



## APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司\*

(Incorporated in Bermuda with limited liability)

Stock Code : 519

American Depository Receipt : ADHLY

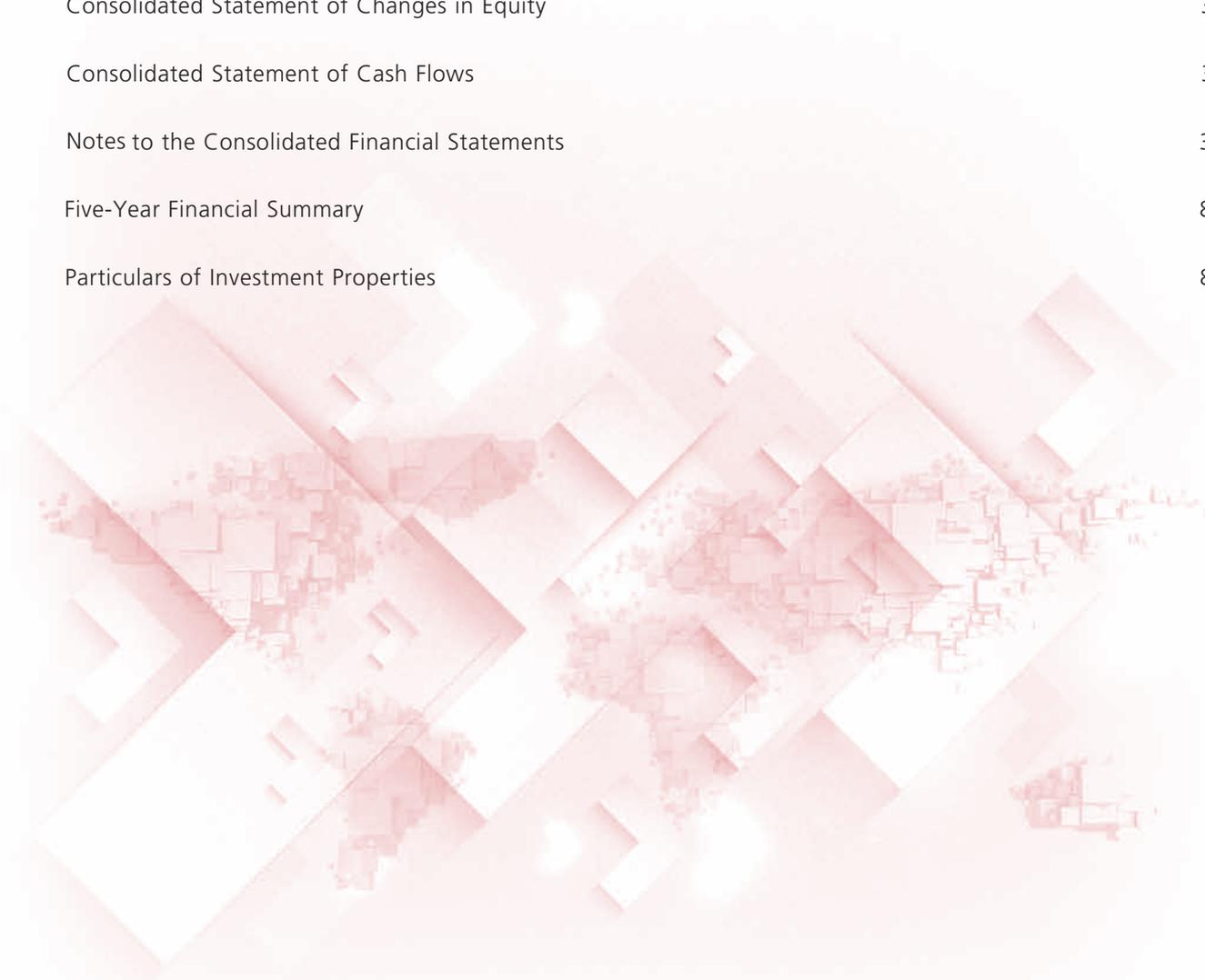


Annual Report  
**2016**

\* For identification purpose only

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## ABBREVIATIONS

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

“Board”	the Board of Directors of the Company
“BVI”	the British Virgin Islands
“Company”	Applied Development Holdings Limited
“Directors”	the directors of the Company
“FY2016”	the financial year ended 30 June 2016
“Group”	the Company and its subsidiaries
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Panama”	the Republic of Panama
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“sq.ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “HK cents”	Hong Kong dollars and cents
“US dollars”	United States dollars
“%”	per cent.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Ms. Wang Jingyu (*Chairlady and Managing Director*)  
Ms. Ng Kit Ling  
Mr. Tsao Hoi Ho

