u>34,143</u>	<u>11,616</u>	<u>5,464,272</u>	<u>17,870,382</u>	<u>23,380,413</u>
<b>Cost</b>					
At 1 January 2021	183,569	551,801	1,951,810	44,667,515	47,354,695
Additions	-	-	4,100,000	-	4,100,000
At 31 December 2021	<u>183,569</u>	<u>551,801</u>	<u>6,051,810</u>	<u>44,667,515</u>	<u>51,454,695</u>
<b>Accumulated depreciation</b>					
At 1 January 2021	183,569	378,409	1,756,658	24,887,883	27,206,519
Charge for the year (note 6)	-	90,032	407,306	4,498,789	4,996,127
At 31 December 2021	<u>183,569</u>	<u>468,441</u>	<u>2,163,964</u>	<u>29,386,672</u>	<u>32,202,646</u>
<b>Net book value</b>					
At 31 December 2021	<u>-</u>	<u>83,360</u>	<u>3,887,846</u>	<u>15,280,843</u>	<u>19,252,049</u>



## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 13 Other assets

	<u>2022</u>	<u>2021</u>
	HK\$	HK\$
Rental income receivables	22,636,075	19,154,108
Deferred leasing commission	13,912,736	15,754,217
Deferred legal fee	374,988	440,323
Deferred stamp duty	966,366	1,176,406
Deposits, prepayments and other receivables	<u>12,256,898</u>	<u>5,977,604</u>
	50,147,063	42,502,658
Less: portion classified as non-current	<u>(20,294,086)</u>	<u>(19,358,695)</u>
Current portion	<u><u>29,852,977</u></u>	<u><u>23,143,963</u></u>

## 14 Cash and cash equivalents

	<u>2022</u>	<u>2021</u>
	HK\$	HK\$
Cash at bank and in hand	<u>108,920,271</u>	<u>112,248,331</u>

## 15 Borrowings from ultimate holding company

	<u>2022</u>	<u>2021</u>
	HK\$	HK\$
Borrowings from ultimate holding company	<u>3,422,975,260</u>	<u>3,422,735,069</u>

Borrowings from ultimate holding company is secured by a first-fixed legal charge over the investment property of the Company, with total carrying value of HK\$3,632 million as at 31 December 2022 (2021: HK\$3,667 million). It carries a fixed interest at 3.2% and maturing in March 2025.

Further details of the Company's management of currency risk and liquidity risk are set out in note 4.

## BAYSHORE DEVELOPMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 16 Other liabilities

	<u>2022</u>	<u>2021</u>
	HK\$	HK\$
Rental deposits received	130,320,362	129,782,273
Other deposits received	1,340,585	1,210,984
Rental received in advance	14,968,862	11,672,743
Interest payable to the ultimate holding company	6,389,554	6,389,105
Accruals and other payables	<u>6,837,485</u>	<u>7,384,398</u>
	159,856,848	156,439,503
Less: portion classified as non-current	<u>(97,735,215)</u>	<u>(79,908,296)</u>
Current portion	<u><u>62,121,633</u></u>	<u><u>76,531,207</u></u>

## 17 Share capital

	<u>2022</u>	<u>2021</u>
	HK\$	HK\$
Authorised:		
50,000 ordinary shares of US\$1 each	<u>390,000</u>	<u>390,000</u>
Issued and fully paid:		
100 ordinary shares of US\$1 each	<u><u>780</u></u>	<u><u>780</u></u>

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****18 Related-party transactions**

Except as disclosed in the elsewhere of financial statement, the Company had the following material transactions with its related parties during the year:

	<u>2022</u>	<u>2021</u>
	HK\$	HK\$
(a) Transactions with related companies		
Revenue earned from intermediate holding company – AIA Co	67,714,166	54,453,275
License fee income earned from intermediate holding company – AIA International Limited (“AIAI”)	-	211,200
Asset management fee to intermediate holding company – AIA Co	(9,500,000)	(9,500,000)
Interest expense to ultimate holding company	<u>(110,022,418)</u>	<u>(109,228,237)</u>
	<u>2022</u>	<u>2021</u>
	HK\$	HK\$
(b) Balances with related companies		
Other receivables due from intermediate holding company – AIA Co	116,073	143,829
Borrowings from the ultimate holding company	(3,422,975,260)	(3,422,735,069)
Interest payable to the ultimate holding company	(6,389,554)	(6,389,106)
Rental deposits received from intermediate holding company – AIA Co	<u>(18,424,160)</u>	<u>(13,026,484)</u>

**19 Immediate and ultimate holding company**

At the date of statement of financial position, the Company's immediate holding company was Grand Design Development Limited, a company incorporated in the British Virgin Islands, and Peakflow Profits Limited, which is incorporated in the British Virgin Islands, was a minority shareholder. Grand Design Development Limited is a wholly-owned subsidiary of AIAI whose immediate holding company is AIA Co. AIA Co's immediate and ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

**20 Credit Facility**

The Company has access to a US\$10 million multi-currency revolving credit facility expiring in 2024. The credit facility will be used for general corporate purposes. As at 31 December 2022, there were no outstanding borrowings under this credit facility.

**BAYSHORE DEVELOPMENT GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****21 Event after the date of statement of financial position**

As of 23 March 2023, the directors approved the payment of an interim dividend of HK\$1,400,000 per ordinary share, totalling HK\$140,000,000. The dividend has been declared on the same date and was paid on 28 March 2023.

**22 Approval of financial statements**

The financial statements were approved by the Board of Directors of the Company on 17 May 2023.

## 1. INTRODUCTION

Capitalised terms used herein shall have the same meanings as those defined in the Circular. The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect that the Disposal might have on the financial information of the Group.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 31 January 2024 as extracted from the published interim report of the Company for the six months ended 31 January 2024 (“2024 Interim Report”), after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Disposal on the financial position of the Remaining Group as if the completion of the Disposal had taken place on 31 January 2024.

The unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 July 2023 as extracted from the published annual report of the Company for the year ended 31 July 2023 (“2023 Annual Report”), after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Disposal on the results and cash flows, respectively, of the Remaining Group as if the completion of the Disposal had taken place on 1 August 2022.

The unaudited pro forma financial information of the Remaining Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the completion of Disposal been completed as at 31 January 2024 or at any future dates and of the financial performance and cash flows of the Remaining Group for the year ended 31 July 2023 or any future periods had the Disposal been completed on 1 August 2022 or any future dates.

The unaudited pro forma financial information should be read in conjunction with the published 2023 Annual Report, the published 2024 Interim Report, the joint announcement issued by the Company and LSG dated 8 April 2024 and other financial information included elsewhere in this circular.

Unaudited Pro Forma Consolidated Statement of Financial Position of the  
Remaining Group as at 31 January 2024

	The Group	Pro forma adjustments		The Remaining Group
	As at 31 January 2024 <i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 1</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 3</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 4</i>	As at 31 January 2024 <i>(Unaudited)</i> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	5,950,659			5,950,659
Right-of-use assets	4,347,581			4,347,581
Investment properties	34,807,048			34,807,048
Film rights	23,317			23,317
Film and TV program products	60,899			60,899
Goodwill	218,305			218,305
Other intangible assets	107,654			107,654
Investments in associates	338,985			338,985
Investments in joint ventures	6,497,934			6,497,934
Financial assets at fair value through other comprehensive income	1,650,182	(122,918)	(1,421,626)	105,638
Financial assets at fair value through profit or loss	865,824			865,824
Debtors	482,585			482,585
Deposits, prepayments, other receivables and other assets	531,158			531,158
Deferred tax assets	1,786			1,786
Pledged and restricted bank balances and time deposits	114,870			114,870
Total non-current assets	55,998,787			54,454,243

	The Group	Pro forma adjustments		The Remaining Group
	As at 31 January 2024 <i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 1</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 3</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 4</i>	As at 31 January 2024 <i>(Unaudited)</i> <i>HK\$'000</i>
<b>CURRENT ASSETS</b>				
Properties under development	5,734,576			5,734,576
Completed properties for sale	3,586,574			3,586,574
Films and TV programs under production and film investments	421,454			421,454
Inventories	65,313			65,313
Financial assets at fair value through profit or loss	123,761			123,761
Derivative financial instruments	766			766
Debtors	334,969			334,969
Deposits, prepayments, other receivables and other assets	787,249			787,249
Prepaid tax	138,577			138,577
Pledged and restricted bank balances and time deposits	1,325,762			1,325,762
Cash and cash equivalents	2,973,401		1,417,626	4,391,027
	15,492,402			16,910,028
Assets classified as held for sale	1,754			1,754
	15,494,156			16,911,782
Total current assets	15,494,156			16,911,782

	<u>The Group</u>	<u>Pro forma adjustments</u>		<u>The Remaining Group</u>
	<b>As at 31 January 2024</b>			<b>As at 31 January 2024</b>
	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 1</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 3</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 4</i>	<i>(Unaudited)</i> <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>				
Creditors, other payables and accruals	2,683,580			2,683,580
Deposits received, deferred income and contract liabilities	767,440			767,440
Lease liabilities	251,276			251,276
Tax payable	652,260			652,260
Bank borrowings	2,359,705			2,359,705
Other borrowings	34,502			34,502
	<u>6,748,763</u>			<u>6,748,763</u>
<b>Total current liabilities</b>				
	<u>8,745,393</u>			<u>10,163,019</u>
<b>NET CURRENT ASSETS</b>				
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	64,744,180			64,617,262
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	734,986			734,986
Bank borrowings	19,681,227			19,681,227
Other borrowings	287,199			287,199
Guaranteed notes	4,276,568			4,276,568
Deferred tax liabilities	3,954,702			3,954,702
Other payables and accruals	906,399			906,399
Long-term deposits received	213,554			213,554
	<u>30,054,635</u>			<u>30,054,635</u>
<b>Total non-current liabilities</b>				
	<u>34,689,545</u>			<u>34,562,627</u>
<b>NET ASSETS</b>				



	<u>The Group</u>			<u>The</u>
	<u>As at</u>	<u>Pro forma adjustments</u>		<u>Remaining</u>
	<u>31 January</u>			<u>Group</u>
	<u>2024</u>			<u>As at</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<u>31 January</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<u>2024</u>
	<i>Note 1</i>	<i>Note 3</i>	<i>Note 4</i>	<i>(Unaudited)</i>
				<i>HK\$'000</i>
<b>EQUITY</b>				
<b>Equity attributable to owners of the</b>				
<b>Company</b>				
Share capital	6,240,082			6,240,082
Reserves	21,561,184	(122,918)	(4,000)	21,434,266
	27,801,266			27,674,348
<b>Non-controlling interests</b>	6,888,279			6,888,279
	34,689,545			34,562,627

Unaudited Pro Forma Consolidated Income Statement of the Remaining Group for  
the year ended 31 July 2023

	The Group	Pro forma adjustments		The Remaining Group
	For the year ended 31 July 2023 <i>(Audited)</i> <i>HK\$'000</i> <i>Note 1</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 2</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 4</i>	For the year ended 31 July 2023 <i>(Unaudited)</i> <i>HK\$'000</i>
<b>Turnover</b>	4,901,537			4,901,537
Cost of sales	<u>(4,173,809)</u>			<u>(4,173,809)</u>
Gross profit	727,728			727,728
Other revenue and gains	357,822	(36,000)		321,822
Selling and marketing expenses	(241,182)			(241,182)
Administrative expenses	(920,932)		(4,000)	(924,932)
Other operating expenses	(1,420,912)			(1,420,912)
Fair value losses on investments, net	<u>(812,687)</u>			<u>(812,687)</u>
<b>LOSS FROM OPERATING ACTIVITIES</b>	(2,310,163)			(2,350,163)
Finance costs	(1,172,419)			(1,172,419)
Share of profits and losses of associates	(1,011)			(1,011)
Share of profits of joint ventures	<u>(10,346)</u>			<u>(10,346)</u>
<b>LOSS BEFORE TAX</b>	(3,493,939)			(3,533,939)
Tax	<u>59,227</u>			<u>59,227</u>
<b>LOSS FOR THE YEAR</b>	<u><u>(3,434,712)</u></u>			<u><u>(3,474,712)</u></u>
Attributable to:				
Owners of the Company	(2,965,960)	(36,000)	(4,000)	(3,005,960)
Non-controlling interests	<u>(468,752)</u>			<u>(468,752)</u>
	<u><u>(3,434,712)</u></u>			<u><u>(3,474,712)</u></u>

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the  
Remaining Group for the year ended 31 July 2023

	The Group	Pro forma adjustments			The Remaining Group
	For the year ended 31 July 2023 <i>(Audited)</i> <i>HK\$'000</i> <i>Note 1</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 2</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 3</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 4</i>	For the year ended 31 July 2023 <i>(Unaudited)</i> <i>HK\$'000</i>
LOSS FOR THE YEAR	(3,434,712)	(36,000)	–	(4,000)	(3,474,712)
OTHER COMPREHENSIVE EXPENSE					
<i>Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods:</i>					
Exchange realignments	(1,204,420)				(1,204,420)
Share of other comprehensive income of associates	4,786				4,786
Share of other comprehensive income of joint ventures	3,047				3,047
Release of exchange reserve upon dissolution and deregistration of subsidiaries	(11,118)				(11,118)
Reclassification of reserve upon return of capital from subsidiaries	(285)				(285)
	(1,207,990)				(1,207,990)

	The Group	Pro forma adjustments			The Remaining Group
	For the year ended 31 July 2023 <i>(Audited)</i> <i>HK\$'000</i> <i>Note 1</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 2</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 3</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 4</i>	For the year ended 31 July 2023 <i>(Unaudited)</i> <i>HK\$'000</i>
<i>Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:</i>					
Changes in fair values of financial assets at fair value through other comprehensive income	(12,481)	(564)	(154,078)		(167,123)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(1,220,471)</u>				<u>(1,375,113)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u><u>(4,655,183)</u></u>				<u><u>(4,849,825)</u></u>
Attributable to:					
Owners of the Company	(3,586,869)	(36,564)	(154,078)	(4,000)	(3,781,511)
Non-controlling interests	<u>(1,068,314)</u>				<u>(1,068,314)</u>
	<u><u>(4,655,183)</u></u>				<u><u>(4,849,825)</u></u>

## Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for the year ended 31 July 2023

	The Group	Pro forma adjustments		The Remaining Group
	For the year ended 31 July 2023 <i>(Audited)</i> <i>HK\$'000</i> <i>Note 1</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 2</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 4</i>	For the year ended 31 July 2023 <i>(Unaudited)</i> <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(3,493,939)	(36,000)	(4,000)	(3,533,939)
Adjustments for:				
Finance costs	1,172,419			1,172,419
Share of profits and losses of associates	1,011			1,011
Share of profits and losses of joint ventures	10,346			10,346
Fair value gains on investment properties, net	812,687			812,687
Depreciation of property, plant and equipment	406,571			406,571
Depreciation of right-of-use assets	375,703			375,703
Impairment of property, plant and equipment	191,413			191,413
Impairment of right-of-use assets	5,202			5,202
Gain on disposal/write-off of items of property, plant and equipment	(123)			(123)
Write-down of properties under development to net realisable value	858,000			858,000
Write-down of completed properties for sales to net realisable value	321,337			321,337
Amortisation of film rights	3,747			3,747
Amortisation of film and TV program products	35,641			35,641
Amortisation of music catalogs	663			663

	The Group	Pro forma adjustments		The Remaining Group
	<b>For the year ended 31 July 2023</b>			<b>For the year ended 31 July 2023</b>
	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 4</i>	
Amortisation of other intangible assets	1,994			1,994
Impairment of films and TV programs under production	2,472			2,472
Impairment of other intangible assets	27,601			27,601
Write-off of other intangible assets	1,150			1,150
Impairment of debtors, net	(941)			(941)
Impairment of advances and other receivables	32,552			32,552
Impairment of amounts due from joint ventures	2,207			2,207
Impairment of inventories	2,544			2,544
Reversal of impairment of property, plant and equipment	(3,006)			(3,006)
Reversal of impairment of right-of-use assets	(7,687)			(7,687)
Write-back of impairment of advances and other receivables	(1,313)			(1,313)
Write-back of impairment of amounts due from associates	(639)			(639)
Fair value losses on financial assets at fair value through profit or loss, net	17,274			17,274
Fair value losses on financial liabilities at fair value through profit or loss, net	204			204
Gain on disposal of financial liabilities at fair value through profit or loss, net	(1,084)			(1,084)
Gains on dissolution/deregistration of subsidiaries	(844)			(844)
Gain on termination of leases	(1,222)			(1,222)

## APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP

	<b>The Group</b>	<b>Pro forma adjustments</b>		<b>The Remaining Group</b>
	<b>For the year ended 31 July 2023</b>			<b>For the year ended 31 July 2023</b>
	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 4</i>	
Fair value losses on cross currency swaps	26,873			26,873
Fair value gains on foreign currency forward contract	(17)			(17)
Derecognition loss on rental receivables	4,553			4,553
Gain on repurchase of guaranteed notes	(2,195)			(2,195)
Interest income	(170,560)			(170,560)
Interest income from finance lease contract	(19,533)			(19,533)
Rent concessions related to COVID-19	(1,790)			(1,790)
Other rent concessions	(999)			(999)
Dividend income from financial assets at fair value through other comprehensive income	(36,300)	36,000		(300)
Dividend income from financial assets at fair value through profit or loss	(837)			(837)
Fair value changes from film investments	4,614			4,614
Fair value changes from entertainment events organised by co-investors	(1,366)			(1,366)
Foreign exchange differences, net	(7,212)			(7,212)
	567,171			563,171

## APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP

	<b>The Group</b>	<b>Pro forma adjustments</b>		<b>The Remaining Group</b>
	<b>For the year ended 31 July 2023</b>			<b>For the year ended 31 July 2023</b>
	<i>(Audited)</i> <i>HK\$'000</i> <i>Note 1</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 2</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 4</i>	<i>(Unaudited)</i> <i>HK\$'000</i>
Increase in properties under development	(386,407)			(386,407)
Decrease in completed properties for sale	858,644			858,644
Increase in inventories	(9,273)			(9,273)
Additions of films and TV programs under production	(64,199)			(64,199)
Decrease in film investments	25,257			25,257
Increase in film and TV program products	(80)			(80)
Additions of film rights	(8,951)			(8,951)
Decrease in debtors	28,780			28,780
Decrease in financial assets at fair value through profit or loss	31			31
Increase in deposits, prepayments, other receivables and other assets	158,086			158,086
Increase in creditors, other payables and accruals	139,803			139,803
Increase in deposits received, deferred income and contract liabilities	62,411			62,411
Cash generated from operations	1,371,273			1,367,273
Interest received	170,560			170,560
Interest paid on bank borrowings	(1,113,068)			(1,113,068)
Interest paid on guaranteed notes	(350,779)			(350,779)
Hong Kong profits tax paid, net	(25,637)			(25,637)
Mainland China taxes paid, net	(421,045)			(421,045)
Overseas taxes paid, net	(10,900)			(10,900)
Net cash flows used in operating activities	(379,596)			(383,596)



	<b>The Group</b>	<b>Pro forma adjustments</b>		<b>The Remaining Group</b>
	<b>For the year ended 31 July 2023</b>			<b>For the year ended 31 July 2023</b>
	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 4</i>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of items of property, plant and equipment	(190,402)			(190,402)
Additions to investment properties	(303,562)			(303,562)
Deposits paid for additions to investment properties	(299)			(299)
Acquisition of financial assets at fair value through profit or loss	(76,909)			(76,909)
Increase in financial liabilities at fair value through profit or loss	880			880
Proceeds from disposal of equity investment at fair value through other comprehensive income	49		1,421,626	1,421,675
Proceeds from disposal of financial assets at fair value through profit or loss	93,671			93,671
Proceeds from disposal of items of property, plant and equipment	2,738			2,738
Advances to associates	(70,637)			(70,637)
Acquisition of an associate	(4,613)			(4,613)
Repayment from associates	1,570			1,570
Advances to joint ventures	(180,379)			(180,379)
Investment in joint ventures	(25,001)			(25,001)
Repayment from joint ventures	212,986			212,986
Dividends received from financial assets at fair value through other comprehensive income	36,300	(36,000)		300
Dividends received from financial assets at fair value through profit or loss	837			837

	<u>The Group</u>	<u>Pro forma adjustments</u>		<u>The Remaining Group</u>
	<b>For the year ended 31 July 2023</b>			<b>For the year ended 31 July 2023</b>
	<i>(Audited)</i> <i>HK\$'000</i> <i>Note 1</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 2</i>	<i>(Unaudited)</i> <i>HK\$'000</i> <i>Note 4</i>	<i>(Unaudited)</i> <i>HK\$'000</i>
Increase in derivative financial instruments	(731)			(731)
Increase in pledged and restricted bank balances and time deposits	<u>1,062,608</u>			<u>1,062,608</u>
Net cash flows from investing activities	<u>559,106</u>			<u>1,944,732</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
New bank borrowings raised	8,938,309			8,938,309
Repayment of bank borrowings	(4,726,859)			(4,726,859)
Bank financing charges	(36,590)			(36,590)
Lease payments	(242,857)			(242,857)
Redemption and repurchase of guaranteed notes	(5,876,038)			(5,876,038)
Decrease in put option liabilities	(32,250)			(32,250)
Repayment of other borrowings	(6,915)			(6,915)
Dividends paid to non-controlling interests of subsidiaries	(69,025)			(69,025)
Capital contributions from non-controlling interests of subsidiaries	20,309			20,309
Advance from a non-controlling interest of a subsidiary	4,318			4,318
Net proceeds from rights issue	776,605			776,605
Deemed disposal of a subsidiary and acquisition of additional interests in a subsidiary	<u>(202,698)</u>			<u>(202,698)</u>
Net cash flows used in financing activities	<u>(1,453,691)</u>			<u>(1,453,691)</u>

	<u>The Group</u>	<u>Pro forma adjustments</u>		<u>The Remaining Group</u>
	<b>For the year ended 31 July 2023</b>			<b>For the year ended 31 July 2023</b>
	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 4</i>	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,274,181)			107,445
Cash and cash equivalents at beginning of year	5,056,442			5,056,442
Effect of foreign exchange rate changes, net	<u>(103,304)</u>			<u>(103,304)</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>3,678,957</u></u>			 <u><u>5,060,583</u></u>
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Non-pledged and non-restricted cash and bank balances	2,582,378	(36,000)	1,417,626	3,964,004
Non-pledged and non-restricted time deposits	<u>1,096,579</u>			<u>1,096,579</u>
	<u><u>3,678,957</u></u>			<u><u>5,060,583</u></u>

**Notes to the Pro Forma Financial Information of the Remaining Group**

*Note 1* The financial information of the Group is extracted from the unaudited condensed consolidated statement of financial position as at 31 January 2024, as set out in the Company's published interim report for the six months ended 31 January 2024, and the audited consolidated income statement, the audited statement of comprehensive income and the audited consolidated statement of cash flows for the year ended 31 July 2023, as set out in the Company's published annual report for the year ended 31 July 2023.

