



2016

Annual Report

PALADIN LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 495 and 642 (Preference Shares)

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Oung Shih Hua, James (*Chairman*)

Non-executive Director:

Chan Chi Ho

Yuen Chi Wah

Independent Non-executive Directors:

Au Chik Lam Alexander

Huang Weizong Martin

Liu Man Kin Dickson

COMPANY SECRETARY

Chan Chi Ho

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

China CITIC Bank International Limited

SOLICITORS

Gall

David Norman & Co.

PRINCIPAL REGISTRARS

Estera Management (Bermuda) Limited

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

REGISTRARS IN HONG KONG

Computershare Hong Kong Investor Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL OFFICE

Suite 2304, 23rd Floor, Sun Life Tower,

The Gateway,

Harbour City,

Tsim Sha Tsui,

Kowloon,

Hong Kong

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

AUDIT COMMITTEE

Liu Man Kin Dickson (*Chairman*)

Au Chik Lam Alexander

Chan Chi Ho

Huang Weizong Martin

NOMINATION COMMITTEE

Oung Shih Hua, James (*Chairman*)

Au Chik Lam Alexander

Huang Weizong Martin

Liu Man Kin Dickson

REMUNERATION COMMITTEE

Liu Man Kin Dickson (*Chairman*)

Au Chik Lam Alexander

Huang Weizong Martin

Oung Shih Hua, James

CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activity of the Group is property investment.

BUSINESS REVIEW AND PROSPECTS

Peak Road Property and AXA Properties

On 17 June 2015, the Group entered into a sale and purchase agreement to sell certain subsidiaries of the Group of which are the registered and beneficial owners of the Peak Road Property for a consideration of HK\$1,825 million. The transaction was completed on 20 October 2015 and The Group has recognised a net gain of approximately HK\$895 million.

On 10 July 2015, the Company entered into a provisional sale and purchase agreement to purchase 2 companies which have the rights to acquire 20th, 21st Floors and 7 car parking spaces of AXA Centre, 151 Gloucester Road, Hong Kong (the "AXA Properties"). The aggregate consideration for acquisition of companies and the AXA Properties was approximately HK\$498 million. The transaction was completed on 20 October 2015.

The Group has, for some time, been seeking to realise value in respect of the Peak Road Property located, as it is, in a prime position on the Peak, Hong Kong. In particular, the Group considered and rejected notions of refurbishing or renovating the Peak Road Property, given the Group's assessment of the substantial additional costs required for either such project, the uncertainty of raising additional finance to pursue the same, and the risks of a property market in a weaker state at the time of completing such a project.

The Peak Road Property required material capital expenditure in the absence of which the Peak Road Property and its value may deteriorate. Since the Group did not have readily available resources to undertake its share of funding such capital expenditure, the Group decided to dispose of its interests in the Peak Road Property and reworked its property portfolio to properties more manageable and better suited to its current financial position. The board of directors (the "Board") was of the view that the AXA Properties could generate stable rental income for the Group and accordingly, fitted with the Group's financial position and goals.

Cluny Properties

On 7 December 2015, the Group entered into a preliminary sale and purchase agreement in relation to the acquisition of 2 properties and 2 car parks located at Cluny Park, 53 Conduit Road, Hong Kong, (the "Cluny Properties") for an aggregate consideration of HK\$195,000,000. The transaction was completed in April 2016.

The Group intends to hold the Cluny Properties for investment purposes and will lease out the Cluny Properties for rental income and will hold it for capital appreciation purposes. The Group will consider to sell the Cluny Properties for capital gains depending on future market circumstances. The Board believe that the acquisition will broaden the property portfolio and income base of the Group.

Grant of options

The Company granted an aggregate of 131,000,000 options under the Company's Share Option Scheme on 30 May 2016.

Research and development

Sensors Integration Technology Limited, a wholly-owned subsidiary of the Group, has planned to conduct research and development of digital camera, camcorder, surveillance, video capturing and processing technology. It only generated a revenue of approximately HK\$1 million for the year ended 30 June 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2016, net current assets of the Group were approximately HK\$210 million. The current ratio was 1.90. The bank balances and cash were approximately HK\$428 million.

As at 30 June 2016, the Group has outstanding liabilities of approximately HK\$234 million comprising (i) other payables and accrued charges of approximately HK\$107 million, (ii) amounts due to related parties of approximately HK\$13 million, (iii) convertible redeemable preference shares of approximately HK\$16 million and (iv) bank loans and overdrafts of approximately HK\$97 million. The bank borrowings are on floating interest rates basis.

The majority of the Group's assets and borrowings are denominated either in Hong Kong dollars or US dollars thereby avoiding exposure to undesirable exchange rate fluctuations. In view of the stability of the exchange rate of HK dollars and US dollars, the directors consider that the Group has no significant exposure to exchange fluctuation and does not pledge against foreign exchange risk.

The Group's bank loans and overdrafts were secured by investment properties of approximately HK\$194 million.

The Group's gearing ratio, total debts divided by total assets, was approximately 21%.

CHAIRMAN'S STATEMENT (Cont'd)

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 30 June 2016, the Group has entered into a sale and purchase agreement to sell certain subsidiaries of the Group of which are the registered and beneficial owners of the Peak Road Property and has entered into a provisional sale and purchase agreement to purchase 2 companies which have the rights to acquire the AXA Properties. Both transactions were completed in October 2015.

In addition, the Group has entered into a preliminary sale and purchase agreement to acquire the Cluny Properties and the transaction was completed in April 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed total of 15 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2016, there were contingent liabilities in respect of certain legal proceedings against certain subsidiaries of the Company. The aggregate amount of claims was approximately HK\$13 million. In the opinion of the directors, the claims were remote and no provision has been made in the consolidated financial statements.

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2015: nil).

ACKNOWLEDGEMENT

On behalf of my fellow directors, I wish to thank all staff and employees for their diligence and loyal support during the year under review.

By order of the Board
Oung Shih Hua, James
Chairman

Hong Kong
30 September 2016

BIOGRAPHY OF DIRECTORS

EXECUTIVE DIRECTOR

Dr. Oung Shih Hua, James, aged 41, joined the Group in 1995. He holds a Bachelor of Science degree in finance and international business from New York University, a master's degree in psychology, and a Doctorate of Philosophy in applied psychology from East China Normal University. Dr. Oung is also a designated Fellow at Life Management Institute (FLMI) and is teaching graduate students part time in the People's Republic of China. He is currently the chairman of a private technology company.

NON-EXECUTIVE DIRECTORS

Mr. Yuen Chi Wah, aged 56, joined the Group as the financial controller in 2007 and was appointed as non-executive director on 1 August 2014. He has over 37 years working experience in corporate finance, financial management, auditing, accounting, and acquisitions gained from certain senior related positions in an audit firm in Hong Kong, and possess extensive experience in management in the field of garments, electronic industrial and property development.

Mr. Chan Chi Ho, aged 45, first joined the Group as company secretary in 2003 and was appointed as non-executive director on 1 August 2014. Prior to joining to the Group, Mr. Chan worked in an international accounting firm and served as its audit manager. He has over 21 years of experience in accounting and financial management. Mr. Chan holds a Bachelor of Arts degree in business studies and a master's degree in corporate governance from The Hong Kong Polytechnic University. He is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He also is a member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. Huang Weizong Martin, aged 56, joined the Group in 2012. Prof. Huang obtained Doctor of Philosophy in Chinese and Comparative Literature from Washington University in 1991. He is currently a professor of Department of East Asian Languages and Literatures in the University of California, Irvine. Prof. Huang was also the Department Chair of the Department of East Asian Languages and Literatures in the University of California, Irvine from 2008 to 2011.

Dr. Au Chik Lam Alexander, aged 72, joined the Group in 2015. Dr. Au holds a Bachelor of Science degree in electrical engineering from The University of California, Los Angeles, a Master of Science degree and a Doctor of Philosophy in electrical engineering from Stanford University. Dr. Au has worked in technology industries in the United States and Taiwan for many years. He currently is a founder and Chief Executive Officer of a private company.

Mr. Liu Man Kin Dickson, aged 43, joined the Group in 2015 as an independent non-executive director. He has over 21 years of experience in auditing, tax planning, management consulting and company restructuring. He is currently a sole proprietor of an audit firm and a practicing member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the “Board”) believes that corporate governance is essential to the success of the Company. During the year ended 30 June 2016, the Company has complied with all the code provisions (the “Code”) in the Corporate Governance Code set out in Appendix 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for certain deviations disclosed herein.

The Company periodically reviews its corporate governance practices to ensure that they continuously meet the requirements of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the year ended 30 June 2016.

BOARD OF DIRECTORS

The Board comprises one executive director, two non-executive directors and three independent non-executive directors. The names and biographical details of the directors of the Company and the relationship amongst them, if any, are set out in the section “Biography of Directors” of this annual report.

The composition of the Board represents a mixture of expertise specializing in management, property market industry, electronics industry, accounts and finance and corporate development. All of the Directors have comprehensive qualifications and experience in and exposure to diversified businesses which is beneficial to the business development of the Company.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective directors.

There are agreed procedures for the directors, upon reasonable request, to seek independent professional advice at the Company’s expense in appropriate circumstances.

Independent non-executive directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgment. At least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each independent non-executive director a written annual confirmation of independence. All the independent non-executive directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT (Cont'd)

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the internal control system of the Group. Apart from these regular meetings, Board meetings are also held to approve major or special issues.

During the year ended 30 June 2016, four Board meetings, one special general meeting (“SGM”) and the annual general meeting for the year 2015 (“AGM”) were held with details of the directors’ attendance set out below:

	Attendance/Number of meetings		
	Board meetings	AGM	SGM
Executive director			
Oung Shih Hua, James	9/10	0/1	0/1
Non-executive directors			
Chan Chi Ho	8/10	1/1	1/1
Yuen Chi Wah	10/10	1/1	1/1
Independent non-executive directors			
Au Chik Lam Alexander (appointed on 27 February 2015)	3/10	0/1	0/1
Huang Weizong Martin	1/10	0/1	0/1
Liu Man Kin Dickson (appointed on 22 September 2015)	3/10	1/1	0/1
Kwok Wai Chi (resigned on 31 July 2015)	1/10	0/1	0/1

Code provision A.6.7 requires that the independent non-executive director and the non-executive director should attend the general meetings of the Company. However, due to other business commitments, certain independent non-executive directors were unable to attend the AGM and SGM.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

CORPORATE GOVERNANCE REPORT (Cont'd)

Dr. Oung Shih Hua, James is the Chairman of the Company and the Company currently does not appoint any new Chief Executive Officer. In the opinion of the Board, Dr. Oung temporarily acts as the role of the Chief Executive Officer. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. However, the Company will review the current structure as and when it becomes appropriate in future.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Although the non-executive directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-laws.

The Company will review the current bye-laws as and when it becomes appropriate in future.

The Board has established a nomination committee to review the structure, size and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new directors is reserved for the Board's approval.

The nomination committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The nomination committee takes into account of that person's skill, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

According to the Bye-Laws of the Company, a newly appointed director shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at that general meeting.

In addition, at each annual general meeting one-third of the Directors (those appointed in that year shall not be counted in determining the number of directors), for the time being or if their number is not a multiple of three, the number nearest to one-third, shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

The Company has arranged appropriate insurance cover in respect of legal action against the directors and senior officers.

NOMINATION COMMITTEE

A nomination committee was established on 26 March 2012, currently comprising the Chairman of the Company, Dr. Oung Shih Hua, James, and three independent non-executive directors, being Dr. Au Chik Lam Alexander and Mr. Liu Man Kin Dickson and Prof. Huang Weizong Martin. Dr. Oung Shih Hua, James is the chairman of the nomination committee. The terms of reference of the nomination committee are available on the respective websites of the Company and the Stock Exchange.