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Su Ru Jia  
Mr. Lo Yun Tai  
Mr. Chan Ming Fai, Terence

#### AUDIT COMMITTEE

Mr. Chan Ming Fai, Terence (*Chairman*)  
Mr. Su Ru Jia  
Mr. Lo Yun Tai

#### REMUNERATION COMMITTEE

Mr. Lo Yun Tai (*Chairman*)  
Mr. Su Ru Jia  
Mr. Chan Ming Fai, Terence  
Ms. Wang Jingyu

#### NOMINATION COMMITTEE

Mr. Lo Yun Tai (*Chairman*)  
Mr. Chan Ming Fai, Terence  
Ms. Wang Jingyu

#### COMPANY SECRETARY

Ms. Ng Kit Ling

#### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3402-3, 34th Floor  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

#### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

#### BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited  
Shop 1712-1716, 17/F.  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

#### SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM 08  
Bermuda

#### PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited  
Bank of Communications Co., Ltd. Hong Kong Branch  
Nanyang Commercial Bank, Limited  
Hang Seng Bank Limited

#### AUDITOR

Mazars CPA Limited  
*Certified Public Accountants*

#### SOLICITORS

Reed Smith Richards Butler  
Troutman Sanders

#### STOCK CODE

The Stock Exchange of Hong Kong Limited: 519  
American Depository Receipt: ADHLY

#### WEBSITE

<http://www.applieddev.com>



## CHAIRLADY'S STATEMENT

On behalf of the Board, I am pleased to present to the shareholders the results of the Group for FY2016.

### RESULTS

FY2016 was a very successful year for the Group. During FY2016, the Group had disposed of its properties in Severn Villa located at The Peak in Hong Kong and realised the substantial profits embedded in such properties, and had newly acquired the office properties in Lippo Centre and China Merchants Tower which significantly enlarged the Group's income base. The Group posted a remarkable results in FY2016 by reporting an over 47 times increase in profit reaching HK\$370,036,000 (2015: HK\$7,679,000), and achieving earnings per share of HK19.27 cents (2015: HK0.45 cent). Such substantial increase in profit was primarily attributable to (i) the gain on disposal of subsidiaries totaling HK\$318,937,000 which mainly related to the disposal of subsidiaries that respectively held the properties in Severn Villa and the resort and property development projects in BVI and Panama; (ii) the net increase in fair value of investment properties of HK\$56,928,000 and (iii) the decrease in administrative expenses of HK\$10,519,000 compared to the previous financial year.

The Group's revenue also reported an 187% increase in FY2016 reaching HK\$7,622,000 (2015: HK\$2,652,000), the increase was mainly contributed by (i) the additional rental income generated by the newly acquired office properties in Lippo Centre and China Merchants Tower; and (ii) the increase in interest and dividend income generated by the Group's investments in corporate bonds, convertible bonds, equity-linked notes and listed equity securities during the financial year.

### PROSPECTS

Despite the Board's decision to dispose of the properties in Severn Villa in order to realise the substantial profits embedded in such properties, the Board remains optimistic about the medium to long term prospect of property market in Hong Kong. The Board believes the acquisitions of the office properties in Lippo Centre and China Merchants Tower are good investments as the Group will earn a stream of rental income from the properties and will benefit from medium to long term capital gains in the event that such properties appreciate in value in the future.

Looking forward, the Group will continue its principal business in property investment, resort and property development and investment holding. For the property investment business, the management will continue to seize acquisition opportunities in prime office properties located in core business districts in Hong Kong in view that demands for high grade offices will continue to steadily increase in the coming years. In respect of the resort and property development business, the Group will continue to look for resort and property development business opportunities in Mainland China and Hong Kong, being markets the Company's management is more familiar with. As for the investment holding business, the Group will continue with its investment business, being part of its treasury management activities, in effectively utilising surplus funds on hand to earn income. The Group will continue to invest in securities and bonds including equity securities listed on the Hong Kong Stock Exchange or overseas exchanges, equity-linked notes, convertible bonds as well as in corporate bonds.