*Note 2* The adjustment represents the reversal of the dividend income distributed by Bayshore Development amounted to HK\$36,000,000 and fair value gain of HK\$564,000 recognised in other comprehensive income for the year ended 31 July 2023, assuming the Disposal had taken place on 1 August 2022.

*Note 3* The calculation of the estimated fair value loss recognised in other comprehensive income on the disposal as if the Disposal had been taken place on 31 January 2024 and 1 August 2022, respectively.

<i>As if the Disposal had been taken place on 31 January 2024</i>		<b>HK\$'000</b>
Initial Consideration		1,421,626
Less: Carrying amount of 10% equity interest in Bayshore Development as at 31 January 2024		<u>(1,544,544)</u>
Pro forma fair value loss recognised in other comprehensive income on disposal of Bayshore Development for the pro forma consolidated statement of financial position		<u><b>(122,918)</b></u>
<i>As if the Disposal had been taken place on 1 August 2022</i>		<b>HK\$'000</b>
Initial Consideration		1,421,626
Less: Carrying amount of 10% equity interest in Bayshore Development as at 1 August 2022		<u>(1,575,704)</u>
Pro forma fair value loss recognised in other comprehensive income on disposal of Bayshore Development for the pro forma statement of other comprehensive income		<u><b>(154,078)</b></u>

*Note 4* The adjustment represents the receipt of the Initial Consideration and the derecognition of equity interests in Bayshore Development of approximately HK\$1,421,626,000, with estimated transaction costs of approximately HK\$4,000,000, which resulted to net cash inflows of approximately HK\$1,417,626,000. The respective cumulative fair value gains recognised in other comprehensive income arising from the 10% equity interest in Bayshore Development of approximately HK\$1,421,626,000 is transferred from fair value reserve to retained earnings.

*Note 5* The pro forma adjustments in the unaudited pro forma financial information of the Remaining Group are not expected to have a continuing effect on the Remaining Group.

*Note 6* No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 January 2024.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION

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To the Directors of Lai Sun Development Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Lai Sun Development Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 January 2024, the pro forma consolidated income statement, the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows for the year ended 31 July 2023, and related notes as set out in Appendix III of the circular dated 7 May 2024 (the “**Circular**”) issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix III of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the very substantial disposal in relation to the proposed disposal transaction of the Company (the “**Disposal**”) on the Group’s consolidated financial position as at 31 January 2024, as if the Disposal had taken place at 31 January 2024 and on the Group’s consolidated income statement, consolidated statement of comprehensive income and consolidated cash flows for the year ended 31 July 2023, as if the Disposal had taken place at 1 August 2022. As part of this process, information about the Group’s consolidated statement of financial position has been extracted by the Directors from the consolidated statement of financial position of the Group as at 31 January 2024, on which an interim report has been published and information about the Group’s consolidated income statement, consolidated statement of comprehensive income and the consolidated statement of cash flows has been extracted by the Directors from the consolidated income statement, consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 July 2023, on which an annual report has been published.

**Directors' responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our independence and quality management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including documented policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

7 May 2024



For the purpose of this circular and for illustration purpose only, the management discussion and analysis of the Remaining Group below is made with the exclusion of Bayshore Development.

There will be no change to the principal business of the Remaining Group as a result of the Disposal. Following the Disposal, the Remaining Group will continue to carry out its existing businesses.

#### FOR THE SIX MONTHS ENDED 31 JANUARY 2024

For the six months ended 31 January 2024, the Remaining Group recorded turnover of HK\$3,038.9 million (2023: HK\$2,467.4 million) and a gross profit of HK\$1,071.6 million (2023: HK\$918.3 million). The increase was primarily due to (i) higher turnover from the Remaining Group's rental operation; (ii) increase in property sales in Lai Fung Group; (iii) growth in the Remaining Group's hotel operation, restaurant and F&B product sales operations, which were mainly driven by the relaxation of COVID-19 restrictions; and (iv) the increase in revenue derived from eSun Group's film and TV program. Nonetheless, this increase was partially offset by the Remaining Group's weaker than expected performance in cinema operation during the six months ended 31 January 2024, as compared to the same period in the previous year.

Set out below is the turnover by segment:

	Six months ended 31 January		Difference (HK\$ million)	% change
	2024 (HK\$ million)	2023 (HK\$ million)		
Property investment	623.9	562.2	+61.7	+11.0
Property development and sales	924.6	600.2	+324.4	+54.0
Restaurant and F&B product sales operations	285.8	262.6	+23.2	+8.8
Hotel operation	623.0	421.5	+201.5	+47.8
Media and entertainment	179.3	176.0	+3.3	+1.9
Film and TV program	125.2	72.9	+52.3	+71.7
Cinema operation	188.9	263.1	-74.2	-28.2
Theme park operation	9.9	8.8	+1.1	+12.5
Others	78.3	100.1	-21.8	-21.8
Total	<u>3,038.9</u>	<u>2,467.4</u>	<u>+571.5</u>	<u>+23.2</u>

For the six months ended 31 January 2024, net loss attributable to owners of the Company was approximately HK\$1,870.0 million (2023: HK\$1,382.8 million). The increased loss, partially offset by the increase in revenue, was primarily due to the decrease in fair values of investment properties owned by the Remaining Group, during the six months ended 31 January 2024 as compared to the same period in the previous year. Net loss per share was HK\$1.287 (2023: HK\$1.419).

Excluding the effect of property revaluations, net loss attributable to owners of the Company was approximately HK\$550.2 million (2023: HK\$537.7 million). Net loss per share excluding the effect of property revaluations during the six months ended 31 January 2024 was HK\$0.379 (2023: HK\$0.552).

	<b>Six months ended 31 January</b>	
	<b>2024</b>	2023
	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>Loss attributable to owners of the Company</b>		
Reported	<b>(1,870.0)</b>	(1,382.8)
Less: Adjustments in respect of revaluation of investment properties held by		
– the Company and subsidiaries	<b>994.3</b>	793.5
– joint ventures	<b>341.0</b>	77.4
Deferred tax on investment properties	<b>(15.5)</b>	(25.8)
Net loss after tax excluding revaluation of investment properties	<b><u>(550.2)</u></b>	<b><u>(537.7)</u></b>

Equity attributable to owners of the Company as at 31 January 2024 amounted to HK\$26,239.3 million, as compared to HK\$28,171.6 million as at 31 July 2023. Net asset value per share attributable to owners of the Company slightly dropped to HK\$18.055 per share as at 31 January 2024 from HK\$19.384 per share as at 31 July 2023.

#### **PROPERTY PORTFOLIO COMPOSITION**

The Remaining Group maintained a property portfolio with attributable GFA of approximately 8.4 million square feet as at 31 January 2024. All major properties of the Remaining Group in Mainland China are held through Lai Fung Group, except Novotown Phase I which is 80% owned by Lai Fung Group and 20% owned by the Remaining Group, and all major properties in Hong Kong and overseas are held by the Remaining Group excluding eSun Group and Lai Fung Group.

Approximate attributable GFA (in '000 square feet) of the Remaining Group's major properties and number of car parking spaces as at 31 January 2024 are set out as follows:

(HK\$'000)

	Commercial/ Retail	Office	Hotel/ Serviced Apartment	Residential	Industrial	Total (excluding car parking spaces & ancillary facilities)	No. of car parking spaces
<b>GFA of major properties and number of car parking spaces of Lai Fung Group (on attributable basis<sup>1</sup>)</b>							
Completed Properties Held for Rental <sup>2</sup>	1,472	1,216	—	—	—	2,688	1,643
Completed Hotel Properties and Serviced Apartments <sup>2</sup>	—	—	545	—	—	545	—
Properties under Development <sup>3</sup>	288	873	319	—	—	1,480	745
Completed Properties Held for Sale	91	232	115	162	—	600	1,885
<b>Subtotal</b>	<b>1,851</b>	<b>2,321</b>	<b>979</b>	<b>162</b>	<b>—</b>	<b>5,313</b>	<b>4,273</b>
<b>GFA of major properties and number of car parking spaces of the Remaining Group excluding Lai Fung Group (on attributable basis)</b>							
Completed Properties Held for Rental <sup>2</sup>	739	1,030	—	—	16	1,785	1,431
Completed Hotel Properties and Serviced Apartments <sup>2</sup>	—	—	725	—	—	725	92
Properties under Development <sup>3</sup>	8	—	—	375	—	383	148
Completed Properties Held for Sale	33	105	53	24	—	215	51
<b>Subtotal</b>	<b>780</b>	<b>1,135</b>	<b>778</b>	<b>399</b>	<b>16</b>	<b>3,108</b>	<b>1,722</b>
<b>Total GFA attributable to the Remaining Group</b>	<b>2,631</b>	<b>3,456</b>	<b>1,757</b>	<b>561</b>	<b>16</b>	<b>8,421</b>	<b>5,995</b>

Notes:

1. As at 31 January 2024, Lai Fung is a 55.08%-owned subsidiary of the Company.
2. Completed and rental generating properties.
3. All properties under construction.

## PROPERTY INVESTMENT

## Rental Income

For the six months ended 31 January 2024, the Remaining Group's rental operations recorded a turnover of HK\$623.9 million (2023: HK\$562.2 million) comprising turnover of HK\$239.6 million, HK\$34.1 million and HK\$350.2 million from rental properties in Hong Kong, London and Mainland China, respectively.

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

	Six months ended 31 January			Period end occupancy	
	2024 HK\$ million	2023 HK\$ million	% Change	2024 %	2023 %
<b>Hong Kong</b>					
Cheung Sha Wan Plaza	143.2	131.1	+9.2	97.3	92.7
Causeway Bay Plaza 2	67.9	60.7	+11.9	94.9	88.4
Lai Sun Commercial Centre	25.7	21.8	+17.9	97.9	89.6
Others	2.8	2.6	+7.7		
<b>Subtotal:</b>	<b>239.6</b>	<b>216.2</b>	<b>+10.8</b>		
<b>London, United Kingdom</b>					
107 Leadenhall Street	6.7	10.3	-35.0	45.9	88.2
100 Leadenhall Street	26.7	23.2	+15.1	100.0	100.0
106 Leadenhall Street	0.7	2.9	-75.9	0.0	100.0
<b>Subtotal:</b>	<b>34.1</b>	<b>36.4</b>	<b>-6.3</b>		
<b>Mainland China</b>					
<b>Shanghai</b>					
Shanghai Hong Kong Plaza	134.7	134.4	+0.2	<b>Retail: 96.2</b> <b>Office: 89.7</b>	Retail: 90.3 Office: 87.1
Shanghai May Flower Plaza	20.3	20.9	-2.9	<b>Retail: 100.0</b>	Retail: 97.0
Shanghai Regents Park	8.8	9.8	-10.2	<b>100.0</b>	100.0
Shanghai Skyline Tower <sup>1</sup>	23.1	0.1	+23,000.0	<b>Retail: 83.9</b> <b>Office: 32.8</b>	22.8
<b>Guangzhou</b>					
Guangzhou May Flower Plaza	49.6	46.0	+7.8	<b>90.0</b>	91.0
Guangzhou West Point	11.1	11.2	-0.9	<b>91.0</b>	83.5
Guangzhou Lai Fung Tower	60.7	67.3	-9.8	<b>Retail: 100.0</b> <b>Office: 86.5<sup>2</sup></b>	Retail: 100.0 Office: 90.9 <sup>2</sup>
Guangzhou Lai Fung International Center <sup>1</sup>	17.3	1.4	+1,135.7	<b>Retail: 71.0</b> <b>Office: 40.3</b>	31.6
<b>Zhongshan</b>					
Zhongshan Palm Spring Rainbow Mall	2.6	2.7	-3.7	<b>Retail: 68.5<sup>2</sup></b>	Retail: 66.2 <sup>2</sup>

	Six months ended 31 January			Period end occupancy	
	2024 HK\$ million	2023 HK\$ million	% Change	2024 %	2023 %
<i>Hengqin</i>					
Hengqin Novotown Phase I	3.4	2.3	+47.8	Retail: 83.2 <sup>3</sup>	Retail: 77.7 <sup>3</sup>
Others	18.6	13.5	+37.8		
<b>Subtotal:</b>	<b>350.2</b>	<b>309.6</b>	<b>+13.1</b>		
<b>Total:</b>	<b>623.9</b>	<b>562.2</b>	<b>+11.0</b>		
<b>Rental proceeds from joint venture projects</b>					
<b>Hong Kong</b>					
CCB Tower <sup>4</sup> (50% basis)	57.3	55.9	+2.5	97.7	95.7
Alto Residences <sup>5</sup> (50% basis)	11.7	11.9	-1.7	86.8	93.5
<b>Total:</b>	<b>69.0</b>	<b>67.8</b>	<b>+1.8</b>		

*Notes:*

1. Shanghai Skyline Tower and Guangzhou Lai Fung International Center were completed in September and November 2022, respectively.
2. Excluding self-use area.
3. Including the cultural attraction spaces occupied by Lionsgate Entertainment World<sup>®</sup> and National Geographic Ultimate Explorer Hengqin.
4. CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of the Remaining Group and CCB has an effective 50% interest. For the six months ended 31 January 2024, the joint venture recorded rental proceeds of approximately HK\$114.6 million (2023: HK\$111.8 million).
5. Alto Residences is a joint venture project with Empire Group Holdings Limited (“Empire Group”) in which each of the Remaining Group and Empire Group has an effective 50% interest. For the six months ended 31 January 2024, the joint venture recorded rental proceeds of approximately HK\$23.4 million (2023: HK\$23.9 million).

## PROPERTY DEVELOPMENT

## Recognised Sales

For the six months ended 31 January 2024, recognised turnover from sales of properties was HK\$924.6 million (2023: HK\$600.2 million).

Breakdown of turnover for the six months ended 31 January 2024 from sales of properties is as follows:

## Hong Kong

Recognised basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price <sup>1</sup> (HK\$/square foot)	Turnover (HK\$ million)
Ki Lung Street Retail Units	2	2,400	11,117	26.7

## Mainland China

Recognised basis	No. of Units	Approximate GFA (Square feet)	Average Selling Price <sup>2</sup> (HK\$/square foot)	Turnover <sup>3</sup> (HK\$ million)
Hengqin Novotown Phase I				
Cultural Studios	10	35,784	4,512	152.4
Cultural Workshop Units	64	46,107	2,220	93.9
Zhongshan Palm Spring				
Residential High-rise Units	351	423,352	1,633	634.3
Shanghai Regents Park				
Car Parking Spaces	9			5.6
Guangzhou West Point				
Car Parking Spaces	27			10.9
Zhongshan Palm Spring				
Car Parking Spaces	5			0.8
<b>Subtotal</b>				<b>897.9</b>
<b>Total</b>				<b>924.6</b>

**Recognised sales from joint venture project****Hong Kong**

Recognised basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price <sup>1</sup> (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
House	1 <sup>4</sup>	1,759 <sup>4</sup>	23,381	41.1 <sup>5</sup>
<b>Total</b>				<b>41.1</b>

*Notes:*

1. Excluding the financing component for sale of completed properties in accordance with Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers".
2. Value-added tax inclusive.
3. Value-added tax exclusive.
4. No. of house and saleable area attributable to the Remaining Group. The total no. of house recognised and total saleable area are 1 and 3,518 square feet, respectively.
5. Representing property sales proceeds of HK\$75.9 million and rental proceeds of HK\$6.3 million in relation to certain house offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.

**Contracted Sales**

As at 31 January 2024, the Remaining Group's property development operation has contracted but not yet recognised sales of HK\$492.5 million. Including the joint venture project of the Remaining Group, the total contracted but not yet recognised sales of the Remaining Group as at 31 January 2024 amounted to HK\$747.4 million. Breakdown of contracted but not yet recognised sales as at 31 January 2024 is as follows:

**Hong Kong**

<b>Contracted basis</b>	<b>No. of Units</b>	<b>Approximate Saleable Area (Square feet)</b>	<b>Average Selling Price (HK\$/square foot)</b>	<b>Turnover (HK\$ million)</b>
Bal Residence Residential Units	32	10,907	15,639	170.6

**Mainland China**

<b>Contracted basis</b>	<b>No. of Units</b>	<b>Approximate GFA (Square feet)</b>	<b>Average Selling Price<sup>1</sup> (HK\$/square foot)</b>	<b>Turnover<sup>1</sup> (HK\$ million)</b>
Zhongshan Palm Spring Residential High-rise Units	58	72,763	1,748	127.2
Hengqin Novotown Phase I Cultural Studios	2	6,367	4,319	27.5
Cultural Workshop Units	3	2,235	2,819	6.3
Hengqin Novotown Phase II Harrow ILA Hengqin Buildings <sup>2</sup>	N/A	149,078	1,075	160.3
Shanghai Regents Park Car Parking Space	1			0.6
<b>Subtotal</b>				<b>321.9</b>
<b>Total</b>				<b>492.5</b>



## Contracted sales from joint venture project

## Hong Kong

Contracted basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
Houses	3 <sup>3</sup>	7,482 <sup>3</sup>	22,974	171.9 <sup>4</sup>
Residential Units	3 <sup>5</sup>	2,932 <sup>5</sup>	25,926	76.0 <sup>6</sup>
Car Parking Spaces	3 <sup>7</sup>			7.0
<b>Total</b>				<b>254.9</b>

## Notes:

1. Value-added tax inclusive.
2. Will be recognised as income from finance lease under turnover.
3. No. of houses and saleable area attributable to the Remaining Group. The total no. of houses contracted and total saleable area are 5 and 14,964 square feet, respectively.
4. Representing property sales proceeds of HK\$318.5 million and rental proceeds of HK\$25.3 million in relation to certain houses offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
5. No. of residential units and saleable area attributable to the Remaining Group. The total no. of residential units contracted and total saleable area are 5 and 5,864 square feet, respectively.
6. Representing property sales proceeds of HK\$144.4 million and rental proceeds of HK\$7.6 million in relation to certain residential units offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
7. No. of car parking spaces attributable to the Remaining Group. The total no. of car parking spaces contracted is 5.

## RESTAURANT AND F&amp;B PRODUCT SALES OPERATIONS

For the six months ended 31 January 2024, restaurant and F&B product sales operations contributed HK\$285.8 million to the Remaining Group's turnover, representing an increase of approximately 8.8% from that of HK\$262.6 million for the same period in the previous year. The increase was mainly driven by the relaxation of COVID-19 restrictions. The Remaining Group has 2 new restaurants in operation for the six months ended 31 January 2024, namely Plaisance by Mauro Colagreco and KiKi Noodle Bar Hysan Place.