The main duties and responsibilities of the nomination committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of Directors.

Code provision A.5.6 requires that the nomination committee should have a policy concerning diversity of board members.

The Company does not consider it necessary to have a policy concerning diversity of board members. Board appointments are based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. While the Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives, the Company does not consider a formal board diversity policy will provide measurable benefits to enhance the effectiveness of the Board.

One nomination committee meeting was held during the year ended 30 June 2016 to, inter alia, review the structure, size and composition of the Board and the independence of the independent non-executive directors. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Oung Shih Hua, James (<i>Chairman</i>)	1/1
Au Chik Lam Alexander	1/1
Huang Weizong Martin	1/1
Liu Man Kin Dickson (appointed on 22 September 2015)	0/1
Kwok Wai Chi (resigned on 31 July 2015)	0/1

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors namely Mr. Liu Man Kin Dickson, Dr. Au Chik Lam Alexander and Prof. Huang Weizong Martin and one executive director namely Dr. Oung Shih Hua, James. Mr. Liu Man Kin Dickson is the Chairman of the remuneration committee. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company. The terms of reference of the remuneration committees are available on the respective websites of the Company and the Stock Exchange.

One remuneration committee meeting was held during the year ended 30 June 2016 to review the remuneration packages of the directors and the senior management. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Liu Man Kin Dickson (<i>Chairman</i>) (appointed on 22 September 2015)	0/1
Au Chik Lam Alexander	1/1
Huang Weizong Martin	1/1
Oung Shih Hua, James	0/1
Kwok Wai Chi (resigned on 31 July 2015)	0/1

The summary of the work performed by the remuneration committee during the year ended 30 June 2016 included:

- Considering and confirming the policy for the remuneration of Executive Directors;
- Reviewing (which includes assessing the performance of Executive Directors) and making recommendation to the Board on the remuneration packages of the Directors and the senior management.

AUDIT COMMITTEE

An audit committee currently comprising three independent non-executive directors, being Mr. Liu Man Kin Dickson, Dr. Au Chik Lam Alexander, Prof. Huang Weizong Martin and one non-executive director, Mr. Chan Chi Ho. Mr. Liu Man Kin Dickson is the chairman of the audit committee. Amongst the audit committee members, Mr. Liu has the appropriate professional qualification and experience in financial matters as required by Rule 3.21 of the Listing Rules.

The main duties and responsibilities of the audit committee are to review the Company's financial information such as the interim and annual results, financial reporting principles and practices; to recommend the appointment and reappointment or removal of the external auditor; to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor; to oversee the financial reporting system and the internal control and risk management system of the Company. The terms of reference of the audit committee are available on the respective websites of the Company and the Stock Exchange.

Two audit committee meetings were held during the year ended 30 June 2016. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Liu Man Kin Dickson (<i>Chairman</i>) (appointed on 22 September 2015)	2/2
Au Chik Lam Alexander	2/2
Chan Chi Ho	2/2
Huang Weizong Martin	0/2
Kwok Wai Chi (resigned on 31 July 2015)	0/2

During the year ended 30 June 2016, the Audit Committee met mainly to review the Company's annual report for the year ended 30 June 2015, the Company's interim report for the six months ended 31 December 2015, the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the internal control system and related issues.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 30 June 2016, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statement of the Company is set out in the Independent Auditor's Report of this annual report.

INDUCTION AND PROFESSIONAL DEVELOPMENT

Every newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his appointment to make sure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities in the Company.

During the year under review, directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. Respective seminars will be provided by Tang Tso & Lau, Solicitors, on the topics relating to the roles, functions and duties of the directors were organized so as to update and develop the Board members' expertise.

Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the company secretary for record.

Below is a summary of training received by Directors for the year ended 30 June 2016:

**Attending seminars/
in-house training on regulatory
development or directors' duties**

Executive Director

Oung Shih Hua, James ✓

Non-executive directors

Chan Chi Ho ✓

Yuen Chi Wah ✓

Independent Non-executive Directors

Au Chik Lam Alexander ✓

Huang Weizong Martin ✓

Liu Man Kin Dickson (appointed on 22 September 2015) ✓

COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of directors.

During the year under review, the company secretary has attended relevant professional seminars to update his skills and knowledge. He met the training requirement set out in Rule 3.29 of the Listing Rules.

EXTERNAL AUDITOR AND THEIR REMUNERATION

The Company's external auditor is Deloitte Touche Tohmatsu. The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this Annual Report. The independence of the external auditor is monitored by the audit committee which is also responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration. Apart from the statutory audit of the Group's consolidated financial statements, the Board engaged the auditor to perform certain agreed upon procedures in relation to the open offer for raising fund during the year.

CORPORATE GOVERNANCE REPORT (Cont'd)

During the year ended 30 June 2016, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	<i>HK\$'000</i>
Audit services	800
Non-audit services	1,028
	<hr/>
Total	1,828
	<hr/> <hr/>

INTERNAL CONTROL

The Board is of the opinion that a sound internal control system will help achieving the Group's business objectives, safeguarding the Group's assets, contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

The Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the Executive Directors. During the processes, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Various guidelines and procedures have been established for the approval and control of operating expenses, capital expenditures, project investments, unbudgeted items and acquisitions.

The executive directors review monthly management reports and hold periodical meetings with the senior operational and finance management to discuss business performance, budget variances, forecasts, market outlooks, and to address any accounting and finance related matters.

The Board acknowledges its responsibility for the Group's system of internal controls and for reviewing its effectiveness through the audit committee. Significant findings and risk concerns are reported to the audit committee at least once every year.

For the year under review, the Board has through the audit committee reviewed the effectiveness of the Group's internal control system.

SHAREHOLDERS' RIGHTS

(I) Convene a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a special general meeting ("SGM") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the company secretary will ask the Board to convene a SGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after expiration of three months from the said date of deposit of the requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

(II) Send Enquiries to the Board

The Company's corporate website provides email address, postal address, fax number and telephone number by which shareholders may at any time address their concerns or enquiries to the Company's Board.

INVESTOR RELATIONS

During the year ended 30 June 2016, there has not been any change in the Company's constitutional documents.

DIRECTIONS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and the analysis of the Group's performance for the year ended 30 June 2016 as well as prospects of the Group's business are provided in the "Chairman's Statement" of this Annual Report.

Principal risks and uncertainties

There are a number of factors affecting the results and business operations of the Group, some of which are inherent in the market and some are due to external environment. Major risks and uncertainties are summarised as follows:

– Business Risk

The prospects of the Group's property business depend on the performance of the property market in Hong Kong. Any real estate market downturn in Hong Kong may materially and adversely affect the financial position, operations, businesses and prospects of the Group and may lead to fair value loss of the Group's investment properties. The real estate market in Hong Kong is affected by many factors, including but not limited to, changes in Hong Kong's economic, political, social and legal environment and changes in Hong Kong's fiscal and monetary policy, all of which are beyond the control of the Group.

– Market Risk

The Group's property investment business is operating in a rather competitive environment as rental rate of properties are transparent in property leasing markets in Hong Kong. The transparency of the leasing markets put pressure on the revenue and profitability of the Group's property investment business.

The Group's other financial risks and uncertainties are set out in note 6 to the consolidated financial statements.

Particulars of important events

No important events affecting the Group have occurred since the end of the year.

Financial key performance indicators

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in the “Chairman’s Statement” of this Annual Report.

Environmental policies performance

The Group has taken initiatives to reduce energy consumption and encourage recycle of office supplies and other materials. The Group will continue to review and promote its environmental policies.

Compliance with the relevant laws and regulations

As far as the Board and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with employees and customers

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate, medium and long term business goals. During the year under review, there were no significant dispute between the Group and its employees and customers.

RESULTS

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29.

DIRECTIONS' REPORT (Cont'd)

SHARE CAPITAL

Details of movements in the Company's issued share capital and share options during the year are set out in note 26 to the financial statements.

INVESTMENT PROPERTIES

Details of movements during the year are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders as at 30 June 2016 was the retained profits of HK\$651,960,000 (2015: nil).

MAJOR SUPPLIERS AND CUSTOMERS

The Group did not have any purchases and suppliers during the year and at the end of the reporting period. During the year, both the aggregate revenue attributable to the five largest customers and the largest customer of the Group were 100% of the revenue arising from the investment properties the Group. The major customers are independent parties to the Company during the year.

To the knowledge of the Directors, none of the directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive director:

Oung Shih Hua, James

Non-executive director:

Chan Chi Ho

Yuen Chi Wah

Independent non-executive directors:

Au Chik Lam Alexander

Huang Weizong Martin

Liu Man Kin Dickson (appointed on 22 September 2015)

Kwok Wai Chi (resigned on 31 July 2015)

In accordance with the provisions of the Company's Bye-laws, Messrs. Oung Shih Hua, James and Chan Chi Ho retire and, being eligible, offer themselves for re-election.

The term of office for each non-executive director or independent non-executive director, is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests and short positions of the directors of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") were as follows:

Ordinary shares of HK\$0.01 each of the Company (long position):

Name of director	Capacity	Number of issued ordinary shares held	Number of underlying shares – share options*	Total	Percentage of the issued ordinary shares
Oung Shih Hua, James	Beneficial owner	10,500,000	13,100,000	23,600,000	1.80%
Chan Chi Ho	Beneficial owner	–	13,100,000	13,100,000	1.00%
Yuen Chi Wah	Beneficial owner	–	13,100,000	13,100,000	1.00%

* These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the Share Option Scheme.

Convertible redeemable preference shares of HK\$0.01 each of the Company (long position):

Name of director	Capacity	Number of issued convertible redeemable preference shares held	Percentage of issued convertible redeemable preference shares
Oung Shih Hua, James	Beneficial owner	2,500,000	3.57%

Other than as disclosed above, as at 30 June 2016, none of the directors, chief executive of the Company nor their associates had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the persons (other than the directors of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position:

Ordinary Shares of HK\$0.01 each of the Company

Name of Shareholder	Capacity	Number of issued Ordinary Shares held	Percentage of issued Ordinary Shares held
Basurto Holdings Limited (<i>Note a</i>)	Interest of a controlled corporation	508,848,531	38.33%
Cityguard Holdings Limited (<i>Note b</i>)	Beneficial owner	508,848,531	38.33%
Five Star Investments Limited (<i>Note c</i>)	Interest of a controlled corporation	508,848,531	38.33%
Gold Seal Holdings Limited (<i>Note d</i>)	Beneficial owner	158,358,941	11.93%
Next Level Corporate Limited (<i>Note e</i>)	Other (<i>Note e</i>)	508,848,531	38.33%
	Beneficial owner	150,000,000	11.30%
		658,848,531	49.63%
Mr. Oung Da Ming	Beneficial owner	75,000,000	5.65%
	Interest of a controlled corporation (<i>Note a</i>)	508,848,531	38.33%
	Interest of a controlled corporation (<i>Note d</i>)	158,358,941	11.93%
		742,207,472	55.91%

Convertible redeemable preference shares of HK\$0.01 each other Company

Name of Shareholder	Capacity	Number of issued Preference shares held	Percentage of issued Preference shares held
Goldenfield Equities Limited (<i>Note f</i>)	Beneficial owner	9,099,014	13%

Convertible Note issued by the Company:

Name of noteholder	Date of issue	Conversion period	Conversion price per share <i>HK\$</i>	Outstanding as at the Latest Practicable Date	Number of underlying shares	Approximate percentage of the issued convertible notes	Percentage of issued Ordinary Shares
Next Level Corporate Limited (<i>Note e</i>)	24 November, 2014	24 November, 2014 to 23 November, 2024	0.25	50,000,000	50,000,000	74.79%	3.77%

Notes:

- (a) Basurto Holdings Limited is held by Mr. Oung Da Ming on trust for the estate of his deceased mother, Ms. Oung Chin Liang Fung (as to 67%) and his sister, Ms. Lilian Oung (as to 33%).
- (b) Cityguard Holdings Limited, is a wholly-owned subsidiary of Five Star Investments Limited.
- (c) Five Star Investments Limited is directly and individually (through Basurto Holdings Limited) owned as to 67% by the estate of Ms. Oung Chin Liang Fung, grandmother of Dr. Oung Shih Hua, James, and 33% by Ms. Lilian Oung, his aunt. See note (a) above.
- (d) Gold Seal Holdings Limited is solely owned by Mr. Oung Da Ming.
- (e) Next Level Corporate Limited is owned as 25% by Mr. Oung Da Ming, 25% by his son, Mr. Oung Shih How, 25% by Dr. Oung Shih Hua, James, and 25% by Anglo Chinese Nominees, Limited which holds its shares in Next Level Corporate Limited as bare trustee for Basurto Holdings Limited. Next Level Corporate Limited is the owner of equity derivatives relating to Ordinary Shares and a chargee of Ordinary Shares.
- (f) Goldenfield Equities Limited is owned as to 40% by Ms. Lilian Oung, 40% by her son Mr. Chen Te Kuang, Mike, and 20% by Dr. Oung Shih Hua, James.

