

PALADIN LIMITED

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

ANNUAL REPORT

2013

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Law Fong (*Chairman*)

Chen Te Kuang Mike

Non-executive Director:

Oung Shih Hua, James

Independent Non-executive Directors:

Zhu Pei Qing

Kwok Wai Chi

Huang Weizong Martin

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

David Norman & Co.

PRINCIPAL REGISTRARS

Appleby Management (Bermuda) Limited

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

REGISTRARS IN HONG KONG

Computershare Hong Kong Investor Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL OFFICE

45th Floor, Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

AUDIT COMMITTEE

Kwok Wai Chi (*Chairman*)

Oung Shih Hua, James

Huang Weizong Martin

Zhu Pei Qing

NOMINATION COMMITTEE

Law Fong (*Chairman*)

Kwok Wai Chi

Zhu Pei Qing

REMUNERATION COMMITTEE

Kwok Wai Chi (*Chairman*)

Law Fong

Zhu Pei Qing

CHAIRMAN'S STATEMENT

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") and, investment holding.

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 sold 2 apartment units for HK\$162 million.

In the past few years, the management adopted strategy to focus on the completion of the Peak Road Project. Going forward, the management is confident that the returns from the Peak Road Project will significantly improve the Group's financial position and generate a stable income for the Group.

Property investment

The income generated from the property investment was approximately HK\$1 million for the current year.

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 this subsidiary only generated a revenue of approximately HK\$1 million for the current year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2013, net current liabilities of the Group were approximately HK\$439 million. The current ratio was 0.65. The pledged bank deposits, bank balances and cash were approximately HK\$158 million.

As at 30 June 2013, the Group has outstanding liabilities of approximately HK\$1,269 million comprising (i) secured bank borrowings and bank overdrafts of approximately HK\$900 million, (ii) amount due to directors of subsidiaries of approximately HK\$235 million, and (iii) other payables of approximately HK\$134 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, deposit placed for a life insurance policy, bank deposits and properties held for sales of approximately HK\$1,087 million.

CHAIRMAN'S STATEMENT (Cont'd)

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 2013, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2013, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group employed total of 32 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2013, there were contingent liabilities in respect of certain legal proceedings against certain subsidiaries of the Company. The aggregate amount of claims was approximately HK\$29 million, a provision of HK\$21 million has been made in the consolidated financial statements.

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2012: 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
27 September 2013

BIOGRAPHY OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Law Fong, aged 88, joined the Group in 1994. He is the Chairman of the Group. He has over 27 years of experience in the textile industry and 13 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 35, joined the Group in 2004. He is the Chief Executive Officer of the Group. He has more than 11 years' management and production experience in electronics industry. Mr. Chen is the cousin of Mr. Oung Shih Hua, James.

NON-EXECUTIVE DIRECTOR

Mr. Oung Shih Hua, James, aged 38, 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. He is the cousin of Mr. Chen Te Kuang Mike.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Pei Qing, aged 76, 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.

Mr. Kwok Wai Chi, aged 36, 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.

Prof. Huang Weizong Martin, aged 53, joined the Group in 2012. Prof. Huang obtained Doctor of Philosophy in Chinese and Comparative Literature from Washington University in 1991. He is currently a professor of Department of East Asian Languages and Literatures in the University of California, Irvine. Prof. Huang was also the Department Chair of the Department of East Asian Languages and Literatures in the University of California, Irvine from 2008 to 2011.

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the “Board”) believes that corporate governance is essential to the success of the Company. During the year ended 30 June 2013, the Company has complied with all the code provisions (the “Code”) in the Corporate Governance Code set out in Appendix 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for certain deviations disclosed herein.

The Company periodically reviews its corporate governance practices to ensure that they 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 2013.

BOARD OF DIRECTORS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT (Cont'd)

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

During the year ended 30 June 2013, four Board meetings and the annual general meeting for the year 2012 (“AGM”) were held with details of the directors’ attendance set out below:

	Attendance/Number of meetings	
	Board meetings	AGM
Executive directors		
Law Fong (<i>Chairman</i>)	4/4	1/1
Chen Te Kuang Mike (<i>Chief Executive Officer</i>)	4/4	1/1
Non-executive director		
Oung Shih Hua, James	2/4	0/1
Independent non-executive directors		
Zhu Pei Qing	2/4	0/1
Lu Ti Fen (retired on 7 December 2012)	1/4	0/1
Kwok Wai Chi	2/4	0/1
Huang Weizong Martin	1/4	0/1

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

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.

CORPORATE GOVERNANCE REPORT (Cont'd)

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

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

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

The nomination committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The nomination committee takes into account of that person's skill, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board. Although Mr. Kwok Wai Chi has served the Company as independent non-executive director of the Company for nine years, he does not have any management role in the Company. The nomination committee considered that he has have continuously contributed to the Company and the Board with his relevant experience and knowledge throughout has years of service and he maintained to provide an independent view in relation to the Company's affairs.

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

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

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

NOMINATION COMMITTEE

A nomination committee was established on 26 March 2012, currently comprising the Chairman of the Company, Mr. Law Fong, and two independent non-executive directors, being Mr. Kwok Wai Chi and Mr. Zhu Pei Qing. Mr. Law Fong is the chairman of the nomination committee. The terms of reference of the nomination committee are available on the respective websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT (Cont'd)

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

One nomination committee meeting was held during the year ended 30 June 2013 to, inter alia, review the structure, size and composition of the Board and the independence of the independent non-executive directors. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Law Fong (<i>Chairman</i>)	1/1
Kwok Wai Chi	1/1
Zhu Pei Qing	0/1

REMUNERATION COMMITTEE

The Remuneration Committee comprises two independent non-executive directors namely Mr. Kwok Wai Chi and Mr. Zhu Pei Qing and one executive director namely Mr. Law Fong. Mr. Kwok Wai Chi is the Chairman of the remuneration committee. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company. The terms of reference of the remuneration committees are available on the respective websites of the Company and the Stock Exchange.

One remuneration committee meeting was held during the year ended 30 June 2013 to review the remuneration packages of the directors and the senior management. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Kwok Wai Chi (<i>Chairman</i>)	1/1
Law Fong	1/1
Zhu Pei Qing	0/1

CORPORATE GOVERNANCE REPORT (Cont'd)

The summary of the work performed by the remuneration committee during the year ended 30 June 2013 included:

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

AUDIT COMMITTEE

An audit committee currently comprising three independent non-executive directors, being Mr. Kwok Wai Chi, Mr. Zhu Pei Qing, Prof. Huang Weizong Martin and one non-executive director, Mr. Oung Shih Hua, James. Mr. Kwok Wai Chi is the chairman of the audit committee. Amongst the audit committee members, Mr. Kwok has the appropriate professional qualification and experience in financial matters as required by Rule 3.21 of the Listing Rules.

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

Two audit committee meetings were held during the year ended 30 June 2013. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Kwok Wai Chi (<i>Chairman</i>)	2/2
Zhu Pei Qing	1/2
Oung Shih Hua, James	2/2
Huang Weizong Martin	1/2
Lu Ti Fen (retired on 7 December 2012)	1/2

During the year ended 30 June 2013, the Audit Committee met mainly to review the Company's annual report for the year ended 30 June 2012, the Company's interim report for the six months ended 31 December 2012, the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the internal control system and related issues.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 30 June 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The directors have given careful consideration to the future liquidity of the Group in light of the net liabilities and net current liabilities of the Group amounting to approximately HK\$31,189,000 and HK\$439,291,000 respectively as at 30 June 2013.