Restaurant operations include the Remaining Group's interests in 27 restaurants in Hong Kong and Mainland China and 1 restaurant in Macau under management. Details of each existing restaurant of the Remaining Group are as follows:

Cuisine	Restaurant	Location	Attributable interest to the Remaining Group	Award
<i>Owned restaurants</i>				
Western/ International Cuisine	8½ Otto e Mezzo BOMBANA	Hong Kong	38%	Three Michelin stars (2012-2024)
	8½ Otto e Mezzo BOMBANA	Shanghai	13%	Two Michelin stars (2017-2024)
	Opera BOMBANA	Beijing	20%	One Michelin star (2023-2024)
	CIAK – In The Kitchen	Hong Kong	63%	One Michelin star (2015-2017)
	CIAK – All Day Italian	Hong Kong	68%	Michelin Bib Gourmand (2017-2021)
	Beefbar	Hong Kong	63%	One Michelin star (2017-2024)
	Takumi by Daisuke Mori	Hong Kong	65%	One Michelin star (2018-2024)
	Prohibition <sup>(Note)</sup>	Hong Kong	100%	
	ZEST by Konishi	Hong Kong	68%	One Michelin star (2020-2024)
	Cipriani	Hong Kong	44%	
	Plaisance by Mauro Colagreco	Hong Kong	70%	
Asian Cuisine	China Tang Landmark	Hong Kong	51%	The Plate Michelin (2019-2021)
	China Tang Beijing	Beijing	68%	
	Howard's Gourmet	Hong Kong	51%	
	Chiu Tang Central	Hong Kong	68%	
	Canton Bistro <sup>(Note)</sup>	Hong Kong	100%	
	Old Bazaar Kitchen	Hong Kong	85%	
	KiKi Noodle Bar IFC	Hong Kong	85%	
	KiKi Noodle Bar K11 MUSEA	Hong Kong	85%	
	KiKi Noodle Bar OP Mall	Hong Kong	85%	
	KiKi Lu Wei	Hong Kong	85%	
	KiKi Noodle Bar Hysan Place	Hong Kong	85%	
	MOSU Hong Kong	Hong Kong	68%	
	SËP	Hong Kong	68%	
	China Club	Hong Kong	17%	
Japanese Cuisine	Kanesaka Hong Kong	Hong Kong	68%	
	Yamato	Hong Kong	60%	
<i>Managed restaurant</i>				
Western Cuisine	8½ Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2024)

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

**HOTEL AND SERVICED APARTMENT OPERATIONS**

The hotel and serviced apartment operation segment of the Remaining Group includes the Remaining Group's operation of the Ocean Park Marriott Hotel in Hong Kong and the Caravelle Hotel in Ho Chi Minh City, Vietnam, as well as Lai Fung Group's hotel and serviced apartment operation in Shanghai and Hengqin, Mainland China. Since December 2019, the Remaining Group further expanded its hotel portfolio with the acquisition of a 50% interest in Fairmont St. Andrews resort in Fife, Scotland, United Kingdom. Performance of the 50:50 joint venture of Fairmont St. Andrews resort is recognised as "Share of profits and losses of joint ventures" in the consolidated income statement of the Remaining Group. The hotel project in Phuket, Thailand that the Remaining Group invested in June 2017 was still at the planning stage during the six months ended 31 January 2024.

For the six months ended 31 January 2024, the hotel and serviced apartment operations contributed HK\$623.0 million to the Remaining Group's turnover (2023: HK\$421.5 million), representing a significant increase of approximately 47.8%. The noticeable recovery in the Remaining Group's hotel business was mainly driven by (i) the relaxation of COVID-19 restrictions in Hong Kong and Mainland China; (ii) the reopening of the border with Mainland China in Hong Kong; and (iii) the upward trend of the tourism industry in Vietnam. As a result, a robust growth was recorded for the Remaining Group's hotels, particularly the Hong Kong Ocean Park Marriott Hotel, Hyatt Regency Hengqin and Caravelle Hotel in Ho Chi Minh City, during the six months ended 31 January 2024 compared to the same period in the previous year.

Breakdown of turnover from hotel and serviced apartment operations for the six months ended 31 January 2024 is as follows:

	Location	Attributable interest to the Remaining Group	No. of Rooms <sup>1</sup>	Total GFA (square feet)	Turnover (HK\$ million)	Period end occupancy rate (%)	
Hotel and serviced apartment							
	Ocean Park Marriott Hotel	Hong Kong	100%	471	365,974	226.7	67.2
	Ascott Huaihai Road Shanghai	Shanghai	55.08%	310	358,009	52.8	85.8
	STARR Hotel Shanghai	Shanghai	55.08%	239	143,846	14.5	61.3
	Hyatt Regency Hengqin	Hengqin	64.06%	493	610,540	82.0	78.3
	Caravelle Hotel	Ho Chi Minh City	26.01%	335	378,225	246.3	86.0
<b>Subtotal:</b>			<b>1,848</b>	<b>1,856,594</b>	<b>622.3</b>		
Hotel management fee					0.7		
<b>Total:</b>					<b>623.0</b>		
<b>Joint Venture Project</b>							
	Fairmont St. Andrews resort (50% basis)	Scotland	50%	106 <sup>2</sup>	138,241 <sup>2</sup>	45.4	5.7

Notes:

1. On 100% basis.
2. No. of rooms and GFA attributable to the Remaining Group. The total number of rooms and total GFA are 211 and 276,482 square feet, respectively.

## CINEMA OPERATION

The cinema operation is managed by eSun Group. For the six months ended 31 January 2024, this segment recorded a turnover of HK\$188.9 million (2023: HK\$263.1 million) and segment results of a loss of HK\$55.9 million (2023: a loss of HK\$35.2 million). eSun Group operates seventeen cinemas in Hong Kong (including one joint venture project) and one cinema in Mainland China and details on the number of screens and seats of each existing cinema are disclosed in below table. Besides, eSun Group has extended its cinema network through a 50% joint venture with Emperor Cinemas Group, namely the Emperor Cinemas Plus+ (Tai Wai), which is managed by Emperor Cinemas Group and opened in July 2023.

Cinema (managed by eSun Group)	Attributable interest to eSun Group (%)	No. of screens (Note)	No. of seats (Note)
<b>Mainland China</b>			
Suzhou Grand Cinema City	100	10	1,440
<b>Subtotal</b>		<b>10</b>	<b>1,440</b>
<b>Hong Kong</b>			
K11 Art House	100	12	1,708
Movie Town (including MX4D theatre)	100	7	1,702
MCL Airside Cinema	100	7	944
MCL The One Cinema	100	6	831
MCL Cyberport Cinema	100	4	818
MCL Citygate Cinema	100	4	673
MCL Amoy Cinema	100	3	603
Festival Grand Cinema	95	8	1,196
MCL Telford Cinema (including MX4D theatre)	95	6	789
MCL Metro City Cinema	95	6	690
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
MCL Cinemas Plus+ Plaza Hollywood	50	6	1,595
<b>Subtotal</b>		<b>93</b>	<b>14,381</b>
<b>Total</b>		<b>103</b>	<b>15,821</b>

Note: On 100% basis.

**MEDIA AND ENTERTAINMENT**

The media and entertainment businesses are operated by eSun Group. For the six months ended 31 January 2024, this segment recorded a turnover of HK\$179.3 million (2023: HK\$176.0 million) and segment results of an increased profit to HK\$25.0 million from that of HK\$17.4 million in the same period in the previous year.

**Events Management**

During the six months ended 31 January 2024, eSun Group organised and invested in 27 (2023: 47) shows by popular local and Asian renowned artistes, including Leon Lai, Dear Jane, Grasshopper, Jan Lamb, Yoga Lin, YEAHS, Waa Wei and Tsai Chin.

**Music Production, Distribution and Publishing**

During the six months ended 31 January 2024, eSun Group released 5 (2023: 5) albums, including titles by Jay Fung, Richie Jen, On Chan and Andy Leung. eSun Group expects to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

**Artiste Management**

eSun Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing TV drama production and film production businesses. eSun Group currently has 22 artistes under its management.

**FILM AND TV PROGRAM PRODUCTION AND DISTRIBUTION**

The film and TV program production and distribution businesses are operated by eSun Group. For the six months ended 31 January 2024, this segment recorded a turnover of HK125.2 million (2023: HK\$72.9 million) and segment results of a loss of HK\$1.3 million (2023: loss of HK\$12.2 million).

During the six months ended 31 January 2024, a total of 1 (2023: 2) film(s) and 1 (2023: Nil) TV program produced/invested by eSun Group were theatrically released, namely “*Love at First Lie*” and “*Dead Ringer*”. eSun Group also distributed 26 (2023: 17) films with high profile titles including “*Lost in the Stars*”, “*No More Bets*”, “*In Broad Daylight*”, “*Killers of The Flower Moon*” and “*The Boy and the Heron*”.

## INTERESTS IN JOINT VENTURES

For the six months ended 31 January 2024, losses from joint ventures amounted to losses of HK\$341.4 million, as compared to losses of HK\$30.7 million for the same period in the previous year. The increased loss was primarily due to the increase in fair value losses of Alto Residences and CCB Tower, as well as the decrease in operating profits of Alto Residences during the six months ended 31 January 2024.

	<b>Six months ended 31 January</b>	
	<b>2024</b>	<b>2023</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Revaluation losses	<b>(341.0)</b>	(77.4)
Operating (losses)/profits	<b>(0.4)</b>	46.7
Losses from joint ventures	<b><u>(341.4)</u></b>	<b><u>(30.7)</u></b>

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2024, cash and bank balances and undrawn facilities held by the Remaining Group amounted to approximately HK\$4,397.0 million and approximately HK\$5,213.0 million, respectively. Cash and bank balances held by the Remaining Group of which about 49% was denominated in Hong Kong dollars and United States dollars, and about 39% was denominated in Renminbi. Excluding eSun Group and Lai Fung Group, cash and bank balances and undrawn facilities held by the Remaining Group as at 31 January 2024 were approximately HK\$1,802.3 million and approximately HK\$2,121.2 million, respectively.

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

As at 31 January 2024, the Remaining Group had bank borrowings of approximately HK\$22,040.9 million, guaranteed notes of approximately HK\$4,276.6 million and other borrowings of approximately HK\$321.7 million. As at 31 January 2024, the maturity profile of the bank borrowings of HK\$22,040.9 million is spread with HK\$2,359.7 million repayable within one year, HK\$6,552.6 million repayable in the second year, HK\$11,195.8 million repayable in the third to fifth years, and HK\$1,932.8 million repayable beyond the fifth year.

The Remaining Group issued guaranteed notes in an aggregate principal amount of US\$500 million and HK\$385 million. The guaranteed notes have terms ranging from five years to seven years and three months, and bear fixed interest rates ranging from 4.9% to 5.25% per annum. Certain guaranteed notes are listed on the Stock Exchange and were issued for refinancing the previous notes and for general corporate purposes.

Approximately 83% and 16% of the Remaining Group's total borrowings carried interest on a floating rate basis and fixed rate basis, respectively, and the remaining 1% of the Remaining Group's borrowings were interest-free.

The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total borrowings less cash and bank balances) to consolidated net assets attributable to owners of the Company, was approximately 85%.

As at 31 January 2024, certain investment properties with carrying amounts of approximately HK\$32,389.2 million, certain property, plant and equipment and the related right-of-use assets with carrying amounts of approximately HK\$8,169.5 million, certain completed properties for sale with carrying amounts of approximately HK\$435.6 million, certain properties under development with carrying amounts of approximately HK\$5,063.3 million, and certain bank balances and time deposits with banks of approximately HK\$954.5 million were pledged to banks to secure banking facilities granted to the Remaining Group. In addition, shares in certain subsidiaries were pledged to banks to secure banking facilities granted to the Remaining Group. Shares in certain joint ventures were pledged to banks to secure banking facilities granted to the respective joint ventures of the Remaining Group. The Remaining Group's secured bank borrowings were also secured by floating charges over certain assets held by the Remaining Group.

The Remaining Group's major assets and liabilities and transactions were denominated in Hong Kong dollars, United States dollars, Pound Sterling and Renminbi. Considering that Hong Kong dollars are pegged against United States dollars, the Remaining Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is not material. The Remaining Group has investments in United Kingdom with the assets and liabilities denominated in Pound Sterling. These investments were primarily financed by bank borrowings denominated in Pound Sterling in order to minimise the net foreign exchange exposure. Lai Fung Group has a net exchange exposure to Renminbi as their assets are principally located in Mainland China and the revenues are predominantly in Renminbi. Other than the abovementioned, the remaining monetary assets and liabilities of the Remaining Group were denominated in Euro, Malaysian Ringgit and Vietnamese Dong which were insignificant as compared with the Remaining Group's total assets and liabilities. The Remaining Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the additional need arise.



**MATERIAL ACQUISITIONS OR DISPOSALS**

The Remaining Group has no material acquisition or disposal of subsidiaries and associated companies for the six months ended 31 January 2024.

**CONTINGENT LIABILITIES**

There has been no material change in contingent liabilities of the Remaining Group since 31 July 2023.

**EMPLOYEES AND REMUNERATION POLICIES**

As at 31 January 2024, the Remaining Group employed a total of approximately 4,000 employees. The Remaining Group recognises the importance of maintaining a stable staff force in its continued success. Under the Remaining 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.

## FOR THE YEAR ENDED 31 JULY 2023

For the year ended 31 July 2023, the Remaining Group recorded turnover of HK\$4,901.5 million (2022: HK\$5,093.7 million) and a gross profit of HK\$727.7 million (2022: HK\$1,544.0 million). The decrease was primarily due to (i) decrease in property sales in Lai Fung and Lai Fung Group predominantly; and (ii) write-down of certain properties under development and completed properties for sale, during the year ended 31 July 2023 as compared to previous financial year.

Set out below is the turnover by segment:

	For the year ended 31 July			
	2023 (HK\$ million)	2022 (HK\$ million)	Difference (HK\$ million)	% change
Property investment	1,160.6	1,241.6	-81.0	-6.5
Property development and sales	946.6	1,685.5	-738.9	-43.8
Restaurant and F&B product sales operations	552.6	419.9	+132.70	+31.6
Hotel operation	977.7	650.0	+327.7	+50.4
Media and entertainment	372.5	256.8	+115.7	+45.1
Film and TV program	113.1	184.6	-71.5	-38.7
Cinema operation	525.1	385.0	+140.1	+36.4
Theme park operation	18.9	16.0	+2.9	+18.1
Others	234.4	254.3	-19.9	-7.8
<b>Total</b>	<b>4,901.5</b>	<b>5,093.7</b>	<b>-192.2</b>	<b>-3.8</b>

For the year ended 31 July 2023, net loss attributable to owners of the Company was approximately HK\$3,002.0 million (2022: HK\$2,002.9 million). The increased loss, partially offset by lower other operating expenses and tax charge, was primarily due to (i) decrease in property sales in Lai Fung predominantly; (ii) write-down of certain properties under development and completed properties for sale; (iii) increased finance costs; and (iv) decrease in fair values of investment properties owned by the Remaining Group, during the year ended 31 July 2023 as compared to previous financial year. Net loss per share was HK\$2.477 (2022: HK\$2.172).

Excluding the effect of property revaluations, net loss attributable to owners of the Company was approximately HK\$2,168.2 million (2022: HK\$1,707.7 million). Net loss per share excluding the effect of property revaluations during the year ended 31 July 2023 was HK\$1.789 (2022: HK\$1.852).

	<b>For the year ended 31 July</b>	
	<b>2023</b>	<b>2022</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
<b>Loss attributable to owners of the Company</b>		
Reported	<b>(3,002.0)</b>	(2,002.9)
Less: Adjustments in respect of revaluation of investment properties held by		
– the Company and subsidiaries	<b>781.8</b>	(72.7)
– associates and joint ventures	<b>77.7</b>	303.6
Deferred tax on investment properties	<b>(25.7)</b>	64.3
	<u><b>(2,168.2)</b></u>	<u>(1,707.7)</u>
<b>Net loss after tax excluding revaluation of investment properties</b>		

Equity attributable to owners of the Company as at 31 July 2023 amounted to HK\$28,171.6 million, as compared to HK\$31,182.3 million as at 31 July 2022. Net asset value per share attributable to owners of the Company dropped to HK\$19.384 per share as at 31 July 2023 from HK\$32.184 per share as at 31 July 2022. The decrease was primarily due to the enlarged shareholder base as a result of the Rights Issue completed in January 2023.

#### PROPERTY PORTFOLIO COMPOSITION

The Remaining Group maintained a property portfolio with attributable GFA of approximately 8.8 million square feet as at 31 July 2023. All major properties of the Remaining Group in Mainland China are held through Lai Fung Group, except Novotown Phase I which is 80% owned by Lai Fung Group and 20% owned by the Remaining Group, and all major properties in Hong Kong and overseas are held by the Remaining Group excluding eSun Group and Lai Fung Group.

Approximate attributable GFA (in '000 square feet) of the Remaining Group's major properties and number of car parking spaces as at 31 July 2023 are set out as follows:

	Commercial/ Retail	Office	Hotel/ Serviced Apartment	Residential	Industrial	Total (excluding car parking spaces & ancillary facilities)	No. of car parking spaces
<b>GFA of major properties and number of car parking spaces of Lai Fung Group (on attributable basis<sup>1</sup>)</b>							
Completed Properties Held for Rental <sup>2</sup>	1,472	1,216	—	—	—	2,688	1,643
Completed Hotel Properties and Serviced Apartments <sup>2</sup>	—	—	545	—	—	545	—
Properties under Development <sup>3</sup>	288	873	319	—	—	1,480	745
Completed Properties Held for Sale	91	232	136	411	—	870	1,906
<b>Subtotal</b>	<b>1,851</b>	<b>2,321</b>	<b>1,000</b>	<b>411</b>	<b>—</b>	<b>5,583</b>	<b>4,294</b>
<b>GFA of major properties and number of car parking spaces of the Remaining Group excluding Lai Fung Group (on attributable basis)</b>							
Completed Properties Held for Rental <sup>2</sup>	739	1,030	—	—	64	1,833	1,436
Completed Hotel Properties and Serviced Apartments <sup>2</sup>	—	—	725	—	—	725	92
Properties under Development <sup>3</sup>	8	—	—	375	—	383	149
Completed Properties Held for Sale	33	105	61	33	—	232	52
<b>Subtotal</b>	<b>780</b>	<b>1,135</b>	<b>786</b>	<b>408</b>	<b>64</b>	<b>3,173</b>	<b>1,729</b>
<b>Total GFA attributable to the Remaining Group</b>	<b>2,631</b>	<b>3,456</b>	<b>1,786</b>	<b>819</b>	<b>64</b>	<b>8,756</b>	<b>6,023</b>

Notes:

1. As at 31 July 2023, Lai Fung is a 55.08%-owned subsidiary of the Company.
2. Completed and rental generating properties.
3. All properties under construction.

## PROPERTY INVESTMENT

## Rental Income

During the year ended 31 July 2023, the Remaining Group's rental operations recorded a turnover of HK\$1,160.6 million (2022: HK\$1,241.6 million) comprising turnover of HK\$444.8 million, HK\$77.1 million and HK\$638.7 million from rental properties in Hong Kong, London and Mainland China, respectively.

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

	For the year ended 31 July			Year end occupancy	
	2023	2022	% Change	2023	2022
	HK\$ million	HK\$ million		%	%
<b>Hong Kong</b>					
Cheung Sha Wan Plaza	268.6	263.3	+2.0	95.5	87.0
Causeway Bay Plaza 2	125.5	151.6	-17.2	93.5	94.6
Lai Sun Commercial Centre	45.4	45.4	—	94.3	86.5
Others	5.3	5.0	+6.0		
<b>Subtotal:</b>	<b>444.8</b>	<b>465.3</b>	<b>-4.4</b>		
<b>London, United Kingdom</b>					
107 Leadenhall Street	24.6	27.8	-11.5	64.8	78.9
100 Leadenhall Street	47.1	50.8	-7.3	100.0	100.0
106 Leadenhall Street	5.4	6.1	-11.5	100.0	100.0
<b>Subtotal:</b>	<b>77.1</b>	<b>84.7</b>	<b>-9.0</b>		
<b>Mainland China</b>					
<b>Shanghai</b>					
Shanghai Hong Kong Plaza	270.3	298.8	-9.5	Retail: 91.5 Office: 90.8	Retail: 87.2 Office: 85.9
Shanghai May Flower Plaza	42.4	45.0	-5.8	Retail: 98.9	Retail: 97.3
Shanghai Regents Park	20.6	19.8	+4.0	100.0	81.0
Shanghai Skyline Tower <sup>1</sup>	12.0	N/A	N/A	Retail: 70.1 Office: 31.9	N/A

	For the year ended 31 July			Year end occupancy	
	2023 HK\$ million	2022 HK\$ million	% Change	2023 %	2022 %
<b>Guangzhou</b>					
Guangzhou May Flower Plaza	95.0	121.8	-22.0	94.5	91.9
Guangzhou West Point	21.3	27.2	-21.7	95.0	90.0
Guangzhou Lai Fung Tower	130.9	142.9	-8.4	<b>Retail: 100.0</b>	Retail: 100.0
				<b>Office: 85.0<sup>2</sup></b>	Office: 93.6 <sup>2</sup>
Guangzhou Lai Fung International Center <sup>1</sup>	10.6	N/A	N/A	<b>Retail: 6.0</b>	N/A
				<b>Office: 42.0</b>	
<b>Zhongshan</b>					
Zhongshan Palm Spring Rainbow Mall	5.1	7.1	-28.2	<b>Retail: 66.5<sup>2</sup></b>	Retail: 65.9 <sup>2</sup>
<b>Hengqin</b>					
Hengqin Novotown Phase I	2.7	2.2	+22.7	<b>Retail: 81.0<sup>3</sup></b>	Retail: 77.0 <sup>3</sup>
Others	27.8	26.8	+3.7		
<b>Subtotal:</b>	<b>638.7</b>	<b>691.6</b>	<b>-7.6</b>		
<b>Total:</b>	<b>1,160.6</b>	<b>1,241.6</b>	<b>-6.5</b>		
<b>Rental proceeds from joint venture projects</b>					
<b>Hong Kong</b>					
CCB Tower <sup>4</sup> (50% basis)	111.5	119.7	-6.9	100.0	95.7
Alto Residences <sup>5</sup> (50% basis)	24.4	39.7	-38.5	94.0	84.7
<b>Total:</b>	<b>135.9</b>	<b>159.4</b>	<b>-14.7</b>		

*Notes:*

1. Shanghai Skyline Tower and Guangzhou Lai Fung International Center were completed in September and November 2022, respectively.
2. Excluding self-use area.
3. Including the cultural attraction spaces occupied by Lionsgate Entertainment World<sup>®</sup> and National Geographic Ultimate Explorer Hengqin.
4. CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of the Remaining Group and CCB has an effective 50% interest. For the year ended 31 July 2023, the joint venture recorded rental proceeds of approximately HK\$223.0 million (2022: HK\$239.4 million).
5. Alto Residences is a joint venture project with Empire Group Holdings Limited (“Empire Group”) in which each of the Remaining Group and Empire Group has an effective 50% interest. For the year ended 31 July 2023, the joint venture recorded rental proceeds of approximately HK\$48.8 million (2022: HK\$79.4 million).

