Paladin Limited

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

ANNUAL REPORT

2011

Contents

DIRECTORS

Law Fong *(Chairman)*
Chen Te Kuang Mike
Oung Shih Hua, James
Zhu Pei Qing
Lu Ti Fen
Kwok Wai Chi

COMPANY SECRETARY

Chan Chi Ho

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

CITIC Bank International Limited
Wing Lung Bank Limited
Hang Seng Bank Limited

SOLICITORS

Baker & Mckenzie
Richards Butler
Holman, Fenwick & Willan

PRINCIPAL REGISTRARS

Appleby Management (Bermuda) Limited
Argyle House
41A Cedar Avenue
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

45th Floor, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are re-development of a property project at Nos. 8, 10 and 12 Peak Road (the "Peak Road Project"), investment holding and indent trading.

BUSINESS REVIEW AND PROSPECT

Re-development

The Peak Road Project located at Nos. 8, 10 and 12 Peak Road, Hong Kong consists of 34 apartment units and a 3-storey private house and the gross floor area is approximately 119,000 square feet. 15 apartment units have been sold in previous years. During the year, the Group did not sell any property.

The returns from the Peak Road Project will significantly improve the Group's financial position.

General and indent trading

The management of the Company is currently focusing the resources of the Group on the development and marketing of the Peak Road Project. As a result, turnover in this sector was only approximately HK$1 million.

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. The plan is on early stage and did not generate any revenue to the Group at this moment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2011, net current liabilities of the Group were approximately HK$462 million. The current ratio was 0.64. The pledged bank deposits, bank balances and cash were approximately HK$75 million.

As at 30 June 2011, the Group has outstanding liabilities of approximately HK$1,171 million comprising (i) secured bank borrowings and bank overdrafts of approximately HK$922 million, (ii) amount due to directors of subsidiaries of approximately HK$106 million, (iii) taxation payable of approximately HK$43 million, and (iv) other payables and bills payables of approximately HK$100 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 were secured by investment properties, leasehold properties, bank deposits and properties held for sales of approximately HK$1,146 million.

The Directors consider that it is not meaningful to publish a gearing ratio of the Group until such time the Group is in a positive shareholders' equity position.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2011, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2011, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed total of 32 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2011, there were contingent liabilities in respect of certain legal proceedings against certain subsidiaries of the Company. The aggregate of amount of claims was approximately HK$10 million. In the opinion of the directors, the liabilities 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 (2010: 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
Law Fong
Chairman

Hong Kong
26 September 2011

EXECUTIVE DIRECTORS

Mr. Law Fong, aged 86, joined the Group in 1994. He has over 26 years of experience in the textile industry and 11 years of experience in property development. He retired from his textile and property development businesses in 1985. He is currently a resident of Hong Kong.

Mr. Chen Te Kuang Mike, aged 33, joined the Group in 2004. He has more than 9 years' management and production experience in electronics industry.

NON-EXECUTIVE DIRECTOR

Mr. Oung Shih Hua, James, aged 36, joined the Group in 1995. He holds a bachelor degree in Science from New York University. He is engaging in textile trading and electronic business. He is currently a president of a private electronic company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Pei Qing, aged 74, joined the Group in 2000. He previously worked for the Ministry of Foreign Affairs of the People's Republic of China, and was the ambassador of Lebanon for the People's Republic of China before his retirement.

Ms. Lu Ti Fen, aged 50, joined the Group in 2003. She graduated from Mining Chuan University in Taiwan with a bachelor degree in management and has over 21 years of experience in manufacturing, accounting and financial management.

Mr. Kwok Wai Chi, aged 34, joined the Group in 2004. He holds a bachelor degree in Business Administration from the Hong Kong University of Science and Technology and is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is currently a principal of a wealth management and financial planning company.

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company. The Company has applied the principles in and complied with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30 June 2010 except for certain deviations disclosed herein.

The Company periodically reviews its corporate governance practices to ensure that they continuous meeting 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 2011.

BOARD OF DIRECTORS

The Board comprises two executive directors, one non-executive director and three independent non-executive directors.

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.

4 Board meetings were held during the year ended 30 June 2011.

Members of the Board, number of Board meetings held and the attendance of each member during the year are set out as follows:

	Number of meetings attended/ Number of Board meetings held
Executive directors	
Law Fong	4/4
Chen Te Kuang Mike	4/4
Non-executive director	
Oung Shih Hua, James	3/4
Independent non-executive directors	
Zhu Pei Qing	2/4
Lu Ti Fen	2/4
Kwok Wai Chi	2/4

Mr. Chen Te Kuang Mike is the cousin of Mr. Oung Shih Hua, James.

The Company has received from each independent non-executive director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rule. The Company considers that all of the independent non-executive directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Law Fong whereas the Chief Executive Officer of the Company is Mr. Chen Te Kuang Mike. Their roles are separated, with a clear division of responsibilities. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

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.

Currently, the non-executive director and three independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the bye-laws of the Company.

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

REMUNERATION COMMITTEE

The Remuneration Committee was established with a specific written terms of reference. The Remuneration Committee comprises two independent non-executive directors and one non-executive director. 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 and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive directors and senior management of the Company.

Members of the Remuneration Committee are as follows:

Independent non-executive directors

Zhu Pei Qing
Lu Ti Fen

Non-executive director

Oung Shih Hua, James

No Remuneration Committee meeting was held during the year.

NOMINATION OF DIRECTORS

The Company did not establish a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no independent non-executive director being involved in assessing his own independence.

AUDITOR'S REMUNERATION

For the year ended 30 June 2011, fees payable to the auditor of the Group for audit and non-audit services amounted to HK$820,000 and HK$300,000 respectively.

AUDIT COMMITTEE

The Audit Committee was established with a specific written terms of reference. The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and recommendations to the Board.

Two Audit Committee meetings were held during the year ended 30 June 2011. Members of the Audit Committee, number of Audit Committee meetings held and the attendance of each member during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Non-executive director	
Oung Shih Hua, James	2/2
Independent non-executive directors	
Zhu Pei Qing	2/2
Lu Ti Fen	2/2
Kwok Wai Chi	2/2

During the year ended 30 June 2011, the Audit Committee met mainly to review the Company's annual report for the year ended 30 June 2010 and the Company's interim report for the six months ended 31 December 2010.

INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Company and for reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group.

The management is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

During the financial year under review, the Board has reviewed operational and financial report, budgets and business plans in order to ensure the effectiveness and adequacy of the system through the Audit Committee.

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements. During the year under review, there were no significant change in the Group's principal activities.

RESULTS

The results of the Group for the year ended 30 June 2011 are set out in the consolidated statement of comprehensive income on page 19.

INVESTMENT PROPERTIES

The Group's investment properties were fair valued as at 30 June 2011 by a firm of independent professional property valuers and the gain arising on change in fair value of investment properties of approximately HK$50,000,000 had been credited directly to consolidated statement of comprehensive income. Details of these 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 had no reserves available for distribution as at 30 June 2011.

DIRECTORS

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

Executive directors:

Law Fong *(Chairman)*
Chen Te Kuang Mike

Non-executive director:

Oung Shih Hua, James

Independent non-executive directors:

Zhu Pei Qing
Lu Ti Fen
Kwok Wai Chi

In accordance with the provisions of the Company's Bye-laws, Messrs. Oung Shih Hua, James and Zhu Pei Qing 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 2011, 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	Percentage of issued ordinary shares of the Company held
Chen Te Kuang Mike	Beneficial owner	5,000,000	0.93%
	Held by a controlled corporation (Note)	21,035,000	3.92%
		26,035,000	4.85%
Oung Shih Hua, James	Beneficial owner	5,000,000	0.93%

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 held
Chen Te Kuang Mike	Beneficial owner	2,500,000	0.98%
	Held by a controlled corporation (Note)	9,099,014	3.56%
		11,599,014	4.54%
Oung Shih Hua, James	Beneficial owner	2,500,000	0.98%

Note: These shares are held by Goldenfield Equities Limited, a company in which Chen Te Kuang Mike has 40% beneficial interest.