Taking into account the available unutilised bank credit facility of HK\$295,364,000 (2012: HK\$206,741,000) as at 30 June 2013 and the estimated proceeds which can be received from future sales of developed properties, which were only stated at cost in the consolidated financial statements, 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.

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

INDUCTION AND PROFESSIONAL DEVELOPMENT

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

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

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

CORPORATE GOVERNANCE REPORT (Cont'd)

Below is a summary of training received by Directors for the year ended 30 June 2013:

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

Executive Directors

Law Fong	✓
Chen Te Kuang Mike	✓

Non-executive director

Oung Shih Hua, James	✓
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Independent Non-executive Directors

Zhu Pei Qing	✓
Kwok Wai Chi	✓
Huang Weizong Martin	✓
Lu Ti Fen (retired on 7 December 2012)	✓

COMPANY SECRETARY

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

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

EXTERNAL AUDITOR AND THEIR REMUNERATION

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

CORPORATE GOVERNANCE REPORT (Cont'd)

During the year ended 30 June 2013, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	<i>HK\$'000</i>
Audit services	820
Non-audit services	372
	<hr/>
Total	1,192
	<hr/> <hr/>

INTERNAL CONTROL

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

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

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

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

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

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

SHAREHOLDERS' RIGHTS

(I) Convene a Special General Meeting

Pursuant to the Bermuda Companies Act, on requisition of one or more shareholders in aggregate holding not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene a special general meeting.

CORPORATE GOVERNANCE REPORT (Cont'd)

(II) Send Enquiries to the Board

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

(III) Make Proposals at General Meetings

The procedures for proposing resolution(s) to be moved at a shareholders' meeting are as follows:

Shareholder(s) can submit a written requisition to move a resolution at a shareholders' meeting pursuant to Section 79 of the Bermuda Companies Act 1981 if they –

- (a) represent not less than 5% of the total voting rights of all shareholders having at the date of the requisition a right to vote at the Shareholders' meeting; or
- (b) are no less than 100 shareholders holding the Company's shares.

The written requisition must –

- (1) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form);
- (2) be deposited at the Company's registered office in Bermuda (Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda) and its principal office in Hong Kong (45th Floor, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong) for the attention of the company secretary not less than 6 weeks (as required in most circumstances under the applicable laws) before the shareholders' meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the Shareholders' meeting in the case of any other requisition; and
- (3) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitions to all shareholders in accordance with the requirements under the applicable laws and rules.

INVESTOR RELATIONS

During the year ended 30 June 2013, there has not been any change in the Company's constitutional documents.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 37 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 2013 are set out in the consolidated statement of comprehensive income on page 23.

INVESTMENT PROPERTIES

The Group's investment properties were fair valued as at 30 June 2013 by a firm of independent professional property valuers and the gain arising on change in fair value of investment properties of approximately HK\$6,000,000 had been credited directly to consolidated statement of comprehensive income. Details of these are set out in note 16 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 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company had no reserves available for distribution as at 30 June 2013.

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
Kwok Wai Chi
Huang Weizong Martin
Lu Ti Fen (retired on 7 December 2012)

In accordance with the provisions of the Company's Bye-laws, Messrs. Law Fong and Kwok Wai Chi 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.

DIRECTORS' REPORT (Cont'd)

DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, 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	7,000,000	0.93%
	Held by a controlled corporation (<i>Note</i>)	29,449,000	3.92%
		<hr/>	<hr/>
		36,449,000	4.85%
Oung Shih Hua, James	Beneficial owner	7,000,000	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	3,200,000	1.25%
	Held by a controlled corporation (<i>Note</i>)	9,099,014	3.56%
		<hr/>	<hr/>
		12,299,014	4.81%
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.

DIRECTORS' REPORT (Cont'd)

Other than as disclosed above, as at 30 June 2013, 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 2013, 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 a)	Beneficial owner	374,941,023	49.86%
Gold Seal Holdings Limited ("Gold Seal") (Note b)	Beneficial owner	93,591,179	12.45%

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%

Notes:

- (a) 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.
- (b) Gold Seal is owned as to 66.7% by Oung Da Ming and 33.3% by Uon Margaret, sister of Lilian Oung.

Other than as disclosed above, as at 30 June 2013, 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 35 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 35 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.

DIRECTORS' REPORT (Cont'd)

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 four 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 2013 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

27 September 2013

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 23 to 93, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT (Cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	<i>NOTES</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Turnover	8	162,820	1,276
Cost of sales		(64,503)	–
		<hr/>	<hr/>
Gross profit		98,317	1,276
Other income	9	8,854	17,446
Distribution costs		(3,314)	–
Administrative expenses		(50,377)	(52,186)
Gain (loss) arising from change in fair value of investment properties	16	6,000	(6,000)
Gain arising from change in fair value of derivatives financial instruments	28	–	52,787
Provision for litigations	32 (b) & (c)	–	(21,377)
Finance costs	11	(28,561)	(22,008)
		<hr/>	<hr/>
Profit (loss) before taxation		30,919	(30,062)
Taxation charge	12	(10)	(14,793)
		<hr/>	<hr/>
Profit (loss) for the year	13	30,909	(44,855)
		<hr/>	<hr/>
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		(76)	(30)
Fair value gain on available-for-sale investments		431	2,472
		<hr/>	<hr/>
Other comprehensive income for the year		355	2,442
		<hr/>	<hr/>
Total comprehensive expenses for the year		31,264	(42,413)
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS (LOSS) PER SHARE			
15			
Basic		4.11 HK cents	(8.01) HK cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		3.56 HK cents	(8.01) HK cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Investment properties	16	248,000	242,000
Property, plant and equipment	17	74,578	77,607
Available-for-sale investments	18	14,017	13,586
Deposit placed for a life insurance policy	19	20,942	21,028
Pledged bank deposits	20	50,565	50,366
		<hr/>	<hr/>
		408,102	404,587
		<hr/>	<hr/>
Current assets			
Properties held for sale	21	710,408	774,911
Trade and other receivables, deposits and prepayments	22	12,541	32,189
Bank balances and cash	23	107,198	131,183
		<hr/>	<hr/>
		830,147	938,283
		<hr/>	<hr/>
Current liabilities			
Other payables and accrued charges	24	126,905	142,545
Amounts due to directors of subsidiaries	25	234,984	249,626
Provision for litigations		8,000	8,000
Taxation payable		–	9,578
Bank overdrafts	26	19,999	25,072
Secured bank borrowings	27	879,550	975,497
		<hr/>	<hr/>
		1,269,438	1,410,318
		<hr/>	<hr/>
Net current liabilities		(439,291)	(472,035)
		<hr/>	<hr/>
		(31,189)	(67,448)
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 June 2013

	<i>NOTES</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Capital and reserves			
Share capital	29	7,520	7,520
Reserves		(78,640)	(109,906)
		<hr/>	<hr/>
		(71,120)	(102,386)
		<hr/>	<hr/>
Non-current liabilities			
Convertible redeemable preference shares	30	39,931	34,938
		<hr/>	<hr/>
		(31,189)	(67,448)
		<hr/> <hr/>	<hr/> <hr/>