Other than as disclosed above, as at 30 June 2016, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Option Scheme

The Share Option Scheme was adopted by the Company on 8 December 2015 for the purpose of providing incentives or rewards to selected participants for their contributions to the Group. Details of the Share Option Scheme are set out in note 29 to the consolidated financial statements.

Share options comprising a total of 131,000,000 underlying Shares (the "Options") were granted under the Share Option Scheme to certain employees of the Group and Directors on 30 May 2016 (the "Grant Date"). Details of the movements of the share options during the Year are as follows:

Grantees	Outstanding as at 01.07.2015	Number of Options		Lapsed during the Year	Exercise during the Year	Outstanding as at 30.6.2016	Exercise price per Share HK\$	Grant Date	Exercise period
		Granted during the Year	Cancelled during the Year						
Directors									
Oung Shih Hua, James	-	13,100,000	-	-	-	13,100,000	0.335	30 May 2016	30 May 2015 – 29 May 2025
Chan Chi Ho	-	13,100,000	-	-	-	13,100,000	0.335	30 May 2016	30 May 2015 – 29 May 2025
Yuen Chi Wah	-	13,100,000	-	-	-	13,100,000	0.335	30 May 2016	30 May 2015 – 29 May 2025
Employees and others (in aggregate)	-	91,700,000	-	-	-	91,700,000	0.335	30 May 2016	30 May 2015 – 29 May 2025

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the spouses or children under the age of 18 of the directors had any right to subscribe for the securities of the Company or had exercised such rights during the year.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the directors' interest in contracts of significance are set out in note 34 to the consolidated financial statements.

Save as disclosed above, there was no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTIONS' REPORT (Cont'd)

CONNECTED TRANSACTIONS

Details of the connected transactions entered into during the year are set out in note 34 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that each Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the Directors.

EQUITY-LINKED AGREEMENTS

Save for convertible redeemable preference shares, convertible notes and share option scheme of the Company as disclosed in notes 25, 27 and 29 respectively to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practice are set out in the "Corporate Governance Report" section to the annual report.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year ended 30 June 2016, the Company repurchased 28,410,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of HK\$8,523,000. Details of the share repurchases by the Company are included in note 26 to the financial statements. Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares for the year ended 30 June 2016.

AUDIT COMMITTEE

The audit committee comprises one non-executive director and three independent non-executive directors and reports to the board of the directors. The audit committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the executive directors of the Company on the basis of their merit, qualifications and competence.

The emolument of the directors of the Company is determined by the board of directors of the Company after recommendation from the Remuneration Committee, having regard to the responsibilities of the directors, the Company's operating results, individual performance and comparable market statistics.

Details of directors emolument during the year are set out in note 13 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 30 June 2016 as required under the Listing Rules.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Oung Shih Hua, James
Chairman

Hong Kong
30 September 2016

Deloitte.

德勤

TO THE MEMBERS OF PALADIN LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Paladin Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 29 to 100, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Turnover	7	11,433	–
Other income	8	3,758	5,876
Administrative expenses		(52,306)	(56,173)
Fair value change on investment properties	15	(110,815)	(45,640)
Gain on disposal of subsidiaries		894,565	–
Finance costs	10	(13,066)	(24,776)
		<hr/>	<hr/>
Profit (loss) before taxation		733,569	(120,713)
Taxation	11	–	–
		<hr/>	<hr/>
Profit (loss) for the year	12	733,569	(120,713)
		<hr/>	<hr/>
Other comprehensive income (expense)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		1,558	2,350
Fair value gain (loss) on available-for-sale investments		2,372	(3,212)
		<hr/>	<hr/>
Other comprehensive income (expense) for the year		3,930	(862)
		<hr/>	<hr/>
Total comprehensive income (expense) for the year		737,499	(121,575)
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS (LOSS) PER SHARE	14		
Basic		57.17 HK cents	(11.77) HK cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		50.13 HK cents	(11.77) HK cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investment properties	15	649,050	–
Property, plant and equipment	16	34	59
Available-for-sale investments		12,060	9,688
Deposit placed for a life insurance policy	17	20,926	20,902
Deposits paid	18	4,915	–
		<u>686,985</u>	<u>30,649</u>
Current assets			
Other receivables, deposits and prepayments	19	15,532	16,041
Bank balances and cash	20	428,238	52,340
		<u>443,770</u>	<u>68,381</u>
Assets classified as held for sale	21	–	975,304
		<u>443,770</u>	<u>1,043,685</u>
Current liabilities			
Other payables and accrued charges	22	107,440	99,775
Amounts due to related parties	23	12,870	18,176
Bank overdrafts		43	76
Secured bank borrowings	24	97,303	–
Convertible redeemable preference shares	25	15,997	–
		<u>233,653</u>	<u>118,027</u>
Liabilities associated with assets classified as held for sale	21	–	798,838
		<u>233,653</u>	<u>916,865</u>
Net current assets		<u>210,117</u>	<u>126,820</u>
		<u><u>897,102</u></u>	<u><u>157,469</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 June 2016

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Capital and reserves			
Share capital	26	13,275	10,954
Reserves		883,827	131,591
		<hr/>	<hr/>
Total equity		897,102	142,545
		<hr/>	<hr/>
Non-current liabilities			
Convertible redeemable preference shares	25	–	14,924
		<hr/>	<hr/>
		897,102	157,469
		<hr/> <hr/>	<hr/> <hr/>

The consolidated financial statements on pages 29 to 100 were approved and authorised for issue by the Board of Directors on 30 September 2016 and are signed on its behalf by:

Oung Shih Hua, James
CHAIRMAN

Yuen Chi Wah
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note a)	Other reserve HK\$'000 (note b)	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Convertible notes reserve HK\$'000	Share option reserve HK\$'000 (Note 29)	Accumulated (losses) profit HK\$'000	Total HK\$'000
At 1 July 2014	9,359	74,441	6,316	21,766	(5,111)	5,400	-	-	39,104	151,275
Loss for the year	-	-	-	-	-	-	-	-	(120,713)	(120,713)
Other comprehensive income (expenses) for the year	-	-	-	-	2,350	(3,212)	-	-	-	(862)
Total comprehensive income (expenses) for the year	-	-	-	-	2,350	(3,212)	-	-	(120,713)	(121,575)
Issue of shares on conversion of convertible redeemable preference shares	3	74	(30)	-	-	-	-	-	-	47
Open offer of shares (Note 26)	1,591	38,178	-	-	-	-	-	-	-	39,769
Transaction costs attributable to open offer of shares	-	(1,434)	-	-	-	-	-	-	-	(1,434)
Issue of shares on conversion of convertible notes	1	15	-	-	-	-	(16)	-	-	-
Open offer of convertible notes (Note 27)	-	-	-	-	-	-	77,247	-	-	77,247
Transaction costs attributable to open offer of convertible notes	-	-	-	-	-	-	(2,784)	-	-	(2,784)
At 30 June 2015	10,954	111,274	6,286	21,766	(2,761)	2,188	74,447	-	(81,609)	142,545
Profit for the year	-	-	-	-	-	-	-	-	733,569	733,569
Other comprehensive income for the year	-	-	-	-	1,558	2,372	-	-	-	3,930
Total comprehensive income for the year	-	-	-	-	1,558	2,372	-	-	733,569	737,499
Issue of shares on conversion of convertible redeemable preference shares	11	236	(96)	-	-	-	-	-	-	151
Issue of shares on conversion of convertible notes	2,420	58,097	-	-	-	-	(60,517)	-	-	-
Recognition of equity-settled share-based payment (Note 29)	-	-	-	-	-	-	-	25,476	-	25,476
Shares repurchased (Note 26)	(110)	(3,186)	-	(5,227)	-	-	-	-	-	(8,523)
Transaction costs attributable to shares repurchase	-	(18)	-	(28)	-	-	-	-	-	(46)
At 30 June 2016	13,275	166,403	6,190	16,511	(1,203)	4,560	13,930	25,476	651,960	897,102

Notes:

- The capital reserve represents the equity component of convertible redeemable preference shares.
- The other reserve represents the amount transferred from liability component of convertible redeemable preference shares upon the alteration of the terms of the existing convertible redeemable preference shares during the year ended 30 June 2008 and share repurchased but not yet cancelled during the year ended 30 June 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTE	2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		733,569	(120,713)
Adjustments for:			
Depreciation of property, plant and equipment		24	395
Interest expenses		13,066	24,776
Interest income		(1,278)	(929)
Provision for litigations		–	524
Fair value change on investment properties		110,815	45,640
Premium charged on a life insurance policy		765	872
Share-based payment expenses		25,476	–
Gain on disposals of subsidiaries		(894,565)	–
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(12,128)	(49,435)
Decrease (increase) in other receivables, deposits and prepayments		1,178	(14,441)
Increase in other payables and accrued charges		1,337	18,814
Decrease in provision for litigation		(8,524)	–
		<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES		(18,137)	(45,062)
INVESTING ACTIVITIES			
Repayment from a director		–	2,231
Interest received		385	64
Purchase of property, plant and equipment		–	(42)
Placement of pledged bank deposits		–	(10)
Deposits paid for acquisition of investment properties		(4,615)	–
Deposits paid for acquisition of property, plant and equipment		(300)	–
Acquisitions of investment properties		(759,865)	–
Proceeds from disposals of subsidiaries	30	1,035,913	–
Withdrawal of pledged bank deposits		50,585	–
		<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES		322,103	2,243

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the year ended 30 June 2016

	NOTE	2016 HK\$'000	2015 HK\$'000
FINANCING ACTIVITIES			
Proceeds from open offer of convertible notes		–	77,247
Proceeds from open offer of shares		–	39,769
Bank borrowings raised		159,459	32,000
(Repayment to) advance from a shareholder		(5,255)	19,410
Repayment of bank borrowings		(15,550)	(79,112)
Interest paid		(4,974)	(23,144)
Payment on repurchase of shares		(8,523)	–
Transaction costs attributable to repurchase of shares		(46)	–
Transaction costs attributable to open offer of convertible notes		–	(2,784)
Transaction costs attributable to issue of shares		–	(1,434)
Repayment to related parties		–	(1,384)
		<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES		125,111	60,568
		<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		429,077	17,749
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		(1,193)	(18,969)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES			
		311	27
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		428,195	(1,193)
		<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		428,238	52,340
Bank overdrafts		(43)	(76)
Bank balances and cash included in assets classified as held for sale		–	3,887
Bank overdrafts included in liabilities associated with assets classified as held for sale		–	(57,344)
		<hr/>	<hr/>
		428,195	(1,193)
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent company, ultimate holding company and ultimate controlling party is Basurto Holdings Limited, a company which is incorporated in the British Virgin Islands. The addresses of the registered office and the principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”) which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group adopted accounting policies in the consolidated financial statements that are consistent with those set out in the consolidated financial statements for the year ended 30 June 2015.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ²
HKFRS 15	Revenue from contracts with customers ²
HKFRS 16	Leases ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle ¹
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ¹
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from contracts with customers ²
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 7	Disclosure initiative ⁵
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ¹

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont'd)

- ¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ³ Effective for annual periods beginning on or after 1 January 2019.
- ⁴ Effective for annual periods beginning on or after a date to be determined.
- ⁵ Effective for annual periods beginning on or after 1 January 2017.