## PROPERTY DEVELOPMENT

## Recognised Sales

For the year ended 31 July 2023, recognised turnover from sales of properties was HK\$946.6 million (2022: HK\$1,685.5 million). Breakdown of turnover for the year ended 31 July 2023 from sales of properties is as follows:

## Hong Kong

Recognised basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price <sup>1</sup> (HK\$/square foot)	Turnover (HK\$ million)
Monti Residential Units	8	2,788	21,382	59.6

## Mainland China

Recognised Basis	No of Units	Approximate GFA (Square feet)	Average Selling Price <sup>2</sup> (HK\$/square foot)	Turnover <sup>3</sup> (HK\$ million)
Shanghai Wuli Bridge Project Residential Unit	1	3,202	14,000	41.1
Hengqin Novotown Phase I Cultural Studios	10	32,605	4,547	137.9
Cultural Workshop Units	56	42,476	2,375	92.6
Zhongshan Palm Spring Residential High-rise Units	287	343,099	1,838	578.8
Residential House Units	3	6,208	3,412	20.2
Shanghai Regents Park Car Parking Spaces	20			12.8
Guangzhou Eastern Place Car Parking Space	1			0.7
Guangzhou King's Park Car Parking Spaces	3			1.6
Guangzhou West Point Car Parking Spaces	2			1.0
Zhongshan Palm Spring Car Parking Spaces	2			0.3
<b>Subtotal</b>				<b>887.0</b>
<b>Total</b>				<b>946.6</b>

## Recognised sales from joint venture project

## Hong Kong

Recognised basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price <sup>1</sup> (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
Houses	2 <sup>4</sup>	4,638 <sup>4</sup>	22,302	103.4 <sup>5</sup>
Residential Unit	1 <sup>6</sup>	1,304 <sup>6</sup>	25,307	33.0 <sup>7</sup>
Car Parking Space	1 <sup>8</sup>			2.8
<b>Total</b>				<b>139.2</b>

## Notes:

1. Excluding the financing component for sale of completed properties in accordance with Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers".
2. Value-added tax inclusive.
3. Value-added tax exclusive.
4. No. of houses and saleable area attributable to the Remaining Group. The total no. of houses recognised and total saleable area are 3 and 9,275 square feet, respectively.
5. Representing property sales proceeds of HK\$191.7 million and rental proceeds of HK\$15.2 million in relation to certain houses offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
6. No. of residential unit and saleable area attributable to the Remaining Group. The total no. of residential unit recognised and total saleable area is 2 and 2,608 square feet, respectively.
7. Representing property sales proceeds of HK\$64.2 million and rental proceeds of HK\$1.8 million in relation to certain residential unit offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
8. No. of car parking space attributable to the Remaining Group. The total no. of car parking spaces recognised is 2.



**Contracted Sales**

As at 31 July 2023, the Remaining Group's property development operation has contracted but not yet recognised sales of HK\$1,014.3 million. Including the joint venture project of the Remaining Group, the total contracted but not yet recognised sales of the Remaining Group as at 31 July 2023 amounted to HK\$1,311.6 million. Breakdown of contracted but not yet recognised sales as at 31 July 2023 is as follows:

**Hong Kong**

<b>Contracted basis</b>	<b>No. of Units</b>	<b>Approximate Saleable Area (Square feet)</b>	<b>Average Selling Price (HK\$/square foot)</b>	<b>Turnover (HK\$ million)</b>
Bal Residence Residential Units	7	2,382	17,890	42.6

**Mainland China**

<b>Contracted basis</b>	<b>No. of Units</b>	<b>Approximate GFA (Square feet)</b>	<b>Average Selling Price<sup>1</sup> (HK\$/square foot)</b>	<b>Turnover<sup>1</sup> (HK\$ million)</b>
Zhongshan Palm Spring Residential High-rise Units	300	364,690	1,684	614.0
Hengqin Novotown Phase I Cultural Studios	7	27,318	4,715	128.8
Cultural Workshop Units	37	26,310	2,360	62.1
Hengqin Novotown Phase II Harrow ILA Hengqin Buildings <sup>2</sup>	N/A	149,078	1,110	165.5
Shanghai Regents Park Car Parking Space	1			0.7
Guangzhou West Point Car Parking Space	1			0.6
<b>Subtotal</b>				<b>971.7</b>
<b>Total</b>				<b>1,014.3</b>

## Contracted sales from joint venture project

## Hong Kong

Contracted basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
Houses	3 <sup>3</sup>	9,241 <sup>3</sup>	23,189	214.3 <sup>4</sup>
Residential Units	3 <sup>5</sup>	2,932 <sup>5</sup>	25,926	76.0 <sup>6</sup>
Car Parking Spaces	3 <sup>7</sup>			7.0
<b>Total</b>				<b>297.3</b>

## Notes:

1. Value-added tax inclusive.
2. Will be recognised as income from finance lease under turnover.
3. No. of houses and saleable area attributable to the Remaining Group. The total no. of houses contracted and total saleable area are 6 and 18,482 square feet, respectively.
4. Representing property sales proceeds of HK\$394.8 million and rental proceeds of HK\$33.7 million in relation to certain houses offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
5. No. of residential units and saleable area attributable to the Remaining Group. The total no. of residential units contracted and total saleable area are 5 and 5,864 square feet, respectively.
6. Representing property sales proceeds of HK\$144.4 million and rental proceeds of HK\$7.6 million in relation to certain residential units offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
7. No. of car parking spaces attributable to the Remaining Group. The total no. of car parking spaces contracted is 5.

## RESTAURANT AND F&amp;B PRODUCT SALES OPERATIONS

For the year ended 31 July 2023, restaurant and F&B product sales operations contributed HK\$552.6 million to the Remaining Group's turnover, representing an increase of approximately 31.6% from that of HK\$419.9 million in the previous year. The Remaining Group has 6 more new restaurants in operation in the year ended 31 July 2023, namely ADD+, KiKi Noodle Bar OP Mall, KiKi Lu Wei, MOSU Hong Kong, S Ę P and Kanesaka Hong Kong.

Restaurant operations include the Remaining Group's interests in 27 restaurants in Hong Kong and Mainland China and 1 restaurant in Macau under management. Details of each existing restaurant of the Remaining Group are as follows:

Cuisine	Restaurant	Location	Attributable interest to the Remaining Group	Award
<i>Owned restaurants</i>				
Western/ International Cuisine	8½ Otto e Mezzo BOMBANA	Hong Kong	38%	Three Michelin stars (2012-2023)
	8½ Otto e Mezzo BOMBANA	Shanghai	13%	Two Michelin stars (2017-2023)
	Opera BOMBANA	Beijing	20%	One Michelin star (2023)
	CIAK – In The Kitchen	Hong Kong	63%	One Michelin star (2015-2017)
	CIAK – All Day Italian	Hong Kong	68%	Michelin Bib Gourmand (2017-2021)
	Beefbar	Hong Kong	63%	One Michelin star (2017-2023)
	Takumi by Daisuke Mori	Hong Kong	65%	One Michelin star (2018-2023)
	Prohibition <sup>(Note)</sup>	Hong Kong	100%	
	ZEST by Konishi	Hong Kong	68%	One Michelin star (2020-2023)
	Cipriani	Hong Kong	44%	
	ADD+	Hong Kong	68%	
Asian Cuisine	China Tang Landmark	Hong Kong	51%	The Plate Michelin (2019-2021)
	China Tang Beijing	Beijing	68%	
	Howard's Gourmet	Hong Kong	51%	
	Chiu Tang Central	Hong Kong	68%	
	Old Bazaar Kitchen	Hong Kong	85%	
	Canton Bistro <sup>(Note)</sup>	Hong Kong	100%	
	KiKi Noodle Bar IFC	Hong Kong	85%	
	KiKi Noodle Bar K11 MUSEA	Hong Kong	85%	
	KiKi Noodle Bar OP Mall	Hong Kong	85%	
	KiKi Lu Wei	Hong Kong	85%	
	MOSU Hong Kong	Hong Kong	68%	
	S Ę P	Hong Kong	68%	
	China Club	Hong Kong	17%	
Japanese Cuisine	Kanesaka Hong Kong	Hong Kong	68%	
	Rozan	Hong Kong	65%	
	Yamato	Hong Kong	60%	
<i>Managed restaurant</i>				
Western Cuisine	8½ Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2023)

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

**HOTEL AND SERVICED APARTMENT OPERATIONS**

The hotel and serviced apartment operation segment of the Remaining Group includes the Remaining Group's operation of the Ocean Park Marriott Hotel in Hong Kong and the Caravelle Hotel in Ho Chi Minh City, Vietnam, as well as Lai Fung Group's hotel and serviced apartment operation in Shanghai and Hengqin, Mainland China. Since December 2019, the Remaining Group further expanded its hotel portfolio with the acquisition of a 50% interest in Fairmont St. Andrews resort in Fife, Scotland, United Kingdom. Performance of the 50:50 joint venture of Fairmont St. Andrews resort is recognised as "Share of profits and losses of joint ventures" in the consolidated income statement of the Remaining Group. The hotel project in Phuket, Thailand that the Remaining Group invested in June 2017 was still at the planning stage in the year ended 31 July 2023.

For the year ended 31 July 2023, the hotel and serviced apartment operations contributed HK\$977.7 million to the Remaining Group's turnover (2022: HK\$650.0 million). Recovery of tourism industry and hotel business in Vietnam was strong since its reopening of border gate to foreign visitors in March 2022 and the Remaining Group's Caravelle Hotel in Ho Chi Minh City recorded robust growth during the year ended 31 July 2023 as compared to the previous financial year. Hong Kong Ocean Park Marriot Hotel was operating as a designated quarantine hotel since June 2022 before the change of quarantine arrangement in Hong Kong to a "0+3" regime in September 2022 and during that period the hotel's catering and banquet businesses saw a significant decrease in demand. Following the reopening of the border with Mainland China in early January 2023, there has been an increase in the number of visitors from Mainland China. As a result, the Remaining Group's Hong Kong Ocean Park Marriot Hotel experienced growth during the year ended 31 July 2023 as compared to the previous financial year.

Breakdown of turnover from hotel and serviced apartment operations for the year ended 31 July 2023 is as follows:

	Location	Attributable interest to the Remaining Group	No. of Rooms <sup>1</sup>	Total GFA (square feet)	Turnover (HK\$ million)	Year end occupancy rate (%)	
Hotel and serviced apartment							
	Ocean Park Marriott Hotel	Hong Kong	100%	471	365,974	287.4	82.7
	Ascott Huaihai Road Shanghai	Shanghai	55.08%	310	358,009	97.8	88.1
	STARR Hotel Shanghai	Shanghai	55.08%	239	143,846	23.7	91.3
	Hyatt Regency Hengqin	Hengqin	64.06%	493	610,540	128.1	86.0
	Caravelle Hotel	Ho Chi Minh City	26.01%	335	378,225	439.5	72.4
<b>Subtotal:</b>				<b>1,848</b>	<b>1,856,594</b>	<b>976.5</b>	
	Hotel management fee					1.2	
<b>Total:</b>						<b>977.7</b>	
<b>Joint Venture Project</b>							
	Fairmont St. Andrews resort (50% basis)	Scotland	50%	106 <sup>2</sup>	138,241 <sup>2</sup>	80.7	77.3

Notes:

1. On 100% basis.
2. No. of rooms and GFA attributable to the Remaining Group. The total number of rooms and total GFA are 211 and 276,482 square feet, respectively.

## CINEMA OPERATION

The cinema operation is managed by eSun Group. For the year ended 31 July 2023, this segment recorded a turnover of HK\$525.1 million (2022: HK\$385.0 million) and segment results of a loss of HK\$55.5 million (2022: a loss of HK\$130.1 million). The Hong Kong box office was encouraging with a strong line-up of locally produced movies and Hollywood blockbusters released during the year ended 31 July 2023. In view of the challenging market condition and economic uncertainty in Mainland China, the Guangzhou Mayflower Cinema City was closed in October 2022 and a non-recurring gain on derecognition of lease liabilities was recognised during the year ended 31 July 2023. eSun Group operates seventeen cinemas in Hong Kong (including one joint venture project) and two cinemas in Mainland China and details on the number of screens and seats of each existing cinema are disclosed in below table. Besides, eSun Group has extended its cinema network through a 50% joint venture with Emperor Cinemas Group, namely the Emperor Cinemas Plus+ (Tai Wai), which is managed by Emperor Cinemas Group and opened in July 2023.

Cinema (managed by eSun Group)	Attributable interest to eSun Group (%)	No. of screens (Note)	No. of seats (Note)
<b>Mainland China</b>			
Suzhou Grand Cinema City	100	10	1,440
Zhongshan May Flower Cinema City	100	5	905
<b>Subtotal</b>		<b>15</b>	<b>2,345</b>
<b>Hong Kong</b>			
K11 Art House	100	12	1,708
Movie Town (including MX4D theatre)	100	7	1,702
MCL Airside Cinema	100	7	944
MCL The One Cinema	100	6	831
MCL Cyberport Cinema	100	4	818
MCL Citygate Cinema	100	4	673
MCL Amoy Cinema	100	3	603
Festival Grand Cinema	95	8	1,196
MCL Telford Cinema (including MX4D theatre)	95	6	789
MCL Metro City Cinema	95	6	690
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
MCL Cinemas Plus+ Plaza Hollywood	50	6	1,595
<b>Subtotal</b>		<b>93</b>	<b>14,381</b>
<b>Total</b>		<b>108</b>	<b>16,726</b>

Note: On 100% basis.

**MEDIA AND ENTERTAINMENT**

The media and entertainment businesses are operated by eSun Group. For the year ended 31 July 2023, this segment recorded a turnover of HK\$372.5 million (2022: HK\$256.8 million) and segment results of a turnaround from loss to profit of HK\$12.2 million from that of a loss of HK\$8.4 million in the previous year.

**Events Management**

During the year ended 31 July 2023, eSun Group organised and invested in 93 (2022: 18) shows by popular local, Asian and internationally renowned artistes, including Grasshopper, Super Junior, Ekin Cheng, Joyce Cheng, Jay Fung, Jay Chou, Mayday, Yoga Lin, ILUB, Miriam Yeung and C AllStar.

**Music Production, Distribution and Publishing**

During the year ended 31 July 2023, eSun Group released 7 (2022: 18) albums, including titles by Jay Fung, Cloud Wan, Sammi Cheng, Joyce Cheng and Leslie Cheung. eSun Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

**Artiste Management**

eSun Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing TV drama production and film production businesses. eSun Group currently has 25 artistes under its management.

**FILM AND TV PROGRAM PRODUCTION AND DISTRIBUTION**

The film and TV program production and distribution businesses are operated by eSun Group. For the year ended 31 July 2023, this segment recorded a turnover of HK\$113.1 million (2022: HK\$184.6 million) and segment results of a loss of HK\$48.6 million (2022: a loss of HK\$52.8 million).

During the year ended 31 July 2023, a total of 6 (2022: 8) films produced/invested by eSun Group were theatrically released, namely “*Warriors of Future*”, “*Tales From The Occult I*”, “*Cyber Heist*”, “*Tales From The Occult: Body and Soul*”, “*Tales From The Occult: Ultimate Malevolence*” and “*Detrimental*”. eSun Group also distributed 32 (2022: 19) films and 151 (2022: 196) videos with high profile titles including “*Warriors of Future*”, “*Mama’s Affair*”, “*Marry My Dead Body*”, “*Godfather*”, “*Jurassic World Dominion*” and “*Top Gun: Maverick*”.

## INTERESTS IN JOINT VENTURES

For the year ended 31 July 2023, losses from joint ventures amounted to losses of HK\$10.3 million, as compared to losses of HK\$42.0 million in the previous year. The narrowed loss was primarily due to the decrease in fair value loss of CCB Tower, which slightly offset by the decrease in operating profits of joint ventures during the year ended 31 July 2023.

	<b>For the year ended 31 July</b>	
	<b>2023</b>	2022
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Revaluation losses	<b>(77.7)</b>	(303.6)
Operating profits	<b>67.4</b>	261.6
	<u>          </u>	<u>          </u>
Losses from joint ventures	<b><u>(10.3)</u></b>	<b><u>(42.0)</u></b>

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2023, cash and bank balances and undrawn facilities held by the Remaining Group amounted to approximately HK\$4,986.4 million and approximately HK\$5,295.4 million, respectively. Cash and bank balances held by the Remaining Group of which about 41% was denominated in Hong Kong dollars and United States dollars, and about 45% was denominated in Renminbi. Excluding eSun Group and Lai Fung Group, cash and bank balances and undrawn facilities held by the Remaining Group as at 31 July 2023 were approximately HK\$1,853.3 million and approximately HK\$3,246.9 million, respectively.

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

As at 31 July 2023, the Remaining Group had bank borrowings of approximately HK\$21,344.4 million, guaranteed notes of approximately HK\$4,263.7 million and other borrowings of approximately HK\$318.4 million. As at 31 July 2023, the maturity profile of the bank borrowings of HK\$21,344.4 million is spread with HK\$6,000.8 million repayable within one year, HK\$1,693.1 million repayable in the second year, HK\$12,176.5 million repayable in the third to fifth years, and HK\$1,474.0 million repayable beyond the fifth year.

The Remaining Group issued guaranteed notes in an aggregate principal amount of US\$500 million and HK\$385 million. The guaranteed notes have terms ranging from five years to seven years and three months, and bear fixed interest rates ranging from 4.9% to 5.25% per annum. Certain guaranteed notes are listed on the Stock Exchange and were issued for refinancing the previous notes and for general corporate purposes.



Approximately 83% and 16% of the Remaining Group's total borrowings carried interest on a floating rate basis and fixed rate basis, respectively, and the remaining 1% of the Remaining Group's borrowings were interest-free.

The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total borrowings less cash and bank balances) to consolidated net assets attributable to owners of the Company, was approximately 74%.

As at 31 July 2023, certain investment properties with carrying amounts of approximately HK\$33,317.6 million, certain property, plant and equipment and the related right-of-use assets with carrying amounts of approximately HK\$8,329.7 million, certain completed properties for sale with carrying amounts of approximately HK\$449.7 million, certain properties under development with carrying amounts of approximately HK\$4,718.8 million, and certain bank balances and time deposits with banks of approximately HK\$827.5 million were pledged to banks to secure banking facilities granted to the Remaining Group. In addition, certain shares in subsidiaries were pledged to banks to secure banking facilities granted to the Remaining Group. Shares in certain joint ventures were pledged to banks to secure banking facilities granted to the respective joint ventures of the Remaining Group. The Remaining Group's secured bank borrowings were also secured by floating charges over certain assets held by the Remaining Group.

The Remaining Group's major assets and liabilities and transactions were denominated in Hong Kong dollars, United States dollars, Pound Sterling and Renminbi. Considering that Hong Kong dollars are pegged against United States dollars, the Remaining Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is not material. The Remaining Group has investments in United Kingdom with the assets and liabilities denominated in Pound Sterling. These investments were primarily financed by bank borrowings denominated in Pound Sterling in order to minimise the net foreign exchange exposure. Lai Fung Group has a net exchange exposure to Renminbi as their assets are principally located in Mainland China and the revenues are predominantly in Renminbi. Other than the abovementioned, the remaining monetary assets and liabilities of the Remaining Group were denominated in Euro, Malaysian Ringgit and Vietnamese Dong which were insignificant as compared with the Remaining Group's total assets and liabilities. The Remaining Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the additional need arise.

#### **MATERIAL ACQUISITIONS OR DISPOSALS**

The Remaining Group has no material acquisition or disposal of subsidiaries and associated companies for the year ended 31 July 2023.

**CONTINGENT LIABILITIES**

The Remaining Group also had the following contingent liabilities at the end of the year ended 31 July 2023:

- (a) Contingent liabilities not provided for in the financial statements of the Remaining Group for the year ended 31 July 2023:

	<b>2023</b> <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Guarantees given to banks in connection with facilities granted to and utilised by joint ventures	<b><u>780,480</u></b>	<u>563,250</u>

- (b) The Remaining 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 Remaining Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Remaining Group will be responsible to repay the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Remaining 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 2023, in respect of these guarantees, the contingent liabilities of the Remaining Group amounted to approximately HK\$731,643,000 (2022: HK\$768,204,000).
- (c) The Remaining Group has pledged a time deposit to a bank in connection with a bank guarantee for an associate of approximately HK\$17,999,000 (2022: HK\$14,040,000).
- (d) The Remaining Group had pledged certain time deposits to certain banks in connection with the banking facilities granted to certain subsidiaries. As at 31 July 2023, the respective letter of credit and letter of guarantee facilities of approximately HK\$440,000 (2022: HK\$2,246,000) were utilised.