The consolidated financial statements on pages 23 to 93 were approved and authorised for issue by the Board of Directors on 27 September 2013 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 2013

	Attributable to equity holders of the Company							Total HK\$'000
	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	
At 1 July 2011	5,372	2,136	24,256	21,766	(4,976)	3,614	(142,445)	(90,277)
Loss for the year	-	-	-	-	-	-	(44,855)	(44,855)
Other comprehensive income for the year	-	-	-	-	(30)	2,472	-	2,442
Total comprehensive expenses for the year	-	-	-	-	(30)	2,472	(44,855)	(42,413)
Issue of shares on conversion of convertible redeemable preference shares	-	10	(6)	-	-	-	-	4
Open offer of shares (note 29)	2,148	31,155	-	-	-	-	-	33,303
Transaction costs attributable to open offer of shares	-	(3,003)	-	-	-	-	-	(3,003)
At 30 June 2012	7,520	30,298	24,250	21,766	(5,006)	6,086	(187,300)	(102,386)
Loss for the year	-	-	-	-	-	-	30,909	30,909
Other comprehensive income for the year	-	-	-	-	(76)	431	-	355
Total comprehensive expenses for the year	-	-	-	-	(76)	431	30,909	31,264
Issue of shares on conversion of convertible redeemable preference shares	-	5	(3)	-	-	-	-	2
At 30 June 2013	<u>7,520</u>	<u>30,303</u>	<u>24,247</u>	<u>21,766</u>	<u>(5,082)</u>	<u>6,517</u>	<u>(156,391)</u>	<u>(71,120)</u>

Notes:

- (a) The capital reserve represents the equity component of convertible redeemable preference shares.
- (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 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit (loss) before taxation	30,919	(30,062)
Adjustments for:		
Depreciation of property, plant and equipment	3,549	3,567
Interest expenses	28,561	22,008
Interest income	(1,042)	(683)
(Gain) loss arising from change in fair value of investment properties	(6,000)	6,000
Gain arising from change in fair value of derivative financial instruments	–	(52,787)
Premium charged on a life insurance policy	878	293
Provision for litigations	–	8,000
	<hr/>	<hr/>
Operating cash flows before movements in working capital	56,865	(43,664)
Decrease in properties held for sale	64,503	–
Decrease in trade and other receivables, deposits and prepayments	19,648	11,435
Decrease in bills payable	–	(9,080)
Decrease in other payables and accrued charges	(15,640)	(15,093)
	<hr/>	<hr/>
Cash from (used in) operations	125,376	(56,402)
Tax paid	(9,588)	(44,615)
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	115,788	(101,017)
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Interest received	253	370
Purchase of property, plant and equipment	(520)	–
Placement of pledged bank deposits	(199)	(280)
Withdrawal of pledged bank deposits	–	11,185
Payment of deposit placed for a life insurance policy	–	(21,887)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(466)	(10,612)
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the year ended 30 June 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
FINANCING ACTIVITIES		
Bank borrowings raised	15,000	255,319
Repayment of bank borrowings	(110,947)	(149,009)
Interest paid	(23,566)	(16,454)
Repayment to a director of subsidiaries	(14,642)	(52,866)
Advance from directors of subsidiaries	–	189,662
Proceed from open offer of shares	–	33,303
Transaction cost attributable to open offer of shares	–	(3,003)
	<hr/>	<hr/>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(134,155)	256,952
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18,833)	145,323
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	106,111	(39,153)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(79)	(59)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	87,199	106,111
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	107,198	131,183
Bank overdrafts	(19,999)	(25,072)
	<hr/>	<hr/>
	87,199	106,111
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

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, ultimate holding company and ultimate controlling party 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 property investment.

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 and net current liabilities of the Group amounting to approximately HK\$31,189,000 and HK\$439,291,000 respectively as at 30 June 2013.

Taking into account the available unutilised bank credit facility of HK\$295,364,000 (2012: HK\$206,741,000) as at 30 June 2013 and the estimated proceeds which can be received from future 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 1	Presentation of items of other comprehensive income
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Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. In addition, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle ¹
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosures of interests in other entities ¹
HKFRS 13	Fair value measurements ¹
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate financial statements ¹
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ²
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ²
HK(IFRIC*) – INT 20	Stripping costs in the production phase of a surface mine ¹
HK(IFRIC) – INT 21	Levies ²

* IFRIC represents the IFRS Interpretations Committee.

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities’ 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 fair value through profit or loss was presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

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

HKFRS 9 Financial instruments (Cont'd)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

Based on the consolidated statement of financial position of the Group as at 30 June 2013, the directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on the classification and measurement of the amounts reported in respect of the Groups' available-for-sale equity investments, but do not expect the application of HKFRS 9 will have material effect on the financial liabilities and other financial assets of the Group.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2012) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK (SIC) – INT 12 “Consolidation – Special purpose entities”. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013 and the application of these five standards will have no material impact on the results and financial position of the Group. However, the application of HKFRS 12 may result in more extensive disclosures in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

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

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipates that HKFRS 13 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 July 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

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 that are measured at fair values, as explained in accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other 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 in full on consolidation.

Revenue recognition

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

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

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

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

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 in 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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposit placed for a life insurance policy, 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, loans and receivables or held-to-maturity investments.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets

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

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

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

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

For 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 financial asset's original effective interest rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

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.

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible redeemable preference shares

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Financial liabilities

Financial liabilities (including other payables, amounts due to 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.

Derecognition

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment loss

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

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

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

Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

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. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other 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. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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

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

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model 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).

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

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

Impairment loss on properties held for sale

Management reviews the recoverability of the Group's properties held for sale amounting to HK\$710,408,000 (2012: HK\$774,911,000) with reference to current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets may exceed its net realisable value, as appropriate. Appropriate write-down for estimated irrecoverable amounts is recognised in profit or loss when the net realisable value is below cost. The estimates of net realisable value are based on the evidence available at the time the estimates are made, and the amounts of the properties held for sale are expected to realise or recover. Actual realised amount may differ from estimates.

Legal claims

The Group is involved in legal proceeding as disclosed in note 32. Management has evaluated and assessed the claims made against the Group based on legal advice received and information presently available. Actual result of the legal proceeding and the amount of claims may differ from estimates, resulting in a decrease or increase in loss for compensation for litigations. Details of the provision for litigations are disclosed in note 32.

6. 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 amounts due to directors of subsidiaries, bank overdrafts and secured bank borrowings as disclosed in notes 25, 26 and 27, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)		
– trade and other receivables	9,112	24,670
– deposit placed for a life insurance policy	20,942	21,028
– pledged bank deposits	50,565	50,366
– bank balances and cash	107,198	131,183
	<u>187,817</u>	<u>227,247</u>
Available-for-sale financial assets		
– available-for-sale investments	14,017	13,586
	<u>14,017</u>	<u>13,586</u>
Financial liabilities		
At amortised cost		
– other payables	80,232	75,637
– amounts due to directors of subsidiaries	234,984	249,626
– bank overdrafts	19,999	25,072
– secured bank borrowings	879,550	975,497
– convertible redeemable preference shares	39,931	34,938
	<u>1,254,696</u>	<u>1,360,770</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

7. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies

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

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Assets		
United States Dollars ("USD")	25,537	28,931
Liabilities		
USD	11,490	14,553

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

7. 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 bank balance, floating-rate bank overdrafts and bank borrowings (see notes 23, 26 and 27 for details). 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 and deposit placed for a life insurance policy. 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"), London Interbank Offered Rate ("LIBOR") and Hong Kong dollars Prime Rate arising from the Group's 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 points (2012: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

7. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Sensitivity analysis (Cont'd)

If interest rates on floating-rate bank overdrafts and secured bank borrowings had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the post-tax profit for the year ended 30 June 2013 would decrease/increase by approximately HK\$3,756,000 (2012: post-tax loss increase/decrease by approximately HK\$4,177,000). This is mainly attributable to the Group's exposure to interest rates on floating-rate bank overdrafts and secured bank borrowings.