Except as described below, the directors anticipates that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2015 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont'd)

HKFRS 9 “Financial Instruments” (Cont'd)

The directors anticipates that the application of HKFRS 9 in the future will affect the classification and measurement of the Group’s financial assets but unlikely affect the Group’s financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 “Revenue from contracts with customers”

In July 2015, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipates that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont'd)

HKFRS 16 “Leases”

HKFRS 16 was issued by the HKICPA in May 2016. It will be effective for annual periods beginning on or after 1 January 2019. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the consolidated financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 “Property, plant and equipment”, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value.

The directors of the Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (“CO”).

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 30 June 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 30 June 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 30 June 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairments of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties sold and rental income and services rendered in the normal course of business.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into two categories including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, deposit placed for a life insurance policy and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Convertible notes

When a group entity issues a financial instrument which may require the Group to deliver cash or another financial asset, or otherwise to settle it in such a way that it would be a financial liability, in the event of the occurrence or non-occurrence of uncertain future events (or on the outcome of uncertain circumstances) that are beyond the control of both the issuing group entity and the holder of the instrument, the issuing group entity does not have the unconditional right to avoid delivering cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability). Therefore, it is a financial liability of the issuing group entity unless:

- (a) the part of the contingent settlement provision that could require settlement in cash or another financial asset (or otherwise in such a way that it would be a financial liability) is not genuine;
- (b) the issuing group entity can be required to settle the obligation in cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability) only in the event of liquidation of the issuing group entity; or
- (c) the instrument has all the features and meets the conditions in paragraphs 16A and 16B of HKAS 32.

If the contingent settlement provision that could require settlement in cash or another financial asset (or in another way that would result in the instrument being a financial liability) is not genuine, the settlement provision does not affect the classification of a financial instrument.

A financial instrument issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received, net of transaction costs.

A non-derivative contract that will or may oblige the Group to deliver a fixed number of a group entity's own ordinary shares (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity. A derivative contract that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of a group entity's own equity instruments (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible redeemable preference shares

Convertible redeemable preference shares are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt without the conversion feature. The difference between the proceeds of issue of the convertible redeemable preference shares and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the liability component of the convertible redeemable preference shares into equity of the Company, is included in equity (capital reserve).

In subsequent periods, the liability component of the convertible redeemable preference shares is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in capital reserve until the conversion option is exercised (in which case the balance stated in capital reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in capital reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible redeemable preference shares are allocated to the liability and equity components in proportion to the allocation of the proceeds. Issue costs relating to the equity component are charged directly to equity. Issue costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible redeemable preference shares using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Financial liabilities

Financial liabilities (including other payables, amounts due to related parties, bank overdrafts and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognise financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment (Cont'd)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are expensed in profit or loss in the period which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profit.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme in Hong Kong, Employee Provident Fund Scheme in Malaysia and state-managed retirement benefit schemes in the United States of America (the "USA") are recognised as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolio and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors of the Company have determined that the sale presumption that the carrying amounts of the investment properties are presumed to be recovered by sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of the investment properties, as it is expected that the Group will not be subject to any income taxes on disposal of its investment properties.

For the year ended 30 June 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty

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

Legal claims

The Group is involved in legal proceeding as disclosed in note 31. Management has evaluated and assessed the claims made against the Group based on legal advice received and information presently available. Actual result of the legal proceeding and the amount of claims may differ from estimates, resulting in a decrease or increase in loss for compensation for litigations. Details of the provision for litigations are disclosed in note 31.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which include amounts due to related parties, bank overdrafts and secured bank borrowings (net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)		
– other receivables	13,657	15,809
– deposit placed for a life insurance policy	20,926	20,902
– bank balances and cash	428,238	52,340
	<u>426,821</u>	<u>89,051</u>
Available-for-sale financial assets		
– available-for-sale investments	12,060	9,688
	<u>12,060</u>	<u>9,688</u>
Financial liabilities		
At amortised cost		
– other payables	98,596	93,456
– amounts due to related parties	12,870	18,176
– bank overdrafts	43	76
– secured bank borrowings	97,303	–
– convertible redeemable preference shares	15,997	14,924
	<u>224,809</u>	<u>126,632</u>

Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investments, other receivables, deposit placed for a life insurance policy, bank balances and cash, other payables, amounts due to related parties, bank overdrafts, secured bank borrowings and convertible redeemable preference shares. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk

Currency risk

The Group has foreign currency exposure from the handling service income which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Assets		
United States Dollars ("USD")	<u>192,180</u>	<u>22,336</u>

The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

The Group is mainly exposed to the foreign currency risk on HKD against USD. As HKD is pegged to USD, the financial impact on exchange difference between HKD and USD is expected to be immaterial and therefore no sensitivity analysis on USD has been prepared.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances, floating-rate bank overdrafts and bank borrowings. The management continuously monitors interest rate fluctuation and will consider further hedging interest rate risk should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Interest rate risk (Cont'd)

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period. Accordingly, no sensitivity analysis on short-term bank deposits is presented.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and Hong Kong dollars Prime Rate arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analyses below had been determined based on the exposure to interest rates for floating rate bank overdrafts and secured bank borrowings at 30 June 2016 (2015: nil) and the stipulated changes taking place at the beginning of the year and held constant throughout the year. The analysis was prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on floating-rate bank overdrafts and secured bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit for the year ended 30 June 2016 would decrease/increase by approximately HK\$406,000 (2015: nil). This was mainly attributable to the Group's exposure to interest rates on floating-rate bank overdrafts and secured bank borrowings.

Other price risk

The Group is exposed to other price risk mainly through its available-for-sale investments. Management has closely monitor the other price risk and will consider hedging the risk exposure should the need arise.

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Other price risk (Cont'd)

Sensitivity analysis (Cont'd)

The sensitivity analyses below have been determined based on the exposure to other price risks at the end of the reporting period. 5% (2015: 5%) increase or decrease is used when reporting exposure to other price risk internally to key management personnel and represents management's assessment of the reasonably possible change in price.

If the prices of the available-for-sale investment had been 5% (2015: 5%) higher/lower, investment revaluation reserve for the year ended 30 June 2016 would increase/decrease by approximately HK\$603,000 (2015: increase/decrease by HK\$484,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 30 June 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the directors of the Company continuously monitor exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk on liquid funds is limited because majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Available-for-sale investments with carrying value of approximately HK\$12,060,000 (2015: HK\$9,688,000) was the debenture issued by The Hong Kong Golf Club. However, having consider the strong financial background of the debenture issuer, the management believes there is no significant credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings, bank overdrafts and amounts due to related parties as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Liquidity and interest risk tables

	Weighted average interest rate	On demand HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
As at 30 June 2016								
<i>Non-derivative financial liabilities</i>								
Other payables	8.00%	92,743	-	-	-	-	92,743	92,743
Other payables	N/A	5,853	-	-	-	-	5,853	5,853
Bank borrowings	1.96%	97,303	-	-	-	-	97,303	97,303
Amounts due to related parties	N/A	12,870	-	-	-	-	12,870	12,870
Bank overdrafts	5.00%	43	-	-	-	-	43	43
Convertible redeemable preference shares	8.04%	-	-	16,801	-	-	16,801	15,997
		208,812	-	16,801	-	-	225,613	224,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity and interest risk tables (Cont'd)

	Weighted average interest rate	On demand <i>HK\$'000</i>	Less than 3 months <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amounts <i>HK\$'000</i>
As at 30 June 2015								
<i>Non-derivative financial liabilities</i>								
Other payables	8.00%	85,873	-	-	-	-	85,873	85,873
Other payables	N/A	7,583	-	-	-	-	7,583	7,583
Amounts due to related parties	N/A	18,176	-	-	-	-	18,176	18,176
Bank overdrafts	6.27%	76	-	-	-	-	76	76
Convertible redeemable preference shares	10.03%	-	-	-	17,758	-	17,758	14,924
		<u>111,708</u>	<u>-</u>	<u>-</u>	<u>17,758</u>	<u>-</u>	<u>129,466</u>	<u>126,632</u>

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

	Weighted average interest rate	Less than 3 months <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amounts <i>HK\$'000</i>
Secured bank borrowings								
As at 30 June 2016	1.96%	<u>919</u>	<u>3,226</u>	<u>4,301</u>	<u>12,902</u>	<u>107,187</u>	<u>128,535</u>	<u>97,303</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

6. FINANCIAL INSTRUMENTS (Cont'd)

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of club debentures classified as available-for-sale debt investments are determined with reference to market price; and
- the fair value of loans and receivables and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 and total	
	2016	2015
	HK\$'000	HK\$'000
Available-for-sale financial assets		
Club debenture	12,060	9,688

There were no transfers between Level 1 and 2 in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

7. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for rental income from investment properties. An analysis of the Group's turnover is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Rental income from investment properties	<u>11,433</u>	<u>–</u>

8. SEGMENT INFORMATION

Information reported to the Chairman of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the property development and property investment. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Property development	Properties construction and redevelopment for sale purpose of which the management is proactively looking for the potential transaction during the year
Property investment	Completed investment properties held for capital appreciation or generating rental income purposes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

8. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segment:

For the year ended 30 June 2016

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover			
External	–	11,433	11,433
	<u> </u>	<u> </u>	<u> </u>
Segment result	(8,369)	(99,382)	(107,751)
	<u> </u>	<u> </u>	
Other income			3,758
Gain on disposal of subsidiaries			894,565
Unallocated corporate expenses			(43,937)
Finance costs			(13,066)
			<u> </u>
Profit before taxation			733,569
			<u> </u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the result incurred by each segment without allocation of corporate income and expenses, gain on disposal of subsidiaries and finance costs. This is the measure reported to chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the year ended 30 June 2015

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover			
External	–	–	–
	<u> </u>	<u> </u>	<u> </u>
Segment result	(29,725)	(48,230)	(77,955)
	<u> </u>	<u> </u>	
Other income			5,876
Unallocated corporate expenses			(23,858)
Finance costs			(24,776)
			<u> </u>
Loss before taxation			(120,713)
			<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

8. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Segment assets		
Property development	–	–
Property investment	649,050	–
	<hr/>	<hr/>
Total segment assets	649,050	–
Available-for-sale investments	12,060	9,688
Deposit placed for a life insurance policy	20,926	20,902
Assets classified as held for sale	–	975,304
Bank balances and cash	428,238	52,340
Unallocated	20,481	16,100
	<hr/>	<hr/>
Consolidated assets	1,130,755	1,074,334
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Property development	–	–
Property investment	3,421	–
	<hr/>	<hr/>
Total segment liabilities	3,421	–
Amounts due to related parties	12,870	18,176
Bank overdrafts	43	76
Secured bank borrowings	97,303	–
Liabilities associated with assets classified as held for sale	–	798,838
Convertible redeemable preference shares	15,997	14,924
Unallocated	104,019	99,775
	<hr/>	<hr/>
Consolidated liabilities	233,653	931,789
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

8. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities (Cont'd)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than available-for-sale investments, deposit placed for a life insurance policy, bank balances and cash, assets classified as held for sale and assets used jointly by operating and reportable segments; and
- all liabilities are allocated to operating segments other than amounts due to related parties, bank overdrafts, secured bank borrowings, liabilities associated with assets classified as held for sale, convertible redeemable preference shares and certain unallocated corporate liabilities.

