Paladin Limited

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

2014
Annual Report

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Corporate Information

DIRECTORS

Executive Directors:
Oung Shih Hua, James *(Chairman)*

Non-executive Director:
Chan Chi Ho
Yuen Chi Wah

Independent Non-executive Directors:
Zhu Pei Qing
Kwok Wai Chi
Huang Weizong Martin

COMPANY SECRETARY

Chan Chi Ho

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

China 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

Suite 2304, 23rd Floor, Sun Life Tower,
The Gateway,
Harbour City,
Tsim Sha Tsui,
Kowloon,
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

AUDIT COMMITTEE

Kwok Wai Chi *(Chairman)*
Chan Chi Ho
Huang Weizong Martin
Zhu Pei Qing

NOMINATION COMMITTEE

Oung Shih Hua, James *(Chairman)*
Kwok Wai Chi
Huang Weizong Martin

REMUNERATION COMMITTEE

Kwok Wai Chi *(Chairman)*
Oung Shih Hua, James
Huang Weizong Martin

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. 17 apartment units have been sold in previous years. There was no sale of apartment unit of the Peak Road Project for the year ended 30 June 2014 because of the slump in residential property market in Hong Kong following demand suppressing policies launched by the Hong Kong Government in 2013.

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.

Investment properties

The income generated from the investment properties was approximately HK$0.3 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.

Disposal of office premises

On 20 December 2013, the Group entered into a provisional sale and purchases agreement for selling the office premises located at Unit 01, 45th floor, Office Tower, Convention Plaza No. 1 Harbour Road, Wanchai, Hong Kong. The consideration was approximately HK$337 million and the transaction was completed in April 2014 and the gain on disposal is approximately HK$266 million.

The Board is of the opinion that the disposal is a good opportunity to realise a considerable gain by disposal of the property and generate cash inflow for the Group to reduce its indebtedness and provide additional working capital. The Group leased alternative premises as its head office upon completion of the transaction.

Placing of new Share

On 29 April 2014, the Company entered into a conditional placing agreement to raise a net proceed of approximately HK$61 million. On 19 June 2014, the Company announced that the placing agreement lapsed and ceased to have any effect and the placing did not proceed.

Voluntary unconditional cash offers

On 12 June 2014, Gold Seal Holdings Limited (the "Offeror") announced in the Announcement that the Offeror would make the offers for all the issued shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at the offer price of HK$0.25 per ordinary offer share and HK$0.29 per preference offer share.

On 17 July 2014, the Company issued a response document in relation to the offers to the shareholders.

Requisition from shareholders and litigation on the composition of the board of directors

The Company received requisition notice dated 2 May 2014 from the requisitioning shareholders pursuant to which the Requisitioning Shareholders requisitioned for a special general meeting to be convened pursuant to section 74 of the Bermuda Companies Act to consider, and if thought fit, pass resolutions (i) to remove Mr. Law Fong, Mr. Chen Te Kuang, Mike and any other person or persons who may have been appointed as directors of the Company by the Board since the date of the last annual general meeting of the Company and (ii) to appoint Mr. Yuen Chi Wah and Mr. Chan Chi Ho as the directors.

In addition, the company had a dispute on the composition for the board of the directors for the period from 19 May 2014 to 26 August 2014. The current board is of the opinion that Mr. Wong Chong Wei Runrun, Ms. Lam Chi Wai Tammy, Ms. Ng Hei Pak and Ms. Song Fang Zhou were invalidly appointed as directors on 19 May 2014 and were never be the directors of the Company.

In the special general meeting held on 1 August 2014, former directors, namely, Mr. Law Fong, Mr. Chen Te Kuang Mike, Ms. Song Fang Zhou, Mr. Wong Chong Wei Runrun, Ms. Ng Hei Pak and Ms. Lam Chi Wai Tammy (collectively the "Former Directors") were removed. In addition, Mr. Yuen Chi Wah and Mr. Chan Chi Ho (collectively the "New Directors") were appointed as the directors of the Company.

On 26 August 2014, the Bermuda Court issued an order declaring that a lawfully convened special general meeting of the Company was held in Hong Kong on 1 August 2014, and that the resolutions to remove the Former Directors and to appoint the New Directors were duly passed.

Open offer

On 26 September 2014, the Company announced to raise up to HK$125.9 million, before expenses, by way of an open offer to holders of ordinary shares of convertible notes in denominations of HK$0.25 principal amount each, to be issued at face value, with a share alternative of new ordinary shares at a subscription price of HK$0.25 per ordinary share. Each convertible note may be converted into one ordinary share. The convertible notes and new ordinary shares will be offered to the shareholders on the basis of assured allotments of one convertible note or one new ordinary Share for every two existing Ordinary Shares.

The net proceeds of the Open Offer are expected to be approximately HK$120.9 million. The net proceeds from the Open Offer will be used by Paladin for general working capital purposes.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2014, net current liabilities of the Group were approximately HK$164 million. The current ratio was 0.82. The pledged bank deposits, bank balances and cash were approximately HK$71 million.

As at 30 June 2014, the Group has outstanding liabilities of approximately HK$910 million comprising (i) secured bank borrowings and bank overdrafts of approximately HK$787 million and (ii) other payables of approximately HK$123 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$1,010 million.

The Group's gearing ratio, total debts divided by total assets, was approximately 86%.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2014, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2014, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed total of 20 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2014, 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 (2013: nil).

ACKNOWLEDGEMENT

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

By order of the Board
Oung Shih Hua, James
Chairman

Hong Kong
30 September 2014

EXECUTIVE DIRECTOR

Dr. Oung Shih Hua, James, aged 39, joined the Group in 1995. He holds a Bachelor of Science degree in finance and international business from New York University, a master's degree in psychology, and a Doctorate of Philosophy in applied psychology from East China Normal University. Dr. Oung is also a designated Fellow at Life Management Institute (FLMI) and is teaching graduate students part time in the People's Republic of China. He is currently the chairman of a private technology company.