Other price risk

The Group's available-for-sale investments is exposed the Group to other price risks. Details of the available-for-sale investments are set out in note 18.

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% (2012: 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.

Price risk of available-for-sale investments

If the prices of the available-for-sale debt investment had been 5% (2012: 5%) higher/lower, investment revaluation reserve for the year ended 30 June 2013 would increase/decrease by approximately HK\$701,000 (2012: increase/decrease by HK\$679,000) as a result of the changes in fair value of available-for-sale investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

7. 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.

Available-for-sale debt investments with carrying value of approximately HK\$14,017,000 (2012: HK\$13,586,000) 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.

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\$295,364,000 (2012: HK\$206,741,000) as at 30 June 2013 and the estimated proceeds which can be received from future sales of developed properties, which were stated at cost in the consolidated statement of financial position at the end of the reporting period, the consolidated financial statements have been prepared on a going concern basis. In addition, the directors of the Company also considered (i) the history of renewal of existing bank credit facility and the good relationship between the Group and the banks; and (ii) the ability of the Group to repay existing bank borrowings in the coming twelve months, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

7. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

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 <i>HK\$'000</i>	Less than 3 months <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amounts <i>HK\$'000</i>
As at 30 June 2013								
<i>Non-derivative financial liabilities</i>								
Other payables	8.00%	80,232	-	-	-	-	80,232	80,232
Amounts due to directors of subsidiaries	N/A	234,984	-	-	-	-	234,984	234,984
Bank overdrafts	5.00%	19,999	-	-	-	-	19,999	19,999
Secured bank borrowings	1.82%	879,550	-	-	-	-	879,550	879,550
Convertible redeemable preference shares	13.83%	-	-	-	-	63,813	63,813	39,931
		1,214,765	-	-	-	63,813	1,278,578	1,254,696
As at 30 June 2012								
<i>Non-derivative financial liabilities</i>								
Other payables	N/A	75,637	-	-	-	-	75,637	75,637
Amount due to directors of subsidiaries	N/A	249,626	-	-	-	-	249,626	249,626
Bank overdrafts	5.5%	25,072	-	-	-	-	25,072	25,072
Secured bank borrowings	1.75%	975,497	-	-	-	-	975,497	975,497
Convertible redeemable preference shares	13.83%	-	-	-	-	63,814	63,814	34,938
		1,325,832	-	-	-	63,814	1,389,646	1,360,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

7. 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 bank borrowings (excluding revolving loan) based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

	Weighted average interest rate	Less than 3 months <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amounts <i>HK\$'000</i>
Secured bank borrowings								
As at 30 June 2013	1.82%	15,884	97,865	58,621	171,596	532,245	876,211	774,550
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 30 June 2012	1.75%	31,295	85,082	99,400	147,003	559,211	921,991	860,497
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Fair value

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

7. FINANCIAL INSTRUMENTS (Cont'd)

Fair value (Cont'd)

Fair value measurements recognised in the consolidated statement of financial position

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

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

	Level 1 and total	
	2013	2012
	HK\$'000	HK\$'000
Available-for-sale financial assets		
Club debenture	14,017	13,586

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

8. TURNOVER

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Sale of properties	161,500	–
Rental income from investment properties	1,320	1,276
	<u>162,820</u>	<u>1,276</u>

9. OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Bank interest income	253	370
Compensation received from settlement of a legal case	–	3,467
Consultancy fee income	1,159	1,155
Interest income from deposit placed for a life insurance policy	789	313
Net exchange gain	92	56
Rental income from properties held for sale	6,175	11,611
Others	386	474
	<u>8,854</u>	<u>17,446</u>

10. SEGMENT INFORMATION

The Group's operating segments are property development and property investment for the purposes 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 basis of organisation in the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

10. SEGMENT INFORMATION (Cont'd)

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

Property development	Properties construction and redevelopment for sale purpose
Property investment	Completed investment properties held for capital appreciation or generating rental income purposes

An operating segment of indent trading of merchandise (representing provision of agency services in transactions of indent trading) was ceased during the year ended 30 June 2012. However, no discontinued operation was shown separately in the consolidated financial statements since the directors of the Company considered that the assets, liabilities and financial results contributed by this operating segment as at 30 June 2012 were insignificant to the Group.

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 2013

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover			
External	161,500	1,320	162,820
Segment result	71,744	7,087	78,831
Other income			2,679
Unallocated corporate expenses			(22,030)
Finance costs			(28,561)
Profit before taxation			30,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

10. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment result represents the result incurred by each segment without allocation of gain (loss) arising on changes in fair value of derivative financial instruments, provision for litigations, 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.

For the year ended 30 June 2012

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover			
External	–	1,276	1,276
	<u> </u>	<u> </u>	<u> </u>
Segment result	(16,155)	(5,025)	(21,180)
	<u> </u>	<u> </u>	
Other income			5,835
Gain arising on changes in fair value of derivative financial instruments			52,787
Provision for litigations			(21,377)
Unallocated corporate expenses			(24,119)
Finance costs			(22,008)
			<u> </u>
Loss before taxation			(30,062)
			<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

10. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Segment assets		
Property development	783,552	851,139
Property investment	248,009	242,119
Indent trading of merchandise	–	6,584
	<hr/>	<hr/>
Total segment assets	1,031,561	1,099,842
Available-for-sale investments	14,017	13,586
Pledged bank deposits	50,565	50,366
Deposit placed for a life insurance policy	20,942	21,028
Bank balances and cash	107,198	131,183
Unallocated	13,966	26,865
	<hr/>	<hr/>
Consolidated assets	1,238,249	1,342,870
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Property development	55,515	83,789
Property investment	1,885	1,859
	<hr/>	<hr/>
Total segment liabilities	57,400	85,648
Amounts due to directors of subsidiaries	234,984	249,626
Bank overdrafts	19,999	25,072
Secured bank borrowings	879,550	975,497
Taxation payable	–	9,578
Convertible redeemable preference shares	39,931	34,938
Unallocated	77,505	64,897
	<hr/>	<hr/>
Consolidated liabilities	1,309,369	1,445,256
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

10. 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, deposit placed for a life insurance policy, bank balances and cash and unallocated assets used jointly by operating and reportable segments; and
- all liabilities are allocated to operating segments other than amounts due to directors of subsidiaries, bank overdraft, secured bank borrowings, taxation payable, convertible redeemable preference shares and certain unallocated corporate liabilities.

Other segment information

For the year ended 30 June 2013

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment asset or segment result:				
Capital additions	–	–	520	520
Depreciation	3,084	110	355	3,549
Gain arising on change in fair value of investment properties	–	(6,000)	–	(6,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 30 June 2012

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment asset or segment result:				
Depreciation	3,099	110	358	3,567
Loss arising on change in fair value of investment properties	–	6,000	–	6,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

10. SEGMENT INFORMATION (Cont'd)

Other entity-wide information

The Group's operations are located in Hong Kong.