Other segment information

For the year ended 30 June 2016

	Property development HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment asset or segment result:				
Capital additions	–	759,865	–	759,865
Depreciation	–	–	24	24
Fair value loss on investment properties	–	110,815	–	110,815
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 30 June 2015

	Property development HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment asset or segment result:				
Capital additions	–	–	42	42
Depreciation	303	–	92	395
Fair value loss on investment properties	–	45,640	–	45,640
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

8. SEGMENT INFORMATION (Cont'd)

Other entity-wide information

The Group's operations are located in Hong Kong.

The Group's revenue from external customers based on the location of operations and information about its non-current assets by geographical location of the assets are detailed below:

	2016	
	Revenue from external customers <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>
Hong Kong (Place of domicile)	<u>11,433</u>	<u>649,050</u>
	2015	
	Revenue from external customers <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>
Hong Kong (Place of domicile)	<u>–</u>	<u>–</u>

Note: Non-current assets excluded financial instruments and deposit placed for a life insurance policy.

Information about major customer

Revenue from customer of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A ¹	<u>11,433</u>	<u>–</u>

¹ Revenue from property investment segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

9. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank interest income	385	64
Consultancy fee income	746	1,166
Interest income from deposit placed for a life insurance policy	893	865
Net exchange gain	631	12
Rental income from properties held for sale	801	3,327
Others	302	442
	<u>3,758</u>	<u>5,876</u>

10. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank borrowings	4,914	13,937
Interest on bank overdrafts	60	2,846
Interest on other payables	6,870	6,361
Finance costs on convertible redeemable preference shares (note 25)	1,222	1,632
	<u>13,066</u>	<u>24,776</u>

11. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No tax was payable on the profit (loss) for the year arising in Hong Kong since there was no assessable profit for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

11. TAXATION (Cont'd)

Taxation for the year can be reconciled to profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit (loss) before taxation	<u>733,569</u>	<u>(120,713)</u>
Tax charge (credit) at Hong Kong Profits Tax rate of 16.5%	121,039	(19,918)
Tax effect of income not taxable for tax purpose	(148,373)	(552)
Tax effect of expenses not deductible for tax purpose	26,719	13,034
Tax effect of tax losses not recognised	482	7,436
Tax effect of deductible temporary difference not recognised	(643)	–
Others	776	–
Taxation for the year	<u>–</u>	<u>–</u>

12. PROFIT (LOSS) FOR THE YEAR

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit (loss) for the year has been arrived at after charging:		
Directors' remunerations (<i>note 13</i>)	10,863	2,046
Other staff's costs	1,889	2,106
Other staff's retirement benefit scheme contributions	175	96
Other staff's share-based payment	17,340	–
Total staff costs	<u>30,267</u>	<u>4,248</u>
Auditor's remuneration	800	845
Depreciation of property, plant and equipment	24	395
and after crediting:		
Bank interest income	385	64
Interest income from deposit placed for a life insurance policy	893	865
Net exchange gain	<u>631</u>	<u>12</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2015: nine) directors of the Company were as follows:

	2016								
	Executive director	Non-executive directors			Independent non-executive directors				Total HK\$'000 (note b)
	Oung Shih Hua, James [#] HK\$'000	Chan Chi Ho HK\$'000	Yuen Chi Wah HK\$'000	Liu Man Kin Dickson HK\$'000 (note a)	Huang Weizong HK\$'000	Au Chik Lam Alexander HK\$'000	Kwok Wai Chi HK\$'000		
Fees	1,294	260	130	186	-	240	20	2,130	
Other emoluments:									
Salaries and other benefits	-	-	544	-	-	-	-	544	
Share-based payment	2,712	2,712	2,712	-	-	-	-	8,136	
Retirement benefit scheme contributions	23	12	18	-	-	-	-	53	
	4,029	2,984	3,404	186	-	240	20	10,863	

	2015									
	Executive directors		Non-executive directors			Independent non-executive directors				Total HK\$'000
	Oung Shih Hua, James [#] HK\$'000 (note c)	Law Fong HK\$'000 (note c)	Chen Te Kuang Mike HK\$'000 (note c)	Chan Chi Ho HK\$'000 (note a)	Yuen Chi Wah HK\$'000 (note a)	Huang Weizong HK\$'000	Au Chik Lam Alexander HK\$'000 (note a)	Kwok Wai Chi HK\$'000	Zhu Pei Qing HK\$'000 (note b)	
Fees	725	40	40	228	114	-	80	256	30	
Other emoluments:										
Salaries and other benefits	-	-	-	-	468	-	-	-	-	468
Retirement benefit scheme contributions	37	-	-	11	17	-	-	-	-	65
	762	40	40	239	599	-	80	256	30	2,046

Notes:

- (a) The directors have been appointed during the year.
- (b) The directors have resigned/retired during the year.
- (c) The directors have been removed during the year.

[#] Oung Shih Hua, James, is also the Chief Executive of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (Cont'd)

(a) Directors' emoluments (Cont'd)

The directors' emoluments disclosed above include their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years. During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 29 to the Group's consolidated financial statements.

(b) Employees' emoluments

During the year, the five highest paid individuals of the Group included three (2015: four) directors, details of whose emoluments are set out in (a) above. The emoluments of the remaining two (2015: one) individuals are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries and other benefits	307	295
Equity-settled share option expense	4,954	–
Retirement benefit scheme contributions	14	14
	<u>5,275</u>	<u>309</u>

The emoluments of this employee fall within the following bands:

	Number of employees	
	2016	2015
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	–
	<u>2</u>	<u>1</u>

During both years, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss in office. No director waived any emoluments. In addition, during the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 29 to the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	For the year ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Earnings (loss)		
Profit (loss) for the year attributable to owners of the Company for the purposes of basic earnings per share	733,569	(120,713)
Effect of dilutive potential shares:		
Interest on convertible redeemable preference shares (net of income tax)	1,222	–
	<hr/>	<hr/>
Earnings (loss) for the purposes of diluted earnings per share	734,791	(120,713)
	<hr/> <hr/>	<hr/> <hr/>
	2016	2015
Number of shares		
Weighted average number of shares for the purposes of calculating basic earnings per share	1,283,247,688	1,025,749,062
Effect of dilutive potential shares:		
Convertible redeemable preference shares	70,979,239	–
Convertible notes	111,401,433	–
	<hr/>	<hr/>
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,465,628,360	1,025,749,062
	<hr/> <hr/>	<hr/> <hr/>

The computation of diluted earnings per share for the year ended 30 June 2016 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares. In addition, the computation of diluted loss per share for the year ended 30 June 2015 had not assumed the conversion of the Company's outstanding convertible redeemable preference shares and convertible notes which would reduce the loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

15. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 July 2014	243,640
Decrease in fair value recognised in profit or loss	(45,640)
Reclassified as held for sale	(198,000)
	<hr/>
At 30 June 2015	–
Addition during the year	240,825
Acquired through acquisition of subsidiaries	519,040
Decrease in fair value recognised in profit or loss	(110,815)
	<hr/>
At 30 June 2016	<u>649,050</u>

During the year ended 30 June 2016, the Group acquired investment properties for a cash consideration of HK\$692,543,000, of which an amount of HK\$497,543,000 was resulted from the acquisition of ACME Elite Limited (“ACME”) and AFAR Success Limited (“AFAR”). In addition, directly attributable costs of HK\$67,322,000 representing mainly stamp duties, were incurred. Major assets of ACME and AFAR are land and building situated in Hong Kong and do not have any operation, which did not constitute a business combination in accordance with HKFRS 3 “Business combinations”. As such, the acquisition has been accounted for acquisition of assets and liabilities through acquisition of subsidiaries.

The investment properties as at 30 June 2016 comprised two residential premises which are located at No.53 Conduit Road and two commercial premises which are located at No. 151 Gloucester Road which were held by the Group for long-term capital appreciation. These properties were classified as investment properties and measured using the fair value model.

The fair value has been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent valuer which is not connected to the Group. LCH (Asia-Pacific) Surveyors Limited is a member of Hong Kong Institute of Surveyors and whose address is 17th Floor, Champion Building, 287-291 Des Voeux Road Central, Hong Kong. The fair value of the investment properties was arrived by using income method and direct comparison method. Commercial premises have been valued by Term and Reversion Method. It estimates the value of the property on an open market basis by discounting the rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. Whereas, residential premises have been valued by direct comparison method which is based on market observable transactions of similar properties in the similar conditions and locations of the subject properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

15. INVESTMENT PROPERTIES (Cont'd)

All the Group's investment properties were situated in Hong Kong, of which HK\$193,870,000 (2015: nil) were secured to support banking facilities granted to the Group.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and key inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
30 June 2016					
Commercial premises	455,180	Level 3	Income method – Term and Reversion approach with key inputs of vacant possession value	Vacant possession value mainly taking into account of floor level, between the comparables, which ranged from HK\$19,534 to HK\$22,109 per square feet. Besides, monthly rental, term yield and reversionary yield were considered with the amount of HK\$684,216, 2.3% and 2.8% respectively.	A significant increase in the vacant possession value used would result in a significant increase in the fair value of the investment properties, and vice versa. The higher the term yield and reversionary yield, the lower the fair value, and vice versa.
Residential premises	193,870	Level 3	Direct comparison method on the basis of vacant possession with market unit rate as the key input	Market unit rate, mainly taking into account the time, floor level and size, between the comparables, which ranged from HK\$35,334 to HK\$42,065 per square feet.	A significant increase in the market unit rate used would result in a significant increase in the fair value of the investment properties, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

16. PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fixtures HK\$'000
COST	
At 1 July 2014	13,460
Exchange realignment	(268)
Additions	42
Reclassified as held for sale	(4,313)
	<hr/>
At 30 June 2015	8,921
Exchange realignment	(183)
	<hr/>
At 30 June 2016	8,738
	<hr/>
DEPRECIATION	
At 1 July 2014	12,419
Exchange realignment	(267)
Provided for the year	395
Eliminated on reclassification as held for sale	(3,685)
	<hr/>
At 30 June 2015	8,862
Exchange realignment	(182)
Provided for the year	24
	<hr/>
At 30 June 2016	8,704
	<hr/>
CARRYING VALUES	
At 30 June 2016	34
	<hr/> <hr/>
At 30 June 2015	59
	<hr/> <hr/>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Office equipment, furniture and fixtures 15-25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

17. DEPOSIT PLACED FOR A LIFE INSURANCE POLICY

In March 2012, the Group entered into a life insurance policy with an insurance company to insure an Executive Director. Under the policy, the beneficiary and policy holder is World Modern International Limited and changed to Master Era Limited (“Master Era”) during the current year, and the total insured sum is US\$10,000,000 (approximately HK\$78,000,000). Master Era is required to pay an upfront deposit of US\$2,806,000 (approximately HK\$21,887,000) including a premium charge at inception of the policy amounting to US\$168,000 (approximately HK\$1,310,000). Master Era can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payment of US\$2,806,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge (“Cash Value”). In addition, if withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge. The insurance Company will pay Master Era an interest of 4.65% per annum on the outstanding Cash Value of the policy for the first year. Commencing on the 2nd year, the interest will become 2% per annum plus a premium determined by the insurance company on an annual basis.