## CHAIRLADY'S STATEMENT

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt thanks to all my fellow directors and staff for their hard work and dedication to make this financial year so successful.

By Order of the Board

**Wang Jingyu**

*Chairlady*

Hong Kong, 24 August 2016



# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW**

During FY2016, the Group continued to engage in its principal business of property investment, resort and property development and investment holding.

## **PROPERTY INVESTMENT**

For FY2016, the Group's investment properties in Hong Kong generated rental income totaling HK\$2,590,000, which showed a significant increase of 217% over the previous financial year (2015: HK\$817,000). The Group's investment properties portfolio currently comprises the office properties in Lippo Centre and China Merchants Tower and the increase in rental income in FY2016 was contributed by these newly acquired properties. The office properties in Lippo Centre and China Merchants Tower were valued at HK\$392,000,000 and HK\$48,000,000 respectively at 30 June 2016 and a net revaluation gain on investment properties of HK\$56,928,000 was recorded by the Group for FY2016 (2015: HK\$23,407,000).

## **DISPOSAL OF PROPERTIES IN SEVERN VILLA**

On 27 January 2016, the Company and its two wholly owned subsidiaries entered into a conditional sale and purchase agreement with an independent third party to dispose of the entire issued share capital of, and the shareholder's loan, to Severn Villa Limited, a wholly owned subsidiary of the Company which held the properties in Severn Villa located at The Peak in Hong Kong, for a total consideration of HK\$636,800,000. The properties owned by Severn Villa Limited are the four residential apartments, one roof area, one whole garden area and part of another garden area, and six parking spaces located at Severn Villa.

The agreement was duly approved by the shareholders in a special general meeting of the Company held on 16 May 2016 and the transactions contemplated thereunder were completed on 19 May 2016. The Company received net proceeds of approximately HK\$613,478,000 from the disposal and recorded a gain on disposal of subsidiaries of approximately HK\$312,817,000 (further details of the transactions are contained in the Company's circular dated 27 April 2016).

## **ACQUISITION OF AN OFFICE UNIT IN CHINA MERCHANTS TOWER**

The Company's wholly owned subsidiary entered into a provisional agreement and a formal agreement on 4 February 2016 and 29 February 2016 respectively with an independent third party to purchase an office property in China Merchants Tower in Sheung Wan, Hong Kong at a cash consideration of HK\$47,148,000. The office property has a gross floor area of approximately 2,062 sq.ft. and is located on the 33rd floor of China Merchants Tower with good sea view. The aggregate consideration for the property, including valorem stamp duty and other miscellaneous costs and charges was approximately HK\$51,784,000. The acquisition was duly approved by the shareholders in a special general meeting of the Company held on 7 April 2016 and the transaction was completed on 8 April 2016 (further details of the transaction are contained in the Company's circular dated 18 March 2016).



# MANAGEMENT DISCUSSION AND ANALYSIS

## **ACQUISITION OF THE WHOLE 24TH OFFICE FLOOR OF LIPPO CENTRE TOWER ONE**

On 8 April 2016, the Company's wholly owned subsidiary entered into an agreement with an independent third party to acquire the entire issued share capital of, and the shareholder's loan, to Legacy Billion Limited at a total consideration of HK\$39,882,840, whereas Legacy Billion Limited as purchaser had entered into an agreement with the vendor on 24 March 2016 to acquire the entire issued share capital of, and the loan to, a company for a total consideration of HK\$372,352,400 (subject to adjustment). The major asset owned by the subject company is the whole 24th office floor of Lippo Centre Tower One in Admiralty, Hong Kong with a gross floor area of approximately 14,984 sq.ft. The effective aggregate consideration (including stamp duty and other miscellaneous costs and charges) paid for the acquisition of the property upon completion of all transactions contemplated was approximately HK\$377,370,000.

The acquisition agreement was duly approved by the shareholders in a special general meeting of the Company held on 16 May 2016 and all the transactions contemplated thereunder were completed on or prior to 18 May 2016 (further details of the transaction are contained in the Company's circular dated 27 April 2016).