**EMPLOYEES AND REMUNERATION POLICIES**

As at 31 July 2023, the Remaining Group employed a total of approximately 4,100 employees. The Remaining Group recognises the importance of maintaining a stable staff force in its continued success. Under the Remaining 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.

## FOR THE YEAR ENDED 31 JULY 2022

For the year ended 31 July 2022, the Remaining Group recorded turnover of HK\$5,093.7 million (2021: HK\$5,986.8 million) and a gross profit of HK\$1,544.0 million (2021: HK\$1,318.0 million). The decrease was primarily due to lower turnover from properties sales during the year ended 31 July 2022 as compared to previous financial year.

Set out below is the turnover by segment:

	For the year ended 31 July			% change
	2022 (HK\$ million)	2021 (HK\$ million)	Difference (HK\$ million)	
Property investment	1,241.6	1,287.3	-45.7	-3.6
Property development and sales	1,685.5	2,503.3	-817.8	-32.7
Restaurant and F&B product sales operations	419.9	443.1	-23.2	-5.2
Hotel operation	650.0	621.2	+28.8	+4.6
Media and entertainment	256.8	321.1	-64.3	-20.0
Film and TV program	184.6	298.9	-114.3	-38.2
Cinema operation	385.0	212.0	+173.0	+81.6
Theme park operation	16.0	30.8	-14.8	-48.1
Others	254.3	269.1	-14.8	-5.5
<b>Total</b>	<b>5,093.7</b>	<b>5,986.8</b>	<b>-893.1</b>	<b>-14.9</b>

For the year ended 31 July 2022, net loss attributable to owners of the Company was approximately HK\$2,002.9 million (2021: HK\$2,130.1 million). The slightly narrowed loss is primarily a mix of (i) improved gross profit of property sales, cinema and media and entertainment businesses during the year ended 31 July 2022; (ii) increase in valuations of investment properties owned by the Remaining Group and held through joint ventures of the Remaining Group; and (iii) increase in other operating expenses for the year ended 31 July 2022. Net loss per share was HK\$2.172 (2021: HK\$3.095).

Excluding the effect of property revaluations, net loss attributable to owners of the Company was approximately HK\$1,707.7 million (2021: HK\$989.3 million). Net loss per share excluding the effect of property revaluations during the year ended 31 July 2022 was HK\$1.852 (2021: HK\$1.438).

	<b>For the year ended 31 July</b>	
	<b>2022</b>	<b>2021</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
<b>Loss attributable to owners of the Company</b>		
Reported	<b>(2,002.9)</b>	(2,130.1)
Less: Adjustments in respect of revaluation of investment properties held by		
– the Company and subsidiaries	<b>(72.7)</b>	471.2
– associates and joint ventures	<b>303.6</b>	635.5
Deferred tax on investment properties	<b>64.3</b>	34.1
	<u><b>(1,707.7)</b></u>	<u>(989.3)</u>
<b>Net loss after tax excluding revaluation of investment properties</b>		

Equity attributable to owners of the Company as at 31 July 2022 amounted to HK\$31,182.3 million, as compared to HK\$32,571.3 million as at 31 July 2021. Net asset value per share attributable to owners of the Company dropped to HK\$32.184 per share as at 31 July 2022 from HK\$53.213 per share as at 31 July 2021. The decrease was primarily due to the enlarged shareholder base as a result of the Subscription and the Rights Issue completed in August 2021 and October 2021, respectively.

#### PROPERTY PORTFOLIO COMPOSITION

The Remaining Group maintained a property portfolio with attributable GFA of approximately 9.0 million square feet as at 31 July 2022. All major properties of the Remaining Group in Mainland China are held through Lai Fung Group, except Novotown Phase I which is 80% owned by Lai Fung Group and 20% owned by the Remaining Group, and all major properties in Hong Kong and overseas are held by the Remaining Group excluding eSun Group and Lai Fung Group.

Approximate attributable GFA (in '000 square feet) of the Remaining Group's major properties and number of car parking spaces as at 31 July 2022 are set out as follows:

	Commercial/Retail	Office	Hotel/ Serviced Apartment	Residential	Industrial	Total (excluding car parking spaces & ancillary facilities)	No. of car parking spaces
<b>GFA of major properties and number of car parking spaces of Lai Fung Group (on attributable basis<sup>1</sup>)</b>							
Completed Properties Held for Rental <sup>2</sup>	1,357	588	—	—	—	1,945	1,252
Completed Hotel Properties and Serviced Apartments <sup>2</sup>	—	—	545	—	—	545	—
Properties under Development <sup>3</sup>	397	1,489	318	—	—	2,204	1,219
Completed Properties Held for Sale	91	232	155	619	—	1,097	1,922
<b>Subtotal</b>	<b>1,845</b>	<b>2,309</b>	<b>1,018</b>	<b>619</b>	<b>—</b>	<b>5,791</b>	<b>4,393</b>
<b>GFA of major properties and number of car parking spaces of the Remaining Group excluding Lai Fung Group (on attributable basis)</b>							
Completed Properties Held for Rental <sup>2</sup>	737	1,030	—	—	67	1,834	1,436
Completed Hotel Properties and Serviced Apartments <sup>2</sup>	—	—	725	—	—	725	92
Properties under Development <sup>3</sup>	8	—	—	374	—	382	141
Completed Properties Held for Sale	33	105	70	49	—	257	55
<b>Subtotal</b>	<b>778</b>	<b>1,135</b>	<b>795</b>	<b>423</b>	<b>67</b>	<b>3,198</b>	<b>1,724</b>
<b>Total GFA attributable to the Remaining Group</b>	<b>2,623</b>	<b>3,444</b>	<b>1,813</b>	<b>1,042</b>	<b>67</b>	<b>8,989</b>	<b>6,117</b>

Notes:

- As at 31 July 2022, Lai Fung is a 55.08%-owned subsidiary of the Company.
- Completed and rental generating properties.
- All properties under construction.

## PROPERTY INVESTMENT

## Rental Income

During the year ended 31 July 2022, the Remaining Group's rental operations recorded a turnover of HK\$1,241.6 million (2021: HK\$1,287.3 million) comprising turnover of HK\$465.8 million, HK\$84.7 million and HK\$691.6 million from rental properties in Hong Kong, London and Mainland China, respectively.

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

	For the year ended 31 July			Year end occupancy	
	2022 HK\$ million	2021 HK\$ million	% Change	2022 %	2021 %
<b>Hong Kong</b>					
Cheung Sha Wan Plaza	263.3	302.0	-12.8	87.0	93.5
Causeway Bay Plaza 2	151.6	173.8	-12.8	94.6	91.7
Lai Sun Commercial Centre	45.4	47.1	-3.6	86.5	98.7
Others	5.0	4.2	+19.0		
<b>Subtotal:</b>	<b>465.3</b>	<b>527.1</b>	<b>-11.7</b>		
<b>London, United Kingdom</b>					
107 Leadenhall Street	27.8	44.5	-37.5	78.9	62.0
100 Leadenhall Street	50.8	31.2	+62.8	100.0	100.0
106 Leadenhall Street	6.1	6.3	-3.2	100.0	100.0
<b>Subtotal:</b>	<b>84.7</b>	<b>82.0</b>	<b>+3.3</b>		
<b>Mainland China</b>					
<i>Shanghai</i>					
Shanghai Hong Kong Plaza	298.8	292.5	+2.2	Retail: 87.2 Office: 85.9	Retail: 90.3 Office: 83.8
Shanghai May Flower Plaza	45.0	42.7	+5.4	Retail: 97.3	Retail: 99.5
Shanghai Regents Park	19.8	24.8	-20.2	81.0	100
<i>Guangzhou</i>					
Guangzhou May Flower Plaza	121.8	121.1	+0.6	91.9	97.9
Guangzhou West Point	27.2	26.5	+2.6	90.0	90.1
Guangzhou Lai Fung Tower	142.9	136.0	+5.1	Retail: 100.0 Office: 93.6 <sup>1</sup>	Retail: 100.0 Office: 96.5 <sup>1</sup>
<i>Zhongshan</i>					
Zhongshan Palm Spring Rainbow Mall	7.1	6.8	+4.4	Retail: 65.9 <sup>1</sup>	Retail: 80.0 <sup>1</sup>
<i>Hengqin</i>					
Hengqin Novotown Phase I	2.2	6.9	-68.1	Retail: 77.0 <sup>2</sup>	Retail: 71.0 <sup>2</sup>
Others	26.8	20.9	+28.2		
<b>Subtotal:</b>	<b>691.6</b>	<b>678.2</b>	<b>+2.0</b>		
<b>Total:</b>	<b>1,241.6</b>	<b>1,287.3</b>	<b>-3.6</b>		

	For the year ended 31 July		% Change	Year end occupancy	
	2022 HK\$ million	2021 HK\$ million		2022 %	2021 %
<b>Rental proceeds from joint venture projects</b>					
<b>Hong Kong</b>					
CCB Tower <sup>4</sup> (50% basis)	119.7	132.3	-9.5	95.7	95.7
Alto Residences <sup>5</sup> (50% basis)	39.7	29.0	+41.8	84.7	80.7
<b>Total:</b>	<b>159.4</b>	<b>160.3</b>	<b>-0.6</b>		

Notes:

1. Excluding self-use area.
2. Including the cultural attraction spaces occupied by Lionsgate Entertainment World<sup>®</sup> and National Geographic Ultimate Explorer Hengqin.
3. CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of the Remaining Group and CCB has an effective 50% interest. For the year ended 31 July 2022, the joint venture recorded rental proceeds of approximately HK\$239.4 million (2021: HK\$264.5 million).
4. Alto Residences is a joint venture project with Empire Group Holdings Limited (“Empire Group”) in which each of the Remaining Group and Empire Group has an effective 50% interest. For the year ended 31 July 2022, the joint venture recorded rental proceeds of approximately HK\$79.4 million (2021: HK\$56.0 million).

## PROPERTY DEVELOPMENT

### Recognised Sales

For the year ended 31 July 2022, recognised turnover from sales of properties was HK\$1,685.5 million (2021: HK\$2,503.3 million). Breakdown of turnover for the year ended 31 July 2022 from sales of properties is as follows:

#### Hong Kong

Recognised Basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price <sup>1</sup> (HK\$/square foot)	Turnover (HK\$ million)
Monti				
Residential Units	8	2,688	22,626	60.8

## Mainland China

Recognised basis	No. of Units	Approximate GFA (Square feet)	Average Selling Price <sup>2</sup> (HK\$/square foot)	Turnover <sup>3</sup> (HK\$ million)
Shanghai Wuli Bridge Project				
Residential Units	3	7,513	12,911	89.0
Hengqin Novotown Phase I				
Cultural Studios	19	66,130	5,246	329.0
Cultural Workshop Units	2	1,924	3,925	6.9
Zhongshan Palm Spring				
Residential High-rise Units	530	626,549	1,861	1,070.5
Residential House Units	16	33,395	3,261	115.2
Shanghai Wuli Bridge Project				
Car Parking Spaces	3	N/A	N/A	2.0
Shanghai Regents Park				
Car Parking Spaces	10	N/A	N/A	6.9
Guangzhou Eastern Place				
Car Parking Spaces	2	N/A	N/A	2.0
Guangzhou King's Park				
Car Parking Spaces	2	N/A	N/A	1.4
Guangzhou West Point				
Car Parking Spaces	2	N/A	N/A	1.2
Zhongshan Palm Spring				
Car Parking Spaces	3	N/A	N/A	0.6
<b>Subtotal</b>				<b>1,624.7</b>
<b>Total</b>				<b>1,685.5</b>



## Recognised sales from joint venture project

## Hong Kong

Recognised basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price <sup>1</sup> (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
Houses	4 <sup>4</sup>	9,615 <sup>4</sup>	23,595	226.9 <sup>5</sup>
Residential Units	7 <sup>6</sup>	6,227 <sup>6</sup>	27,526	171.4 <sup>7</sup>
Car Parking Spaces	5 <sup>8</sup>	N/A	N/A	13.8
<b>Total</b>				<b>412.1</b>

## Notes:

1. Excluding the financing component for sale of completed properties in accordance with Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers".
2. Before PRC business tax and value-added tax inclusive.
3. After PRC business tax and value-added tax exclusive.
4. No. of houses and saleable area attributable to the Remaining Group. The total no. of house recognised and total saleable area is 8 and 19,229 square feet, respectively.
5. Representing property sales proceeds of HK\$212.3 million and rental proceeds of HK\$14.6 million in relation to certain houses offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
6. No. of residential units and saleable area attributable to the Remaining Group. The total no. of residential units recognized and total saleable area are 14 and 12,453 square feet, respectively.
7. Representing property sales proceeds of HK\$156.9 million and rental proceeds of HK\$14.5 million in relation to certain residential units offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
8. No. of car parking spaces attributable to the Remaining Group. The total no. of car parking space recognised is 10.

**Contracted Sales**

As at 31 July 2022, the Remaining Group's property development operation has contracted but not yet recognised sales of HK\$764.4 million. Including the joint venture project of the Remaining Group, the total contracted but not yet recognised sales of the Remaining Group as at 31 July 2022 amounted to HK\$1,188.2 million. Breakdown of contracted but not yet recognised sales as at 31 July 2022 is as follows:

**Hong Kong**

<b>Contracted basis</b>	<b>No. of Units</b>	<b>Approximate Saleable Area (Square feet)</b>	<b>Average Selling Price (HK\$/square foot)</b>	<b>Turnover (HK\$ million)</b>
Monti Residential Units	3	1,058	21,892	23.2

**Mainland China**

<b>Contracted basis</b>	<b>No. of Units</b>	<b>Approximate GFA (Square feet)</b>	<b>Average Selling Price<sup>1</sup> (HK\$/square foot)</b>	<b>Turnover<sup>1</sup> (HK\$ million)</b>
Zhongshan Palm Spring Residential High-rise Units	190	225,926	2,040	460.8
Residential House Units	2	4,139	3,664	15.2
Serviced Apartment Unit <sup>2</sup>	1	1,068	1,536	1.6
Hengqin Novotown Phase I Cultural Studios	4	16,278	4,903	79.8
Cultural Workshop Unit	1	962	3,990	3.8
Hengqin Novotown Phase II Harrow ILA Hengqin Buildings <sup>3</sup>	N/A	149,078	1,197	178.5
Shanghai Regents Park Car Parking Space	1	N/A	N/A	0.7
Guangzhou King's Park Car Parking Space	1	N/A	N/A	0.8
<b>Subtotal</b>				<b>741.2</b>
<b>Total</b>				<b>764.4</b>

## Contracted sales from joint venture project

## Hong Kong

Contracted basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
Houses	5 <sup>4</sup>	13,879 <sup>4</sup>	23,060	320.0 <sup>5</sup>
Residential Units	3 <sup>6</sup>	3,641 <sup>6</sup>	25,825	94.0 <sup>7</sup>
Car Parking Spaces	4 <sup>8</sup>	N/A	N/A	9.8
<b>Total</b>				<b>423.8</b>

## Notes:

1. Value-added tax inclusive.
2. Will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in "other operating expenses" on the face of the consolidated income statement of the Remaining Group when the sale is completed.
3. Will be recognised as income from finance lease under turnover.
4. No. of houses and saleable area attributable to the Remaining Group. The total no. of houses contracted and total saleable area are 9 and 27,757 square feet, respectively.
5. Representing property sales proceeds of HK\$292.6 million and rental proceeds of HK\$27.4 million in relation to certain houses offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
6. No. of residential units and saleable area attributable to the Remaining Group. The total no. of residential units contracted and total saleable area are 6 and 7,281 square feet, respectively.
7. Representing property sales proceeds of HK\$89.3 million and rental proceeds of HK\$4.7 million in relation to certain residential units offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
8. No. of car parking spaces attributable to the Remaining Group. The total no. of car parking spaces contracted is 7.

## RESTAURANT AND F&amp;B PRODUCT SALES OPERATIONS

Restaurant and F&B product sales operations contributed HK\$419.9 million to the Remaining Group's turnover, representing a decrease of 5.2% from that of HK\$443.1 million for the previous financial year. During the year ended 31 July 2022, restaurant operations of the Remaining Group continued to be negatively affected by compulsory social distancing and seat restrictions, as well as restrictions on reduced dining time, especially during the fifth wave of COVID-19 epidemic.

Restaurant operations include the Remaining Group's interests in 24 restaurants in Hong Kong and Mainland China and 1 restaurant in Macau under management.

Cuisine	Restaurant	Location	Attributable interest to the Remaining Group	Award
<i>Owned restaurants</i>				
Western/ International Cuisine	8 <sup>1/2</sup> Otto e Mezzo BOMBANA	Hong Kong	38%	Three Michelin stars (2012-2022)
	8 <sup>1/2</sup> Otto e Mezzo BOMBANA	Shanghai	13%	Two Michelin stars (2017-2022)
	Opera BOMBANA	Beijing	20%	
	CIAK – In The Kitchen	Hong Kong	63%	One Michelin star (2015-2017)
	CIAK – All Day Italian	Hong Kong	68%	Michelin Bib Gourmand (2017-2021)
	Beefbar	Hong Kong	63%	One Michelin star (2017-2022)
	Takumi by Daisuke Mori	Hong Kong	65%	One Michelin star (2018-2022)
	Prohibition <sup>(Note)</sup>	Hong Kong	100%	
	Zest by Konishi	Hong Kong	68%	One Michelin star (2020-2022)
	Cipriani	Hong Kong	44%	
	ADD+	Hong Kong	68%	
Asian Cuisine	China Tang Landmark	Hong Kong	51%	The Plate Michelin (2019-2021)
	China Tang Beijing	Beijing	68%	
	Howard's Gourmet	Hong Kong	51%	
	Chiu Tang Central	Hong Kong	68%	
	Old Bazaar Kitchen	Hong Kong	65%	
	Canton Bistro <sup>(Note)</sup>	Hong Kong	100%	
	KiKi Noodle Bar IFC	Hong Kong	85%	
	KiKi Noodle Bar K11 MUSEA	Hong Kong	85%	
	MOSU Hong Kong PLUS by MOSU	Hong Kong	68%	Three Michelin stars (Seoul) (2023)
	China Club	Hong Kong	10%	
Japanese Cuisine	Masa Hong Kong	Hong Kong	68%	
	Rozan	Hong Kong	65%	
	Yamato	Hong Kong	60%	
<i>Managed restaurant</i>				
Western Cuisine	8 <sup>1/2</sup> Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2022)

*Note: Performance of these two restaurants in Ocean Park Marriott Hotel is included in the hotel operation segment for segment reporting purposes.*

**HOTEL AND SERVICED APARTMENT OPERATIONS**

The hotel and serviced apartment operation segment of the Remaining Group includes the Remaining Group's operation of the Ocean Park Marriott Hotel in Hong Kong and the Caravelle Hotel in Ho Chi Minh City, Vietnam, as well as Lai Fung Group's hotel and serviced apartment operation in Shanghai and Hengqin, Mainland China. In December 2019, the Remaining Group further expanded its hotel portfolio with the acquisition of a 50% interest in Fairmont St. Andrews resort in Fife, Scotland, United Kingdom. Performance of the 50:50 joint venture of Fairmont St. Andrews resort is recognised as "Share of profits and losses of joint ventures" in the consolidated income statement of the Remaining Group. The hotel project in Phuket, Thailand that the Remaining Group invested in June 2017 was still at the planning stage in the year ended 31 July 2022.

For the year ended 31 July 2022, the hotel and serviced apartment operations contributed HK\$650.0 million to the Remaining Group's turnover (2021: HK\$621.2 million). During the year ended 31 July 2022, a number of promotion campaigns including staycation packages and dining offers were launched by Hong Kong Ocean Park Marriot Hotel to attract the local guests and the hotel was operating as a designated quarantine hotel since June 2022 before the change of quarantine arrangement in Hong Kong to a "0+3" regime in September 2022.

Breakdown of turnover from hotel and serviced apartment operations for the year ended 31 July 2022 is as follows:

	Location	Attributable interest to the Remaining Group	No. of Rooms <sup>1</sup>	Total GFA (square feet)	Turnover (HK\$ million)	Year end
						occupancy rate (%)
Hotel and serviced apartment						
Ocean Park Marriott Hotel	Hong Kong	100%	471	365,974	251.1	59.9
Ascott Huaihai Road Shanghai	Shanghai	55.08%	310	358,009	95.9	65.2
STARR Hotel Shanghai	Shanghai	55.08%	239	143,846	21.7	36.6
Hyatt Regency Hengqin	Hengqin	64.06%	493	610,540	59.0	28.1
Caravelle Hotel	Ho Chi Minh City	26.01%	335	378,225	222.4	60.7
<b>Subtotal:</b>			<b>1,848</b>	<b>1,856,594</b>	<b>650.1</b>	
Hotel management fee					(0.1)	
<b>Total:</b>					<b>650.0</b>	
<b>Joint Venture Project</b>						
Fairmont St. Andrews resort (50% basis)	Scotland	50%	106 <sup>2</sup>	138,241 <sup>2</sup>	91.7	69.1

Notes:

1. On 100% basis.
2. No. of rooms and GFA attributable to the Remaining Group. The total number of rooms and total GFA are 211 and 276,482 square feet, respectively.