NON-EXECUTIVE DIRECTORS

Mr. Yuen Chi Wah, aged 54, joined the Group as the financial controller in 2007 and was appointed as non-executive director on 1 August 2014. He has over 35 years working experience in corporate finance, financial management, auditing, accounting, and acquisitions gained from certain senior related positions in an audit firm in Hong Kong, and possess extensive experience in management in the field of garments, electronic industrial and property development.

Mr. Chan Chi Ho, aged 43, first joined the Group as company secretary in 2003 was appointed as non-executive director on 1 August 2014. Prior to joining to the Group, Mr. Chan worked in PricewaterhouseCoopers and served as its audit manager. He has over 19 years of experience in accounting and financial management. Mr. Chan holds a Bachelor of Arts degree in business studies and a master's degree in corporate governance from The Hong Kong Polytechnic University. He is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He also is a member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Pei Qing, aged 77, 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 37, 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 54, 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.

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 2014, 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 2014.

BOARD OF DIRECTORS

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

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

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

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

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

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 2014, four Board meetings, one special general meeting ("SGM") and the annual general meeting for the year 2013 ("AGM") were held with details of the directors' attendance set out below:

	Attendance/Number of meetings		
	Board meetings	**AGM**	**SGM**
Executive directors			
Oung Shih Hua, James (appointed as chairman on 1 August 2014 and redesignated from non-executive director to executive director on 11 September 2014)	4/4	0/1	0/1
Law Fong (removed on 1 August 2014)	4/4	1/1	1/1
Chen Te Kuang Mike (removed on 1 August 2014)	4/4	0/1	0/1
Non-executive directors			
Chan Chi Ho (appointed on 1 August 2014)	N/A	N/A	N/A
Yuen Chi Wah (appointed on 1 August 2014)	N/A	N/A	N/A
Independent non-executive directors			
Zhu Pei Qing	0/4	0/1	0/1
Kwok Wai Chi	4/4	1/1	1/1
Huang Weizong Martin	1/4	0/1	0/1

Mr. Wong Chong Wei Runrun, Ms. Lam Chi Wai Tammy, Ms. Ng Hei Pak and Ms. Song Fang Zhou were appointed as directors on 19 May 2014 and removed on 1 August 2014. The current board is of the opinion that these directors were invalidly appointed and never be the directors of the Company.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Dr. Oung Shih Hua, James is the Chairman of the Company and the Company currently does not appoint any new Chief Executive Officer after the removal of Mr. Chen Te Kuang Mike on 1 August 2014. In the opinion of the Board, Dr. Oung temporarily acts as the role of the Chief Executive Officer after the change in composition of the Board. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. However, the Company will review the current structure as and when it becomes appropriate in future.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

The nomination committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The nomination committee takes into account of that person's skill, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board. Although Mr. Zhu Pei Qing has served the Company as independent non-executive director of the Company for fourteen 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, Dr. Oung Shih Hua, James, and two independent non-executive directors, being Mr. Kwok Wai Chi and Prof. Huang Weizong Martin. Dr. Oung Shih Hua, James is the chairman of the nomination committee. The terms of reference of the nomination committee are available on the respective websites of the Company and the Stock Exchange.

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

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

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

No nomination committee meeting was held during the year ended 30 June 2014.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two independent non-executive directors namely Mr. Kwok Wai Chi and Prof. Huang Weizong Martin and one executive director namely Dr. Oung Shih Hua, James. 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.

No remuneration committee meeting was held during the year ended 30 June 2014.

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. Chan Chi Ho. 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 2014. 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 *(Chairman)*	2/2
Zhu Pei Qing	0/2
Oung Shih Hua, James*	2/2
Huang Weizong Martin	0/2
Chan Chi Ho (appointed on 1 August 2014)	N/A

* *redesignated as executive director and ceased to be the member of Audit Committee on 1 August 2014.*

During the year ended 30 June 2014, the Audit Committee met mainly to review the Company's annual report for the year ended 30 June 2013, the Company's interim report for the six months ended 31 December 2013, 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 2014, 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 of the Company have given careful consideration to the future liquidity of the Group in light of the net current liabilities of the Group amounting to approximately HK$164,451,000 as at 30 June 2014.

Taking into account the available unutilised bank credit facility of HK$319,122,000 as at 30 June 2014 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.

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.

Below is a summary of training received by Directors for the year ended 30 June 2014:

	Attending seminars/ in-house training on regulatory development or directors' duties
Executive Directors	
Oung Shih Hua, James	✓
Law Fong (removed on 1 August 2014)	✓
Chen Te Kuang Mike (removed on 1 August 2014)	✓
Non-executive directors	
Chan Chi Ho (appointed on 1 August 2014)	N/A
Yuen Chi Wah (appointed on 1 August 2014)	N/A
Independent Non-executive Directors	
Zhu Pei Qing	✓
Kwok Wai Chi	✓
Huang Weizong Martin	✓

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.

During the year ended 30 June 2014, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	HK$'000
Audit services	820
Non-audit services	690
Total	1,510

INTERNAL CONTROL

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

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

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

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

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

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

SHAREHOLDERS' RIGHTS

(I) Convene a Special General Meeting

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

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

(II) Send Enquiries to the Board

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

INVESTOR RELATIONS

During the year ended 30 June 2014, there has not been any change in the Company's constitutional documents.

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2014.

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.

RESULTS

The results of the Group for the year ended 30 June 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 25.

INVESTMENT PROPERTIES

The Group's investment properties were fair valued as at 30 June 2014 by a firm of independent professional property valuers and the loss arising on change in fair value of investment properties of approximately HK$4,360,000 had been debited directly to consolidated statement of profit or loss and other 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 2014.