As at 30 June 2015, the deposit placed for a life insurance policy was pledged to a bank to secure general banking facilities granted to the Group.

The deposit placed for a life insurance policy is denominated in USD, a currency other than the functional currency of the respective group entity.

18. DEPOSITS PAID

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Deposits paid for		
– leasehold improvement in relation to investment properties	4,615	–
– property, plant and equipment	300	–
	<hr/>	<hr/>
	4,915	–
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments are the following receivables denominated in a currency other than the functional currency of the group entities to which it relates.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
USD	<u>869</u>	<u>872</u>

20. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.01% to 0.02% (2015: 0.01% to 0.02%) per annum.

Included in bank balances and cash are the following amounts denominated in a currency other than the functional currency of the group entities to which it relates.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
USD	<u>170,385</u>	<u>562</u>

21. ASSETS (LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 17 June 2015, the Company entered into a sales and purchase agreement with an independent third party, Equal Force Limited (“Equal Force”), for the disposal of the entire issued share capital in Paladin Leisure Limited, Gainbest Venture Limited, Perfect Place Limited, Bowen Hill Limited, Oasis Trade Global Limited, Petersham Limited, Holyrood Limited (“Holyrood”), Alpard Limited, Venus Fortune Limited, Wayguard Limited and World Modern International Limited (the “Disposal Group”), for a cash consideration of HK\$1,825,000,000, subject to adjustment. The details of the disposal were disclosed in the Company’s circular dated 25 August 2015.

The assets and liabilities attributable to the Group’s interest in the Disposal Group, which is expected to be sold within twelve months, have been classified as a disposed group held for sale and are presented separately in the consolidated statement of financial position at 30 June 2015. The transaction was completed on 20 October 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

21. ASSETS (LIABILITIES) CLASSIFIED AS HELD FOR SALE (Cont'd)

The major classes of assets and liabilities of the Disposal Group as at 30 June 2015 are as follows:

	<i>HK\$'000</i>
Investment properties	198,000
Property, plant and equipment	628
Pledged bank deposits	50,585
Properties held for sale	710,408
Other receivables, deposits and prepayments	11,796
Bank balances and cash	3,887
	<hr/>
Assets classified as held for sale	975,304
	<hr/> <hr/>
Other payables and accrued charges	(31,642)
Bank overdrafts	(57,344)
Secured bank borrowings	(701,328)
Provision for litigations	(8,524)
	<hr/>
Liabilities associated with assets classified as held for sale	(798,838)
	<hr/> <hr/>
Net assets of Disposal Group classified as held for sale	176,466
	<hr/> <hr/>

22. OTHER PAYABLES AND ACCRUED CHARGES

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental deposits received	3,421	–
Accruals	5,423	6,319
Other payables (<i>Note</i>)	98,596	93,456
	<hr/>	<hr/>
	107,440	99,775
	<hr/> <hr/>	<hr/> <hr/>

Note: Included in other payables is an amount of HK\$92,743,000 (2015: HK\$85,873,000), which is unsecured, interest bearing at 8% per annum and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

23. AMOUNTS DUE TO RELATED PARTIES

The amounts are unsecured, non-interest bearing and repayable on demand. An amount of HK\$95,000 (2015: HK\$150,000) and HK\$4,000 (2015: Nil) represents amount due to Oung Da Ming, who is the former director of the Group's major subsidiaries and amount due to Alfred Zee, who is a director of the Group's subsidiary, respectively. The remaining amount of HK\$12,771,000 (2015: HK\$18,026,000) represents amount due to Gold Seal Holdings Limited, which is a shareholder of the Company.

24. SECURED BANK BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Secured:		
Mortgage loans	97,303	–
Carrying amounts repayable based on contractual repayment dates:		
Within one year	2,419	–
Within a period of more than one year but not exceeding two years	2,464	–
Within a period of more than two years but not exceeding five years	7,683	–
More than five years	84,737	–
	97,303	–
Less: Amounts due within one year shown under current liabilities	(2,419)	–
Carrying amount of bank loans that are not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	(94,884)	–
Amounts shown under non-current liabilities	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

24. SECURED BANK BORROWINGS (Cont'd)

At 30 June 2016, the secured bank borrowings comprised:

- (i) a mortgage loan with an outstanding amount of approximately HK\$51,396,000 that shall be repayable by 359 monthly installments and carries interest at a rate of 1.75% per annum over HIBOR; and
- (ii) a mortgage loan with an outstanding amount of approximately HK\$45,907,000 that shall be repayable by 359 monthly installments and carries interest at a rate of 1.75% per annum over HIBOR.

The effective interest rates of the Group's bank borrowings was 1.96% (2015: nil) per annum.

All bank borrowings are secured by the Group's investment properties. The details of pledged assets are disclosed in note 32.

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

	Number of preference shares	Amount of par value HK\$'000
Authorised:		
At 1 July 2014, 30 June 2015 and 30 June 2016	1,270,000,000	12,700
Issued and fully paid:		
At 1 July 2014	71,343,529	713
Conversion of issued convertible redeemable preference share into ordinary shares	(310,000)	(3)
At 30 June 2015	71,033,529	710
Conversion of issued convertible redeemable preference share into ordinary shares	(1,030,000)	(10)
At 30 June 2016	70,003,529	700

The convertible redeemable preference shares with nominal value of HK\$0.01 were issued at HK\$0.25 per share on 24 November 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

Movement of the convertible redeemable preference shares are as follows:

	Liability component	Equity component	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2014	13,339	6,316	19,655
Conversion of convertible redeemable preference shares	(47)	(30)	(77)
Interest charged for the year	1,632	–	1,632
	<hr/>	<hr/>	<hr/>
At 30 June 2015	14,924	6,286	21,210
Conversion of convertible redeemable preference shares	(149)	(96)	(245)
Interest charged for the year	1,222	–	1,222
	<hr/>	<hr/>	<hr/>
At 30 June 2016	<u>15,997</u>	<u>6,190</u>	<u>22,187</u>

Note: As announced by the Company on 3 July 2007, the alteration of the terms of the existing convertible redeemable preference shares has been duly approved by the holders of convertible redeemable preference shares at the special general meeting held on 3 July 2007.

The principal terms of the convertible redeemable preference shares at 30 June 2015 and 2016, as altered, include the following:

(i) Cumulative dividend

The right to receive a dividend per convertible redeemable preference share based on the dividend or any other distribution (if any) per ordinary share declared and paid by Sensors Integration Technology Limited, a wholly-owned subsidiary of the Company. Sensors Integration Technology Limited is an investment holding company with its subsidiaries principally engaged in manufacture of optical sensor systems and optical communication products.

Sensors Integration Technology Limited will declare a dividend to its shareholders only if Sensors Integration Technology Limited has received written confirmation from the Company that the Company is permitted to declare and pay a dividend in the same amount to the holders of the convertible redeemable preference shares and an undertaking to declare and pay such a dividend.

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(ii) Further issues

New issues of convertible redeemable preference shares shall be permitted only if the proceeds of the issues are used solely to subscribe for the same number of ordinary shares in Sensors Integration Technology Limited and at the same price.

(iii) Early redemption at the option of the Company

The Company has the option, but not the obligation, to redeem all but not a portion of the convertible redeemable preference shares at face value if there are less than 80 million convertible redeemable preference shares in issue.

(iv) Conversion rights

Holders of the convertible redeemable preference shares are entitled to convert all or any of their convertible redeemable preference shares into ordinary shares in the Company by paying HK\$0.24 per share to the Company for entitling one ordinary share of the Company of HK\$0.01 each, subject to anti-dilutive adjustment provisions which are standard terms for convertible securities of similar type. The adjustment events will arise as a result of certain changes in share capital of the Company including consolidation or sub-division of shares, capitalisation of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company.

Holders of the convertible redeemable preference shares are not required to pay any extra amount should they convert their convertible redeemable preference shares into ordinary shares in the Company.

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(v) Redemption

A holder of the convertible redeemable preference shares may by notice in writing to the Company requires the Company to redeem all or any of the outstanding convertible redeemable preference shares, whereupon subject to the requirements of the Bermuda Companies Act. The Company shall pay to such holder a redemption amount equal to the aggregate initial subscription price of such number of convertible redeemable preference shares so redeemed together with the cumulative dividend that has accrued and payable upon the occurrence of any of the following (whichever is the earliest):

- (a) 31 December 2016;
- (b) any consolidation, amalgamation or merger of the Company with any other corporation;
- (c) listing of the ordinary shares of the Company are revoked or withdrawn (except in connection with the simultaneous listing of the ordinary shares on such other internationally recognised stock exchange);
- (d) a directors' resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company; or
- (e) an effective resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company.

(vi) Priority

The convertible redeemable preference shares rank in priority to the ordinary shares in the Company as to dividends and a return of the capital paid up on the convertible redeemable preference shares. Once the capital paid up has been returned and all the accumulative dividends has been paid, the convertible redeemable preference shares are not entitled to any further payment from or distributions by the Company.

(vii) Voting

The convertible redeemable preference shares do not entitle the holders to attend or vote at meeting of the Company except on resolutions which directly affect their rights or on a winding-up of the Company or a return or repayment of capital.

(viii) Further issues

New issues of convertible redeemable preference shares has been permitted only if the proceeds of the issues are used solely to subscribe for the same number of ordinary shares in Sensors Integration Technology Limited and at the same price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

The net proceeds received from the issue of the convertible redeemable preference shares contain the following components that are required to be separately accounted for in accordance with HKAS 32 “Financial Instruments: Presentation”:

- (i) Debt component represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The interest charged for the period is calculated by applying effective interest rate of 8.04% per annum of the debt component for the period since the alternation of the terms of the convertible redeemable preference shares on 3 July 2007.

- (ii) Equity component represents the difference between the proceeds of issue of the convertible redeemable preference shares and the fair value assigned to the liability component.

26. SHARE CAPITAL

	Nominal value per share HK\$	Numbers of shares	Amount HK\$'000
Authorised:			
At 1 July 2014, 30 June 2015 and 30 June 2016	0.01	50,000,000,000	500,000
Issued and fully paid:			
At 1 July 2014	0.01	935,924,489	9,359
Issue of shares on conversion of convertible redeemable preference shares		314,583	3
Issue of shares on conversion of convertible notes		62,085	1
Open offer of shares (<i>note 27</i>)		159,076,343	1,591
At 30 June 2015	0.01	1,095,377,500	10,954
Issue of shares on conversion of convertible redeemable preference shares		1,072,914	11
Issue of shares on conversion of convertible notes		242,069,605	2,420
Shares repurchased		(10,985,000)	(110)
At 30 June 2016	0.01	1,327,535,019	13,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

26. SHARE CAPITAL (Cont'd)

During the year, the Company repurchased and cancelled its own shares on the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares repurchased	Price per share		Aggregate consideration paid <i>HK\$'000</i>
		Highest	Lowest	
January 2016	22,570,000	HK\$0.3	HK\$0.3	6,771
February 2016	1,005,000	HK\$0.3	HK\$0.3	301
June 2016	4,835,000	HK\$0.3	HK\$0.3	1,451
	<hr/>			<hr/>
	28,410,000			8,523
	<hr/> <hr/>			<hr/> <hr/>

During the year ended 30 June 2016, 28,410,000 ordinary shares were repurchased, of which 17,425,000 ordinary shares have not yet cancelled.