## CINEMA OPERATION

The cinema operation is managed by eSun Group. For the year ended 31 July 2022, this segment recorded a turnover of HK\$385.0 million (2021: HK\$212.0 million) and segment results of a loss of HK\$130.1 million (2021: a loss of HK\$151.7 million). During the year ended 31 July 2022, eSun Group has one more cinema in Hong Kong commenced operation, namely MCL Cinemas Plus+ Plaza Hollywood (a joint venture project with Emperor Cinemas Group). The box office of its cinemas in Hong Kong recorded significant growth compared to the previous financial year, especially during the holiday season before the surge of fifth-wave COVID-19 cases in January 2022 and after their reopening from 21 April 2022 under the recent relaxation of social distancing measures in Hong Kong. eSun Group operates fifteen cinemas in Hong Kong (including one joint venture project) and two cinemas in Mainland China and details on the number of screens and seats of each existing cinema are as follows:

Cinema (managed by eSun Group)	Attributable interest to eSun Group (%)	No. of screens (Note)	No. of seats (Note)
<b>Mainland China</b>			
Suzhou Grand Cinema City	100	10	1,440
Zhongshan May Flower Cinema City	100	5	905
<b>Subtotal</b>		<b>15</b>	<b>2,345</b>
<b>Hong Kong</b>			
K11 Art House	100	12	1,708
Movie Town (including MX4D theatre)	100	7	1,702
MCL Cyberport Cinema	100	4	818
MCL Citygate Cinema	100	4	673
MCL Amoy Cinema	100	3	603
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema	95	6	690
MCL Telford Cinema (including MX4D theatre)	95	6	789
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
MCL Cinemas Plus+ Plaza Hollywood	50	6	1,595
<b>Subtotal</b>		<b>80</b>	<b>12,606</b>
<b>Total</b>		<b>95</b>	<b>14,951</b>

Note: On 100% basis.

**MEDIA AND ENTERTAINMENT**

The media and entertainment businesses are operated by eSun Group. For the year ended 31 July 2022, this segment recorded a turnover of HK\$256.8 million (2021: HK\$321.1 million) and segment results of a loss decreased to HK\$8.4 million from that of HK\$33.5 million in the same period in the previous year.

**Events Management**

During the year ended 31 July 2022, eSun Group organised and invested in 18 (2021: 14) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Joyce Cheng, Jay Fung, C AllStar, Nowhere Boys and Eman Lam.

**Music Production, Distribution and Publishing**

During the year ended 31 July 2022, eSun Group released 18 (2021: 19) albums, including titles by Sammi Cheng, Joyce Cheng, Jay Fung, C AllStar, Ivana Wong, Leslie Cheung and Anita Mui. eSun Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

**Artiste Management**

eSun Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing television drama production and film production business. eSun Group currently has 33 artistes under its management.

**FILM AND TV PROGRAM PRODUCTION AND DISTRIBUTION**

The film and TV program production and distributed businesses are operated by eSun Group. For the year ended 31 July 2022, this segment recorded a turnover of HK\$184.6 million (2021: HK\$298.9 million) and segment results of a loss of HK\$52.8 million (2021: a loss of HK\$95.0 million).

During the year ended 31 July 2022, a total of 8 (2021: 6) films produced/invested by eSun Group were theatrically released, namely “*American Girl*”, “*Chilli Laugh Story*”, “*Fireflies in the Sun*”, “*Look Up*”, “*Rising Boas In A Girl’s School*” and “*Septet: The Story of Hong Kong*”. eSun Group also distributed 19 (2021: 27) films and 196 (2021: 165) videos with high profile titles including “*American Girl*”, “*Fast & Furious 9*”, “*No Time to Die*”, “*Top Gun: Maverick*” and “*The Lost City*”.



## INTERESTS IN JOINT VENTURES

During the year ended 31 July 2022, losses from joint ventures amounted to HK\$42.0 million, as compared to losses of HK\$473.0 million in the previous year. The narrowed loss is primarily due to the decrease in fair value loss of CCB Tower and improved operating profits of Alto Residences during the year ended 31 July 2022.

	<b>For the year ended 31 July</b>	
	<b>2022</b>	2021
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Revaluation losses	<b>(303.6)</b>	(635.5)
Operating profits	<b>261.6</b>	162.5
Share of losses from joint ventures	<b><u>(42.0)</u></b>	<u>(473.0)</u>

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2022, cash and bank balances and undrawn facilities held by the Remaining Group amounted to HK\$7,544.7 million and HK\$5,784.6 million, respectively. Cash and bank balances held by the Remaining Group of which about 40% was denominated in Hong Kong dollars and United States dollars, and about 53% was denominated in Renminbi. Excluding eSun Group and Lai Fung Group, cash and bank balances and undrawn facilities held by the Remaining Group as at 31 July 2022 were HK\$2,198.5 million and HK\$3,777.3 million, respectively.

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

As at 31 July 2022, the Remaining Group had bank borrowings of approximately HK\$17,362.0 million, guaranteed notes of approximately HK\$10,151.2 million and other borrowings of approximately HK\$322.7 million. As at 31 July 2022, the maturity profile of the bank borrowings of HK\$17,362.0 million is spread with HK\$1,525.3 million repayable within 1 year, HK\$6,487.1 million repayable in the second year, HK\$7,769.4 million repayable in the third to fifth years, and HK\$1,580.2 million repayable beyond the fifth year.

The Remaining Group issued guaranteed notes in an aggregate principal amount of US\$1,250 million and HK\$385 million. The guaranteed notes have terms ranging from five years to seven years and three months, and bear fixed interest rates ranging from 4.6% to 5.65% per annum. The guaranteed notes are listed on the Stock Exchange and were issued for refinancing the previous notes and for general corporate purposes. The Remaining Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk of certain guaranteed notes.

Approximately 63% and 36% of the Remaining Group's total borrowings carried interest on a floating rate basis and fixed rate basis, respectively, and the remaining 1% of Remaining Group's borrowings were interest-free.

The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total borrowings less cash and bank balances) to consolidated net assets attributable to owners of the Company, was approximately 65%.

As at 31 July 2022, certain investment properties with carrying amounts of approximately HK\$31,314.9 million, certain property, plant and equipment with carrying amounts of approximately HK\$2,971.4 million, certain right-of-use assets of approximately HK\$2,864.0 million, certain completed properties for sale of approximately HK\$1,100.0 million, certain properties under development of approximately HK\$3,587.3 million, certain serviced apartments and related leasehold improvements of approximately HK\$354.8 million, certain construction in progress of approximately HK\$274.3 million, and certain bank balances and time deposits with banks of approximately HK\$630.8 million were pledged to banks to secure banking facilities granted to the Remaining Group. In addition, certain shares in subsidiaries were pledged to banks to secure banking facilities granted to the Remaining Group. Shares in certain joint ventures were pledged to banks to secure banking facilities granted to the respective joint ventures of the Remaining Group. The Remaining Group's secured bank borrowings were also secured by floating charges over certain assets held by the Remaining Group.

The Remaining Group's major assets and liabilities and transactions were denominated in Hong Kong dollars, United States dollars, Pound Sterling and Renminbi. Considering that Hong Kong dollars are pegged against United States dollars, the Remaining Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is not material. The Remaining Group has investments in United Kingdom with the assets and liabilities denominated in Pound Sterling. These investments were primarily financed by bank borrowings denominated in Pound Sterling in order to minimise the net foreign exchange exposure. Lai Fung Group has a net exchange exposure to Renminbi as their assets are principally located in Mainland China and the revenues are predominantly in Renminbi. Other than the abovementioned, the remaining monetary assets and liabilities of the Remaining Group were denominated in Euro, Malaysian Ringgit and Vietnamese Dong which were insignificant as compared with the Remaining Group's total assets and liabilities. The Remaining Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the additional need arise.

#### **MATERIAL ACQUISITIONS OR DISPOSALS**

The Remaining Group has no material acquisition or disposal of subsidiaries and associated companies for the year ended 31 July 2022.

**CONTINGENT LIABILITIES**

The Remaining Group also had the following contingent liabilities at the end of the year ended 31 July 2022:

- (a) Contingent liabilities not provided for in the financial statements of the Remaining Group for the year ended 31 July 2022:

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Guarantees given to banks in connection with facilities granted to and utilised by joint ventures	<b><u>563,250</u></b>	<u>792,150</u>

- (b) The Remaining 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 Remaining Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Remaining Group will be responsible to repay the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Remaining 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 2022, in respect of these guarantees, the contingent liabilities of the Remaining Group amounted to approximately HK\$768,204,000 (2021: HK\$1,071,581,000).
- (c) The Remaining Group has pledged a time deposit to a bank in connection with a bank guarantee for an associate of approximately HK\$14,040,000 (2021: Nil).
- (d) The Remaining Group had pledged certain time deposits to certain banks in connection with the banking facilities granted to certain subsidiaries. As at 31 July 2022, the respective letter of credit and letter of guarantee facilities of approximately HK\$2,246,000 (2021: HK\$1,673,000) were utilised.

**EMPLOYEES AND REMUNERATION POLICIES**

As at 31 July 2022, the Remaining Group employed a total of approximately 4,000 employees. The Remaining Group recognises the importance of maintaining a stable staff force in its continued success. Under the Remaining 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.

## FOR THE YEAR ENDED 31 JULY 2021

For the year ended 31 July 2021, the Remaining Group recorded turnover of HK\$5,986.8 million (2020: HK\$5,213.5 million) and a gross profit of HK\$1,318.0 million (2020: HK\$1,628.6 million). The increase in turnover from sale of properties primarily driven by the sales performance of Lai Fung Group's development projects in Mainland China during the year ended 31 July 2021, which was partially offset by the decrease in revenue from hotel operations of the Remaining Group, as well as cinema operation and media and entertainment businesses of eSun Group amid the prolonged global COVID-19 pandemic.

Set out below is the turnover by segment:

	For the year ended 31 July		Difference (HK\$ million)	% change
	2021 (HK\$ million)	2020 (HK\$ million)		
Property investment	1,287.3	1,299.4	-12.1	-0.9
Property development and sales	2,503.3	1,690.2	+813.1	+48.1
Restaurant and F&B product sales operations	443.1	421.8	+21.3	+5.0
Hotel operation	621.2	673.3	-52.1	-7.7
Media and entertainment	321.1	326.6	-5.5	-1.7
Film and TV program	298.9	370.2	-71.3	-19.3
Cinema operation	212.0	229.3	-17.3	-7.5
Theme park operation	30.8	19.2	+11.6	+60.4
Others	269.1	183.5	+85.6	+46.6
<b>Total</b>	<b>5,986.8</b>	<b>5,213.5</b>	<b>+773.3</b>	<b>+14.8</b>

For the year ended 31 July 2021, net loss attributable to owners of the Company was approximately HK\$2,130.1 million. The narrowed loss is primarily attributable to the reduction in net fair value losses on investment properties, the write-down of completed properties for sale to net realisable value and the impairment of right-of-use assets during the year ended 31 July 2021 as compared to the same period in the previous year. Net loss per share was HK\$3.095.

Excluding the effect of property revaluations, net loss attributable to owners of the Company was approximately HK\$989.3 million. Net loss per share excluding the effect of property revaluations during the year ended 31 July 2021 was HK\$1.438.

	<b>For the year ended 31 July 2021 (HK\$ million)</b>
<b>Loss attributable to owners of the Company</b>	
Reported	(2,130.1)
Less: Adjustments in respect of revaluation of investment properties held by	
– the Company and subsidiaries	471.2
– joint ventures	635.5
Deferred tax on investment properties	<u>34.1</u>
<b>Net loss after tax excluding revaluation losses of investment properties</b>	<b><u><u>(989.3)</u></u></b>

Equity attributable to owners of the Company as at 31 July 2021 amounted to HK\$32,571.3 million. Net asset value per share attributable to owners of the Company amounted to HK\$53.213 per share as at 31 July 2021.

#### **PROPERTY PORTFOLIO COMPOSITION**

The Remaining Group maintained a property portfolio with attributable GFA of approximately 9.2 million square feet as at 31 July 2021. All major properties of the Remaining Group in Mainland China are held through Lai Fung Group, except Novotown Phase I which is 80% owned by Lai Fung Group and 20% owned by the Remaining Group, and all major properties in Hong Kong and overseas are held by the Remaining Group excluding eSun Group and Lai Fung Group.

Approximate attributable GFA (in '000 square feet) of the Remaining Group's major properties and number of car-parking spaces as at 31 July 2021 are set out as follows:

	Commercial/Retail	Office	Hotel/ Serviced Apartment	Residential	Industrial	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
<b>GFA of major properties and number of car-parking spaces of Lai Fung Group (on attributable basis<sup>1</sup>)</b>							
Completed Properties Held for Rental <sup>2</sup>	1,342	588	—	—	—	1,930	1,252
Completed Hotel Properties and Serviced Apartments <sup>2</sup>	—	—	538	—	—	538	—
Properties under Development <sup>3</sup>	397	1,485	319	—	—	2,201	1,229
Completed Properties Held for Sale	91	232	164	1,017	—	1,504	1,936
<b>Subtotal</b>	<b>1,830</b>	<b>2,305</b>	<b>1,021</b>	<b>1,017</b>	<b>—</b>	<b>6,173</b>	<b>4,417</b>
<b>GFA of major properties and number of car-parking spaces of the Remaining Group excluding Lai Fung Group (on attributable basis<sup>1</sup>)</b>							
Completed Properties Held for Rental <sup>2</sup>	733	1,030	—	—	67	1,830	1,436
Completed Hotel Properties and Serviced Apartments <sup>2</sup>	—	—	722	—	—	722	92
Properties under Development <sup>3</sup>	8	—	—	201	—	209	38
Completed Properties Held for Sale	33	105	74	84	—	296	65
<b>Subtotal</b>	<b>774</b>	<b>1,135</b>	<b>796</b>	<b>285</b>	<b>67</b>	<b>3,057</b>	<b>1,631</b>
<b>Total GFA attributable to the Remaining Group</b>	<b>2,604</b>	<b>3,440</b>	<b>1,817</b>	<b>1,302</b>	<b>67</b>	<b>9,230</b>	<b>6,048</b>

*Notes:*

1. As at 31 July 2021, Lai Fung is a 55.08%-owned subsidiary of the Remaining Group.
2. Completed and rental generating properties.
3. All properties under construction.

## PROPERTY INVESTMENT

## Rental Income

During the year ended 31 July 2021, the Remaining Group's rental operations recorded a turnover of HK\$1,287.3 million (2020: HK\$1,299.4 million), comprising turnover of HK\$527.1 million, HK\$82.0 million and HK\$678.2 million from rental properties in Hong Kong, London and Mainland China, respectively. Breakdown of rental turnover by major investment properties of the Remaining Group is as follows:

	For the year ended 31 July		% Change	Year end occupancy 2021 (%)
	2021 HK\$ million	2020 HK\$ million		
<b>Hong Kong</b>				
Cheung Sha Wan Plaza	302.0	329.7	-8.4	93.5
Causeway Bay Plaza 2	173.8	179.0	-2.9	91.7
Lai Sun Commercial Centre	47.1	44.6	+5.6	98.7
Others	4.2	4.6	-8.7	
<b>Subtotal:</b>	<b>527.1</b>	<b>557.9</b>	<b>-5.5</b>	
<b>London, United Kingdom</b>				
107 Leadenhall Street	44.5	45.2	-1.5	62.0
100 Leadenhall Street	31.2	56.5	-44.8	100.0
106 Leadenhall Street	6.3	6.3	0.0	100.0
<b>Subtotal:</b>	<b>82.0</b>	<b>108.0</b>	<b>-24.1</b>	
<b>Mainland China</b>				
<i>Shanghai</i>				
Shanghai Hong Kong Plaza	292.5	291.4	+0.4	Retail: 90.3 Office: 83.8
Shanghai May Flower Plaza	42.7	39.1	+9.2	Retail: 99.5
Shanghai Regents Park	24.8	22.0	+12.7	100.0
<i>Guangzhou</i>				
Guangzhou May Flower Plaza	121.1	111.4	+8.7	97.9
Guangzhou West Point	26.5	23.8	+11.3	90.1
Guangzhou Lai Fung Tower	136.0	123.2	+10.4	Retail: 100.0 Office: 96.5 <sup>1</sup>
<i>Zhongshan</i>				
Zhongshan Palm Spring	6.8	5.6	+21.4	Retail: 80.0 <sup>1</sup>
<i>Hengqin</i>				
Hengqin Novotown Phase I	6.9	3.9	+76.9	Retail: 71.0 <sup>2</sup>
Others	20.9	13.1	+59.5	
<b>Subtotal:</b>	<b>678.2</b>	<b>633.5</b>	<b>+7.1</b>	
<b>Total:</b>	<b>1,287.3</b>	<b>1,299.4</b>	<b>-0.9</b>	

	For the year ended 31 July		% Change	Year end occupancy 2021 (%)
	2021 HK\$ million	2020 HK\$ million		
<b>Rental proceeds from joint venture projects</b>				
<b>Hong Kong</b>				
CCB Tower <sup>3</sup> (50% basis)	132.3	137.2	-3.6	95.7
Alto Residences <sup>4</sup> (50% basis)	28.0	15.7	+78.3	80.7
	<u>160.3</u>	<u>152.9</u>	<u>+4.8</u>	
Total:	<u>160.3</u>	<u>152.9</u>	<u>+4.8</u>	

*Notes:*

1. *Excluding self-use area.*
2. *Including the cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin.*
3. *CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of the Remaining Group and CCB has an effective 50% interest. For the year ended 31 July 2021, the joint venture recorded rental proceeds of approximately HK\$264.5 million (2020: HK\$274.3 million).*
4. *Alto Residences is a joint venture project with Empire Group Holdings Limited (“Empire Group”) in which each of the Remaining Group and Empire Group has an effective 50% interest. For the year ended 31 July 2021, the joint venture recorded rental proceeds of approximately HK\$56.0 million (2020: HK\$31.4 million).*



## PROPERTY DEVELOPMENT

## Recognised Sales

For the year ended 31 July 2021, recognised turnover from sales of properties was HK\$2,503.3 million (2020: HK\$1,690.2 million). Breakdown of turnover for the year ended 31 July 2021 from sales of properties is as follows:

## Hong Kong

Recognised Basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price <sup>1</sup> (HK\$/square foot)	Turnover (HK\$ million)
Monti Residential Units	31	10,167	22,397	227.8

## Mainland China

Recognised Basis	No. of Units	Approximate GFA (Square feet)	Average Selling Price <sup>2</sup> (HK\$/square foot)	Turnover <sup>3</sup> (HK\$ million)
Shanghai Wuli Bridge Project Residential Units	24	60,148	15,331	846.0
Zhongshan Palm Spring Residential High-rise Units	352	423,309	1,698	663.7
Zhongshan Palm Spring Residential House Units	26	55,808	3,248	172.6
Hengqin Novotown Phase I Cultural Studios	4	16,965	4,983	80.5
Hengqin Novotown Phase I Cultural Workshop Units	6	5,154	3,531	16.7
Hengqin Novotown Phase II Harrow ILA Hengqin Building <sup>4</sup>	N/A	414,417	1,251	464.1
Shanghai Wuli Bridge Project Car-parking Spaces	27	N/A	N/A	17.9
Shanghai Regents Park Car-parking Spaces	14	N/A	N/A	9.4
Guangzhou Eastern Place Car-parking Spaces	2	N/A	N/A	2.1
Guangzhou King's Park Car-parking Spaces	2	N/A	N/A	1.2
Guangzhou West Point Car-parking Spaces	2	N/A	N/A	1.1
Zhongshan Palm Spring Car-parking Space	1	N/A	N/A	0.2
<b>Subtotal</b>				<b>2,275.5</b>
<b>Total</b>				<b>2,503.3</b>

## Recognised sales from joint venture project

## Hong Kong

Recognised Basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price <sup>1</sup> (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
Houses	2 <sup>5</sup>	3,390 <sup>5</sup>	24,258	82.2 <sup>6</sup>
Residential Units	3 <sup>7</sup>	2,678 <sup>7</sup>	24,267	65.0 <sup>8</sup>
Car-parking Spaces	1 <sup>9</sup>	N/A	N/A	1.4
<b>Total</b>				<b>148.6</b>

## Notes:

1. Excluding the financing component for sale of completed properties in accordance with Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers".
2. Before PRC business tax and value-added tax inclusive.
3. After PRC business tax and value-added tax exclusive.
4. Classified as income from properties under finance lease.
5. No. of houses and saleable area attributable to the Remaining Group. The total no. of houses recognised and total saleable area are 3 and 6,779 square feet, respectively.
6. Representing property sales proceeds of HK\$81.4 million and rental proceeds of HK\$0.8 million in relation to certain houses offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
7. No. of residential units and saleable area attributable to the Remaining Group. The total no. of residential units recognised and total saleable area are 5 and 5,356 square feet, respectively.
8. Representing property sales proceeds of HK\$63.0 million and rental proceeds of HK\$2.0 million in relation to certain residential units offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
9. No. of car-parking spaces attributable to the Remaining Group. The total no. of car-parking spaces recognised is 2.