## **RESORT AND PROPERTY DEVELOPMENT**

On 9 November 2015, a conditional disposal agreement was entered into between the Company and the purchaser, which was a company wholly and beneficially owned by Mr. Hung Kin Sang, Raymond, a former director of the Company, in relation to the disposal of the resort and property development projects in BVI and Panama (the "BVI and Panama Projects"). The disposal agreement was duly approved by the shareholders in a special general meeting of the Company held on 21 December 2015 and the transactions contemplated thereunder were completed on 22 December 2015. The Group received net proceeds of approximately HK\$253,908,000 from the disposal and recorded a gain on disposal of subsidiaries of approximately HK\$4,067,000 (further details of the transactions are contained in the Company's circular dated 4 December 2015).

Following the disposal, the Group currently has no ongoing resort and property development project. Nevertheless, the Group will continue to look for resort and property development business opportunities in Mainland China and Hong Kong, which are markets the Company's management is more familiar with. The recent slowdown of the Mainland and Hong Kong economy have caused the Board becomes more prudent in deciding on undertaking any new resort/property development projects, however, the Board remains optimistic about the prospects of the Mainland and Hong Kong in the medium to long term and the Board believes the current market conditions may provide an opportunity for the Group to capture premium resort/property development investment opportunities at lower prices.

## **INVESTMENT HOLDING**

During FY2016, the Group had invested in corporate bonds, convertible bonds, equity-linked notes and listed equity securities which generated a total interest and dividend income of HK\$5,032,000, significantly increased by 174% when compared to the prior financial year (2015: HK\$1,835,000). For FY2016, the Group also recorded net realised gain of HK\$1,233,000 (2015: loss of HK\$3,788,000) from disposing all of its convertible bonds investments and part of its listed equity securities investments, and recorded net unrealised loss of HK\$571,000 (2015: HK\$514,000) due to the net decrease in fair value of the Group's investment portfolio measured at market value at the financial year end. At 30 June 2016, the carrying value of the Group's corporate bonds, equity-linked notes and listed equity securities investment portfolio amounted to HK\$72,809,000 (2015: HK\$23,469,000).



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

In December 2015, the Company successfully completed a placing of 347,930,000 new shares to independent investors at a price of HK\$0.32 per placing share (the "Shares Placing"), representing a discount of approximately 17.95% to the closing price of HK\$0.39 per share as quoted on the Stock Exchange on 15 December 2015, being the date of the placing agreement (further details of the placing are contained in the Company's announcements dated 15 December 2015). The net proceeds of the placing amounted to approximately HK\$108,419,000, representing a net price per placing share of approximately HK\$0.31, were intended to be used as general working capital of the Group and/or for attractive investment opportunities which might arise in future.

In December 2015, the Group received aggregate net proceeds amounted to approximately HK\$253,908,000 from the disposal of the BVI and Panama Projects as mentioned. It was intended that approximately HK\$50,000,000 of the net proceeds would be utilised by the Group's investment holding business to acquire corporate bonds and the remaining balance to be applied as general working capital of the Group and/or for attractive investment opportunities, particularly those that are property-related, which might arise in future and would bring substantial value to the Group.

In addition, in May 2016, the Group also received net proceeds amounted to approximately HK\$613,478,000 from the disposal of Severn Villa Limited as mentioned. The net proceeds were intended to be used as to (i) approximately HK\$62,000,000 for the repayment of bank borrowings and release of mortgage of the properties in Severn Villa; (ii) approximately HK\$140,000,000 for the repayment of a bridging loan raised for the acquisition of the office properties in Lippo Centre as mentioned; (iii) approximately HK\$310,000,000 for property/resort related projects to be undertaken by the Group in future; (iv) approximately HK\$50,000,000 for investments in corporate bonds and listed equity securities; and (v) the remaining balance for general working capital of the Group and other investment opportunities that might arise in future and would bring substantial value to the Group.

At 30 June 2016, the net proceeds from the Shares Placing and the disposal of the BVI and Panama Projects totaling approximately HK\$362,327,000 had been utilised for (i) the acquisition of the office unit in China Merchant Towers of approximately HK\$51,784,000, (ii) part of the consideration for the whole 24th office floor in Lippo Centre (excluding the part financed by a bridging loan) of approximately HK\$237,370,000 and (iii) investments in corporate bonds, equity-linked notes of approximately HK\$50,000,000, with the remaining balance of approximately HK\$23,173,000 as working capital of the Group. In respect of the net proceeds of HK\$613,478,000 received from the sale of the Severn Villa properties, an aggregate amount of approximately HK\$202,000,000 had been utilised to repay the bank borrowings and a bridging loan as intended, with the balance of approximately HK\$411,478,000, being included in the Group's cash on hand at the financial year end, is pending to be applied as planned.