All shares issued during both years rank *pari passu* in all respects with other shares in issue.

27. CONVERTIBLE NOTES

On 26 September 2014, the Company announced a proposed open offer of unsecured zero coupon participating convertible notes due 2024 in denominations of HK\$0.25 principal amount each, to be issued at face value, on the basis of assured allotments of one convertible note, with the share alternative of one new ordinary share at an open offer of HK\$0.25, for every two existing ordinary shares held. In November 2014, the Company issued an aggregate of 275,934,673 convertible notes and 41,236,560 ordinary shares in assured allotments for which valid applications were received. In December 2014, the Company issued a further 33,051,228 convertible notes and 117,839,783 ordinary shares for which valid applications were received on excess application forms. In total 308,985,901 unsecured zero coupon participating convertible notes and 159,076,343 ordinary shares (see note 26) were issued in the open offer.

27. CONVERTIBLE NOTES (Cont'd)

The convertible notes bear no interest and mature on 23 November 2024. The convertible notes are convertible into ordinary shares of the Company at the option of the noteholders at any time from the issue date up to the close of business on the tenth last day preceding the maturity date at an initial conversion price of HK\$0.25 each, subject to anti-dilutive adjustments. The convertible notes are denominated in Hong Kong dollars. Please refer to the Company's offering document dated 29 October 2014 for the details of the terms of the convertible notes. Below is a summary of principal terms of convertible notes.

(i) Distributions

The convertible notes entitle the noteholders to participate in dividends and/or distributions made to ordinary shareholders.

(ii) Cash settlement option

Notwithstanding the conversion right of each noteholder in respect of each convertible note, at any time when the delivery of shares deliverable upon conversion of notes is required to satisfy the conversion right, the Company has the option to settle the conversion option in cash at the cash settlement amount (as defined below). If and to the extent that the issue of new ordinary shares upon conversion of the convertible notes will cause the public float of the ordinary shares to fall below the minimum prescribed percentage required under the Listing Rules, the Company shall pay to the relevant noteholder an amount of cash equal to the cash settlement amount in order to satisfy such conversion right.

The cash settlement amount is the product of (i) the number of ordinary shares otherwise deliverable upon exercise of the conversion right in respect of those convertible notes for which the Company has elected the cash settlement option and (ii) the arithmetic average of the volume weighted average price of the ordinary shares for each business day during the five business days last preceding the date of the relevant notice of conversion.

For the year ended 30 June 2016

27. CONVERTIBLE NOTES (Cont'd)

(iii) Redemption at the option of the Company

At any time after issue and prior to the day that is five business days prior to the maturity date, the Company may redeem all the convertible notes at the early redemption amount (as defined below).

The early redemption amount is the product of (i) the number of ordinary shares deliverable upon exercise of the conversion rights in respect of those convertible notes then outstanding and (ii) the arithmetic average of the volume weighted average price of the ordinary shares for each business day during the sixty business days ending on date of the notice from the Company electing to redeem all the convertible notes on the redemption date specified therein.

(iv) Automatic conversion on maturity

On the maturity date, all then outstanding convertible notes will automatically be converted into ordinary shares. Notwithstanding the automatic conversion of all outstanding convertible notes on the maturity date, in the event that automatic conversion of all outstanding convertible notes on the maturity date will cause the public float of the ordinary shares to fall below the minimum prescribed percentage required under the Listing Rules, the Company will have an option to redeem the convertible notes by paying to the relevant noteholders an amount of cash at the redemption amount (as defined below).

The redemption amount is the product of (i) the number of ordinary shares deliverable upon exercise of the conversion rights in respect of the convertible notes then outstanding and (ii) HK\$0.25.

The requirement of the Company to settle in cash arises only in the event of a breach of the public float requirement under the Listing Rules which is considered by the directors of the Company to be very unlikely to occur based on an assessment made at initial recognition of the convertible notes on the current and potential shareholdings of the Company.

These convertible notes will be automatically converted into a fixed number of ordinary shares of the Company at maturity (subject to anti-dilutive adjustments).

With regard to the conversion option exercisable by the noteholders, at any time from issue date up to the close of business on the tenth last day preceding the maturity date of the convertible notes, the Company will be issuing a fixed number of the Company's ordinary shares (subject to anti-dilutive adjustments) upon such conversion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

27. CONVERTIBLE NOTES (Cont'd)

As for the early redemption option and the cash settlement option (upon exercise of conversion right by the noteholders), both of which are exercisable at the Company's option, the Company has no contractual obligation to deliver cash or another financial asset to the noteholders, or to exchange financial assets and liabilities under conditions that are potentially unfavourable to the Company.

Accordingly, the entire convertible notes were classified as an equity instrument of the Company upon initial recognition and the gross proceeds received of approximately HK\$77,247,000 had been recognised in equity in convertible notes reserve. Transaction costs of approximately HK\$2,784,000 were charged to convertible notes reserve immediately.

28. DEFERRED TAXATION

The following are the deductible temporary differences not recognised by the Group in the consolidated financial statements:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Tax losses	43,692	330,818
Unrealised intragroup profits on properties held for sale	–	423,938
Accelerated tax depreciation	–	375
	<hr/>	<hr/>
	43,692	755,131
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2016, the Group has unused tax losses of approximately HK\$43,692,000 (2015: HK\$330,818,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately HK\$43,692,000 (2015: HK\$330,818,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

As at 30 June 2015, the other deductible temporary difference of approximately HK\$424,313,000 (30 June 2016: nil) had not been recognised as it was not probable that taxable profit would be available against which the other deductible temporary difference can be utilised.

For the year ended 30 June 2016

29. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a resolution passed in the Company's general meeting on 20 November 2015, the Company approved and adopted a share option scheme (the "Scheme") for a period of 10 years commencing from 8 December 2015 for the grant of options over ordinary shares as incentive or reward for the grantees for their contribution or potential contribution to the Group.

Under the Scheme, the Company may grant options to eligible participants, who include amongst others full-time or part-time employees, chief executive, directors (including executive, non-executive and independent non-executive directors), substantial shareholders, and consultants, professional advisors of the Company or any of its subsidiaries or any investee, who, in the opinion of the directors, will contribute or has contributed to the Group.

At 30 June 2016, the number of ordinary shares in respect of which options had been granted and remained outstanding under the Scheme was 131,000,000 (30 June 2015: nil), representing 9.9% (30 June 2015: nil) of the ordinary shares of the Company in issue at that date. The total number of ordinary shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of ordinary shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Any grant of options to any director, chief executive or substantial shareholder of the Company, or their associates, is subject to the prior approval of the independent non-executive directors. Any grant to a substantial shareholder or independent non-executive director of the Company, or their associates, that would result in the ordinary shares issued and to be issued on exercise of options granted and to be granted to such person in the 12 months to the date of such grant representing in aggregate over 0.1 per cent. of the ordinary shares in issue on the date of grant; and having an aggregate value, based on the closing price of the ordinary shares, in excess of HK\$5 million, is subject to prior approval of shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 in aggregate for all options in the relevant grant. Options may be exercised at any time in the period notified to the grantee at the time of offer of the relevant options, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and must not be less than the higher of (i) the closing price of the Company's ordinary shares on the date of grant; (ii) the average closing price of the ordinary shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

29. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

During the year ended 30 June 2016, options were granted on 30 May 2016 and the estimated fair values of the options granted on those dates was HK\$25,476,000, which was calculated using the binomial option pricing model based on following data:

Date of grant	30 May 2016
Share price at grant date	HK\$0.335
Exercise price	HK\$0.335
Expected volatility	74.61%
Expected life	10 years
Risk-free rate	1.257%
Expected dividend yield	0%
Early exercise multiples	
– Directors	3.0x
– Employees	2.5x

Expected volatility was determined by using the historical volatility of the Company's ordinary share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The following table discloses movements of the Company's share options held by directors and employees of the Group during the year ended 30 June 2016:

Categories of participants	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.7.2015	Granted during the year	Outstanding at 30.06.2016
Directors	30.05.2016	30.5.2016 – 29.5.2026	0.335	–	39,300,000	39,300,000
Employees	30.05.2016	30.5.2016 – 29.5.2026	0.335	–	91,700,000	91,700,000
				–	131,000,000	131,000,000
Exercisable at the end of the year						131,000,000

At 30 June 2016, the weighted average exercise price is HK\$0.335. The Group recognised a share-based payment expense of HK\$25,476,000 during the year ended 30 June 2016 in relation to share options granted by the Company during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

30. DISPOSAL OF SUBSIDIARIES

As detailed in note 21, on 20 October 2015, the Group completed the disposal transaction at a cash consideration of HK\$1,825,000,000, giving rise to a gain of HK\$894,565,000.

The net assets of the Disposal Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Investment properties	198,000
Property, plant and equipment	291
Properties held for sale	710,408
Other receivables, deposits and prepayments	11,226
Bank balances and cash	6,765
Other payables and accrued charges	(30,643)
Bank overdrafts	(20,000)
Secured bank borrowings	(727,934)
Amount due to a group company	(1,148,172)
	<hr/>
	(1,000,059)
Sales loan waived	1,148,172
Bank borrowings settled by Equal Force	747,934
Transaction and other direct costs incurred	34,388
Gain on disposal	894,565
	<hr/>
	1,825,000
	<hr/> <hr/>
Satisfied by:	
Cash consideration received	1,042,678
Transaction and other direct costs incurred	34,388
Bank borrowings settled by Equal Force	747,934
	<hr/>
	1,825,000
	<hr/> <hr/>
Net cash inflows arising on disposal:	
Cash consideration received	1,042,678
Less: Bank balances disposed of	(6,765)
	<hr/>
	1,035,913
	<hr/> <hr/>

31. CONTINGENT LIABILITIES

The Group had the following outstanding litigations as at 30 June 2016, in which the directors of the Company are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained at the current stage:

- (a) On 28 October 2015, Mike Chen issued a writ of summons against the Company, claiming for (i) repayment of HK\$10,500,000, being an alleged loan made to Magetta Co. Limited in which the Company undertook to repay and HK\$2,000,000, being an alleged loan made to the Company, and (ii) interest. On 27 January 2015, the Company filed a Defence and Counterclaim. The Company's counterclaim is for Mike Chen's breach of trust and/or his fiduciary duties owed to the Company. The Company claims, amongst others, for a sum of HK\$410,447 against Mike Chen. On 23 March 2015, Mike Chen filed his Reply and Defence to Counterclaim. The litigation is still ongoing and there is no further update on the case up to the report date.
- (b) On 14 November 2014, a petition under section 724 of the Companies Ordinance was served on the Company, as first respondent, and Cityguard Holdings Limited, Five Star Investments Limited ("Five Star"), Gold Seal Holdings Limited, Mr. Oung Da Ming, Dr. Oung Shih Hua, James, Mr. Yuen Chi Wah and Mr. Chan Chi Ho as second to eighth respondents. The petition was filed by Mr. Chen Te Kuang, Mike (as petitioner), a former director who was removed from office by a resolution passed by the ordinary shareholders in general meeting held on 1 August 2014.

The petition is "On ground that members unfairly prejudiced" and in it the petitioner asserts among other things that Five Star and Gold Seal Holdings Limited, as well as Dr. Oung Shih Hua, James, have conducted the affairs of the Company in a manner unfairly prejudicial to the interests of other members of the Company, including the petitioner. The petitioner seeks orders to the following effect:-

- (i) proceedings are brought in the names of the Company and two of its subsidiaries against Oung Da Ming, Margaret Uon, Five Star, Cityguard Holdings Limited and/or Gold Seal Holdings Limited;
- (ii) the Company to set up a special committee to review the internal controls and risk management systems of the Company, such special committee to engage independent experts to assist it in reviewing the systems and identifying material weaknesses with recommended remedial actions;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

31. CONTINGENT LIABILITIES (Cont'd)

(b) (Cont'd)

- (iii) a receiver of the Company's business is appointed until the special committee has completed its review and the recommended remedial actions, if any, are implemented;
- (iv) alternatively, the 4th to 8th respondents and their agents/associates be restrained from acting as directors and/or bank signatories of the Company and its subsidiaries until the special committee has completed its review and the recommended remedial actions, if any, are implemented;
- (v) damages (to be assessed), and any interest on those damages, be paid to the petitioner by any of the 2nd to 8th respondents as the Court thinks fit.