**Contracted Sales**

As at 31 July 2021, the Remaining Group's property development operation has contracted but not yet recognised sales of HK\$1,708.2 million. Including the joint venture project of the Remaining Group, the total contracted but not yet recognised sales of the Remaining Group as at 31 July 2021 amounted to HK\$2,568.3 million. Breakdown of contracted but not yet recognised sales as at 31 July 2021 is as follows:

**Hong Kong**

Contracted basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price (HK\$/square foot)	Turnover (HK\$ million)
Monti Residential Units	5	1,630	23,008	37.5

**Mainland China**

Contracted basis	No. of Units	Approximate GFA (Square feet)	Average Selling Price <sup>1</sup> (HK\$/square foot)	Turnover <sup>1</sup> (HK\$ million)
Zhongshan Palm Spring Residential High-rise Units	572	678,116	1,838	1,246.6
Residential House Units	13	27,144	3,540	96.1
Serviced Apartment Units <sup>2</sup>	3	3,082	1,460	4.5
Shanghai Wuli Bridge Project Residential Units	2	5,248	11,738	61.6
Hengqin Novotown Phase I Cultural Studios	3	13,881	5,137	71.3
Cultural Workshop Unit	1	962	3,950	3.8
Hengqin Novotown Phase II Harrow ILA Hengqin Building <sup>3</sup>	N/A	149,078	1,205	179.7
Shanghai Wuli Bridge Project Car-parking Spaces	2	N/A	N/A	1.4
Shanghai Regents Park Car-parking Spaces	3	N/A	N/A	2.1
Guangzhou Eastern Place Car-parking Spaces	2	N/A	N/A	2.1
Guangzhou King's Park Car-parking Spaces	2	N/A	N/A	1.5
<b>Subtotal</b>				<b>1,670.7</b>
<b>Total</b>				<b>1,708.2</b>

## Contracted sales from joint venture project

## Hong Kong

Contracted basis	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
Houses	9 <sup>4</sup>	23,493 <sup>4</sup>	23,453	551.0 <sup>5</sup>
Residential Units	11 <sup>6</sup>	10,463 <sup>6</sup>	27,142	284.0 <sup>7</sup>
Car-parking Spaces	9 <sup>8</sup>	N/A	N/A	25.1
<b>Total</b>				<b>860.1</b>

## Notes:

1. Value-added tax inclusive.
2. Will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in "other operating income" in the consolidated income statement of the Remaining Group when the sale is completed.
3. Will be recognised as income from finance lease under turnover.
4. No. of houses and saleable area attributable to the Remaining Group. The total no. of houses contracted and total saleable area are 17 and 46,986 square feet, respectively.
5. Representing property sales proceeds of HK\$501.2 million and rental proceeds of HK\$49.8 million in relation to certain houses offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
6. No. of residential units and saleable area attributable to the Remaining Group. The total no. of residential units contracted and total saleable area are 21 and 20,925 square feet, respectively.
7. Representing property sales proceeds of HK\$257.1 million and rental proceeds of HK\$26.9 million in relation to certain residential units offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
8. No. of car-parking spaces attributable to the Remaining Group. The total no. of car-parking spaces contracted is 18.

## RESTAURANT AND F&amp;B PRODUCT SALES OPERATION

The extension of containment measures in Hong Kong for catering businesses continued to weigh on the performance of the Remaining Group's restaurants. Revenue of this segment of the Remaining Group has been inevitably affected by compulsory social distancing and seat restrictions, as well as restrictions on reduced dining time. For the year ended 31 July 2021, restaurant operation segment contributed HK\$443.1 million to the Remaining Group's turnover (2020: HK\$421.8 million). Restaurant operation includes the Remaining Group's interests in 22 restaurants in Hong Kong and Mainland China and 2 restaurants in Hong Kong and Macau under management. Details of each existing restaurant of the Remaining Group are as follows:

Cuisine	Restaurant	Location	Attributable interest to the Remaining Group	Award	
<i>Owned restaurants</i>					
Western/International Cuisine	8½ Otto e Mezzo BOMBANA	Hong Kong	37%	Three Michelin stars (2012-2021)	
	8½ Otto e Mezzo BOMBANA	Shanghai	13%	Two Michelin stars (2017-2021)	
	Opera BOMBANA	Beijing	20%		
	CIAK – In The Kitchen	Hong Kong	62%	One Michelin star (2015-2017)	
	CIAK – All Day Italian	Hong Kong	67%	Michelin Bib Gourmand (2017-2021)	
	Beefbar	Hong Kong	62%	One Michelin star (2017-2021)	
	Takumi by Daisuke Mori	Hong Kong	63%	One Michelin star (2018-2021)	
	Prohibition <sup>(Note)</sup>	Hong Kong	100%		
	Zest by Konishi	Hong Kong	67%	One Michelin star (2020-2021)	
	Cipriani	Hong Kong	44%		
	Asian Cuisine	China Tang Landmark	Hong Kong	50%	The Plate Michelin (2019-2021)
		China Tang Beijing	Beijing	67%	
		Howard's Gourmet	Hong Kong	50%	
		Chiu Tang Central	Hong Kong	67%	
Old Bazaar Kitchen		Hong Kong	63%		
Sun's Bazaar KiKi Tea Telford Plaza		Hong Kong	69%		
Canton Bistro <sup>(Note)</sup>		Hong Kong	100%		
KiKi Noodle Bar IFC		Hong Kong	67%		
KiKi Noodle Bar K11 MUSEA		Hong Kong	67%		
KiKi Noodle Bar		Shanghai	67%		
Japanese Cuisine	Shanghai Hong Kong Plaza				
	KiKi Noodle Bar Shanghai One ITC	Shanghai	67%		
	Masa Hong Kong	Hong Kong	67%		
<i>Managed restaurants</i>					
Western Cuisine	8½ Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2021)	
Asian Cuisine	China Club	Hong Kong	N/A		

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

**HOTEL AND SERVICED APARTMENT OPERATION**

The hotel and serviced apartment operation segment of the Remaining Group includes the Remaining Group's operation of the Ocean Park Marriott Hotel in Hong Kong and the Caravelle Hotel in Ho Chi Minh City, Vietnam, as well as Lai Fung Group's hotel and serviced apartment operation in Shanghai, Mainland China. In December 2019, the Remaining Group further expanded its hotel portfolio with the acquisition of a 50% interest in Fairmont St. Andrews resort in Fife, Scotland, United Kingdom. Performance of the 50:50 joint venture of Fairmont St. Andrews resort is recognised as "Share of profits and losses of joint ventures" in the consolidated income statement of the Remaining Group. The hotel project in Phuket, Thailand that the Remaining Group invested in June 2017 was still at the planning stage in the year ended 31 July 2021.

COVID-19 pandemic has presented unprecedented challenges to global tourism and hospitality industry. Since early 2020, a number of social distancing measures and travel restrictions have been implementing by countries around the world to prevent the spread of the virus and the tourist economy has experienced a record contraction. For the year ended 31 July 2021, the hotel and serviced apartment operation contributed HK\$621.2 million to the Remaining Group's turnover (2020: HK\$673.3 million).

Breakdown of turnover for the year ended 31 July 2021 from hotel and serviced apartment operations is as follows:

	Location	Attributable interest to the Remaining Group	No. of Rooms <sup>1</sup>	Total GFA (square feet)	Turnover (HK\$ million)	Year end occupancy rate (%)	
Hotel and serviced apartment							
	Ocean Park Marriott Hotel	Hong Kong	100%	471	365,974	230.5	82.4
	Ascott Huaihai Road Shanghai	Shanghai	55.08%	310	358,009	104.5	90.2
	STARR Hotel Shanghai	Shanghai	55.08%	239	143,846	23.8	80.6
	Hyatt Regency Hengqin	Hengqin	64.06%	493	594,763	79.2	40.6
	Caravelle Hotel	Ho Chi Minh City	26.01%	335	378,225	181.1	2.7
<b>Subtotal:</b>				<u>1,848</u>	<u>1,840,817</u>	<u>619.1</u>	
	Hotel management fee					<u>2.1</u>	
<b>Total:</b>						<u><u>621.2</u></u>	
<b>Joint Venture Project</b>							
	Fairmont St. Andrews resort (50% basis)	Scotland	50%	106 <sup>2</sup>	138,241 <sup>2</sup>	44.8	62.4

Notes:

1. On 100% basis.
2. No. of rooms and GFA attributable to the Remaining Group. The total no. of rooms and total GFA are 211 and 276,482 square feet, respectively.

## CINEMA OPERATION

The cinema operation is managed by eSun Group. For the year ended 31 July 2021, this segment recorded a turnover of HK\$212.0 million (2020: HK\$229.3 million) and segment results of a loss of HK\$151.7 million (2020: HK\$515.2 million). Decrease in segment loss is primarily due to decrease in the impairment of right-of-use assets and property, plant and equipment during the year ended 31 July 2021 as compared to the previous year. eSun Group operates fourteen cinemas in Hong Kong and three cinemas in Mainland China and details on the number of screens and seats of each cinema of eSun Group are as follows:

Cinema (managed by eSun Group)	Attributable interest to eSun Group (%)	No. of screens (Note)	No. of seats (Note)
<b>Mainland China</b>			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
<b>Subtotal:</b>		<b>22</b>	<b>2,951</b>
<b>Hong Kong</b>			
K11 Art House	100	12	1,708
Movie Town (including MX4D theatre)	100	7	1,702
MCL Cyberport Cinema	100	4	818
MCL Citygate Cinema	100	4	673
MCL Amoy Cinema	100	3	603
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema	95	6	690
MCL Telford Cinema (including MX4D theatre)	95	6	789
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
<b>Subtotal:</b>		<b>74</b>	<b>11,011</b>
<b>Total:</b>		<b>96</b>	<b>13,962</b>

Note: On 100% basis.



**MEDIA AND ENTERTAINMENT**

The media and entertainment businesses are operated by eSun Group. For the year ended 31 July 2021, this segment recorded a turnover of HK\$321.1 million (2020: HK\$326.6 million) and segment results of a loss of HK\$33.5 million (2020: HK\$30.2 million).

**Live Entertainment**

During the year ended 31 July 2021, eSun Group organised and invested in 14 (2020: 39) shows by popular local, Asian and internationally renowned artistes, including Leon Lai, C AllStar and Eman Lam.

**Music Production, Distribution and Publishing**

For the year ended 31 July 2021, eSun Group released 19 (2020: 15) albums, including titles by Sammi Cheng, C AllStar, Andy Leung, Chan Kin On, Jay Fung, Nowhere Boys and Joyce Cheng.

**Artiste Management**

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

**FILM AND TV PROGRAMME PRODUCTION AND DISTRIBUTION**

The film and TV programme production and distribution businesses are operated by eSun Group. For the year ended 31 July 2021, this segment recorded a turnover of HK\$298.9 million (2020: HK\$370.2 million) and segment showed a loss of HK\$95.0 million (2020: HK\$80.0 million).

During the year ended 31 July 2021, a total of 6 (2020: 5) films produced/invested by eSun Group were theatrically released, namely *“I’m Livin’ It”*, *“The Calling of A Bus Driver”*, *“All U Need is Love”*, *“The Legend of the Condor Heroes: The Cadaverous Claws”*, *“The Legend of the Condor Heroes: The Dragon Tamer”* and *“1921”*. eSun Group also distributed 27 (2020: 25) films and 165 (2020: 468) videos with high profile titles including *“1921”*, *“Stand By Me Doraemon 2”*, *“77 Heartwarmings”* and *“Snake Eyes”*.

## INTERESTS IN JOINT VENTURES

During the year ended 31 July 2021, losses from joint ventures amounted to HK\$473.0 million, as compared to losses of HK\$423.0 million for the previous year. This is primarily due to the decrease in fair value of CCB Tower during the year ended 31 July 2021.

	<b>For the year ended 31 July</b>	
	<b>2021</b>	2020
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Revaluation losses, net	<b>(635.5)</b>	(570.0)
Operating profits	<b>162.5</b>	147.0
Shares of Losses from joint ventures	<b><u>(473.0)</u></b>	<b><u>(423.0)</u></b>

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2021, cash and bank balances and undrawn facilities held by the Remaining Group amounted to HK\$10,568.4 million and HK\$3,902.4 million, respectively. Cash and bank balances held by the Remaining Group of which about 50% was denominated in Hong Kong dollars and United States dollars, and about 45% was denominated in Renminbi. Cash and bank balances and undrawn facilities held by the Remaining Group excluding eSun Group and Lai Fung Group as at 31 July 2021 were HK\$4,227.8 million and HK\$852.8 million, respectively.

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

As at 31 July 2021, the Remaining Group had bank borrowings of approximately HK\$18,771.1 million, guaranteed notes of approximately HK\$7,692.5 million and other borrowings of approximately HK\$318.6 million. As at 31 July 2021, the maturity profile of the bank borrowings of HK\$18,771.1 million is spread with HK\$3,109.6 million repayable within 1 year, HK\$1,428.9 million repayable in the second year, HK\$12,797.2 million repayable in the third to fifth years, and HK\$1,435.4 million repayable beyond the fifth year.

The Remaining Group issued guaranteed notes in an aggregate principal amount of US\$1,000 million. The guaranteed notes have terms of five years and bear fixed interest rates ranging from 4.6% to 5.65% per annum with interest payable semi-annually in arrears. The guaranteed notes are listed on the Stock Exchange and were issued for refinancing the previous notes and for general corporate purposes. The Remaining Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk of certain guaranteed notes.

Approximately 70% and 29% of the Remaining Group's total borrowings carried interest on a floating rate basis and fixed rate basis, respectively, and the remaining 1% of the Remaining Group's borrowings were interest-free.

The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total borrowings less cash and bank balances) to consolidated net assets attributable to owners of the Company, was approximately 50%.

As at 31 July 2021, certain investment properties with carrying amounts of approximately HK\$30,343.4 million, certain property, plant and equipment with carrying amounts of approximately HK\$3,103.5 million, certain right-of-use assets of approximately HK\$3,010.0 million, certain completed properties for sale of approximately HK\$1,698.7 million, certain properties under development of approximately HK\$2,063.0 million, certain serviced apartments and related leasehold improvements of approximately HK\$378.1 million, certain construction in progress of approximately HK\$182.7 million, and certain bank balances and time deposits with banks of approximately HK\$523.4 million were pledged to banks to secure banking facilities granted to the Remaining Group. In addition, certain shares in subsidiaries were pledged to banks to secure banking facilities granted to the Remaining Group. Shares in certain joint ventures were pledged to banks to secure banking facilities granted to the respective joint ventures of the Remaining Group. The Remaining Group's secured bank borrowings were also secured by floating charges over certain assets held by the Remaining Group.

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

#### **MATERIAL ACQUISITIONS OR DISPOSALS**

The Remaining Group has no material acquisition or disposal of subsidiaries and associated companies for the year ended 31 July 2021.

**CONTINGENT LIABILITIES**

The Remaining Group also had the following contingent liabilities at the end of the year ended 31 July 2021:

- (a) Contingent liabilities not provided for in the financial statements of the Group for the year ended 31 July 2021:

	<b>2021</b> <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
Guarantees given to banks in connection with facilities granted to and utilised by joint ventures	<b>792,150</b>	152,100

- (b) The Remaining 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 Remaining Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Remaining Group will be responsible for repaying the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Remaining 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 2021, in respect of these guarantees, the contingent liabilities of the Remaining Group amounted to approximately HK\$1,071,581,000 (2020: HK\$659,069,000).
- (c) The Remaining Group has pledged certain time deposits (2020: provided corporate guarantees) to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK\$1,673,000 (2020: HK\$2,937,000) were utilised.

**EMPLOYEES AND REMUNERATION POLICIES**

As at 31 July 2021, the Remaining Group employed a total of approximately 4,400 full-time employees. The Remaining Group recognises the importance of maintaining a stable staff force in its continued success. Under the Remaining 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.

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuation of the subject property as at 29 February 2024.*

The Directors  
Lai Sun Development Company Limited  
11th Floor  
Lai Sun Commercial Centre  
680 Cheung Sha Wan Road  
Kowloon

Savills Valuation and  
Professional Services Limited  
Room 1208, 12/F  
1111 King's Road  
Taikoo Shing, Hong Kong

T: (852) 2801 6100

F: (852) 2530 0756

EA LICENCE: C-023750

savills.com

7 May 2024

Dear Sirs

**RE: AIA CENTRAL, 1 CONNAUGHT ROAD CENTRAL, CENTRAL, HONG KONG  
(THE "PROPERTY")**

In accordance with your instructions for us to value the Property held by Lai Sun Development Company Limited (the "**Company**") and its subsidiary (hereinafter together known as the "**Group**") for investment purposes, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property on a 100% interest basis as at 29 February 2024 ("**Date of Valuation**") for the purposes of inclusion in a circular to be issued by the Company on 7 May 2024 in relation to a very substantial disposal.

### **Basis of Valuation**

Our valuation is our opinion of the market value of the Property concerned which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors (“**HKIS**”), which incorporates the International Valuation Standards (“**IVS**”), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### **Identification and Status of the Valuers**

The subject valuation exercise is handled by Mr Charles Chan and Mr Freddie Ling.

Mr Charles Chan is the Managing Director of Savills Valuation and Professional Services Limited (“**SVPSL**”) and a Fellow of HKIS (General Practice Division) with over 39 years’ experience in valuation of properties in Hong Kong and has sufficient knowledge of the relevant market, skills and understanding to handle the subject valuation exercise competently.

Mr Freddie Ling is the Senior Director of SVPSL and a Member of the HKIS (General Practice Division) with over 38 years’ experience in valuation of properties in Hong Kong and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Property, SVPSL, Mr Charles Chan and Mr Freddie Ling had been involved in valuation of the Property in the past 12 months.

We are independent of the Group. We are not aware of any instances which would give rise to potential conflict of interest from SVPSL, Mr Charles Chan or Mr Freddie Ling in the subject exercise. We confirm SVPSL, Mr Charles Chan and Mr Freddie Ling are in the position to provide objective and unbiased valuation for the Property.

### **Valuation Methodology**

Sales comparison approach is regarded as the most preferable method for property valuation. It involves the analysis of sales transactions in the market of similar properties compared with the Property. However, there are insufficient recent sales transactions of similar properties in the vicinity of the Property for reference in our valuation. Instead, in the locality of the Property, there are sufficient rentals in the lettings of similar offices including the Property available for reference in valuation.

Hence, in undertaking our valuation, we have adopted the income capitalization approach whereby the rental incomes of contractual tenancies for the unexpired terms and the reversionary market rents after the expiry of tenancies of the Property are capitalized.

**Title Investigations**

We have not been provided with any title documents relating to the Property but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. As advised by the Company and to the best of their knowledge, there are no significant investigations, notices, pending litigations, breaches of law or title defects against the Property. In our valuation, we have assumed that the Property has good legal titles and is freely transferable in the market. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

**Valuation Consideration and Assumptions**

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, site and floor areas, identification of the Property and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have been advised by the Company that no material facts have been omitted from the information provided. We have not carried out on-site measurements to verify the correctness of the site and floor areas in respect of the Property. Dimensions, measurements and areas included in this report are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the Property and where possible, we have also inspected the interior of the premises. Our inspection was carried out by Mr Alvin Ng, MHKIS, MRICS in February 2024. In undertaking our valuation, we have assumed that the interiors of the non-inspected portions of the Property are finished and maintained in reasonable condition commensurate with its age and uses and without any unauthorized structures/extensions or structural alterations. We have also assumed in our valuation that the Property is provided with normal and satisfactory building services for its existing uses as at the Date of Valuation.

Moreover, no structural survey has been made but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free from rot, infestation or any other structural defect. No tests were carried out to any of the services. No environmental study for the Property has been made.

As advised by the Company and to the best of their knowledge, there were no plans for substantial construction, renovation, improvement, development or change of uses of the Property as at the Date of Valuation.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Except for the purpose of disclosure in the public circular to be issued by the Company in connection with the very substantial disposal, neither the whole nor any part of the valuation report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it may appear.

We enclose herewith our valuation report.