Other than as disclosed above, as at 30 June 2011, 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 2011, 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:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued ordinary shares of the Company held
Five Star Investments Limited ("Five Star") *(Note)*	Beneficial owner	267,815,017	49.86%

Name of shareholder	Capacity	Number of issued convertible redeemable preference shares held	Percentage of issued convertible redeemable preference shares held
Five Star	Beneficial owner	133,907,508	52.46%
Oung Da Ming	Beneficial owner	50,000,000	19.59%

Note: Five Star is owned as to 67% by Oung Chin Liang Fung, grandmother of Oung Shih Hua, James, and 33% by Lilian Oung, mother of Chen Te Kuang Mike.

Other than as disclosed above, as at 30 June 2011, 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

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.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE

In accordance with the disclosure requirements of Rules 13.18 and 13.21 of The Rules Governing The Listing of Securities on the Stock Exchange (the "Listing Rules"), the following disclosure is included in respect of the Group's loan agreement, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to the loan agreement entered into between the Group and a bank in June 2006 relating to a 300-months loan facility up to HK$550 million, a default event would arise if Five Star ceases to be the beneficial owner of at least 50.5% (in aggregate) of the issued share capital of the Company and the issued convertible redeemable preference shares of the Company. In April 2010, the terms of loan was revised to 201-months with the facility up to HK$260 million after an early partial repayment of the loan.

CONNECTED TRANSACTIONS

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

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, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

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.

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 2011 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
Law Fong
Chairman

Hong Kong
26 September 2011

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 19 to 85, which comprise the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of 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 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 as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 September 2011

Consolidated Statement of Comprehensive Income

For the Year ended 30 June 2011

	NOTES	**2011** *HK$'000*	2010 *HK$'000* (Restated)
Turnover	7	**750**	173,567
Cost of sales		**–**	(71,598)
Gross profit		**750**	101,969
Other income		**17,717**	13,858
Administrative expenses		**(52,643)**	(56,796)
Research and development costs	9	**(3,603)**	(12,146)
Gain arising from change in fair value of investment properties	15	**50,000**	30,000
Loss arising from change in fair value of derivatives financial instruments	27	**(27,540)**	(15,660)
Provision for litigations		**–**	(8,622)
Finance costs	10	**(20,136)**	(26,305)
(Loss) profit before taxation		**(35,455)**	26,298
Taxation charge	11	**–**	(43,400)
Loss for the year	12	**(35,455)**	(17,102)
Other comprehensive income (expense)			
Exchange differences arising on translation		**(1,059)**	643
Fair value gain on available-for-sale investments		**1,614**	–
Other comprehensive income for the year		**555**	643
Total comprehensive expenses for the year		**(34,900)**	(16,459)
LOSS PER SHARE	14		
Basic		**(6.60) HK cents**	(3.19) HK cents
Diluted		**(6.60) HK cents**	(3.19) HK cents

	Notes	2011 HK$'000	2010 HK$'000 (Restated)	As at 1.7.2009 HK$'000 (Restated)
Non-current assets				
Investment properties	15	**248,000**	198,000	168,000
Property, plant and equipment	16	**81,174**	84,987	87,760
Available-for-sale investments	17	**11,114**	9,500	9,500
Deposits for acquisition of property, plant and equipment		**459**	834	1,510
Pledged bank deposits	18	**61,271**	21,232	21,178
		402,018	314,553	287,948
Current assets				
Properties held for sale	19	**774,911**	776,281	846,161
Trade receivables, deposits and prepayments	20	**36,161**	34,516	38,060
Tax reserve certificates	11	**4,000**	–	–
Bank balances and cash	21	**13,721**	17,113	49,947
		828,793	827,910	934,168
Current liabilities				
Bills payable	22	**9,080**	1,718	–
Other payables and accrued charges	23	**90,941**	100,010	143,893
Amount due to directors of subsidiaries	24	**106,246**	9,516	11,300
Provision for litigations	30	**–**	28,274	–
Taxation payable		**43,400**	43,400	–
Bank overdrafts	25	**52,874**	54,898	21,812
Secured bank borrowings – current	26	**869,187**	842,027	985,083
Derivative financial instruments	27	**118,800**	91,260	75,600
		1,290,528	1,171,103	1,237,688
Net current liabilities		**(461,735)**	(343,193)	(303,520)
		(59,717)	(28,640)	(15,572)

At 30 June 2011

	Notes	**2011**	2010	As at 1.7.2009
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
Capital and reserves				
Share capital	28	**5,372**	5,372	5,337
Reserves		**(95,649)**	(60,753)	(44,602)
		(90,277)	(55,381)	(39,265)
Non-current liabilities				
Convertible redeemable preference shares	29	**30,560**	26,741	23,693
		(59,717)	(28,640)	(15,572)

The consolidated financial statements on pages 19 to 85 were approved and authorised for issue by the Board of Directors on 26 September 2011 and are signed on its behalf by:

Law Fong
CHAIRMAN

Chen Te Kuang Mike
DIRECTOR

Consolidated Statement of Changes In Equity

For the Year ended 30 June 2011

	Attributable to equity holders 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*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 July 2009 at originally stated	5,337	1,280	24,800	21,766	(4,560)	2,000	(98,923)	(48,300)
Effect of change in accounting policy	–	–	–	–	–	–	9,035	9,035
At 1 July 2009 as restated	5,337	1,280	24,800	21,766	(4,560)	2,000	(89,888)	(39,265)
Loss for the year	–	–	–	–	–	–	(17,102)	(17,102)
Other comprehensive income for the year	–	–	–	–	643	–	–	643
Total comprehensive expenses for the year	–	–	–	–	643	–	(17,102)	(16,459)
Issue of shares on conversion of convertible redeemable preference shares	35	846	(538)	–	–	–	–	343
At 30 June 2010	5,372	2,126	24,262	21,766	(3,917)	2,000	(106,990)	(55,381)
Loss for the year	–	–	–	–	–	–	(35,455)	(35,455)
Other comprehensive income for the year	–	–	–	–	(1,059)	1,614	–	555
Total comprehensive expenses for the year	–	–	–	–	(1,059)	1,614	(35,455)	(34,900)
Issue of shares on conversion of convertible redeemable preference shares	–	10	(6)	–	–	–	–	4
At 30 June 2011	5,372	2,136	24,256	21,766	(4,976)	3,614	(142,445)	(90,277)

Notes:

(a) The capital reserve represents the equity component of convertible redeemable preference shares issued during both years.

(b) 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.

Consolidated Statement of Cash Flows

For the Year ended 30 June 2011

	2011	2010
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(35,455)**	26,298
Adjustments for:		
Depreciation of property, plant and equipment	**3,459**	3,623
Finance costs	**20,136**	26,305
Interest income	**(115)**	(1,217)
Gain arising from change in fair value of investment properties	**(50,000)**	(30,000)
Loss arising from change in fair value of derivative financial instruments	**27,540**	15,660
Gain arising from disposal of property, plant and equipment	**(64)**	–
Impairment loss recognised in respect of property, plant and equipment	**398**	–
Provision for litigations	**–**	8,622
Operating cash flows before movements in working capital	**(34,101)**	49,291
Decrease in properties held for sale	**–**	69,880
(Increase) decrease in trade receivables, deposits and prepayments	**(2,754)**	625
Increase in bills payable	**7,362**	1,718
Decrease in other payables and accrued charges	**(7,323)**	(20,687)
Decrease in provision for litigations	**(28,274)**	–
Cash (used in) from operations	**(65,090)**	100,827
Acquisition of tax reserve certificates	**(4,000)**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(69,090)**	100,827
INVESTING ACTIVITIES		
Interest received	**115**	1,217
Purchase of property, plant and equipment	**(70)**	(167)
Proceed from disposal of property, plant and equipment	**118**	–
Increase in pledged bank deposits	**(40,039)**	(54)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(39,876)**	996
FINANCING ACTIVITIES		
Interest paid	**(16,313)**	(22,914)
Bank borrowings raised	**207,000**	–
Repayment of bank borrowings	**(179,840)**	(143,056)
Advance from a director of subsidiaries	**106,246**	–
Repayment to a director of subsidiaries	**(9,516)**	(1,784)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**107,577**	(167,754)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,389)**	(65,931)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**(37,785)**	28,135
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**21**	11
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**(39,153)**	(37,785)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**13,721**	17,113
Bank overdrafts	**(52,874)**	(54,898)
	(39,153)	(37,785)

1. GENERAL

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company and ultimate holding company is Five Star Investments Limited ("Five Star"), 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. Its principal subsidiaries are engaged in investment holding, property development and investment, and indent trading of merchandise.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the net liabilities of the Group amounting to approximately HK$90,277,000 as at 30 June 2011.