DIRECTORS

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

Executive directors:

Oung Shih Hua, James (appointed as chairman on 1 August 2014 and redesignated from non-executive director to executive director on 11 September 2014)
Law Fong (removed on 1 August 2014)
Chen Te Kuang Mike (removed on 1 August 2014)

Non-executive directors:

Chan Chi Ho (appointed on 1 August 2014)
Yuen Chi Wah (appointed on 1 August 2014)

Independent non-executive directors:

Zhu Pei Qing
Kwok Wai Chi
Huang Weizong Martin

Mr. Wong Chong Wei Runrun, Ms. Lam Chi Wai Tammy, Ms. Ng Hei Pak and Ms. Song Fang Zhou were appointed as directors on 19 May 2014 and removed on 1 August 2014. The current board is of the opinion that these directors were invalidly appointed and never be the directors of the Company.

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

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

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

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

DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, 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	0.75%
(removed on 1 August 2014)	Interest in a controlled corporation *(Note)*	29,449,000	3.15%
		36,449,000	3.90%
Oung Shih Hua, James	Beneficial owner	7,000,000	0.75%

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	4.49%
(removed on 1 August 2014)	Held by a controlled corporation *(Note)*	9,099,014	12.75%
		12,299,014	17.24%
Oung Shih Hua, James	Beneficial owner	2,500,000	3.50%

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

Other than as disclosed above, as at 30 June 2014, 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 2014, 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	508,848,531	54.37%
Gold Seal Holdings Limited ("Gold Seal") *(Note b)*	Beneficial owner	93,591,179	10.00%
Oung Da Ming	Beneficial owner	50,000,000	5.34%
	Interest in a controlled corporation *(Note b)*	93,591,179	10.00%
		143,591,179	15.34%

Name of shareholder	Capacity	Number of issued convertible redeemable preference shares held	Percentage of issued convertible redeemable preference shares held
Goldenfield Equities Limited ("Goldenfield") *(Note c)*	Beneficial owner	9,099,014	12.75%

Notes:

(a) Five Star is owned as to 67% by the estate of Ms. Oung Chin Liang Fung, grandmother of Dr. Oung Shih Hua, James, and 33% by Ms. Lilian Oung, mother of Mr. Chen Te Kuang Mike.

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

(c) Goldenfield is owned as to 40% by Ms. Lilian Oung, 40% by her son Mr. Chen Te Kuang Mike, and 20% by Dr. Oung Shih Hua, James.

Other than as disclosed above, as at 30 June 2014, 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.

CORPORATE GOVERNANCE

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

PURCHASE, SALE AND REDEMPTION OF SHARES

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

AUDIT COMMITTEE

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

EMOLUMENT POLICY

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 30 June 2014 as required under the Listing Rules.

AUDITOR

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

On behalf of the Board
Oung Shih Hua, James
Chairman

Hong Kong
30 September 2014

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 25 to 93, which comprise the consolidated statement of financial position as at 30 June 2014, 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.

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 2014, 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
30 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	NOTES	**2014** **HK$'000**	2013 *HK$'000*
Turnover	8	**330**	162,820
Cost of sales		**–**	(64,503)
Gross profit		**330**	98,317
Other income	9	**272,938**	8,854
Distribution costs		**–**	(3,314)
Administrative expenses		**(50,228)**	(50,377)
Fair value change on investment properties	16	**(4,360)**	6,000
Finance costs	11	**(23,185)**	(28,561)
Profit before taxation		**195,495**	30,919
Taxation charge	12	**–**	(10)
Profit for the year	13	**195,495**	30,909
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**(29)**	(76)
Fair value (loss) gain on available-for-sale investments		**(1,117)**	431
Other comprehensive (expense) income for the year		**(1,146)**	355
Total comprehensive income for the year		**194,349**	31,264
EARNINGS PER SHARE	15		
Basic		**25.55 HK cents**	4.11 HK cents
Diluted		**19.55 HK cents**	3.56 HK cents

Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	16	**243,640**	248,000
Property, plant and equipment	17	**1,041**	74,578
Available-for-sale investments	18	**12,900**	14,017
Deposit placed for a life insurance policy	19	**20,909**	20,942
Pledged bank deposits	20	**50,575**	50,565
		329,065	408,102
Current assets			
Properties held for sale	21	**710,408**	710,408
Other receivables, deposits and prepayments	22	**13,408**	12,541
Amount due from a director	23	**2,231**	–
Bank balances and cash	24	**19,929**	107,198
		745,976	830,147
Current liabilities			
Other payables and accrued charges	25	**114,858**	126,905
Amounts due to directors of subsidiaries	26	**231**	234,984
Provision for litigations		**8,000**	8,000
Bank overdrafts	27	**38,898**	19,999
Secured bank borrowings	28	**748,440**	879,550
		910,427	1,269,438
Net current liabilities		**(164,451)**	(439,291)
		164,614	(31,189)

	NOTES	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	29	**9,359**	7,520
Reserves		**141,916**	(78,640)
		151,275	(71,120)
Non-current liabilities			
Convertible redeemable preference shares	30	**13,339**	39,931
		164,614	(31,189)

The consolidated financial statements on pages 25 to 93 were approved and authorised for issue by the Board of Directors on 30 September 2014 and are signed on its behalf by:

Oung Shih Hua, James
CHAIRMAN

Yuen Chi Wah
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Attributable to equity holders of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(note a)*	Other reserve *HK$'000* *(note b)*	Translation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Accumulated (losses) profit *HK$'000*	Total *HK$'000*
At 1 July 2012	7,520	30,298	24,250	21,766	(5,006)	6,086	(187,300)	(102,386)
Profit 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	7,520	30,303	24,247	21,766	(5,082)	6,517	(156,391)	(71,120)
Loss for the year	–	–	–	–	–	–	195,495	195,495
Other comprehensive income for the year	–	–	–	–	(29)	(1,117)	–	(1,146)
Total comprehensive expenses for the year	–	–	–	–	(29)	(1,117)	195,495	194,349
Issue of shares on conversion of convertible redeemable preference shares	1,839	44,138	(17,931)	–	–	–	–	28,046
At 30 June 2014	9,359	74,441	6,316	21,766	(5,111)	5,400	39,104	151,275