The Company is currently seeking legal advice in relation to the petition. A case management conference is held on 18 February 2016. As at the report date, no trial date has yet been set.

Based on the legal advice obtained by the Group, the directors are of the opinion that the remaining cases are ongoing and the Group is unable to evaluate the likely outcome of the actions. Accordingly, no provision is considered necessary.

32. PLEDGED OR SECURED ASSETS

At the end of the reporting period, the following assets of the Group were pledged or secured to support credit facilities (including letter of guarantee) granted to the Group:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> <i>(Note)</i>
Properties held for sale	–	694,603
Investment properties	193,870	198,000
Deposit placed for a life insurance policy	–	20,902
Pledged bank deposits	–	50,585
	<hr/> 193,870 <hr/>	<hr/> 964,090 <hr/>

Note: As at 30 June 2015, properties held for sale, investment properties and pledged bank deposits were included in assets (liabilities) classified as held for sale (see note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

33. RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group joined the mandatory provident fund scheme (the “MPF Scheme”) for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,500 and they can choose to make additional contributions. The employer’s monthly contributions are calculated at 5% of the employee’s monthly salaries up to a maximum of HK\$1,500. The employees are entitled to 100% of the employer’s mandatory contribution upon their retirement at the age of 65, death or total incapacity.

The aggregate employer’s contributions during the year ended 30 June 2016 recognised in the consolidated statement of profit or loss and other comprehensive income of the Group amounted to HK\$228,000 (2015: HK\$161,000).

34. RELATED PARTY TRANSACTIONS

The Group had the following transactions with parties/persons deemed to be “connected persons” by the Stock Exchange which are also the related parties to the Group under the definition of HKAS 24 “Related Party Disclosures”.

- (a) Oung Shih Hua, James, a director of the Company, and also one of the directors of Gold Seal Holdings Limited, has provided personal guarantees in respect of the following:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Credit facilities granted to the Group	–	120,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

34. RELATED PARTY TRANSACTIONS (Cont'd)

- (b) Lilian Oung, a former director of certain subsidiaries and a close family member of the directors of the Company, has provided personal guarantees in respect of the following:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Credit facilities granted to the Group	–	157,550

- (c) Margaret Uon, a former director of certain subsidiaries and a close family member of the directors of the Company, has provided personal guarantees in respect of the following:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Credit facilities granted to the Group	–	320,000

- (d) During the year ended 30 June 2016, an amount of HK\$922,750 (2015: HK\$652,760) is paid to a related company in which one of the directors of the Company and his close family member have beneficial and controlling interests.

- (e) Details of amounts due to related parties are set out in note 23.

- (f) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was HK\$10,863,000 (2015: HK\$2,046,000).

The remuneration of directors and key executives are determined by the board of directors after recommendation from the remuneration committee, having regard to the responsibilities of the directors and key executives, the operating results, individual performance and comparable market statistics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

35. OPERATING LEASES

At the end of the reporting period, for the Group's investment properties, the Group had contracted with tenants for the following future minimum lease payments.

The Group as lessor

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	<u>12,327</u>	<u>1,834</u>

Under the leases entered by the Group, the lease payments are fixed and no arrangements have been entered into for contingent rental payments. The properties held have tenants for a term of ranging from two to three years.

The Group as lessee

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	1,315	1,644
In the second year to fifth years, inclusive	<u>130</u>	<u>872</u>
	<u>1,445</u>	<u>2,516</u>

The minimum lease payments under operating lease recognised as an expense for the year is HK\$1,424,000 (2015: HK\$2,128,000). Operating lease payments represent rentals payable by the Group for certain of its office properties, leases are negotiated for a term of three years.

36. CAPITAL COMMITMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
– leasehold improvement in relation to investment properties	5,675	–
– property, plant and equipment	<u>500</u>	<u>–</u>
	<u>6,175</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital	Proportion of nominal value of issued share capital held by the Company at 30 June				Principal activities
			2016		2015		
			Directly	Indirectly	Directly	Indirectly	
Banhart Company Limited	Hong Kong	Ordinary HK\$9,998	-	100%	-	100%	Investment holding
		Non-voting deferred* HK\$2					
Alpard Limited (Note 2)	Hong Kong	Ordinary HK\$109	-	-	-	100%	Property investment and holding
Holyrood (Note 2)	Hong Kong	Ordinary HK\$999,998	-	-	99.9%	0.1%	Property development
		Non-voting deferred* HK\$2					
Petersham Limited (Note 2)	Hong Kong	Ordinary HK\$2	-	-	-	100%	Property management
Sensors Integration Technology Limited	Hong Kong	Ordinary HK\$2,597,634	-	100%	-	100%	Investment holding
Venus Fortune Limited (Note 2)	Hong Kong	Ordinary HK\$1	-	-	-	100%	Property holding
Wayguard Limited (Note 2)	Hong Kong	Ordinary HK\$10	-	-	-	100%	Property holding
World Modern International Limited (Note 2)	Hong Kong	Ordinary HK\$1	-	-	-	100%	Property holding
Magetta Company Limited	Hong Kong	Ordinary HK\$2	100%	-	100%	-	Investment holding
Master Era Limited	Hong Kong	Ordinary HK\$1	-	100%	-	100%	Management and operating
ACME Elite Limited (Note 1)	British Virgin Islands	US\$1	100%	-	N/A	N/A	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital	Proportion of nominal value of issued share capital held by the Company at 30 June				Principal activities
			2016		2015		
			Directly	Indirectly	Directly	Indirectly	
AFAR Success Limited (Note 1)	British Virgin Islands	US\$1	100%	-	N/A	N/A	Property investment
Prime Supreme Corporation (Note 1)	British Virgin Islands	US\$1	100%	-	N/A	N/A	Investment holding
Upwill Limited (Note 1)	Hong Kong	Ordinary HK\$1	-	100%	N/A	N/A	Property investment
Legacy One Asia Limited (Note 1)	British Virgin Islands	US\$1	100%	-	N/A	N/A	Investment holding
East Top (Hong Kong) Limited (Note 1)	Hong Kong	Ordinary HK\$1	-	100%	N/A	N/A	Property investment
Next Level A.I. Solutions, LLC (Note 1)	USA	US\$2,000,000	-	100%	N/A	N/A	Inactive
Next Level Security Systems, LLC (Note 1)	USA	US\$1,000,000	-	100%	N/A	N/A	Inactive
Next Level Medical Systems, LLC (Note 1)	USA	US\$1,000,000	-	100%	N/A	N/A	Inactive

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or to vote at any general meetings of the company or to participate in any distribution on winding up.

Notes:

1. The companies were acquired/set up during the year.
2. The companies were disposed during the year.

The above lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the assets or liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 30 June 2016 or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

38. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period is set out below:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Total assets		
Investments in subsidiaries	33,360	33,360
Deposit paid for acquisition of property, plant and equipment	300	–
Available-for-sale investment	12,060	–
Other receivables	3,969	503
Amounts due from subsidiaries	286,020	420,634
Loan receivables from subsidiaries	516,798	–
Bank balances	283,667	51,626
	<u>1,136,174</u>	<u>506,123</u>
Total liabilities		
Other payable and accrued charges	1,578	3,270
Amount due to a shareholder	12,771	18,026
Amounts due to subsidiaries	77,542	32,685
Convertible redeemable preference shares	15,997	14,924
	<u>1,028,286</u>	<u>437,218</u>
Net assets	<u>1,028,286</u>	<u>437,218</u>
Capital and reserve		
Share capital	13,275	10,954
Reserves (<i>Note</i>)	1,015,011	426,264
	<u>1,028,286</u>	<u>437,218</u>
Net surplus in equity	<u>1,028,286</u>	<u>437,218</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2016

38. FINANCIAL INFORMATION OF THE COMPANY (Cont'd)

Note: Movements of the Company's reserves during the current and prior years are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Investment revaluation reserve HK\$'000	Convertible notes reserve HK\$'000	Share options reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
At 1 July 2014	74,441	6,316	21,766	-	-	-	(664,351)	(561,828)
Total comprehensive income for the year	-	-	-	-	-	-	876,842	876,842
Issue of shares on conversion of convertible redeemable preference shares	74	(30)	-	-	-	-	-	44
Open offer of shares	38,178	-	-	-	-	-	-	38,178
Transaction costs attributable to open offer of shares	(1,434)	-	-	-	-	-	-	(1,434)
Issue of shares on conversion of convertible notes	15	-	-	-	(16)	-	-	(1)
Open offer of convertible notes	-	-	-	-	77,247	-	-	77,247
Transaction costs attributable to open offer of convertible notes	-	-	-	-	(2,784)	-	-	(2,784)
At 30 June 2015	111,274	6,286	21,766	-	74,447	-	212,491	426,264
Profit for the year	-	-	-	-	-	-	571,638	571,638
Other comprehensive income for the year	-	-	-	2,372	-	-	-	2,372
Total comprehensive income for the year	-	-	-	2,372	-	-	571,638	574,010
Issue of shares on conversion of convertible redeemable preference shares	236	(96)	-	-	-	-	-	140
Issue of shares on conversion of convertible notes	58,097	-	-	-	(60,517)	-	-	(2,420)
Recognition of equity-settled share-based payment	-	-	-	-	-	25,476	-	25,476
Shares repurchased	(3,186)	-	(5,227)	-	-	-	-	(8,413)
Transaction costs attributable to repurchase of ordinary shares	(18)	-	(28)	-	-	-	-	(46)
At 30 June 2016	166,403	6,190	16,511	2,372	13,930	25,476	784,129	1,015,011

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Turnover	1,276	162,820	330	–	11,433
(Loss) profit before taxation	(30,062)	30,919	195,495	(120,713)	733,569
Taxation	(14,793)	(10)	–	–	–
(Loss) profit for the year attributable to owners of the Company	(44,855)	30,909	195,495	(120,713)	733,569

ASSETS AND LIABILITIES

	At 30 June				
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Total assets	1,342,870	1,238,249	1,075,041	1,074,334	1,130,755
Total liabilities	(1,445,256)	(1,309,369)	(923,766)	(931,789)	(233,653)
(Deficiency) surplus of shareholders' funds	(102,386)	(71,120)	151,275	142,545	897,102

SCHEDULE OF PROPERTY INTERESTS

Particulars of the properties held by the Group as at 30 June 2016 are as follows:

Investment properties

Address	Purpose	Approximate gross area (Sq. ft.)	Lease term
20/F, AXA Centre No. 151 Gloucester Road Hong Kong	Commercial	11,722	Long
21/F, AXA Centre No. 151 Gloucester Road Hong Kong	Commercial	11,722	Long
Car parking spaces Nos. 414-420 AXA Centre No. 151 Gloucester Road Hong Kong	Commercial	–	Long
Unit 3A, Cluny Park No. 53 Conduit Road Hong Kong	Residential	2,551	Medium
Unit 3B, Cluny Park No. 53 Conduit Road Hong Kong	Residential	2,384	Medium
Car parking spaces Nos. P12 and P16 Cluny Park No. 53 Conduit Road Hong Kong	Residential	–	Medium