Taking into account the available unutilised bank credit facility of HK$245,563,000 (2010: HK$94,944,000) as at 30 June 2011 and the estimated proceeds from sales of developed properties, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("New and Revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Amendments to HKAS 27 and HKFRS 3 as part of Improvements to HKFRSs issued in 2010
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets
HKAS 32 (Amendment)	Classification of rights issues
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC*) – INT 19	Extinguishing financial liabilities with equity instruments
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

* IFRIC represents the IFRS Interpretation Committee

Except as described below, the adoption of the New and Revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause"

Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause" ("HK INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause" (Cont'd)

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$700,103,000 and HK$866,751,000 have been reclassified from non-current liabilities to current liabilities as at 30 June 2010 and 1 July 2009, respectively. At 30 June 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$676,747,000 have been classified as current liabilities. The application of HK INT 5 has had no impact on the reported profit or loss for the current and prior years. Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 26 for details).

Amendments to HKAS 12 "Income taxes" (Early adoption)

Amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" have been applied in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

The Group's investment properties are measured using the fair value model. As a result, the Group's investment properties located in Hong Kong have been presumed to be recovered through sale for the purpose of measuring deferred tax in respect of such properties. This resulted in deferred tax liabilities being decreased by HK$9,035,000 and HK$13,985,000 as at 1 July 2009 and 30 June 2010 respectively, with the corresponding adjustment being recognised in retained earnings.

Also, no deferred tax has been provided for in respect of changes in fair value of such investment properties located in Hong Kong in the current year, whereas previously deferred tax expense was provided for in relation to the changes in fair value of these investment properties. The application of the amendments has resulted in a decrease in taxation charge of HK$8,250,000 (2010: HK$4,950,000) for the year ended 30 June 2011.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

	2011	2010
	HK$'000	*HK$'000*
Decrease in taxation charge and loss for the year	**8,250**	4,950

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 July 2009 and 30 June 2010 are as follows:

	As at 1.7.2009 (originally stated)	**Adjustments**	**As at 1.7.2009 (restated)**	**As at 30.6.2010 (originally stated)**	**Adjustments**	**As at 30.6.2010 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank borrowings						
– due within one year	(118,332)	(866,751)	(985,083)	(141,924)	(700,103)	(842,027)
Secured bank borrowings						
– due after one year	(866,751)	866,751	–	(700,103)	700,103	–
Deferred tax liabilities	(9,035)	9,035	–	(13,985)	13,985	–
Total effects on net liabilities	(994,118)	9,035	(985,083)	(856,012)	13,985	(842,027)
Accumulated losses and total effects on equity	98,923	(9,035)	89,888	120,975	(13,985)	106,990

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

The effects of the above changes in accounting policies on the Group's basic and diluted loss per share for the current and prior year are as follows:

Impact on basic and diluted loss per share

	Impact on basic loss per share		**Impact on diluted loss per share**	
	Year ended 30.6.2011	Year ended 30.6.2010	**Year ended 30.6.2011**	Year ended 30.6.2010
	HK$	*HK$*	***HK$***	*HK$*
Figures before adjustments	**(7.88)**	(4.12)	**(7.88)**	(4.12)
Adjustments arising from changes in the Group's accounting policies in relation to:				
– deferred tax for investment properties	**1.28**	0.93	**1.28**	0.93
Figures after adjustments	**(6.60)**	(3.19)	**(6.60)**	(3.19)

New and revised standards and interpretations issued but not yet effective

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

HKFRSs (Amendments)	Amendments to HKAS 1, HKAS 34, HKFRS 1, HKFRS 7 and HK(IFRIC) – INT 13 as part of Improvements to HKFRSs issued in 2010[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[3]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 24 (Revised 2011)	Related party disclosures[4]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]
HK(IFRIC) – INT 14	Prepayment of a minimum finding requirement[4]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and revised standards and interpretations issued but not yet effective (Cont'd)

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2011.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either 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 accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 July 2013, with earlier application permitted. The directors of the Company anticipate that the amendments to HKFRS 9 may not have material impact on the Group's financial assets and financial liabilities based on an analysis of the Group's financial assets and liabilities as at 30 June 2011.

The directors of the Company anticipate that the application of new and revised Standards, Amendments and Interpretations will have no material impact on the consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and properties sold, rental income and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of developed properties in the ordinary course of business is recognised on the execution of a binding sale agreement.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Income from indent trading represents the handling income for indent trading, which is recognised when services are rendered.

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 revenue can be measured reliably. Interest income from a financial asset 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.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

Investment properties

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

In cases where classification between investment properties and properties held for sale in the ordinary course of business is difficult, the Group classifies the properties being actively marketed for sale as properties held for sale and other properties which are not marketed for immediate disposal as investment property held for long term capital appreciation purpose.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties (Cont'd)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (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.

Properties held for sale

Properties held for sale are stated at lower of cost and net realisable value.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 and 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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 trade receivables and deposits, pledged bank deposits, 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 ("FVTPL"), 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).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

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 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.

4. 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

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

The Group's financial liabilities, other than the convertible redeemable preference shares, are generally classified into other financial liabilities.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

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 by 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.

Other financial liabilities

Other financial liabilities (including bills payable, other payables, amount due to directors of subsidiaries, bank overdrafts and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, 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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its 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. 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 as an expense immediately.

When 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 as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;

- the ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 its 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.

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, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the 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 as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 goodwill or 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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 and interests 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.

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. 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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property", such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is held within a business model the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Other than deferred tax liabilities related to investment properties which are presumed to be recovered from sale, the measurement of other deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities. 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.

4. 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.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment or investment properties (as appropriate) unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Retirement benefit scheme

Payments to defined contribution retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders 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 amount due to directors of subsidiaries, bank overdrafts and secured bank borrowings as disclosed in notes 24, 25 and 26, respectively (net of cash and cash equivalents) and equity attributable to equity holders 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 associated with each class of capital. The Group will balance its overall capital structure through new share issues as well as issue of new debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)		
– trade receivables and deposits	**35,378**	33,864
– pledged bank deposits	**61,271**	21,232
– bank balances and cash	**13,721**	17,113
	110,370	72,209
Available-for-sale financial assets		
– available-for-sale investments	**11,114**	9,500
Financial liabilities		
At amortised cost		
– bills payable	**9,080**	1,718
– other payables	**13,199**	15,036
– amount due to directors of subsidiaries	**106,246**	9,516
– bank overdrafts	**52,874**	54,898
– bank borrowings	**869,187**	842,027
– convertible redeemable preference shares	**30,560**	26,741
	1,081,146	949,936
Fair value through profit or loss		
– derivative financial instruments	**118,800**	91,260

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investments, trade receivables and deposits, pledged bank deposits, bank balances and cash, bills payable, other payables, amount due to directors of subsidiaries, bank overdrafts, secured bank borrowings, derivative financial instruments 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.

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:

	2011	2010
	HK$'000	*HK$'000*
Assets		
United States Dollars ("USD")	**14,074**	14,209
Liabilities		
USD	**9,080**	1,718

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.

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating-rate bank overdrafts and bank borrowings (see notes 25 and 26 for details of these borrowings). The management continuously monitors interest rate fluctuation and will consider further hedging interest rate risk should the need arise.

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits. The directors of the Company consider the Group's exposure of the fixed-rate pledged bank deposits to fair value interest rate risk is not significant as the interest rates are repriced every three months.