Yours faithfully

For and on behalf of

**Savills Valuation and Professional Services Limited**

Charles C K Chan  
MSc FRICS FHKIS MCI Arb RPS(GP)  
Managing Director

Freddie Ling  
MRICS MHKIS RPS(GP)  
Senior Director

*Note: Mr Charles C K Chan is a professional surveyor who has over 39 years' experience in valuation of properties in Hong Kong. Mr Freddie Ling is a professional surveyor who has over 38 years' experience in valuation of properties in Hong Kong.*



## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2024
AIA Central, 1 Connaught Road Central, Central, Hong Kong Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278.	<p>The Property comprises a 38-storey (including a 2-storey basement) office building with carparking, loading and unloading and mechanical facilities. The Property was completed in 2005 and erected on a roughly rectangular site with an area of approximately 2,269.32 sq m (24,427 sq ft).</p> <p>The building is situated on the south-western side of Connaught Road Central at its junction with Murray Road in Central district. This locality is within the central business district of Hong Kong Island characterized by clusters of prestigious office buildings in the vicinity. High class hotels and shopping arcades and communal facilities are also situated nearby.</p> <p>According to a set of building plans approved by the Building Authority, the Ground Floor and 1st Floor of the building are mainly designed for circulation purposes with 9 spaces for light goods vehicle and 2 spaces for heavy goods vehicle planned on Ground Floor. The office main lift lobby is located on the 2nd Floor which also known as the Sky Lobby. The 3rd Floor is a mechanical floor (inclusive of a public mail room) whereas the remaining upper floors from the 5th to 35th Floors are designed for office uses (the 17th Floor is refuge floor, 18th, 36th and 37th Floors are mechanical floors and 38th and 39th Floors are roof floors whilst the 4th, 14th, 24th and 34th Floors are omitted from floor numbering).</p> <p>The Basement 1 and Basement 2 of the building provides 61 private car parking spaces (including a private car parking space for the disabled) and 8 motorcycle parking spaces.</p> <p>According to the approved building plans, the total gross floor area of the building is approximately 39,851.50 sq m (428,962 sq ft) including a total exempted area of lift shafts of approximately 922.96 sq m (9,935 sq ft).</p> <p>Marine Lot No. 275 is held from the Government under a Government Lease for a term of 999 years commencing on 9 September 1895 at an annual Government rent of HK\$294.</p> <p>Marine Lot No. 278 is held from the Government under a Government Lease for a term of 999 years commencing on 12 October 1896 at an annual Government rent of HK\$155.</p>	<p>The office portion of the Property is let under various tenancies mostly for terms of three to six years with the latest expiring in August 2029 at a total monthly rental income of approximately HK\$43,000,000 exclusive of management fees, rates and Government rent.</p> <p>51 of the car parking spaces are let under various licences on monthly basis at a total monthly licence fee of approximately HK\$320,000 whilst the remaining car parking spaces are vacant.</p> <p>Several kitchen spaces and cable risers, mobile equipment on 18/F and a kiosk on 2/F are let under various licences at a total monthly licence fee of approximately HK\$110,000.</p>	<p>HK\$20,300,000,000</p> <p>(Hong Kong Dollars Twenty Billion and Three Hundred Million) (100% interest)</p>

## Notes:

- (1) Pursuant to the land register record obtained from the Land Registry, the current registered owner of the Property is Bayshore Development Group Limited.
- (2) The Property is subject to the following encumbrances:-
- i. Deed of Variation of Crown Lease dated 10 December 1969 vide Memorial No. UB713953 (re: ML 278 sA and R.P.);
  - ii. Deed of Variation of Crown Lease dated 10 December 1969 vide Memorial No. UB713954 (re: ML 275);
  - iii. Deed of Dedication in favour of Director of Buildings on behalf of the Government of the Hong Kong Special Administrative Region dated 5 May 2004 vide Memorial No. UB9209968 (re: Parts of ML 275, ML 278 sA and R.P.);
  - iv. Modification Letter dated 5 May 2004 vide Memorial No. UB9209969;
  - v. Memorandum of Change of Building Name dated 17 June 2009 vide Memorial No. 09070901790053;
  - vi. Debenture in favour of AIA Group Limited dated 22 April 2015 vide Memorial No. 15042901200048.
- (3) The Property lies within an area zoned "Commercial" under the Draft Central District (HPA 4) Outline Zoning Plan No. S/H4/I7 exhibited on 24 May 2019.
- (4) In selecting the rental comparables for market rent determination of the office portion, we have adopted the recent lettings of the Property as this requires the least adjustments made to account for the differences between the building of the comparable lettings and the subject building such as location, accessibility, age, conditions etc.

We consider that the relevant comparable lettings that meet the selection criteria are included and they are set out below which are representative and exhaustive.

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>
Property	Unit 1306-9, AIA Central	Unit 3001-7, AIA Central	31/F, AIA Central	33/F-35/F, AIA Central
Location	1 Connaught Road Central, Central, Hong Kong	1 Connaught Road Central, Central, Hong Kong	1 Connaught Road Central, Central, Hong Kong	1 Connaught Road Central, Central, Hong Kong
Year of Completion	2005	2005	2005	2005
Use	Office	Office	Office	Office
Lease Term	1 Sep 2023 to 31 Aug 2029	1 Sep 2023 to 31 Aug 2029	1 Jul 2023 to 30 Jun 2026	8 Jun 2023 to 7 Jun 2026
Monthly Rental (HK\$)	1,031,800	1,136,545	1,483,270	2,993,960
Gross Floor Area (GFA) (sq ft)	10,737	11,313	14,764	28,283
Unit Rent per Month (HK\$/sq ft GFA)	96	100	100	106

The market licence fees of car parking spaces in the vicinity of the Property range from HK\$6,500 to HK\$7,500 per month.

- (5) *The market yields of similar offices are about 2.5% to 3% whilst the market yields of car parking spaces are about 2.25% to 2.75%.*
- (6) *Having considered the comparable lettings, licence fees and market yields, we have adopted the following parameters in our valuation of the Property.*

<i>Property</i>	<i>Capitalization Rate</i>	<i>Monthly Market Rent</i>
<i>Office Portion</i>	<i>2.50%</i>	<i>HK\$100/sq ft</i>
<i>Carpark Portion</i>	<i>2.25%</i>	<i>HK\$7,500/space</i>

- (7) *The market value of the Property is valued by income capitalization approach whereby the contractual rental of each lettable unit of the Property is capitalized for the unexpired term of the tenancy as at the Date of Valuation (term value). The reversion value after the expiry of the tenancy is determined by capitalizing the market rent at the market yield of Property. The market value of the Property is determined by the summation of the term values and the reversion values as deferred for the unexpired tenancy terms of all the lettable units of the Property.*

## 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 INTERESTS

### **Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations**

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) which were required to be (i) 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 (ii) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (iii) 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 the Listed Issuers contained in Appendix C3 to the Listing Rules; or (iv) as known by the Directors were as follows:

## (1) The Company

## Long positions in the Shares and the underlying Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Shares (Note 1)
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	975,907	Nil	808,084,296 (Note 2)	Nil	809,060,203	55.67%
Lau Shu Yan, Julius	Beneficial owner	592,875	Nil	Nil	Nil	592,875	0.04%
U Po Chu (Note 3)	Beneficial owner	60,567	Nil	Nil	Nil	60,567	0.01%
Luk Hon Man	Beneficial owner	3,300	Nil	Nil	Nil	3,300	0.01%

## Notes:

(1) The percentage has been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 1,453,328,830 Shares).

(2) As at the Latest Practicable Date, LSG and two of its wholly-owned subsidiaries, namely, Zimba International Limited (“**Zimba International**”) and Joy Mind Limited (“**Joy Mind**”) beneficially owned 808,084,296 Shares, representing approximately 55.60% of the issued share capital of the Company. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 808,084,296 Shares by virtue of, in aggregate, his personal (excluding underlying shares) and deemed interests of approximately 41.93% in the issued share capital of LSG. LSG is approximately 12.70% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.23% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Lam Kin Ngok, Peter.

LSG pledged approximately 208,513,987 Shares held by LSG, Zimba International and Joy Mind as security pursuant to its 7.70% secured guaranteed notes due 2018 under a Share Charge dated 24 July 2014. The amount has been repaid in full.

(3) Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 8,718,829 Shares, representing approximately 0.60% of the issued share capital of the Company.

**(2) Associated Corporations***(i) LSG – the ultimate holding company of the Company***Long positions in the ordinary shares of LSG (“LSG Shares”) and the underlying LSG Shares**

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued LSG Shares <i>(Note 1)</i>
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	112,211,038	Nil	258,168,186	1,832,017 <i>(Note 2)</i>	372,211,241	42.14%
Lam Hau Yin, Lester	Beneficial owner	28,033,218	Nil	Nil	6,519,095 <i>(Note 2)</i>	34,552,313	3.91%
U Po Chu	Beneficial owner	1,857,430	Nil	Nil	Nil	1,857,430	0.21%

*Notes:*

- (1) *The percentage has been compiled based on the total number of issued LSG Shares as at the Latest Practicable Date (i.e. 883,373,901 LSG Shares).*
- (2) *Share options were granted by LSG to Dr. Lam Kin Ngok, Peter and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:*

<b>Registered Name</b>	<b>Date of grant</b>	<b>Number of underlying LSG Shares comprised in share options</b>	<b>Exercise period</b>	<b>Exercise price HK\$ per LSG Share</b>
<i>Lam Kin Ngok, Peter</i>	<i>19/06/2017</i>	<i>448,197</i>	<i>19/06/2017-18/06/2027</i>	<i>11.155</i>
	<i>25/01/2022</i>	<i>1,383,820</i>	<i>25/01/2022-24/01/2032</i>	<i>3.673</i>
<i>Lam Hau Yin, Lester</i>	<i>19/06/2017</i>	<i>5,135,275</i>	<i>19/06/2017-18/06/2027</i>	<i>11.155</i>
	<i>25/01/2022</i>	<i>1,383,820</i>	<i>25/01/2022-24/01/2032</i>	<i>3.673</i>

(ii) eSun – a subsidiary of the Company

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued eSun Shares <i>(Note 1)</i>
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	1,113,260,072 <i>(Note 2)</i>	Nil	1,116,054,515	63.56%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	Nil	2,794,443	0.16%

*Notes:*

- (1) *The percentage has been compiled based on the total number of issued eSun Shares as at the Latest Practicable Date (i.e. 1,755,876,866 eSun Shares).*
- (2) *As at the Latest Practicable Date, LSG was interested in 808,084,296 Shares in the Company, representing approximately 55.60% of the issued share capital of the Company. Transtrend Holdings Limited (“Transtrend”), a wholly-owned subsidiary of the Company, was interested in 1,113,260,072 eSun Shares, representing approximately 63.40% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 1,113,260,072 eSun Shares by virtue of, in aggregate, his personal (excluding underlying shares) and deemed interests of approximately 41.93% and 55.67% in the issued share capital of LSG and the Company, respectively.*

*(iii) Lai Fung – a subsidiary of the Company*

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Lai Fung Shares (Note 1)
Lam Kin Ngok, Peter	Owner of controlled corporations	Nil	Nil	182,318,266 (Note 2)	Nil	182,318,266	55.08%

*Notes:*

- (1) *The percentage has been compiled based on the total number of issued Lai Fung Shares as at the Latest Practicable Date (i.e. 331,033,443 Lai Fung Shares).*
- (2) *As at the Latest Practicable Date, the Company was interested or deemed to be interested in 182,318,266 Lai Fung Shares, of which 180,600,756 Lai Fung Shares were beneficially owned by Holy Unicorn Limited, a wholly-owned subsidiary of the Company and 1,717,510 Lai Fung Shares were beneficially owned by Transtrend. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 182,318,266 Lai Fung Shares (representing approximately 55.08% of the issued share capital of Lai Fung) by virtue of, in aggregate, his approximate 41.93% and 55.67% personal (excluding underlying shares) and deemed interests in the issued share capital of LSG and the Company, respectively.*

*(iv) Lai Sun MTN Limited – a subsidiary of the Company*

**Long positions in the 5% guaranteed medium term notes due 2026**

Name of Director	Capacity	Nature of Interests	Principal Amount
Lam Kin Ngok, Peter	Beneficial owner	Personal	USD13,500,000



Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective close associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or recorded in the Register of Directors and Chief Executive pursuant to section 352 of the SFO, or notified to the Company and the Stock Exchange under the Securities Code or otherwise known by the Directors.

Save as otherwise disclosed in this circular, as at the Latest Practicable Date, none of the Company or its subsidiaries is a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or exercised any such right.

### Substantial Shareholders and Other Persons' Interests

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

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

Name	Capacity	Nature of interests	Number of Shares and underlying Shares	Approximate % of Shares in issue (Note 1)
Lai Sun Garment (International) Limited	Beneficial owner	Corporate	808,084,296 (Note 2)	55.60%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Personal and corporate	809,060,203 (Note 2)	55.67%
Yu Cheuk Yi	Beneficial owner	Personal	276,926,400 (Note 3)	19.05%
Yu Siu Yuk	Beneficial owner	Personal	276,926,400 (Note 3)	19.05%

Notes:

- (1) The percentage has been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 1,453,328,830 Shares).
- (2) LSG and two of its wholly-owned subsidiaries, namely Zimba International and Joy Mind beneficially owned 808,084,296 Shares, representing approximately 55.60% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 808,084,296 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 41.93% in the issued share capital of LSG.
- (3) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held 276,926,400 Shares (19.05%), based on the total number of issued Shares (i.e. 1,453,328,830 Shares) according to shareholding shown in last individual Substantial Notice (Form 1) filed for an event on 23 March 2023.

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

### 3. DIRECTORS' SERVICE CONTRACTS

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 the statutory compensation).

### 4. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors are considered to have interests in businesses which compete or may compete, either directly or indirectly, with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company):

1. Dr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius, Mr. Cheung Sum, Sam, Mr. Lam Hau Yin, Lester, Mr. Lee Tze Yan, Ernest and Madam U Po Chu (together, "**Interested Directors**") held shareholding interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong and Mainland China, including Lai Fung.
2. Dr. Lam Kin Ngok, Peter held shareholding or other interests and/or directorships in companies or entities engaged in the business of investment in and operation of hotels and restaurants, media and entertainment, film production and distribution and cinema operation in Hong Kong.

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

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

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

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 if each of them was a controlling shareholder of the Company).

#### **5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP**

As at the Latest Practicable Date, (a) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 July 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; (b) 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.

#### **6. LITIGATION**

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

#### **7. MATERIAL CONTRACTS**

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

- (a) the Sale and Purchase Agreement;

- (b) an offer letter was entered into on 3 May 2024 (after trading hours) between Boom Goal Limited (a wholly-owned subsidiary of LSD) (“**Boom Goal**”) as vendor and Star Gallery Limited (“**Star Gallery**”) as purchaser (the “**Offer Letter**”), pursuant to which Star Gallery has conditionally agreed to acquire the entire issued share capital of Hong Kong Hill Limited (“**Hong Kong Hill**”), the sole legal and beneficial owner of the residential property situated at Eighteenth Floor and Nineteenth Floor of May Tower II, May Road, Hong Kong and car parking spaces nos. 60 and 67 of May Tower I and May Tower II, from Boom Goal and take up the assignment of all such sum of money due and owing by Hong Kong Hill to LSD at completion of the Offer Letter from LSD, with a purchase price of HK\$215,800,000 (subject to proforma net tangible asset value adjustments and completion net tangible asset value adjustments). Upon completion of the Offer Letter, Hong Kong Hill will cease to be a subsidiary of LSG and LSD;
- (c) a provisional sale and purchase agreement entered into on 15 March 2024 between International Development and Services Limited (a wholly-owned subsidiary of the Company) as vendor and Wai Tung International Limited as purchaser (an independent third party) in relation to the disposal of a property at the consideration of HK\$80,000,000;
- (d) a sale and purchase agreement entered into on 21 June 2023 between Rosy Commerce Holdings Limited (“**Rosy Commerce**”) (a company owned by Lai Fung and LSD as to 80% and 20%, respectively) as purchaser and China Cinda (HK) Asset Management Co., Limited (“**China Cinda**”) as vendor, whereby Rosy Commerce purchased certain shares in Glorious Stand Limited (“**Glorious Stand**”) and took assignment of certain shareholder loans owed by Glorious Stand to China Cinda at the consideration of US\$8,386,176.05 and US\$882,755.37, respectively; and
- (e) a call option deed entered into on 22 August 2022 amongst Happy Tycoon Holdings Limited (“**Happy Tycoon**”) (an independent third party) as vendor, Early Harvest Assets Limited (“**Early Harvest**”) (a wholly-owned subsidiary of LSD) as purchaser, and Rainbow Estate International Limited (“**Rainbow Estate**”) as the target company (the “**Call Option Deed**”), whereby Early Harvest exercised the call option pursuant to the Call Option Deed and acquired 15% of the issued share capital of Rainbow Estate at a total consideration of approximately HK\$161.7 million on 3 March 2023. The Company and its subsidiaries therefore indirectly own 15% of certain land interest where Tai Po Golf Club Limited (“**TP Golf Club**”) (a wholly-owned subsidiary of Rainbow Estate) is the registered owner upon completion of the Call Option Deed. Further, LSD executed a corporate guarantee (as guarantor) as required by an amended facility agreement (to which LSD is not a party) with TP Golf Club as the borrower, which is one of the completion conditions for the Call Option Deed.

**8. EXPERTS' QUALIFICATIONS, INTERESTS AND CONSENTS**

The following are the qualifications of the experts which have given their opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified public accountants
Savills Valuation and Professional Services Limited	Independent property valuer

As at the Latest Practicable Date, the above experts did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 July 2023 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and reports and the references to its names in the form and context in which they appear.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.laisun.com](http://www.laisun.com)) for a period of 14 days from the date of this circular:

- (a) the Sale and Purchase Agreement;
- (b) the articles of association of the Company;
- (c) the annual reports of the Company for the three financial years ended 31 July 2021, 31 July 2022, and 31 July 2023;
- (d) the interim report of the Company for the six months ended 31 January 2024;

- (e) the material contracts referred to under the paragraph headed “7. *MATERIAL CONTRACTS*” in this Appendix VI;
- (f) the unaudited pro forma financial information of the Remaining Group from Ernst & Young as set out in Appendix III to this circular;
- (g) the Property Valuation Report prepared by Savills Valuation and Professional Services Limited, the text of which is set out in Appendix V to this circular;
- (h) the written consent from each of the experts referred to in the paragraph headed “8. *EXPERTS’ QUALIFICATIONS, INTERESTS AND CONSENTS*” in this Appendix VI; and
- (i) this circular.

**10. GENERAL**

- (a) the address of the registered office of the Company is 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong;
- (b) Mr. Cheung Sum, Sam is the company secretary of the Company. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and The Hong Kong Institute of Certified Public Accountants;
- (c) the share registrar of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong; and
- (d) in case of inconsistency, the English text of this circular shall prevail over the Chinese text.

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## NOTICE OF GENERAL MEETING

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### LAI SUN DEVELOPMENT

Lai Sun Development Company Limited  
(Incorporated in Hong Kong with limited liability)

**(Stock Code: 488)**

**NOTICE IS HEREBY GIVEN THAT** a general meeting (“**General Meeting**”) of the members (“**Members**”) of Lai Sun Development Company Limited (“**Company**”) will be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Wednesday, 22 May 2024 at 11:00 a.m. (or if later, immediately following the conclusion of the relevant general meeting of Lai Sun Garment (International) Limited) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT**

- (a) the entering into of the Sale and Purchase Agreement (as defined in the circular of the Company dated 7 May 2024, “**Circular**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose by the Company be and is hereby approved, confirmed and ratified;
- (b) the Disposal (as defined in the Circular), all actions taken (or to be taken) by the Company (or any of its subsidiaries) in relation thereto and all other matters contemplated thereunder be and are hereby approved; and
- (c) any director or any two directors of the Company (if execution under the common seal of the Company (“**Common Seal**”) is required) be and is/are hereby authorised for and on behalf of the Company to sign and execute, under hand or under the Common Seal (as appropriate), perfect, perform and deliver all such agreements, instruments, documents and deeds, and do all such acts or things and take all such steps as he/she may in his/her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the Sale and Purchase Agreement and all matters incidental thereto.”

By order of the Board  
**Lai Sun Development Company Limited**  
**Cheung Sum, Sam**  
*Executive Director and Company Secretary*

Hong Kong, 7 May 2024



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## NOTICE OF GENERAL MEETING

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*Registered Office:*

*11th Floor*

*Lai Sun Commercial Centre*

*680 Cheung Sha Wan Road*

*Kowloon, Hong Kong*

*Notes:*

- 1. A Member entitled to attend and vote at the General Meeting convened by the above notice (“Notice”) or its adjourned meeting (as the case may be) is entitled to appoint one (or if he/she/it holds two or more shares in the share capital of the Company (“Shares”), more than one) proxy to attend and to speak at the General Meeting and, on a poll, vote on his/her/its behalf in accordance with the articles of association of the Company. A proxy need not be a Member.*
- 2. A form of proxy for use at the General Meeting is sent to the Members with the circular of the Company dated 7 May 2024 containing the Notice (“Circular”) and is available at the respective websites of the Hong Kong Exchanges and Clearing Limited (“HKEX”) and the Company.*
- 3. To be valid, a form of proxy, duly signed and completed together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company’s share registrar, Tricor Tengis Limited (“Registrar”), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the General Meeting or its adjourned meeting (as the case may be) and in default, the form of proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the General Meeting or at its adjourned meeting (as the case may be) should they so wish. In such case, the said form(s) of proxy shall be deemed to be revoked.*

*The contact phone number of the Registrar is (852) 2980 1333.*

- 4. To ascertain the entitlements to attend and vote at the General Meeting, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar not later than 4:30 p.m. on Thursday, 16 May 2024 for registration.*
- 5. Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the General Meeting or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto; but if more than one of such joint holders are present at the General Meeting or its adjourned meeting (as the case may be) personally or by proxy, that one of such holders so present whose name stands first in the Register of Members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.*
- 6. In compliance with Rule 13.39(4) of the Rules Governing in the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on the resolution proposed in this Notice shall be decided by way of poll at the General Meeting.*
- 7. If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time after 7:00 a.m. on the date of the General Meeting, the General Meeting will be postponed and the Members will be informed of the date, time and venue of the postponed General Meeting by a supplementary notice, posted on the respective websites of the Company and HKEX.*

*If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 7:00 a.m. on the date of the General Meeting and where conditions permit, the General Meeting will be held as scheduled.*

*The General Meeting will be held as scheduled when an amber or red rainstorm warning signal is in force.*

*Members should decide on their own whether they would attend the General Meeting under a bad weather condition after considering their own situations and if they do so, they are advised to exercise care and caution.*

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## NOTICE OF GENERAL MEETING

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8. *Members are advised to read the Circular which contains information concerning the resolution to be proposed at the General Meeting.*
9. *No refreshments or corporate gifts will be provided at the General Meeting.*