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 2014

	2014	2013
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**195,495**	30,919
Adjustments for:		
Depreciation of property, plant and equipment	**2,538**	3,549
Interest expenses	**23,185**	28,561
Interest income	**(869)**	(1,042)
Fair value change on investment properties	**4,360**	(6,000)
Premium charged on a life insurance policy	**876**	878
Gain on disposals of property, plant and equipment	**(265,555)**	–
Operating cash flows before movements in working capital	**(39,970)**	56,865
Decrease in properties held for sale	**–**	64,503
(Increase) decrease in other receivables, deposits and prepayments	**(867)**	19,648
Decrease in other payables and accrued charges	**(12,047)**	(15,640)
Cash (used in) from operations	**(52,884)**	125,376
Tax paid	**–**	(9,588)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(52,884)**	115,788
INVESTING ACTIVITIES		
Proceed from disposals of property, plant and equipment	**336,571**	–
Interest received	**28**	253
Purchase of property, plant and equipment	**(17)**	(520)
Placement of pledged bank deposits	**(10)**	(199)
Advance to a director	**(2,231)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**334,341**	(466)

	2014	2013
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Bank borrowings raised	**–**	15,000
Repayment of bank borrowings	**(131,110)**	(110,947)
Interest paid	**(21,731)**	(23,566)
Repayment to directors of subsidiaries	**(234,753)**	(14,642)
NET CASH USED IN FINANCING ACTIVITIES	**(387,594)**	(134,155)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(106,137)**	(18,833)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**87,199**	106,111
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(31)**	(79)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**(18,969)**	87,199
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**19,929**	107,198
Bank overdrafts	**(38,898)**	(19,999)
	(18,969)	87,199

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company, ultimate holding company and ultimate controlling party is 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 current liabilities of the Group amounting to approximately HK$164,451,000 as at 30 June 2014.

Taking into account the available unutilised bank credit facility of HK$319,122,000 as at 30 June 2014 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.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the new and revised 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.

HKFRS 13 "Fair value measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

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

HKFRS 13 "Fair value measurement" (Cont'd)

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (see notes 7 and 16 for the disclosures of the current year). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New or revised standards and interpretations that have been 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 2010 – 2012 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[2]
HKFRS 9	Financial instruments[7]
HKFRS 14	Regulatory deferral accounts[4]
HKFRS 15	Revenue from contracts with customers[6]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[3]
Amendments to HKAS 39	Novation of derivatives and contribution of hedge accountings[3]
HK(IFRIC) – INT 21	Levies[3]

1 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 January 2017.
7 Effective for annual periods beginning on or after 1 January 2018.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, amount due from a director, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Available-for-sale financial assets (Cont'd)

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

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

Impairment of financial assets

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

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

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

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.

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.

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.

Impairment

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment (Cont'd)

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 immediately in profit or loss.

Borrowing costs

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

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

Foreign currencies

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee

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

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

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 costs

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

Critical judgments in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment properties portfolios and concluded that while the Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from these investment properties located in Hong Kong, the management determined that the presumption that these investment properties measured using the fair value model are recovered through sale is not rebutted.

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (Cont'd)

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 (2013: HK$710,408,000) 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 26, 27 and 28, 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.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)		
– other receivables	**9,736**	9,112
– amount due from a director	**2,231**	–
– deposit placed for a life insurance policy	**20,909**	20,942
– pledged bank deposits	**50,575**	50,565
– bank balances and cash	**19,929**	107,198
	103,380	187,817
Available-for-sale financial assets		
– available-for-sale investments	**12,900**	14,017
Financial liabilities		
At amortised cost		
– other payables	**84,233**	80,232
– amounts due to directors of subsidiaries	**231**	234,984
– bank overdrafts	**38,898**	19,999
– secured bank borrowings	**748,440**	879,550
– convertible redeemable preference shares	**13,339**	39,931
	885,141	1,254,696

7. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investments, other receivables, amount due from a director, 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:

	2014	2013
	HK$'000	*HK$'000*
Assets		
United States Dollars ("USD")	**22,233**	25,536
Liabilities		
USD	**8,430**	11,490

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.

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 balances, floating-rate bank overdrafts and bank borrowings (see notes 24, 27 and 28 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 (2013: 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.

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 (2013: 50 basis points) higher/lower and all other variables were held constant, the post-tax profit for the year ended 30 June 2014 would decrease/increase by approximately HK$3,287,000 (2013: post-tax profit for the year decrease/increase by approximately HK$3,756,000). 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% (2013: 5%) increase or decrease is used when reporting exposure to other price risk internally to key management personnel and represents management's assessment of the reasonably possible change in price.

If the prices of the available-for-sale debt investment had been 5% (2013: 5%) higher/lower, investment revaluation reserve for the year ended 30 June 2014 would increase/decrease by approximately HK$645,000 (2013: increase/decrease by HK$701,000) as a result of the changes in fair value of available-for-sale investments.

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 Company has concentration of credit risk of the amount due from a director. The directors consider that the credit risk is low in view of the strong financial background of the director. 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$12,900,000 (2013: HK$14,017,000) was the debenture issued by The Hong Kong Golf Club. However, having consider the strong financial background of the debenture issuer, the management believes there is no significant credit risk.

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$319,122,000 as at 30 June 2014 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.