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 HKD borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for floating rate bank overdrafts and secured bank borrowings at the end of the reporting period and the stipulated changes taking place at the beginning of the year and held constant throughout the year. The analysis also assumed the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point (2010: 50 basis points) increase or decrease is 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 (2010: 50 basis points) higher/lower and all other variables were held constant, the loss for the year ended 30 June 2011 would increase/decrease by approximately HK$3,850,000 (2010: loss would increase/decrease by approximately HK$3,745,000). This is mainly attributable to the Group's exposure to interest rates on floating-rate bank overdrafts and secured bank borrowings.

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Other price risk

The Group's available-for-sale investments and derivative financial instruments exposed the Group to other price risks. Details of the available-for-sale investments and derivative financial instruments are set out in notes 17 and 27 respectively.

Management has closely monitor the other price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to other price risks at the end of the reporting period. 5% (2010: 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.

(i) Price risk of available-for-sale investments

If the prices of the available-for-sale debt investment had been 5% (2010: 5%) higher/lower, investment revaluation reserve for the year ended 30 June 2011 would increase/decrease by HK$556,000 (2010: increase/decrease by HK$475,000) as a result of the changes in fair value of available-for-sale investments.

(ii) Price risk of derivative financial instruments

If the market price of the underlying leasehold property interests had been 5% higher/lower and other inputs were held constant, loss for the year ended 30 June 2011 would increase/decrease by HK$5,940,000 (2010: loss for the year would increase/decrease by HK$4,563,000) as a result of the changes in fair value of the derivatives.

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those 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 actions and/or corrective actions are taken promptly to lower exposure or even 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 and state owned banks with good reputation.

The Group has concentration risk on receivables from handling service and available-for-sale debt investments.

Receivables from handling service with approximately HK$13,168,000 (2010: HK$12,041,000) was from a few customers. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade receivable regularly 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.

Available-for-sale debt investments with carrying value of approximately HK$11,114,000 (2010: HK$9,500,000) 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 risk.

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk

As mentioned in note 2, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its liquidity risk. Taking into account the available unutilised bank credit facility of HK$245,563,000 (2010: HK$94,944,000) as at 30 June 2011 and the estimated proceeds from sales of developed properties, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future and the Group does not have significant exposure to liquidity risk.

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	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2011									
Non-derivative financial liabilities									
Bills payable	N/A	–	9,080	–	–	–	–	9,080	9,080
Other payables	N/A	13,199	–	–	–	–	–	13,199	13,199
Amount due to directors of subsidiaries	N/A	106,246	–	–	–	–	–	106,246	106,246
Bank overdrafts	5.25%	52,874	–	–	–	–	–	52,874	52,874
Secured bank borrowings	1.87%	869,187	–	–	–	–	–	869,187	869,187
Convertible redeemable preference shares	N/A	–	–	–	–	–	63,816	63,816	30,560
		1,041,506	9,080	–	–	–	63,816	1,114,402	1,081,146
Derivative financial instruments	N/A	118,800	–	–	–	–	–	118,800	118,800
As at 30 June 2010									
Non-derivative financial liabilities									
Bills payable	N/A	–	1,718	–	–	–	–	1,718	1,718
Other payables	N/A	15,036	–	–	–	–	–	15,036	15,036
Amount due to directors of subsidiaries	N/A	9,516	–	–	–	–	–	9,516	9,516
Bank overdrafts	5.25%	54,898	–	–	–	–	–	54,898	54,898
Secured bank borrowings	4.56%	842,027	–	–	–	–	–	842,027	842,027
Convertible redeemable preference shares	N/A	–	–	–	–	–	63,819	63,819	26,741
		921,477	1,718	–	–	–	63,819	987,014	949,936
Derivative financial instruments	N/A	91,260	–	–	–	–	–	91,260	91,260

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity and interest risk tables (Cont'd)

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

	Weighted average Interest rate	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank borrowings								
As at 30 June 2011	1.87%	10,583	32,337	117,752	160,600	457,357	778,629	719,187
As at 30 June 2010	4.56%	27,706	23,985	45,758	301,279	468,353	867,081	767,027

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;
- the fair value of loans and receivables and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair values of derivative financial instruments are estimated with reference to market price of the underlying leasehold property. Details are set out in note 27.

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 value.

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.

6. FINANCIAL INSTRUMENTS (Cont'd)

Fair value (Cont'd)

Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

- 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).

		30 June 2011	
	Level 1	**Level 2**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Available-for-sale financial assets			
Club debenture	**11,114**	**–**	**11,114**
Financial liabilities at FVTPL			
Derivative financial instruments	**–**	**118,800**	**118,800**

		30 June 2010	
	Level 1	Level 2	Total
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale financial assets			
Club debenture	9,500	–	9,500
Financial liabilities at FVTPL			
Derivative financial instruments	–	91,260	91,260

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

7. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for properties sold and services rendered during the year. An analysis of the Group's turnover is as follows:

	2011	2010
	HK$'000	*HK$'000*
Sales of properties held for sale	–	171,800
Service income from indent trading of merchandise	750	1,767
	750	173,567

8. SEGMENT INFORMATION

The Group's operating segments are property development, property investment and indent trading of merchandise for the purpose of resources allocation and assessment of performance.

The segment information reported externally was analysed on the basis of their products and services provided by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the chairman of the board of directors, the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of performance. These operating decisions also reflect the basic of organisation in the Group.

Principal activities of the operating an reportable segments are as follows:

Property Development	–	Properties construction and redevelopment for sale purpose
Property investment	–	Completed investment properties held for capital appreciation purpose
Indent trading of merchandise	–	Provision of agency services in transactions of indent trading of merchandise

The Group incurred research and development costs relating to projects at preliminary stage. Such projects have been ceased during the current year. These projects are not regularly reviewed by the Group's CODM for the purposes of resource allocation and performance assessment. Accordingly, it was not classified as an operating segment.

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 2011

	Property development	Property investment	Indent trading of merchandise	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External	**–**	**–**	**750**	**750**
Segment result	**(15,153)**	**48,825**	**(315)**	**33,357**
Other income				**17,717**
Loss arising on changes in fair value of derivative financial instruments				**(27,540)**
Research and development costs				**(3,603)**
Unallocated corporate expenses				**(35,250)**
Finance costs				**(20,136)**
Loss before taxation				**(35,455)**

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 loss arising on changes in fair value of derivative financial instruments, research and development costs, corporate income and expenses, finance costs and taxation. This is the measure reported to the chairman of board of directors, the Group's CODM, for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 30 June 2010

	Property development *HK$'000*	Property investment *HK$'000*	Indent trading of merchandise *HK$'000*	Consolidated *HK$'000*
Turnover				
External	171,800	–	1,767	173,567
Segment result	101,920	29,184	49	131,153
Other income				13,858
Loss arising on changes in fair value of derivative financial instruments				(15,660)
Provision for litigations				(8,622)
Research and development costs				(12,146)
Unallocated corporate expenses				(55,980)
Finance costs				(26,305)
Profit before taxation				26,298

8. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

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

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Segment assets		
Property development	**854,696**	859,529
Property investment	**248,229**	198,339
Indent trading of merchandise	**13,168**	12,041
Total segment assets	**1,116,093**	1,069,909
Available-for-sale investments	**11,114**	9,500
Pledged bank deposits	**61,271**	21,232
Tax reserve certificates	**4,000**	–
Bank balances and cash	**13,721**	17,113
Unallocated	**24,612**	24,709
Consolidated assets	**1,230,811**	1,142,463
Segment liabilities		
Property development	**78,199**	118,465
Property investment	**2,337**	5,174
Indent trading of merchandise	**9,450**	2,824
Total segment liabilities	**89,986**	126,463
Amount due to directors of subsidiaries	**106,246**	9,516
Bank overdrafts	**52,874**	54,898
Secured bank borrowings	**869,187**	842,027
Derivative financial instruments	**118,800**	91,260
Taxation payable	**43,400**	43,400
Convertible redeemable preference shares	**30,560**	26,741
Unallocated	**10,035**	3,539
Consolidated liabilities	**1,321,088**	1,197,844

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, pledged bank deposits, tax reserve certificates, bank balances and cash; and
- all liabilities are allocated to operating segments other than bank overdrafts, secured bank borrowings, derivative financial instruments, taxation payable and convertible redeemable preference shares.