At 30 June 2016, the Group had current assets of HK\$521,001,000 (2015: HK\$69,493,000) and current liabilities of HK\$2,941,000 (2015: HK\$82,172,000), representing a very strong current ratio of about 177.2 times (2015: ratio of 0.85). The Group's current assets at the financial year end comprised mainly bank balances and cash of HK\$422,422,000 and financial assets including corporate bonds, equity-linked notes and listed equity shares of HK\$72,809,000. At 30 June 2016, the Group's total equity amounted to HK\$956,173,000 and the Group had no bank borrowing. At 30 June 2015, the Group's total equity and bank borrowings amounted to HK\$477,538,000 and HK\$75,181,000 respectively, representing a gearing ratio of 15.7%. The Group's borrowings at 30 June 2015 represented bank loans which were denominated in Hong Kong dollar, bore interest at floating rate and secured by the Group's investment properties.



## MANAGEMENT DISCUSSION AND ANALYSIS

The substantial increase in the Group's bank and cash balances to HK\$422,422,000 at 30 June 2016 was mainly attributable to the net proceeds received from the disposal of Severn Villa Limited that were yet to be utilised. With the amount of liquid assets and cash on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

### FOREIGN CURRENCY MANAGEMENT

The majority of the Group's assets and liabilities were denominated in Hong Kong and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group. The Group does not engage in foreign exchange speculation activities. It is the Group's policy to manage foreign exchange risk through matching foreign exchange income with expenses, and where exposure to foreign exchange is anticipated, appropriate hedging instrument will be used.

### CAPITAL COMMITMENTS

At 30 June 2016, the Group had no material capital commitments (2015: capital commitment of HK\$50,427,000 was related to the BVI and Panama Projects).

### PLEDGE OF ASSETS

At 30 June 2016, the Group had no significant assets under pledge.

At 30 June 2015, the Group and the Company had provided the following security for banking facilities granted to a subsidiary of the Company:

- (i) pledge of investment properties of the Group with a carrying amount of HK\$251,000,000;
- (ii) all monies earned by the above pledged investment properties of the Group;
- (iii) property insurance on the pledged investment properties executed by the Group in favour of the bank; and
- (iv) unconditional and irrevocable corporate guarantee given by the Company in respect of all amounts owing by the subsidiary to the bank under the facilities.

### LITIGATION AND CONTINGENT LIABILITY

Apart from the legal proceedings set out in note 37 to the consolidated financial statements, the Group is not a party to any other significant legal proceedings and had no other significant contingent liability.

### HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2016, the Group had a total of 6 (2015: 8) full-time employees and executive directors. For FY2016, total staff costs including directors' emoluments amounted to HK\$3,303,000 (2015: HK\$12,415,000). The remuneration packages for directors and employees are normally reviewed annually and are structured by reference to market terms and individual competence, performance and experience. The Group also provides medical insurance coverage and operates a provident fund scheme for its employees in Hong Kong.



# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in property investment, resort and property development and investment holding. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risk and uncertainty factors:

### BUSINESS RISK

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

### MARKET RISK

The Group's property investment business is operating in a rather competitive environment as rental rate of properties are transparent in property leasing markets in Hong Kong. The transparency of the leasing markets put pressure on the revenue and profitability of the Group's property investment business. The management policy to mitigate this risk is to diversify its property investment portfolio (where possible) in terms of property type and location.

### FINANCIAL RISK

The Group is exposed to financial risks relating to foreign currency, price, credit and liquidity risk in its ordinary course of business. For further details of such risks and relevant risk management policies (where required), please refer to note 3 to the consolidated financial statements for details.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

## RELATIONSHIP WITH EMPLOYEES AND CUSTOMERS

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group encourages environmental protection and adopts measures to promote environmental awareness of its employees. The Group implements green office practices by encouraging employees to make use of e-statements or scanning copies, double-sided printing and copying and setting up of recycle boxes for reducing and disposing of waste. The Group also reduces green-house emissions by switching off idle lightings and other office equipment after normal working hours. The Group regularly reviews its environmental practices for further improvements.



## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Ms. Wang Jingyu (“Ms. Wang”)**, aged 36, Chairlady, Managing Director and a director of various subsidiaries of the Company. Ms. Wang graduated from Southwestern University of Finance and Economics in the PRC with a Bachelor’s degree in Economics and specialised in International Finance. She joined the Group in July 2015. She has over 11 years of experience in financial management and investments in the PRC. Ms. Wang was an executive director of Winshine Entertainment & Media Holding Company Limited (stock code: 209) from 25 November 2009 to 10 November 2014.

**Ms. Ng Kit Ling (“Ms. Ng”)**, aged 51, Executive Director and a director of subsidiaries of the Company. Ms. Ng is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and holds a Master’s degree in Accountancy from the Hong Kong Polytechnic University. She joined the Group in May 2005 and immediately prior to her appointment as an Executive Director in August 2012, Ms. Ng was the Financial Controller of the Company. She has over 30 years of experience in finance and accounting matters of companies listed in Hong Kong. Ms. Ng is also the Company Secretary of the Company.

**Mr. Tsao Hoi Ho (“Mr. Tsao”)**, aged 51, Executive Director and a director of subsidiaries of the Company, is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants, an associate of The Institute of Chartered Secretaries and Administrators, an associate of the Australasian Institute of Banking & Finance and an associate of the Bankers’ Institute of New Zealand. Mr. Tsao holds a Master of Business Administration degree from the University of Warwick. Mr. Tsao joined the Group in December 2014. He has over 25 years’ extensive experience in auditing, corporate finance and company secretarial practice. He has worked for international accounting firms for 5 years and is currently the Financial Controller, Company Secretary and authorised representative of Ningbo WanHao Holdings Company Limited, a joint stock limited company incorporated in the PRC whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8249).

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Su Ru Jia**, aged 66, Independent Non-executive Director, holds a Master in Business Administration degree from International East-West University of America (美國國際東西方大學) and graduated from Nanjing Senior Army Command College (南京高級陸軍指揮學院) and South China Normal University (華南師範大學). He was a Committee Member of The Communist Party of Committee of Shenzhen (中共深圳市委委員) and Political of Association Shenzhen Committee (政協深圳市委員會常委) and a Deputy Director of Main Branch of Economic Technology Committee (經濟科技委員會正局級副主任). He was a Deputy Chief of Shenzhen Trade Development Council (深圳貿易發展局副局長) and a Secretary of The Communist Party of Committee of Shenzhen Unit Work Committee (中共深圳市委駐深圳單位工作委員會書記). He had worked for the Community State of the PRC for over 45 years. During the course of working for the military of the PRC, he was promoted from Deputy Squad Leader to the Commander of the military, he achieved three third-class merit rewards and was praised for his excellent performance over 20 times. He has extensive and professional experience in the economic and property development in the PRC, especially management and administration in the PRC State Committee. He joined the Company as an Independent Non-executive Director in February 2010. He is an independent non-executive director and the chairman of Vitop Group Limited (HK stock code: 1178).



## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lo Yun Tai**, aged 70, Independent Non-executive Director, holds a Bachelor of Science degree in Mechanical Engineering from National Taiwan University. He has over 46 years' extensive experience in corporate management and operation of his chain of private companies of which he is the sole-proprietor. He is familiar with the business, operations and development of the Company and its subsidiaries acquired during the time when he was an Independent Non-executive Director of the Company from 1998 to 2009. He rejoined the Company as an Independent Non-executive Director in December 2011.

**Mr. Chan Ming Fai, Terence**, aged 46, Independent Non-executive Director, holds a Master in Business Administration degree in E-Commerce from University of Ballarat, Australia and a Bachelor of Business Administration degree in Economics from Hong Kong Baptist University. He is also a fellow member of the Association of Chartered Certified Accountants. He has been working as a financial consultant since 2008, before which he was a director of Zap Financial Consultancy Ltd, providing financial consulting or advisory services. He has over 22 years of experience in financial consulting, corporate restructuring, mergers and acquisitions, raising capital and financing, strategic financial planning, especially assisting over 100 Chinese enterprises in the obtaining of leasing finance and trade finance through banks in Hong Kong and the PRC. He joined the Company as an Independent Non-executive Director in December 2011.