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	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2014								
Non-derivative financial liabilities								
Other payables	8.00%	84,233	–	–	–	–	84,233	84,233
Amounts due to directors of subsidiaries	N/A	231	–	–	–	–	231	231
Bank overdrafts	5.00%	38,898	–	–	–	–	38,898	38,898
Secured bank borrowings	1.84%	748,440	–	–	–	–	748,440	748,440
Convertible redeemable preference shares	11.93%	–	–	–	–	17,836	17,836	13,339
		871,802	–	–	–	17,836	889,638	885,141
As at 30 June 2013								
Non-derivative financial liabilities								
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

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	3 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank borrowings								
As at 30 June 2014	1.84%	14,702	44,080	58,700	168,916	477,475	763,873	673,400
As at 30 June 2013	1.82%	15,884	97,865	58,621	171,596	532,245	876,211	774,550

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.

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	
	2014	2013
	HK$'000	*HK$'000*
Available-for-sale financial assets		
Club debenture	**12,900**	14,017

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

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:

	2014	2013
	HK$'000	*HK$'000*
Sale of properties	**–**	161,500
Rental income from investment properties	**330**	1,320
	330	162,820

9. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**28**	253
Compensation arising from settlement of legal cases	**233**	–
Consultancy fee income	**1,302**	1,159
Interest income from deposit placed for a life insurance policy	**841**	789
Net exchange gain	**13**	92
Rental income from properties held for sale	**4,517**	6,175
Gain on disposal of property, plant and equipment	**265,555**	–
Others	**449**	386
	272,938	8,854

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.

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

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 2014

	Property development *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
Turnover			
External	**–**	**330**	**330**
Segment result	**(31,989)**	**252,977**	**220,988**
Other income			**10,541**
Unallocated corporate expenses			**(12,849)**
Finance costs			**(23,185)**
Profit before taxation			**195,495**

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, 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 2013

	Property development *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
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

10. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

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

	2014	2013
	HK$'000	*HK$'000*
Segment assets		
Property development	**710,784**	783,552
Property investment	**243,640**	248,009
Total segment assets	**954,424**	1,031,561
Available-for-sale investments	**12,900**	14,017
Pledged bank deposits	**50,575**	50,565
Amount due from a director	**2,231**	–
Deposit placed for a life insurance policy	**20,909**	20,942
Bank balances and cash	**19,929**	107,198
Unallocated	**14,073**	13,966
Consolidated assets	**1,075,041**	1,238,249
Segment liabilities		
Property development	**31,457**	55,515
Property investment	**1,922**	1,885
Total segment liabilities	**33,379**	57,400
Amounts due to directors of subsidiaries	**231**	234,984
Bank overdrafts	**38,898**	19,999
Secured bank borrowings	**748,440**	879,550
Convertible redeemable preference shares	**13,339**	39,931
Unallocated	**89,479**	77,505
Consolidated liabilities	**923,766**	1,309,369

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 overdrafts, secured bank borrowings, convertible redeemable preference shares and certain unallocated corporate liabilities.

Other segment information

For the year ended 30 June 2014

	Property development *HK$'000*	**Property investment** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measure of segment asset or segment result:				
Capital additions	**–**	**–**	**17**	**17**
Depreciation	**2,129**	**9**	**400**	**2,538**
Fair value loss on investment properties	**–**	**4,360**	**–**	**4,360**

For the year ended 30 June 2013

	Property development *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment asset or segment result:				
Capital additions	–	–	520	520
Depreciation	3,084	110	355	3,549
Fair value gain on investment properties	–	(6,000)	–	(6,000)

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:

	2014	
	Revenue from external customers	**Non-current assets**
	HK$'000	***HK$'000***
Hong Kong (Place of domicile)	**330**	**244,681**

	2013	
	Revenue from external customers	Non-current assets
	HK$'000	*HK$'000*
Hong Kong (Place of domicile)	162,820	322,578

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:

	2014	2013
	HK$'000	*HK$'000*
Customer A[1]	**330**	–
Customer B[2]	**–**	86,500
Customer C[2]	**–**	75,000

1 Revenue from property investment segment.
2 Revenue from property development segment.

11. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowings:		
– wholly repayable within five years	**4,405**	4,408
– not wholly repayable within five years	**10,879**	11,281
Interest on bank overdrafts	**557**	268
Interest on other payables	**5,890**	7,609
Finance costs on convertible redeemable preference shares *(note 30)*	**1,454**	4,995
	23,185	28,561

12. TAXATION CHARGE

The charge comprises:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Underprovision in prior years	**–**	(10)

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

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

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

12. TAXATION CHARGE (Cont'd)

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

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation	**195,495**	30,919
Tax charge at Hong Kong Profits Tax rate of 16.5%	**(32,257)**	(5,102)
Tax effect of income not taxable for tax purpose	**44,132**	1,367
Tax effect of expenses not deductible for tax purpose	**(6,615)**	(2,882)
Tax effect of unrealised intragroup profits on properties held for sale not recognised	**–**	8,893
Underprovision in respect of prior years	**–**	(10)
Tax effect of tax losses not recognised	**(5,260)**	(2,276)
Tax charge for the year	**–**	(10)

13. PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments *(note 14)*	**1,889**	1,584
Other staff costs, including retirement benefit scheme contributions	**4,070**	4,282
Total staff costs	**5,959**	5,866
Auditor's remuneration	**820**	820
Depreciation of property, plant and equipment	**2,538**	3,549
and after crediting:		
Gross rental income from investment properties	**330**	1,320
Less: Direct expenses that generated rental income during the year	**(78)**	(78)
Less: Direct expenses not generated rental income during the year	**(155)**	(155)
	97	1,087
Gross rental income from properties held for sale	**4,517**	6,175
Bank interest income	**28**	253
Interest income from deposit placed for a life insurance policy	**841**	789
Net exchange gain	**13**	92

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 six (2013: seven) directors of the Company were as follows:

2014

	Law Fong *HK$'000*	Chen Te Kuang Mike *HK$'000*	Oung Shih Hua, James *HK$'000*	Zhu Pei Qing *HK$'000*	Kwok Wai Chi *HK$'000*	Huang Weizong Martin *HK$'000*	Total *HK$'000*
Directors' fees	388	520	260	60	208	–	1,436
Other emoluments:							
Salaries and other benefits	128	325	–	–	–	–	453
Retirement benefit scheme contributions	–	–	–	–	–	–	–
	128	325	–	–	–	–	453
Total	516	845	260	60	208	–	1,889

2013

	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$'000* *(Note)*	Kwok Wai Chi *HK$'000*	Huang Weizong Martin *HK$'000*	Total *HK$'000*
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

Note: Ms. Lu Ti Fen resigned as the independent non-executive director and a member of the audit committee with effect from 7 December 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.