Other segment information

For the year ended 30 June 2011

	Property development *HK$'000*	**Property investment** *HK$'000*	**Indent trading of merchandise** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measure of segment asset or segment result:					
Capital additions	**–**	**–**	**–**	**70**	**70**
Depreciation	**3,088**	**110**	**–**	**261**	**3,459**

For the year ended 30 June 2010

	Property development *HK$'000*	Property investment *HK$'000*	Indent trading of merchandise *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment asset or segment result:					
Capital additions	841	–	–	–	841
Depreciation	3,088	110	–	425	3,623

8. SEGMENT INFORMATION (Cont'd)

Other entity-wide information

The Group's operations are located in Hong Kong and People's Republic of China ("PRC").

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

	2011	
	Revenue from external customers	**Non-current assets**
	HK$'000	***HK$'000***
Hong Kong (Place of domicile)	**–**	**329,633**
PRC	**750**	**–**
	750	**329,633**

	2010	
	Revenue from external customers	Non-current assets
	HK$'000	*HK$'000*
Hong Kong (Place of domicile)	171,800	283,821
PRC	1,767	–
	173,567	283,821

Note: Non-current assets excluded available-for-sale investments and pledged bank deposits.

8. SEGMENT INFORMATION (Cont'd)

Information about major customers

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

	2011	2010
	HK$'000	*HK$'000*
Customer A[1]	**–**	171,800
Customer B[2]	**750**	–
	750	171,800

1 Revenue from property development.
2 Revenue from indent trading of merchandise

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs represent expenditure on several research projects carried out by Sensors Integration Technology Limited, a wholly owned subsidiary of the Company.

The directors of the Company considered that the research projects are in research stage and not qualify the capitalisation criteria set out in HKAS 38 "Intangible assets". Accordingly, the research and development costs of HK$3,603,000 (2010: HK$12,146,000) is recognised as an expenses in profit or loss.

10. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings:		
– wholly repayable within five years	**5,442**	5,923
– not wholly repayable within five years	**9,250**	14,664
Interest on other loans	**1,621**	2,327
Finance costs on convertible redeemable preference shares *(note 29)*	**3,823**	3,391
	20,136	26,305

11. TAXATION CHARGE

The charge comprises:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Current tax:		
Hong Kong Profits Tax for the year	**–**	–
Other jurisdictions	**–**	–
	–	–
Underprovision in prior years:		
Hong Kong Profits Tax	**–**	(43,400)
Tax charge attributable to the Company and its subsidiaries	**–**	(43,400)

In August 2007, January 2009 and February 2010, a subsidiary of the Company received the Assessment Demanding Final Tax (the "Assessments") for the years of assessment 2006/2007, 2007/2008 and 2008/2009 from the Hong Kong Inland Revenue Department ("IRD") respectively. By issuing the Assessments, the IRD disagreed the basis adopted by this subsidiary for computation of Hong Kong Profits Tax liability. In addition, the IRD disagreed the tax losses brought forward and certain items claimed by this subsidiary for the years of assessment from 1997/1998 to 1999/2000 and 2004/2005 to 2005/2006 with aggregated amount of approximately HK$279,990,000.

The Group has lodged objections against the Assessments received from IRD in September 2007 and March 2010 respectively. The IRD has agreed to holdover the tax in dispute of approximately HK$109,277,000 unconditionally and HK$26,877,000 on condition that the tax reserve certificates are purchased on instalment basis (in which HK$4,000,000 has been paid as at 30 June 2011).

11. TAXATION CHARGE (Cont'd)

Other than the existing tax provision of HK$43,400,000, the directors of the Company are of the view that no additional tax provision is needed at the present stage because the Group had grounds to pursue its tax claims and to appeal in the event that the case is to be determined by the Commissioner. Also, the amount and timing of potential additional tax liabilities, if any, could not be readily and reliably ascertained at the present stage.

Taxation for the year can be reconciled to loss per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss (profit) before taxation	**(35,455)**	26,298
Tax credit (charge) at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	**5,850**	(4,339)
Tax effect of income not taxable for tax purpose	**8,473**	5,921
Tax effect of expenses not deductible for tax purpose	**(8,579)**	(14,520)
Tax effect of unrealised intragroup profits on properties held for sale not recognised	**–**	10,580
Tax effect of tax losses not recognised	**(5,744)**	–
Utilisation of tax losses previously not recognised	**–**	2,358
Underprovision in respect of prior years	**–**	(43,400)
Tax charge for the year	**–**	(43,400)

12. LOSS FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' emoluments *(note 13)*	**1,206**	980
Other staff costs, including retirement benefit scheme contributions	**7,632**	8,377
Total staff costs	**8,838**	9,357
Auditor's remuneration	**820**	820
Cost of properties sold	**–**	69,880
Depreciation of property, plant and equipment	**3,459**	3,623
Impairment loss recognised in respect of property, plant and equipment	**398**	–
Legal and professional fee (included in administrative expenses)	**8,924**	11,996
Net exchange loss	**124**	156
and after crediting:		
Gross rental income from investment properties	**–**	–
Less: Direct expenses that generated rental income during the year	**–**	–
Less: Direct expenses not generated rental income during the year	**(1,175)**	(816)
	(1,175)	(816)
Gross rental income from properties held for sale	**13,489**	10,679
Consultancy fee (included in other income)	**3,195**	859
Interest income	**115**	1,217
Gain on disposal of property, plant and equipment	**64**	–

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals are as follows:

(a) Directors' emoluments

The emoluments paid or payable to each of the six (2010: six) directors were as follows:

	2011						
	Law Fong	**Chen Te Kuang Mike**	**Oung Shih Hua, James**	**Zhu Pei Qing**	**Lu Ti Fen**	**Kwok Wai Chi**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Directors' fees	**118**	**240**	**240**	**60**	**286**	**144**	**1,088**
Other emoluments:							
Salaries and other benefits	**118**	**–**	**–**	**–**	**–**	**–**	**118**
Retirement benefit scheme contributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	118	**–**	**–**	**–**	**–**	**–**	**118**
Total	**236**	**240**	**240**	**60**	**286**	**144**	**1,206**

	2010						
	Law Fong	Chen Te Kuang Mike	Oung Shih Hua, James	Zhu Pei Qing	Lu Ti Fen	Kwok Wai Chi	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors' fees	118	–	–	60	60	144	382
Other emoluments:							
Salaries and other benefits	118	240	240	–	–	–	598
Retirement benefit scheme contributions	–	–	–	–	–	–	–
	118	240	240	–	–	–	598
Total	236	240	240	60	60	144	980

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(b) Employees' emoluments

During the year, the five highest paid individuals of the Group included four (2010:three) directors, details of whose emoluments are set out in (a) above. The emoluments of the remaining one (2010: two) individuals are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**173**	213
Retirement benefit scheme contributions	**9**	10
	182	223

The emoluments of these employees fall within the following band:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**1**	2

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. In addition, during both years, no director waived any emoluments.

14. LOSS PER SHARE

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

	For the year ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss for the purpose of basic loss per share	**(35,455)**	(17,102)

	2011	2010
Number of share		
Weighted average number of shares for the purpose of calculating basic loss per share	**537,134,862**	535,017,924

The calculation of diluted loss per share for the years ended 30 June 2011 and 30 June 2010 has not assumed the conversion of the Company's outstanding convertible redeemable preference shares which would reduce the loss per share.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2009	168,000
Increase in fair value recognised in profit or loss	30,000
At 30 June 2010	198,000
Increase in fair value recognised in profit or loss	50,000
At 30 June 2011	248,000

The fair value of the Group's investment properties as at 30 June 2011 has been arrived at on the basis of a valuation carried out on that day by Messrs. Savills Valuation and Professional Services Limited, the independent qualified professional property valuers not connected with the Group. Messrs. Savills Valuation and Professional Services Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualification. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The investment properties are two developed properties located at Nos.8, 10 and 12 Peak Road which are held by the Company for long-term capital appreciation. These properties are classified as investment properties and are measured using the fair value model.