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

	2013	
	Revenue from external customers <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>
Hong Kong (Place of domicile)	<u>162,820</u>	<u>322,578</u>
	2012	
	Revenue from external customers <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>
Hong Kong (Place of domicile)	<u>1,276</u>	<u>319,607</u>

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

Information about major customers

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Customer A ¹	86,500	–
Customer B ¹	75,000	–
Customer C ²	–	1,276

¹ Revenue from property development segment

² Revenue form property investment segment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

11. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest on bank borrowings:		
– wholly repayable within five years	4,408	5,858
– not wholly repayable within five years	11,281	10,292
Interest on bank overdrafts	268	1,476
Interest on other payables	7,609	–
Finance costs on convertible redeemable preference shares (note 30)	4,995	4,382
	<u>28,561</u>	<u>22,008</u>

12. TAXATION CHARGE

The charge comprises:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax for the year	–	–
Underprovision in prior years:		
Hong Kong Profits Tax	(10)	(14,793)
	<u>(10)</u>	<u>(14,793)</u>

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 certificate is purchased on instalment basis (of which HK\$4,000,000 has been paid as at 30 June 2011).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

12. TAXATION CHARGE (Cont'd)

During the year ended 30 June 2012, the Group submitted a proposal for settlement of the case for the years of assessment of 1997/1998 to 1999/2000 and 2004/2005 to 2005/2006. The IRD accepted the proposal and issued the revised statement of loss for the years of assessment from 1997/1998 to 2006/2007 and the Revised Assessment Demanding Final Tax (the "Revised Assessment") for the years of assessment 2007/2008 and 2008/2009 accordingly. According to the Revised Assessment, the tax liability of this subsidiary is in the aggregate amount of approximately HK\$58,193,000. During the year ended 30 June 2012, the Group made tax payment of approximately HK\$44,615,000, and also utilised the tax reserve certificates of HK\$4,000,000 to settle part of the total tax liability of this subsidiary. With the tax provision of HK\$43,400,000 made in prior year, an additional amount of income tax of HK\$14,793,000 was provided during year ended 30 June 2012 in respect of underprovision in prior years.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit (loss) before taxation	30,919	(30,062)
Tax (charge) credit at Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	(5,102)	4,960
Tax effect of income not taxable for tax purpose	1,367	9,490
Tax effect of expenses not deductible for tax purpose	(2,882)	(7,571)
Tax effect of unrealised intragroup profits on properties held for sale not recognised	8,893	(8,019)
Underprovision in respect of prior years	(10)	(14,793)
Tax effect of tax losses not recognised	(2,276)	–
Utilisation of tax losses previously not recognised	–	1,140
Tax charge for the year	(10)	(14,793)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

13. PROFIT (LOSS) FOR THE YEAR

	2013	2012
	HK\$'000	HK\$'000
Profit (loss) for the year has been arrived at after charging:		
Directors' emoluments (<i>note 14</i>)	1,584	1,328
Other staff costs, including retirement benefit scheme contributions	4,282	4,306
	<hr/>	<hr/>
Total staff costs	5,866	5,634
	<hr/>	<hr/>
Auditor's remuneration	820	820
Depreciation of property, plant and equipment	3,549	3,567
Legal and professional fee (included in administrative expenses) (<i>Note</i>)	10,975	12,968
and after crediting:		
Gross rental income from investment properties	1,320	1,276
Less: Direct expenses that generated rental income during the year	(78)	(102)
Less: Direct expenses not generated rental income during the year	(155)	(199)
	<hr/>	<hr/>
	1,087	975
	<hr/>	<hr/>
Gross rental income from properties held for sale	6,175	11,611
Bank interest income	253	370
Interest income from deposit placed for a life insurance policy	789	313
Net exchange gain	92	56
	<hr/> <hr/>	<hr/> <hr/>

Note: Legal and professional fee incurred for both years mainly represented legal fees payable to lawyers, which represented the Group to defence in court for litigation cases as set out in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2012: seven) directors of the Company were as follows:

	2013							Total HK\$'000
	Law Fong HK\$'000	Chen Te Kuang Mike HK\$'000	Oung Shih Hua, James HK\$'000	Zhu Pei Qing HK\$'000	Lu Ti Fen HK\$'000 (Note a)	Kwok Wai Chi HK\$'000	Huang Weizong Martin HK\$'000 (Note b)	
Directors' fees	128	320	260	65	150	208	-	1,131
Other emoluments:								
Salaries and other benefits	128	325	-	-	-	-	-	453
Retirement benefit scheme contributions	-	-	-	-	-	-	-	-
	128	325	-	-	-	-	-	453
Total	256	645	260	65	150	208	-	1,584
	2012							Total HK\$'000
	Law Fong HK\$'000	Chen Te Kuang Mike HK\$'000	Oung Shih Hua, James HK\$'000	Zhu Pei Qing HK\$'000	Lu Ti Fen HK\$'000 (Note a)	Kwok Wai Chi HK\$'000	Huang Weizong Martin HK\$'000 (Note b)	
Directors' fees	128	260	260	65	325	172	-	1,210
Other emoluments:								
Salaries and other benefits	118	-	-	-	-	-	-	118
Retirement benefit scheme contributions	-	-	-	-	-	-	-	-
	118	-	-	-	-	-	-	118
Total	246	260	260	65	325	172	-	1,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

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

(a) Directors' emoluments (Cont'd)

Notes:

- (a) Ms. Lu Ti Fen resigned as the independent non-executive director and a member of the audit committee with effect from 7 December 2012.
- (b) Prof. Huang Weizong, Martin was appointed as the independent non-executive director and a member of the audit committee with effect from 28 June 2012.

Mr. Chen Te Kuang Mike is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(b) Employees' emoluments

During the year, the five highest paid individuals of the Group included four (2012: four) directors, details of whose emoluments are set out in (a) above. The emoluments of the remaining one (2012: one) individuals are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Salaries and other benefits	219	207
Retirement benefit scheme contributions	11	10
	<hr/> 230 <hr/>	<hr/> 217 <hr/>

The emoluments of this employee fall within the following band:

	Number of employees	
	2013	2012
Nil to HK\$1,000,000	1	1
	<hr/> 1 <hr/>	<hr/> 1 <hr/>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

15. EARNINGS (LOSS) PER SHARE

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

	For the year ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic earnings (loss) per share	30,909	(44,855)
Effect of dilutive potential shares:		
Interest on convertible redeemable preference shares (net of income tax)	4,995	–
	<hr/>	<hr/>
Earnings (loss) for the purposes of diluted earnings (loss) per share	<u>35,904</u>	<u>(44,855)</u>
	2013	2012
Number of shares		
Weighted average number of shares for the purposes of calculating basic earnings (loss) per share	752,014,152	560,040,080
Effect of dilutive potential shares:		
Convertible redeemable preference shares	255,253,866	–
	<hr/>	<hr/>
Weighted average number of shares for the purpose of calculating diluted earnings (loss) per share	<u>1,007,268,018</u>	<u>560,040,080</u>

The computation of diluted loss per share for the year ended 30 June 2012 had not assumed the conversion of the Company's outstanding convertible redeemable preference shares which would reduce the loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

16. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 July 2011	248,000
Decrease in fair value recognised in profit or loss	(6,000)
	<hr/>
At 30 June 2012	242,000
Increase in fair value recognised in profit or loss	6,000
	<hr/>
At 30 June 2013	248,000
	<hr/> <hr/>

The fair value of the Group's investment properties as at 30 June 2013 and 30 June 2012 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 July 2011 and 30 June 2012	113,079	2,022	12,923	128,024
Additions	–	–	520	520
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2013	113,079	2,022	13,443	128,544
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION AND IMPAIRMENT				
At 1 July 2011	35,384	694	10,772	46,850
Provided for the year	2,632	303	632	3,567
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2012	38,016	997	11,404	50,417
Provided for the year	2,632	314	603	3,549
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2013	40,648	1,311	12,007	53,966
	<hr/>	<hr/>	<hr/>	<hr/>
CARRYING VALUES				
At 30 June 2013	72,431	711	1,436	74,578
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2012	75,063	1,025	1,519	77,607
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

17. 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 land and buildings	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 land and buildings of the Group are situated in Hong Kong and are held under medium-term leases. They were secured to a bank to support credit facilities granted to the Group.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Club debenture, at market value	14,017	13,586
Unlisted equity investment, at cost	15,577	15,577
Less: Impairment loss recognised	(15,577)	(15,577)
	<u>14,017</u>	<u>13,586</u>

At 30 June 2013, 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 People's Republic of China ("PRC") and engaged in property development, with zero carrying amount; and (ii) club debenture with market value of HK\$14,017,000 (2012: HK\$13,586,000).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

19. DEPOSIT PLACED FOR A LIFE INSURANCE POLICY

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

The deposit placed for a life insurance policy was pledged to a bank to secure general banking facilities granted to the Group.

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

20. 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 0.02% (2012: 0.74%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

21. PROPERTIES HELD FOR SALE

At 30 June 2013 and 2012, 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\$6,175,000 (2012: HK\$11,611,000). 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 2013 and 30 June 2012.

The properties held for sale, except for car parks and motor-cycle parking 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 33.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Receivables of service rendered in indent trading	–	6,584
Other receivables, deposits and prepayments	12,541	25,605
	<hr/> 12,541 <hr/>	<hr/> 25,605 <hr/>

The following is an aged analysis of receivables of service rendered in indent trading, based on the invoice date which approximate revenue recognition date, at the end of the reporting periods:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Over 1 year	–	6,584
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

22. TRADE AND OTHER 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.

As at 30 June 2012, the Group had a trade receivable arising from service rendered in indent trading with a carrying amount of HK\$6,584,000 were past due at the reporting date for which the Group had not provided for impairment loss. The Group did 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.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Past due 91 days to 1 year	–	6,584

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 subsequent settlement of the customers of the Group, all of the receivables of service rendered in indent trading as at 30 June 2012 which were past due but not impaired were generally collectable.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
USD	875	7,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

23. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.01% to 0.06% (2012: 0.01% to 0.75%) 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.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
USD	3,719	441

24. OTHER PAYABLES AND ACCRUED CHARGES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Rental deposits received	1,233	2,301
Sales deposits received	–	7,500
Accruals	32,212	32,759
Accrued construction costs	13,228	24,348
Other payables	80,232	75,637
	126,905	142,545

25. AMOUNTS DUE TO DIRECTORS OF SUBSIDIARIES

The amounts as at 30 June 2013 and 30 June 2012 represent amount due to Oung Da Ming and Uon Margaret, who are the directors of the Group's major subsidiaries. The amounts are unsecured, non-interest bearing and repayable on demand.

26. BANK OVERDRAFTS

Bank overdrafts carry interest at 0.25% over Hong Kong dollars Prime Rate, i.e. 5.0% (2012: 5.5%) per annum and secured by certain apartments of the Group's properties held for sale. The effective interest rate for bank overdrafts ranged from 5.25% to 5.75% (2012: 5.25% to 5.75%). The details of the pledged assets are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

27. SECURED BANK BORROWINGS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Secured:		
Revolving loans	105,000	115,000
Mortgage loans	763,060	845,944
Bank loan	11,490	14,553
	<u>879,550</u>	<u>975,497</u>
Comprising amounts following due:		
On demand and within one year	206,167	239,595
In more than one year but not more than two years	47,259	96,011
In more than two years but not more than three years	47,998	41,986
In more than three years but not more than four years	48,002	42,628
In more than four years but not more than five years	46,481	42,529
Over five years	483,643	512,748
	<u>879,550</u>	<u>975,497</u>
Less: Amounts due within one year shown under current liabilities	(206,167)	(239,595)
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)	(673,383)	(735,902)
	<u>–</u>	<u>–</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

27. SECURED BANK BORROWINGS (Cont'd)

At 30 June 2013, the bank borrowings comprised:

- (i) a mortgage loan with an outstanding amount of approximately HK\$41,740,000 (2012: HK\$43,864,000) that shall be repayable by 206 monthly installments and carries interest at a rate of 1.25% per annum over HIBOR;
- (ii) a mortgage loan with an outstanding amount of approximately HK\$185,758,000 (2012: HK\$230,922,000) that shall be repayable by 164 monthly installments and carries interest at a rate of 1.2% per annum over HIBOR;
- (iii) a revolving loan with an outstanding amount of approximately HK\$35,000,000 (2012: HK\$60,000,000) that carries interest at a rate of 2% per annum over HIBOR;
- (iv) a mortgage loan with an outstanding amount of approximately HK\$69,552,000 (2012: HK\$74,841,000) that shall be repayable by 169 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\$50,166,000 (2012: HK\$53,491,000) that shall be repayable by 162 monthly installments and carries interest at a rate of 1.25% per annum over HIBOR;
- (vi) a mortgage loan with an outstanding amount of approximately HK\$25,020,000 (2012: HK\$26,268,000) that shall be repayable by 219 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\$24,205,000 (2012: HK\$25,413,000) that shall be repayable by 219 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\$69,924,000 (2012: HK\$79,924,000) that shall be repayable by 111 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\$54,824,000 (2012: HK\$57,546,000) that shall be repayable by 219 monthly installments and carries interest at a rate of 0.7% per annum below the HIBOR;
- (x) a mortgage loan with an outstanding amount of approximately of HK\$54,641,000 (2012: HK\$58,608,000) that shall be repayable by 12 monthly installments and carries interest at a rate of 1.2% per annum below the HIBOR;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

27. SECURED BANK BORROWINGS (Cont'd)

At 30 June 2013, the bank borrowings comprised: (Cont'd)

- (xi) a revolving loan with an outstanding amount of HK\$30,000,000 (2012: HK\$15,000,000) that carries interest at a rate 2.25% (2012: 2%) per annum over HIBOR;
- (xii) a mortgage loan with an outstanding amount of approximately HK\$95,162,000 (2012: HK\$98,818,000) that shall be repayable by 184 monthly installments and carries interest at a rate of 3% per annum over HIBOR;
- (xiii) a revolving loan with an outstanding amount of approximately HK\$30,000,000 (2012: HK\$30,000,000) that carries interest at a rate of 3.5% per annum over HIBOR;
- (xiv) a mortgage loan with an outstanding amount of approximately HK\$92,068,000 (2012: HK\$96,249,000) that shall be repayable by 217 monthly installments and carries interest at a rate of 1.75% per annum over HIBOR;
- (xv) a revolving loan with an outstanding amount of approximately HK\$10,000,000 (2012: HK\$10,000,000) that carries interest at a rate of 2.25% per annum over HIBOR; and
- (xvi) a bank loan with an outstanding amount of approximately HK\$11,490,000 (2012: HK\$14,553,000) that shall be repayable by 45 monthly installments and carries interest at a rate of 2.5% per annum over HIBOR, LIBOR or the Bank's cost of funds, whichever is higher;

The range of effective interest rates of the Group's bank borrowings were 0.91% to 3.61% (2012: 1% to 3.6%) per annum.