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

(b) Employees' emoluments

During the year, the five highest paid individuals of the Group included three (2013: four) directors, details of whose emoluments are set out in (a) above. The emoluments of the remaining two (2013: one) individuals are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**614**	219
Retirement benefit scheme contributions	**26**	11
	640	230

The emoluments of this employee fall within the following band:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**2**	1

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.

15. EARNINGS PER SHARE

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

	For the year ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share	**195,495**	30,909
Effect of dilutive potential shares:		
Interest on convertible redeemable preference shares (net of income tax)	**1,454**	4,995
Earnings for the purposes of diluted earnings per share	**196,949**	35,904

	2014	2013
Number of shares		
Weighted average number of shares for the purposes of calculating basic earnings per share	**765,024,262**	752,014,152
Effect of dilutive potential shares:		
Convertible redeemable preference shares	**242,243,756**	255,253,866
Weighted average number of shares for the purpose of calculating diluted earnings per share	**1,007,268,018**	1,007,268,018

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2012	242,000
Increase in fair value recognised in profit or loss	6,000
At 30 June 2013	248,000
Decrease in fair value recognised in profit or loss	(4,360)
At 30 June 2014	243,640

The fair value of the Group's investment properties as at 30 June 2014 and 30 June 2013 has been arrived at on the basis of a valuation carried out on that day by LCH (Asia-Pacific) Surveyors Limited and Messrs. Savills Valuation and Professional Services Limited, the independent qualified professional property valuers not connected with the Group, respectively. LCH (Asia-Pacific) Surveyors Limited and 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-term lease. They were secured to support banking facilities granted to the Group.

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

Investment properties held by the Group	**Fair value at 30 June 2014** *HK$'000*	**Fair value hierarchy**	**Valuation techniques and key inputs**
Residential units in Hong Kong	243,640	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject property

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Office equipment, furniture and fixtures *HK$'000*	Total *HK$'000*
COST				
At 1 July 2012	113,079	2,022	12,923	128,024
Additions	–	–	520	520
At 30 June 2013	113,079	2,022	13,443	128,544
Additions	–	–	17	17
Disposals	(113,079)	(2,022)	–	(115,101)
At 30 June 2014	–	–	13,460	13,460
DEPRECIATION AND IMPAIRMENT				
At 1 July 2012	38,016	997	11,404	50,417
Provided for the year	2,632	314	603	3,549
At 30 June 2013	40,648	1,311	12,007	53,966
Provided for the year	1,974	152	412	2,538
Eliminated on disposals	(42,622)	(1,463)	–	(44,085)
At 30 June 2014	–	–	12,419	12,419
CARRYING VALUES				
At 30 June 2014	–	–	1,041	1,041
At 30 June 2013	72,431	711	1,436	74,578

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.

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%

In prior year, the leasehold land and buildings of the Group were situated in Hong Kong and were held under medium-term leases. They were secured to a bank to support credit facilities granted to the Group.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
	HK$'000	*HK$'000*
Club debenture, at market value	**12,900**	14,017
Unlisted equity investment, at cost	**15,577**	15,577
Less: Impairment loss recognised	**(15,577)**	(15,577)
	12,900	14,017

At 30 June 2014, 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 (the "PRC") and engaged in property development, with zero carrying amount; and (ii) club debenture with market value of HK$12,900,000 (2013: HK$14,017,000).

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.

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 as at 30 June 2014. 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% (2013: 0.02%) 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.

21. PROPERTIES HELD FOR SALE

At 30 June 2014 and 2013, 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$4,517,000 (2013: HK$6,175,000). 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 2014 and 30 June 2013.

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. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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.

	2014	2013
	HK$'000	*HK$'000*
USD	**876**	875

23. AMOUNT DUE FROM A DIRECTOR

The amount represents amount due from Chen Te Kuang, Mike, which is unsecured, interest-free and repayable on demand. The maximum outstanding balance during the year is HK$2,231,000.

24. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.01% to 0.02% (2013: 0.01% to 0.06%) 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.

	2014	2013
	HK$'000	*HK$'000*
USD	**448**	3,719

25. OTHER PAYABLES AND ACCRUED CHARGES

	2014	2013
	HK$'000	*HK$'000*
Rental deposits received	**661**	1,233
Accruals	**29,964**	32,212
Accrued construction costs	**–**	13,228
Other payables	**84,233**	80,232
	114,858	126,905

26. AMOUNTS DUE TO DIRECTORS OF SUBSIDIARIES

The amounts 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.

27. BANK OVERDRAFTS

Bank overdrafts carry interest at 0.25% over Hong Kong dollars Prime Rate, i.e. 5.0% (2013: 5.0%) per annum and secured by certain apartments of the Group's properties held for sale. The effective interest rate for bank overdrafts ranged from 5.00% to 5.50% (2013: 5.25% to 5.75%). The details of the pledged assets are set out in note 33.