All the Group's investment properties are situated in Hong Kong with long lease. They were secured to support banking facilities granted to the Group.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Leasehold improvements	Office equipment, furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 July 2009	113,079	1,296	12,788	127,163
Additions	–	726	115	841
Exchange realignment	–	–	1	1
At 30 June 2010	113,079	2,022	12,904	128,005
Additions	–	–	70	70
Disposals	–	–	(138)	(138)
Exchange realignment	–	–	87	87
At 30 June 2011	113,079	2,022	12,923	128,024
DEPRECIATION AND IMPAIRMENT				
At 1 July 2009	30,120	110	9,173	39,403
Provided for the year	2,632	292	699	3,623
Exchange realignment	–	–	(8)	(8)
At 30 June 2010	32,752	402	9,864	43,018
Provided for the year	2,632	292	535	3,459
Eliminated on disposals	–	–	(84)	(84)
Impairment loss recognised in profit or loss	–	–	398	398
Exchange realignment	–	–	59	59
At 30 June 2011	35,384	694	10,772	46,850
CARRYING VALUES				
At 30 June 2011	77,695	1,328	2,151	81,174
At 30 June 2010	80,327	1,620	3,040	84,987

Note: Owner-occupied leasehold interest in land situated in Hong Kong is included in property, plant and equipment as the allocation between the land and building elements cannot be made reliably.

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

Leasehold properties	Over the estimated useful lives of 50 years or the period of the lease, whichever is the shorter
Leasehold improvements	Over the estimated useful lives of 10 years
Office equipment, furniture and fixtures	15-25%

The leasehold properties of the Group are situated in Hong Kong and are held under long leases. They were secured to a bank to support credit facilities granted to the Group.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$'000	*HK$'000*
Club debenture, at market value	**11,114**	9,500
Unlisted equity investment, at cost	**15,577**	15,777
Less: Impairment loss recognised	**(15,577)**	(15,777)
	11,114	9,500

At 30 June 2011, the above unlisted investments comprised (i) 40% equity interest in the registered capital of Harbin Zheng Hua Real Estate Developing Company Limited ("Zheng Hua"), which was a company established in the PRC and engaged in property development, with zero carrying amount; and (ii) club debenture with market value of HK$11,114,000 (2010: HK$9,500,000).

The investment in Zheng Hua is not classified as an associate as, in the opinion of the directors of the Company, the Group is not able to exercise significant influence over its financial and operating policy decisions.

The unlisted equity investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value of the investment cannot be measured reliably.

18. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure banking facilities and letter of guarantee granted to the Group. The pledged bank deposits carried interest at an average fixed interest rate of 0.2% (2010: 0.14%) per annum. The secured banking facilities consist of bank loans with scheduled repayment dates that are after one year from the end of the reporting period, the pledged bank deposits are classified as non-current assets.

19. PROPERTIES HELD FOR SALE

At 30 June 2011 and 2010, the properties held for sale are stated at cost.

Properties held for sale represent developed properties located at Nos.8, 10 and 12 Peak Road. The management of the Company actively markets these properties and seeks for potential buyers through property agents on a continuous basis.

Certain properties held for sale are leased to independent third parties to earn rental income of HK$13,489,000 (2010: HK$10,679,000). The directors of the Company retained the intention to sell these properties, including the benefit contributed by the tenancy agreement to potential investor. Accordingly, these properties are classified as properties held for sale as at 30 June 2011 and 30 June 2010.

The properties held for sale, except for car parks and motor-cycle spaces, are pledged or secured to support the credit facility granted to the Group. For details of pledged or secured assets, please refer to note 32.

20. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 ***HK$'000***	2010 *HK$'000*
Receivables of service rendered in indent trading	**13,168**	12,041
Security deposit paid to court	**–**	975
Deposits and prepayments	**22,993**	21,500
	36,161	34,516

The following is an aged analysis of receivables of service rendered in indent trading at the end of the reporting periods:

	2011 ***HK$'000***	2010 *HK$'000*
0 to 60 days	**1,475**	1,766
61 to 120 days	**11,693**	–
121 days to 1 year	**–**	–
Over 1 year	**–**	10,275
	13,168	12,041

20. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

The Group allows a credit period of 120 days to its customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits.

Included in the Group's receivables of service rendered in indent trading are debtors with a carrying amount of HK$nil (2010: HK$10,275,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The following is an aged analysis of receivables of service rendered in indent trading which are past due but not yet impaired at the end of the reporting periods.

	2011	2010
	HK$'000	*HK$'000*
Past due 1 to 90 days	**–**	–
Past due 91 days to 1 year	**–**	–
Past due over 1 year	**–**	10,275
	–	10,275

The Groups' management closely monitors the credit quality of receivables of service rendered in indent trading and considers the receivables that are neither past due nor impaired to be of a good credit quality. Based on the payment pattern of the customers of the Group, all of the receivables of service rendered in indent trading as at 30 June 2011 and 2010 which are past due but not impaired are generally collectable.

Included in trade 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.

	2011	2010
	HK$'000	*HK$'000*
USD	**13,168**	12,041

21. 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 0.001% to 0.4% (2010: 0.001% to 0.4%) 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.

	2011	2010
	HK$'000	*HK$'000*
USD	**906**	2,168

22. BILLS PAYABLE

At 30 June 2011, the bills payable are aged within 60 days (2010: 60 days) and dominated in USD.

23. OTHER PAYABLES AND ACCRUED CHARGES

	2011	2010
	HK$'000	*HK$'000*
Rental deposits received	**2,985**	3,262
Sales deposits received	**–**	858
Accruals	**32,759**	36,517
Accrued construction costs	**41,998**	44,337
Other payables	**13,199**	15,036
	90,941	100,010

The Group's other payable are all denominated in Hong Kong dollars.

24. AMOUNT DUE TO DIRECTORS OF SUBSIDIARIES

The amount as at 30 June 2011 represents amount due to Oung Da Ming, who is a director of the Group's major subsidiaries. The amount is unsecured, non-interest bearing and repayable on demand.

The amount as at 30 June 2010 represented amount due to Lilian Oung, a director of a controlling shareholder of the Company. The amount was unsecured, non-interest bearing and repayable on demand.

25. BANK OVERDRAFTS

Bank overdrafts carry interest at 0.25% over Hong Kong dollars Prime Rate, i.e. 5.25% (2010: 5.25%) per annum and secured by certain apartments of the Group's properties held for sale. The details of the pledged assets are set out in note 32.

26. SECURED BANK BORROWINGS

	2011	2010	As at 1.7.2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Secured:			
Revolving loan	**75,000**	–	–
Mortgage loans	**719,187**	767,027	910,083
Bank loan	**75,000**	75,000	75,000
	869,187	842,027	985,083

Comprising amounts following due:

	2011	2010	As at 1.7.2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
On demand and within one year	**192,440**	141,924	118,332
In more than one year but not more than two years	**115,590**	40,598	44,247
In more than two years but not more than three years	**86,362**	113,995	45,150
In more than three years but not more than four years	**32,560**	85,447	118,420
In more than four years but not more than five years	**32,995**	31,092	89,449
Over five years	**409,240**	428,971	569,485
	869,187	842,027	985,083
Less: Amounts due within one year shown under current liabilities	**(192,440)**	(141,924)	(118,332)
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)	**(676,747)**	(700,103)	(866,751)
Amounts shown under non-current liabilities	**–**	–	–

26. SECURED BANK BORROWINGS (Cont'd)

At 30 June 2011, the bank borrowings comprised:

(i) a mortgage loan with an outstanding amount of approximately HK$46,024,000 (2010: nil) that shall be repayable by 240 monthly installments and carries interest at a rate of 0.88% per annum over HIBOR;

(ii) a mortgage loan with an outstanding amount of approximately HK$244,901,000 (2010: HK$258,739,000) that shall be repayable by 201 monthly installments and carries interest at a rate of 1.2% per annum above HIBOR;

(iii) a revolving loan with an outstanding amount of approximately HK$60,000,000 (2010: nil) that carries interest at a rate of 0.8% per annum over HIBOR;