Pursuant to the loan agreement entered into between the Group and a bank, relating to a 201 months facility up to HK\$260 million, a default event would arise if Five Star ceased to be the beneficial owner of at least 50.5% (in aggregate) of the issued share capital and the issued convertible redeemable preference shares of the Company.

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 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

27. SECURED BANK BORROWINGS (Cont'd)

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
USD	<u>11,490</u>	<u>14,553</u>

28. DERIVATIVE FINANCIAL INSTRUMENTS

	<i>HK\$'000</i>
FAIR VALUE	
At 1 July 2011	118,800
Decrease in fair value recognised in profit or loss	(52,787)
Adjustment arising on settlement agreement	(66,013)
	<u> </u>
At 30 June 2012 and 30 June 2013	<u> </u>

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 Banhart'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. Since Banhart was still in negotiation with Fine Chiffon in relation to the timing for transferring the benefits of those assets to Fine Chiffon, a derivative was recognised at the amount expected to be settled at the transfer date, which was 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

28. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

On 21 December 2011, Banhart entered into a settlement agreement to pay approximately HK\$66,013,000 in cash to Fine Chiffon as the final settlement of the derivative financial instrument. Accordingly, the derivative financial instrument was derecognised and the fair value gain of HK\$52,787,000 at the date of settlement was recognised in profit or loss during the year ended 30 June 2012. Upon the settlement, both parties released each other from all rights and claims in relation to the underlying property and the 20% of the share capital of Banhart. As at 30 June 2013, the amount of approximately HK\$66,013,000 and interest of approximately HK\$7,732,000 have not yet been settled and included in other payables and bearing interest at 8% per annum (2012: 8%).

The underlying property is currently occupied by the Company for own use and recognised as leasehold property and stated at cost less accumulated depreciation.

29. SHARE CAPITAL

	Nominal value per share HK\$	Numbers of shares	Amount HK\$'000
Authorised:			
At 1 July 2011, 30 June 2012 and 30 June 2013	0.01	50,000,000,000	500,000
Issued and fully paid:			
At 1 July 2011		537,141,492	5,372
Issue of shares on conversion of convertible redeemable preference shares		10,000	–
Open offer of shares		214,860,596	2,148
At 30 June 2012	0.01	752,012,088	7,520
Issue of shares on conversion of convertible redeemable preference shares		4,893	–
At 30 June 2013	0.01	752,016,981	7,520

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

29. SHARE CAPITAL (Cont'd)

On 22 May 2012, the Company allotted 214,860,596 open offer shares of HK\$0.01 each at the subscription price of HK\$0.155 per open offer share on the basis of two open offer shares for every five existing ordinary shares held. The Company raised HK\$30,300,000 (net of expenses) which was used to repay indebtedness owed by the Group to Uon Margaret, a director of the Company's major subsidiaries.

30. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

	Number of preference shares	Amount of par value HK\$'000
Authorised:		
At 1 July 2011, 30 June 2012 and 30 June 2013	1,270,000,000	12,700
Issued and fully paid:		
At 1 July 2011	255,265,930	2,552
Conversion of issued convertible redeemable preference shares into ordinary shares	(10,000)	–
At 30 June 2012	255,255,930	2,552
Conversion of issued convertible redeemable preference share into ordinary shares	(4,893)	–
At 30 June 2013	255,251,037	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

30. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

Movement of the convertible redeemable preference shares are as follows:

	Liability component	Equity component	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2011	30,560	24,256	54,816
Conversion of convertible redeemable preference shares	(4)	(6)	(10)
Interest charged for the year	4,382	–	4,382
	<hr/>	<hr/>	<hr/>
At 30 June 2012	34,938	24,250	59,188
Conversion of convertible redeemable preference shares	(2)	(3)	(5)
Interest charged for the year	4,995	–	4,995
	<hr/>	<hr/>	<hr/>
At 30 June 2013	<u>39,931</u>	<u>24,247</u>	<u>64,178</u>

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

The principal terms of the convertible redeemable preference shares at 30 June 2012 and 2013, as altered, include the following:

(i) Cumulative dividend

The right to receive a 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. Sensors Integration Technology Limited is an investment holding company with its subsidiaries principally engaged in manufacture of optical sensor systems and optical communication products.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

30. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(ii) Further issues

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

(iii) Early redemption at the option of the Company

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

(iv) Conversion rights

Holders of the convertible redeemable preference shares are entitled to convert all or any of their convertible redeemable preference shares into ordinary shares in the Company by paying HK\$0.25 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

30. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(v) Redemption

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

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

(vi) Priority

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

30. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(vii) Voting

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

(viii) Further issues

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

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 alternation of the terms of the convertible redeemable preference shares on 3 July 2007.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

31. DEFERRED TAXATION

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Tax losses	434,688	420,894
Unrealised intragroup profits on properties held for sale	423,938	477,835
Accelerated tax depreciation	583	723
	<u>859,209</u>	<u>899,452</u>

At 30 June 2013, the Group has unused tax losses of approximately HK\$434,688,000 (2012: HK\$420,894,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately HK\$434,688,000 (2012: HK\$420,894,000) 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\$424,521,000 (2012: HK\$478,558,000) as at 30 June 2013 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.

32. CONTINGENT LIABILITIES

The Group had the following outstanding litigations as at 30 June 2013. Except as disclosed in (b) and (c) below, 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 (“Chinese Regency”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood Limited (“Holyrood”), a subsidiary of the Company, a total sum of amount not less than HK\$5,760,000, claiming, among others, 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 located in Nos. 8, 10 and 12 Peak Road. Pursuant to the Court order, Chinese Regency filed an amended statement of claim on 24 May 2013 and Holyrood filed an amended statement of defence on 5 July 2013. The litigation is still on going and there is no further update on the case up to the date of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

32. CONTINGENT LIABILITIES (Cont'd)

- (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 located in Nos. 8, 10 and 12 Peak Road, breach of the Deed of Mutual Covenant and nuisance on the development. The judgment was handed down on 1 March, 2012 against Holyrood. Holyrood was ordered to pay Gateway the sum of HK\$4,967,000 plus interest. The judge has also made a costs order nisi that Holyrood shall pay the legal costs of Gateway on an indemnity basis, which is approximately HK\$4,000,000. Holyrood has filed a notice of appeal on 29 March 2012 against the judgment. The appeal was heard on 25 and 26 June 2013 and the judgment has been reserved up to the date of these financial statements.

On 28 June 2012, Holyrood paid a deposit of HK\$6,692,000 to the Court of Appeal, representing the aggregate of (i) the damages of HK\$4,967,000 and (ii) interest of HK\$1,725,000. The deposit was written off against the damages and interest expenses and charged to profit or loss during the year ended 30 June 2012.