28. SECURED BANK BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Secured:		
Revolving loans	**75,000**	105,000
Mortgage loans	**665,010**	763,060
Other bank loan	**8,430**	11,490
	748,440	879,550
Comprising amounts following due:		
On demand and within one year	**122,196**	206,167
In more than one year but not more than two years	**47,953**	47,259
In more than two years but not more than three years	**47,980**	47,998
In more than three years but not more than four years	**46,473**	48,002
In more than four years but not more than five years	**47,284**	46,481
Over five years	**436,554**	483,643
	748,440	879,550
Less: Amounts due within one year shown under current liabilities	**(122,196)**	(206,167)
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)	**(626,244)**	(673,383)
Amounts shown under non-current liabilities	**–**	–

28. SECURED BANK BORROWINGS (Cont'd)

At 30 June 2014, the bank borrowings comprised:

(i) a mortgage loan with an outstanding amount of approximately HK$39,573,000 (2013: HK$41,740,000) that shall be repayable by 194 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$173,371,000 (2013: HK$185,758,000) that shall be repayable by 152 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 (2013: HK$35,000,000) that carries interest at a rate of 2% per annum over HIBOR;

(iv) a mortgage loan with an outstanding amount of approximately HK$64,163,000 (2013: HK$69,552,000) that shall be repayable by 157 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$46,922,000 (2013: HK$50,166,000) that shall be repayable by 150 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$22,980,000 (2013: HK$25,020,000) that shall be repayable by 207 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$23,754,000 (2013: HK$24,205,000) that shall be repayable by 207 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$63,019,000 (2013: HK$69,924,000) that shall be repayable by 99 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$52,063,000 (2013: HK$54,824,000) that shall be repayable by 207 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 HK$91,380,000 (2013: HK$95,162,000) that shall be repayable by 172 monthly installments and carries interest at a rate of 3% per annum over HIBOR;

28. SECURED BANK BORROWINGS (Cont'd)

(xi) a revolving loan with an outstanding amount of approximately HK$30,000,000 (2013: HK$30,000,000) that carries interest at a rate of 3.5% per annum over HIBOR;

(xii) a mortgage loan with an outstanding amount of approximately HK$87,785,000 (2013: HK$92,068,000) that shall be repayable by 205 monthly installments and carries interest at a rate of 1.75% per annum over HIBOR;

(xiii) a revolving loan with an outstanding amount of approximately HK$10,000,000 (2013: HK$10,000,000) that carries interest at a rate of 2.25% per annum over HIBOR; and

(xiv) other bank loan with an outstanding amount of approximately HK$8,430,000 (2013: HK$11,490,000) that shall be repayable by 33 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 3.70% (2013: 0.91% to 3.61%) 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.

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.

	2014	2013
	HK$'000	*HK$'000*
USD	**8,430**	11,490

29. SHARE CAPITAL

	Nominal value per share	**Numbers of shares**	**Amount**
	HK$		*HK$'000*
Authorised:			
At 1 July 2012, 30 June 2013 and 30 June 2014	0.01	50,000,000,000	500,000
Issued and fully paid:			
At 1 July 2012		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
Issue of shares on conversion of convertible redeemable preference shares		183,907,508	1,839
At 30 June 2014	0.01	935,924,489	9,359

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

30. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

	Number of preference shares	Amount of par value *HK$'000*
Authorised:		
At 1 July 2012, 30 June 2013 and 30 June 2014	1,270,000,000	12,700
Issued and fully paid:		
At 1 July 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
Conversion of issued convertible redeemable preference share into ordinary shares	(183,907,508)	(1,839)
At 30 June 2014	71,343,529	713

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

30. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

Movement of the convertible redeemable preference shares are as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 July 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
At 30 June 2013	39,931	24,247	64,178
Conversion of convertible redeemable preference shares	(28,046)	(17,931)	(45,977)
Interest charged for the year	1,454	–	1,454
At 30 June 2014	13,339	6,316	19,655

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 2013 and 2014, as altered, include the following:

(i) Cumulative dividend

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

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

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.

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.

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 11.93% 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.

31. DEFERRED TAXATION

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

	2014	2013
	HK$'000	*HK$'000*
Tax losses	**547,253**	515,368
Unrealised intragroup profits on properties held for sale	**423,938**	423,938
Accelerated tax depreciation	**471**	583
	971,662	939,889

At 30 June 2014, the Group has unused tax losses of approximately HK$547,253,000 (2013: HK$515,368,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately HK$547,253,000 (2013: HK$515,368,000) 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$424,409,000 (2013: HK$424,521,000) as at 30 June 2014 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 2014. 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. Also, pursuant to the Court order dated 18 December 2013, both parties are to exchange expert reports, witness statements and further filed a joint expert report on 8 May 2014. The first case management conference was held on 5 September 2014 during which certain directions were given by the Court as to the further conduct of the proceedings. A second case management conference is scheduled for 12 March 2015. Before the said case management conference on 2 September 2014, Chinese Regency sought an order (the "Summons") that unless Ms. Lilian Oung attends the trial for cross examinations, the Company be debarred from adducing the witness statements of Ms. Lilian Oung as evidence in these proceedings. The Company is opposed to the Summons and the case is adjourned for substantive argument on 6 January 2015. The litigation is still ongoing and there is no further update on the case up to the date of this report.

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. On 11 October 2013, the Court of Appeal delivered judgment dismissing the appeal as regards liability but allowing the appeal as regards quantum (the "Appeal Judgment"). On 13 May 2014, an application for leave to appeal was filed to the Appeal Committee of the Court of Final Appeal to seek leave of the Appeal Judgment and the leave application is scheduled on 6 October 2014.

Pursuant to the Appeal Judgment, the damage awarded to the Company is reduced to HK$3,258,328. As the Company is seeking leave to appeal to the Court of Final Appeal on the Appeal Judgment and the damages have not been finalised up to the date of this report, the overpaid portion of deposit written off in previous years has not been reversed.