(iv) a mortgage loan with an outstanding amount of approximately HK$ 80,073,000 (2010: nil) that shall be repayable by 205 monthly installments and carries interest at a rate of 0.88% per annum over HIBOR;

(v) a mortgage loan with an outstanding amount of approximately HK$56,764,000 (2010: HK$60,003,000) that shall be repayable by 240 monthly installments and carries interest at a rate of 1.25% per annum above HIBOR;

(vi) a mortgage loan with an outstanding amount of approximately HK$27,504,000 (2010: HK$28,735,000) that shall be repayable by 300 monthly installments and carries interest at a rate of 0.7% per annum below the HIBOR;

(vii) a mortgage loan with an outstanding amount of approximately HK$26,608,000 (2010: HK$27,798,000) that shall be repayable by 300 monthly installments and carries interest at a rate of 0.7% per annum below the HIBOR;

(viii) a mortgage loan with an outstanding amount of approximately HK$87,096,000 (2010: HK$94,207,000) that shall be repayable by 60 monthly installments and carries interest at a rate of 1.2% per annum over HIBOR;

(ix) a mortgage loan with an outstanding amount of approximately of HK$60,242,000 (2010: HK$62,925,000) that shall be repayable by 300 monthly installments and carries interest at a rate of 0.7% per annum below the HIBOR;

26. SECURED BANK BORROWINGS (Cont'd)

At 30 June 2011, the bank borrowings comprised: (Cont'd)

(x) a mortgage loan with an outstanding amount of approximately of HK$62,198,000 (2010: HK$66,083,000) that shall be repayable by 300 monthly installments and carries interest at a rate of 1.2% per annum below the HIBOR;

(xi) a revolving loan with an outstanding amount of HK$15,000,000 (2010: nil) that carries interest at a rate 2.00% per annum over HIBOR;

(xii) a mortgage loan with an outstanding amount of HK$27,777,000 (2010: HK$89,580,000) that shall be repayable by 234 monthly installments and carries interest at a rate of 2.25% per annum below the Hong Kong dollars Prime Rate; and

(xiii) a short term loan with an outstanding amount of HK$75,000,000 (2010: HK$75,000,000) that shall be repayable within three months and carries interest at a rate of 2.25% per annum over HIBOR.

During the year ended 30 June 2010, the Group had the following loans which were fully settled during the year:

(i) a mortgage loan with an outstanding amount of HK$26,921,000 that shall be repayable by 300 monthly installments and carries interest at a rate of 2.65% per annum below the Hong Kong dollars Prime Rate;

(ii) a mortgage loan with an outstanding amount of HK$25,720,000 that shall be repayable by 240 monthly installments and carries interest at a rate of 1.25% per annum over HIBOR; and

(iii) a mortgage loan with an outstanding amount of HK$26,316,000 that shall be repayable by 240 monthly installments and carries interest at a rate of 1.25% per annum over HIBOR;

The range of effective interest rates of the Group's bank borrowings were 1.01% to 2.5% (2010: 0.84% to 5.31%) per annum.

All bank borrowings are secured by certain apartments of the Group's properties held for sale and all of the Group's investment properties to the banks. The details of pledged assets are disclosed in note 32.

The Group's bank borrowings are all denominated in Hong Kong dollars.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	HK$'000
FAIR VALUE	
At 1 July 2009	75,600
Increase in fair value recognised in profit or loss	15,660
At 30 June 2010	91,260
Increase in fair value recognised in profit or loss	27,540
At 30 June 2011	118,800

On 5 April 2006, Banhart Company Limited ("Banhart"), a subsidiary of the Company, entered into a loan agreement with Fine Chiffon Corporation Limited ("Fine Chiffon") to obtain a non-interest bearing loan facility of HK$42,000,000. The loan is unsecured, non-interest bearing and non-revolving in nature. The loan shall be repayable on or before 6 September 2008.

In addition, Banhart also granted two options to Fine Chiffon for purchasing (i) part of the Company's leasehold property at a consideration of HK$32,000,000 and (ii) 20% of the share capital of Banhart, at a consideration of HK$10,000,000, in substitution for the repayment of the outstanding non-interest bearing loan at the end of the loan period. Fine Chiffon is entitled to exercise the options at any time prior to the maturity date and the options are non-transferable.

On 6 September 2008, Fine Chiffon exercised the options. Accordingly, a derivative is recognised at the amount expected to be settled at the transfer date, which is estimated with reference to the market price of the underlying leasehold property. Upon the exercise of the two options, the loan from Fine Chiffon of HK$42,000,000 and the fair value of the two options of HK$43,700,000 at the exercise date were derecognised and became the initial cost of the derivative financial instruments.

At the end of the reporting period, the fair value of the underlying property is HK$220,000,000 (2010: HK$169,000,000). Accordingly, a fair value loss of HK$27,540,000 (2010: HK$15,660,000) was recognised in profit or loss during the year ended 30 June 2011. The underlying property is currently occupied by the Company for own use and recognised as leasehold property and stated at cost less accumulated depreciation.

Up to present, Banhart is in negotiation with Fine Chiffon in relation to the timing for transferring the benefits of those assets to Fine Chiffon.

28. SHARE CAPITAL

	Nominal value per share	Numbers of shares	Amount
	HK$		*HK$'000*
Authorised:			
At 1 July 2009, 30 June 2010 and 30 June 2011	0.01	50,000,000,000	500,000
Issued and fully paid:			
At 1 July 2009	0.01	533,603,992	5,337
Issue of shares on conversion of convertible redeemable preference shares		3,527,500	35
At 30 June 2010	0.01	537,131,492	5,372
Issue of shares on conversion of convertible redeemable preference shares		10,000	–
At 30 June 2011		537,141,492	5,372

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

29. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

	Number of preference shares	Amount of par value *HK$'000*
Authorised:		
At 1 July 2009, 30 June 2010 and 30 June 2011	1,270,000,000	12,700
Issued and fully paid:		
At 1 July 2009	258,803,430	2,587
Conversion of issued convertible redeemable preference shares into ordinary shares	(3,527,500)	(35)
At 30 June 2010	255,275,930	2,552
Conversion of issued convertible redeemable preference shares into ordinary shares	(10,000)	–
At 30 June 2011	255,265,930	2,552

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

Movement of the convertible redeemable preference shares are as follows:

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
At 1 July 2009	23,693	24,800	48,493
Conversion of convertible redeemable preference shares	(343)	(538)	(881)
Interest charged for the year	3,391	–	3,391
At 30 June 2010	26,741	24,262	51,003
Conversion of convertible redeemable preference shares	(4)	(6)	(10)
Interest charged for the year	3,823	–	3,823
At 30 June 2011	30,560	24,256	54,816

29. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

Note: As announced by the Company on 3 July 2007, the alternation 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 approved alternation of the terms of the existing convertible redeemable preference shares are summarised as follows:

(i) Cumulative dividend

The right to receive a fixed dividend of HK$0.02 per convertible redeemable preference share payable annually has been revoked and replaced with 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 and engaged in manufacture of optical sensor systems and optical communication products.

(ii) Early redemption at the option of the Company

The early redemption option of the Company in the event that the price of the ordinary share of the Company close on thirty consecutive trading days at a price that is 100% higher that the conversion price of convertible redeemable preference share has been revoked.

(iii) Further issues

The right of the Company to issue convertible redeemable preference shares in priority to the existing convertible redeemable preference shares has been revoked. 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.

As a result of the alternation of the terms of the existing convertible redeemable preference shares, the liability component of the existing convertible redeemable preference shares has been decreased by approximately HK$21,766,000 and, in turn the amount was transferred to other reserve at 3 July 2007.

29. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

The principal terms of the convertible redeemable preference shares at 30 June 2010 and 2011 include the following:

(i) 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.

(ii) 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$0.25 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.

(iii) Cumulative dividends

The dividend per convertible redeemable preference share is 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 and 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.

29. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(iv) 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 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.

(v) 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.

(vi) 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.

29. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(vii) 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.

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 13.83% per annum of the debt component for the period since the convertible redeemable preference shares were issued.

(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.