The legal cost of HK\$4,000,000 is charged to profit or loss during the year ended 30 June 2012.

- (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 located in Nos. 8, 10 and 12 Peak Road, breach of the Deed of Mutual Covenant and nuisance on the development. The judgment was handed down on 1 March, 2012 against Holyrood. Holyrood was ordered to pay Sun Crown the sum of HK\$4,953,000 plus interest. The judge has also made a costs order nisi that Holyrood shall pay the legal costs of Sun Crown on an indemnity basis, which is approximately HK\$4,000,000. Holyrood has filed a notice of appeal dated 29 March, 2012 against the judgment. The appeal was heard on 25 and 26 June 2013 and the judgment has been reserved up to the date of these financial statements.

On 28 June 2012, Holyrood paid a deposit of HK\$6,685,000 to the Court of Appeal, representing the aggregate of (i) the damages of HK\$4,953,000 and (ii) interest of HK\$1,732,000. The deposit was written off against the damages and interest expenses and charged to profit or loss during the year ended 30 June 2012.

The legal cost of HK\$4,000,000 is charged to profit or loss during the year ended 30 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

32. CONTINGENT LIABILITIES (Cont'd)

- (d) On 18 July 2011, Century Pacific Holdings Limited ("Century Pacific") (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\$2,360,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 3rd Floor of Block A2 and the car parking space No. 38 located in Nos. 8, 10 and 12 Peak Road, breach of the Deed of Mutual Covenant and nuisance on the development. On 24 December 2012, Holyrood filed the statement of defence and Century Pacific filed their reply on the statement of defence. The litigation is still on going and there is no further update on the case up to the date of these financial statements.

Based on the legal advice obtained by the Group, except for the damage, interest and legal cost stated in (b) and (c) above, the Board is of the opinion that the remaining cases are in early stage and the Group is unable to evaluate the likely outcome of the actions. Accordingly, no provision is considered necessary.

33. 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Properties held for sale	694,603	759,107
Investment properties	248,000	242,000
Leasehold properties	72,431	75,063
Deposit placed for a life insurance policy	20,942	21,028
Bank deposits	50,565	50,366
	<u>1,086,541</u>	<u>1,147,564</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

34. 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, which was revised to HK\$1,250 with effect from 1 June 2012, 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, which was revised to HK\$1,250 with effect from 1 June 2012, (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 2013 recognised in the consolidated statement of profit or loss and other comprehensive income of the Group amounted to HK\$89,000 (2012: HK\$77,000).

35. 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) Chin Te Kuang Mike, a director of the Company, has provided personal guarantees in respect of the following:

	2013	2012
	HK\$'000	HK\$'000
Credit facilities granted to the Group	180,000	–

- (b) Lilian Oung, a director of certain subsidiaries and also one of the shareholders of Five Star, has provided personal guarantees in respect of the following:

	2013	2012
	HK\$'000	HK\$'000
Credit facilities granted to the Group	119,225	326,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

35. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (Cont'd)

- (c) Uon Margaret, a director of certain subsidiaries and also one of the shareholders of Gold Seal Holdings Limited, a shareholder of the Company, has provided personal guarantees in respect of the following:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Credit facilities granted to the Group	<u>320,000</u>	<u>320,000</u>

- (d) Details of the amounts due to directors of the subsidiaries are set out in note 25.

- (e) Compensation of key management personnel

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Directors' emoluments	1,584	1,328
Short-term employee benefits	219	207
Post-employment benefits	11	10
	<u>1,814</u>	<u>1,545</u>

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.

36. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, for the Group's investment properties and 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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within one year	5,914	7,897
In the second year	1,360	2,171
	<u>7,274</u>	<u>10,068</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

36. OPERATING LEASE ARRANGEMENTS (Cont'd)

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within one year	256	324
In the second year to fifth years, inclusive	60	136
	<u>316</u>	<u>460</u>

The minimum lease payments under operating lease recognised as an expense for the year is HK\$428,000 (2012: HK\$552,000). Operating lease payments represent rentals payable by the Group for certain of its office properties, leases are negotiated for a term of 25 months.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital	Proportion of nominal value of issued share capital held by the Company at 30 June 2012 and 2013		Principal activities
			Directly	Indirectly	
Banhart	Hong Kong	Ordinary HK\$9,998	–	100%	Property holding
		Non-voting deferred* HK\$2			
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	Hong Kong	Ordinary HK\$999,998	99.9%	0.1%	Property holding
		Non-voting deferred* HK\$2			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital	Proportion of nominal value of issued share capital held by the Company at 30 June 2012 and 2013		Principal activities
			Directly	Indirectly	
Homjade Trading Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	General trading
Paladin Leisure Limited	British Virgin Islands [#]	US\$1	100%	–	Investment holding
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	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 2013 or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

38. FINANCIAL INFORMATION OF THE COMPANY

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Total assets		
Investment in subsidiaries	33,360	33,360
Other receivables	23	23
Bank balances	8,336	9,188
	<hr/> 41,719	<hr/> 42,571
Total liabilities		
Other payable and accrued charges	1,232	1,177
Amounts due to directors of subsidiaries	32,440	53,667
Amounts due to subsidiaries	542,382	516,921
Convertible redeemable preference shares	39,931	34,938
	<hr/> (574,266)	<hr/> (564,132)
Net liabilities	<hr/> (574,266)	<hr/> (564,132)
Capital and reserve		
Share capital	7,520	7,520
Reserves (<i>Note</i>)	(581,786)	(571,652)
	<hr/> (574,266)	<hr/> (564,132)
Net deficiency in equity	<hr/> (574,266)	<hr/> (564,132)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2013

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

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

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2011	2,136	24,256	21,766	(710,689)	(662,531)
Total comprehensive income for the year	–	–	–	62,723	62,723
Issue of shares on conversion of convertible redeemable preference shares	10	(6)	–	–	4
Open offer of shares (<i>note 29</i>)	31,155	–	–	–	31,155
Transaction costs attributable to open offer of shares	(3,003)	–	–	–	(3,003)
At 30 June 2012	30,298	24,250	21,766	(647,966)	(571,652)
Total comprehensive expenses for the year	–	–	–	(10,136)	(10,136)
Issue of shares on conversion of convertible redeemable preference shares	5	(3)	–	–	2
At 30 June 2013	30,303	24,247	21,766	(658,102)	(581,786)

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	77,501	173,567	750	1,276	162,820
Profit (loss) before taxation	23,640	26,298	(35,455)	(30,062)	30,919
Taxation charge	(1,145)	(43,400)	–	(14,793)	(10)
Profit (loss) for the year attributable to equity holders of the Company	22,495	(17,102)	(35,455)	(44,855)	30,909

ASSETS AND LIABILITIES

	At 30 June				
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total assets	1,222,116	1,142,463	1,230,811	1,342,870	1,238,249
Total liabilities	(1,261,381)	(1,197,844)	(1,321,088)	(1,445,256)	(1,309,369)
Deficiency of shareholders' funds	(39,265)	(55,381)	(90,277)	(102,386)	(71,120)

SCHEDULE OF PROPERTY INTERESTS

Particulars of the properties held by the Group as at 30 June 2013 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	11 units	36,427	100%
Block A2 Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	4 units	17,359	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	29 units	—	100%
Motorcycle parking spaces Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	5 units	—	100%

SCHEDULE OF PROPERTY INTERESTS (Cont'd)

(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