During the year ended 30 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 was also 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. On 11 October 2013, the Court of Appeal delivered judgment dismissing the appeal as regards liability but allowing the appeal as regards quantum (the "Appeal Judgment"). On 13 May 2014, an application for leave to appeal was filed to the Appeal Committee of the Court of Final Appeal to seek leave of the Appeal Judgment and the leave application is scheduled on 6 October 2014.

32. CONTINGENT LIABILITIES (Cont'd)

(c) (Cont'd)

Pursuant to the Appeal Judgment, the damage awarded to the Company is reduced to HK$3,260,008. As the Company is seeking leave to appeal to the Court of Final Appeal on the Appeal Judgment and the damages have not been finalised up to the date of this report, the overpaid portion of deposit written off in previous years has not been reversed.

During the year ended 30 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 was also charged to profit or loss during the year ended 30 June 2012.

(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 ongoing and there is no further update on the case up to the date of this report.

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 ongoing 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:

	2014	2013
	HK$'000	*HK$'000*
Properties held for sale	**694,603**	694,603
Investment properties	**243,640**	248,000
Leasehold properties	**–**	72,431
Deposit placed for a life insurance policy	**20,909**	20,942
Bank deposits	**50,575**	50,565
	1,009,727	1,086,541

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$1,250, which was revised to HK$1,500 with effect from 1 June 2014, 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$1,250, which was revised to HK$1,500 with effect from 1 June 2014, (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 2014 recognised in the consolidated statement of profit or loss and other comprehensive income of the Group amounted to HK$96,000 (2013: HK$89,000).

35. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties to the Group under the definition of HKAS 24 "Related Party Disclosures".

(a) Chen Te Kuang Mike, a director of the Company, has provided personal guarantees in respect of the following:

	2014	2013
	HK$'000	*HK$'000*
Credit facilities granted to the Group	**180,000**	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:

	2014	2013
	HK$'000	*HK$'000*
Credit facilities granted to the Group	**127,550**	119,225

35. RELATED PARTY TRANSACTIONS (Cont'd)

(c) Margaret Oung, 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:

	2014	2013
	HK$'000	*HK$'000*
Credit facilities granted to the Group	**320,000**	320,000

(d) Details of the amount due from a director and amounts due to directors of the subsidiaries are set out in notes 23 and 25, respectively.

(e) Compensation of key management personnel

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

	2014	2013
	HK$'000	*HK$'000*
Directors' emoluments	**1,889**	1,584
Short-term employee benefits	**614**	219
Post-employment benefits	**26**	11
	2,529	1,814

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

	2014	2013
	HK$'000	*HK$'000*
Within one year	**3,590**	5,914
In the second year	**1,360**	1,360
	4,950	7,274

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

	2014	2013
	HK$'000	*HK$'000*
Within one year	**2,327**	256
In the second year to fifth years, inclusive	**2,764**	60
	5,091	316

The minimum lease payments under operating lease recognised as an expense for the year is HK$2,124,000 (2013: HK$428,000). 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 2013 and 2014		Principal activities
			Directly	Indirectly	
Banhart Company Limited	Hong Kong	Ordinary HK$9,998 Non-voting deferred* HK$2	–	100%	Property holding
Alpard Limited	Hong Kong	Ordinary HK$10	–	100%	Property investment and holding
Bowen Hill Limited	British Virgin Islands#	US$1	–	100%	Investment holding
Gainbest Venture Limited	British Virgin Islands#	US$1	100%	–	Investment holding
Holyrood	Hong Kong	Ordinary HK$999,998 Non-voting deferred* HK$2	99.9%	0.1%	Property holding
Homjade Trading Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	General trading
Paladin Leisure Limited	British Virgin Islands#	US$1	100%	–	Investment holding
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

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 2013 and 2014		Principal activities
			Directly	Indirectly	
Six Gain Investments Limited	Hong Kong#	Ordinary HK$2	100%	–	Investment holding
Venus Fortune 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 2014 or at any time during the year.

38. FINANCIAL INFORMATION OF THE COMPANY

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

	2014	2013
	HK$'000	*HK$'000*
Total assets		
Investment in subsidiaries	**33,360**	33,360
Other receivables	**3**	23
Amount due from a director	**2,231**	–
Bank balances	**275**	8,336
	35,869	41,719
Total liabilities		
Other payable and accrued charges	**1,042**	1,232
Amounts due to directors of subsidiaries	**–**	32,440
Amounts due to subsidiaries	**572,409**	542,382
Bank overdraft	**1,548**	–
Convertible redeemable preference shares	**13,339**	39,931
Net liabilities	**(552,469)**	(574,266)
Capital and reserve		
Share capital	**9,359**	7,520
Reserves *(Note)*	**(561,828)**	(581,786)
Net deficiency in equity	**(552,469)**	(574,266)

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

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

	Share premium *HK$'000*	Capital reserve *HK$'000*	Other reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 July 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)
Total comprehensive expenses for the year	–	–	–	(6,249)	(6,249)
Issue of shares on conversion of convertible redeemable preference shares	44,138	(17,931)	–	–	26,207
At 30 June 2014	74,441	6,316	21,766	(664,351)	(561,828)

RESULTS

	Year ended 30 June				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	173,567	750	1,276	162,820	**330**
Profit before taxation	26,298	(35,455)	(30,062)	30,919	**195,495**
Taxation charge	(43,400)	–	(14,793)	(10)	**–**
Profit for the year attributable to equity holders of the Company	(17,102)	(35,455)	(44,855)	30,909	**195,495**

ASSETS AND LIABILITIES

	At 30 June				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	1,142,463	1,230,811	1,342,870	1,238,249	**1,075,041**
Total liabilities	(1,197,844)	(1,321,088)	(1,445,256)	(1,309,369)	**(923,766)**
(Deficiency) surplus of shareholders' funds	(55,381)	(90,277)	(102,386)	(71,120)	**151,275**

Particulars of the properties held by the Group as at 30 June 2014 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%

(b) 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