30. DEFERRED TAXATION

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

	2011	2010
	HK$'000	*HK$'000*
Tax losses	**377,082**	342,269
Unrealised intragroup profits on properties held for sale	**429,235**	429,235
Accelerated tax depreciation	**886**	686
	807,203	772,190

30. DEFERRED TAXATION (Cont'd)

At 30 June 2011, the Group has unused tax losses of approximately HK$377,082,000 (2010: HK$342,269,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately HK$377,082,000 (2010: HK$342,269,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

The other deductible temporary difference of approximately HK$430,121,000 (2010: HK$429,921,000) as at 30 June 2011 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.

31. CONTINGENT LIABILITIES

The Group had the following outstanding litigations as at 30 June 2011 that 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 17 May 2006, Chinese Regency Limited (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood Limited ("Holyrood"), a subsidiary of the Company, claiming damages for breach of an agreement for sale and purchase of Flat B on the 5th Floor of Block A1 and the car parking space No. 5 of the Peak Road Project. The pleading stage is completed and the litigation is still ongoing. As the amount of damages and claims are to be assessed, no such details are available.

(b) On 1 June 2007, Gateway International Development Limited ("Gateway") (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK$5,048,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat A on the 6th Floor of Block A2 and the car parking space No. 51 of the Peak Road Project, breach of the Deed of Mutual Covenant and nuisance on the development. Gateway and Holyrood attended the office of the Deputy Clerk of Court of the High Court on 15 September 2010 and the trial dates were fixed in November 2011.

(c) On 1 June 2007, Sun Crown Trading Limited ("Sun Crown") (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK$5,154,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 6th Floor of Block A2 and the car parking spaces Nos. 47 and 48 of the Peak Road Project, breach of the Deed of Mutual Covenant and nuisance on the development. Sun Crown and Holywood attended the office of the Deputy Clerk of Court of the High Court on 15 September 2010 and the trial dates were fixed in November 2011.

31. CONTINGENT LIABILITIES (Cont'd)

During the year ended 30 June 2011, provision for litigations of HK$28,274,000 was fully paid upon the settlement of the respective court cases.

Based on the legal advice obtained by the Group the Board is of the opinion that the above mentioned claims have no merit and the lawsuits will not have a material adverse effect on the consolidated financial statements of the Group. 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:

	2011	2010
	HK$'000	*HK$'000*
Properties held for sale	**759,107**	759,107
Investment properties	**248,000**	198,000
Leasehold properties	**77,695**	80,327
Bank deposits	**61,271**	21,232
	1,146,073	1,058,666

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$1,000 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$1,000 (the "mandatory contributions"). 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 2011 recognised in the consolidated statement of comprehensive income of the Group amounted to HK$163,000 (2010: HK$402,000).

34. RELATED PARTY TRANSACTIONS/CONNECTED 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) Lilian Oung, one of the shareholders of Five Star and a director of the subsidiaries, has provided personal guarantees in respect of the following:

	2011	2010
	HK$'000	*HK$'000*
Credit facilities granted to the Group	**722,105**	1,021,113

(b) Details of the amount due to directors of the subsidiaries are set out in note 24.

(c) During the year ended 30 June 2011, no interest was paid by the Group (2010: HK$375,000) to related companies in which the directors of the Company and Lilian Oung have controlling interests.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2011	2010
	HK$'000	*HK$'000*
Short-term employee benefits	**291**	811
Post employment benefits	**9**	10
	300	821

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.

35. OPERATING LEASE ARRANGEMENTS

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

The Group as lessor

	2011	2010
	HK$'000	*HK$'000*
Within one year	**13,007**	11,344
In the second year	**5,881**	5,000
	18,888	16,344

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 two years.

The Group as lessee

	2011	2010
	HK$'000	*HK$'000*
Within one year	**561**	409
In the second year to fifth years, inclusive	**487**	338
	1,048	747

The minimum lease payments under operating lease recognised as an expense for the year is HK$897,000 (2010: HK$917,000). Operating lease payments represent rentals payable by the Group for certain of its office properties, leases are negotiated for a term of 21 months.

36. 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 2010 and 2011		Principal activities
			Directly	Indirectly	
Banhart Company Limited	Hong Kong	Ordinary HK$9,998 Non-voting deferred* HK$2	–	100%	Property holding
Alpard Limited	Hong Kong	Ordinary HK$10	–	100%	Property investment and holding
Bowen Hill Limited	British Virgin Islands#	US$1	–	100%	Investment holding
Gainbest Venture Limited	British Virgin Islands#	US$1	100%	–	Investment holding
Holyrood Limited	Hong Kong	Ordinary HK$999,998 Non-voting deferred* HK$2	99.9%	0.1%	Property holding
Homjade Trading Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	General trading
Paladin Leisure Limited	British Virgin Islands#	US$1	100%	–	Investment holding

36. 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 2010 and 2011		Principal activities
			Directly	Indirectly	
Perfect Place Limited	British Virgin Islands#	US$1	100%	–	Investment holding
Petersham Limited	Hong Kong	Ordinary HK$2	–	100%	Property management
Sensors Integration Technology Limited	Hong Kong#	Ordinary HK$0.01	–	100%	Investment holding
Six Gain Investments Limited	Hong Kong#	Ordinary HK$2	100%	–	Investment holding
Venus Forture Limited	Hong Kong	Ordinary HK$1	–	100%	Property holding
Wayguard Limited	Hong Kong	Ordinary HK$10	–	100%	Property holding
World Modern International Limited	Hong Kong	Ordinary HK$1	–	100%	Property holding

* 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.

These are investment holding companies which have no specific principal place of operations.

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 2011 or at any time during the year.

37. FINANCIAL INFORMATION OF THE COMPANY

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

	2011	2010
	HK$'000	*HK$'000*
Total assets		
Investment in subsidiaries	**33,360**	33,360
Other receivables	**223**	223
Bank balances	**6,735**	–
	40,318	33,583
Total liabilities		
Other payable and accrued charges	**1,333**	1,203
Amount due to directors of subsidiaries	**92,364**	–
Amount due to fellow subsidiaries	**573,220**	655,687
Convertible redeemable preference shares	**30,560**	26,741
Net assets	**(657,159)**	(650,048)
Capital and reserve		
Share capital	**5,372**	5,372
Reserves	**(662,531)**	(655,420)
Total equity	**(657,159)**	(650,048)

RESULTS

	Year ended 30 June				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Turnover	48,298	88,594	77,501	173,567	**750**
(Loss) profit before taxation	(98,164)	(45,114)	23,640	26,298	**(34,085)**
Taxation charge	–	–	(1,145)	(43,400)	**–**
(Loss) profit for the year attributable to equity holders of the Company	(98,164)	(45,114)	22,495	(17,102)	**(34,085)**

ASSETS AND LIABILITIES

	At 30 June				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Total assets	1,308,991	1,454,015	1,222,116	1,142,463	**1,230,811**
Total liabilities	(1,346,830)	(1,513,397)	(1,261,381)	(1,197,844)	**(1,321,088)**
Deficiency of shareholders' funds	(37,839)	(59,382)	(39,265)	(55,381)	**(90,277)**

Particulars of the properties held by the Group as at 30 June 2011 are as follows:

(a) Properties held for sale

Address	**Purpose**	**Remaining unsold units**	**Approximate gross area** *(Sq. ft.)*	**Attributable interest of the Group**
Block A1 Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	12 units	39,407	100%
Block A2 Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	5 units	20,078	100%
Block B Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	1 house	9,215	100%
Car parking spaces Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	31 units	–	100%
Motorcycle parking spaces Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	5 units	–	100%

(b) *Leasehold properties*

Address	Purpose	Approximate saleable area *(Sq. ft.)*	Lease term
Room 4501, 45th Floor Office Tower Convention Plaza 1 Harbour Road Wanchai Hong Kong (21,061/4,000,000th shares of and in Inland Lot No. 8595)	Commercial	8,260	Long

(c) *Investment properties*

Address	Purpose	Approximate gross area *(Sq. ft.)*	Lease term
Duplex Unit A G/F and 1/F Block A2 Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	4,227	Long
Unit A, 2/F Block A2 Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	2,719	Long
Car parking spaces Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential (2 units)	–	Long