## DIRECTORS' REPORT

The Directors have the pleasure to present the annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2016.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The Group is principally engaged in (i) resort and property development; (ii) property investment and (iii) investment holding. Details of the principal activities of the principal subsidiaries are set out in note 34 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairlady's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 10 of this annual report. This discussion forms part of this directors' report.

### RESULTS

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of comprehensive income on page 30.

### FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: nil).

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 85. This summary does not form part of the audited consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

### INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements. Details of the investment properties of the Group as at 30 June 2016 are set out on page 86.



## DIRECTORS' REPORT

### SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 25 to the consolidated financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 30 June 2016, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33(A) to the consolidated financial statements and in the consolidated statement of changes in equity on page 33, respectively.

### DISTRIBUTABLE RESERVES

As at 30 June 2016, the Company did not have the reserves (2015: HK\$33,441,000) available for distribution to shareholders.

### MAJOR SUPPLIERS AND CUSTOMERS

The Group did not have any purchases and suppliers during the year and at the end of the reporting period. During the year, the aggregate revenue attributable to the five largest customers and the largest customer of the Group were 100% and 46% of the revenue arising from the property investment segment of the Group, respectively. The major customers are independent parties to the Company during the year.

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

### DIRECTORS

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

#### EXECUTIVE DIRECTORS:

Ms. Wang Jingyu (*appointed on 15 July 2015*)  
Ms. Ng Kit Ling  
Mr. Tsao Hoi Ho  
Mr. Hung Kin Sang, Raymond (*resigned on 15 July 2015*)  
Mr. Meng Song (*retired on 30 December 2015*)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Su Ru Jia  
Mr. Lo Yun Tai  
Mr. Chan Ming Fai, Terence



## DIRECTORS' REPORT

In accordance with Bye-law 87(1) of the Company's Bye-Laws, Mr. Su Ru Jia and Mr. Chan Ming Fai, Terence will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election.

All other Directors will continue in office. All the Independent Non-executive directors are appointed for a term of three years, and are subject to retirement by rotation in accordance with the Company's Bye-Laws.

### PERMITTED INDEMNITY PROVISIONS

During the year ended 30 June 2016 and up to the date of this annual report, the Company has maintained directors' and officers' liability insurance coverage for the Directors and officers of the Company to provide protection against claims arising from lawful discharge of duties by the Directors and officers.

### DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming AGM 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.

### DIRECTORS' REMUNERATION

Details of the directors' remuneration for the year ended 30 June 2016 are set out in note 11 to the consolidated financial statements.

### UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Tsao Hoi Ho ("Mr. Tsao") resigned as an independent non-executive director of Uni-Bio Science Group Limited (stock code: 690), a listed company in Hong Kong, on 18 March 2016.
2. Mr. Su Ru Jia ("Mr. Su") was appointed as an independent non-executive director and the chairman of Vitop Group Limited (stock code: 1178), a listed company in Hong Kong, on 23 July 2015 and 7 September 2015 respectively.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this Directors' Report and in note 30 to the consolidated financial statements, no contract 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.



## DIRECTORS' REPORT

### DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

#### Long positions in the shares of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Ms. Wang Jingyu ("Ms. Wang")	Interests of controlled corporation	465,725,959 (Note)	22.309%
Ms. Ng Kit Ling	Beneficial owner	15,000	0.001%

Note: These interests were held by Millennium Capital Asia Limited ("Millennium Capital"), which was a wholly owned subsidiary of Peak Access International Limited ("Peak Access") which in turn was wholly owned by Ms. Wang. Ms. Wang was the sole director of Millennium Capital and Peak Access. Accordingly, Ms. Wang was deemed to be interested in 465,725,959 shares of the Company under the SFO.

Save as disclosed above, as at 30 June 2016, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 26 to the consolidated financial statements.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme as mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.



## DIRECTORS' REPORT

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions in the shares of the Company

Name of Shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Ms. Wang	Interests of controlled corporation	465,725,959 <i>(Note)</i>	22.309%
Millennium Capital	Beneficial owner	465,725,959 <i>(Note)</i>	22.309%
Peak Access	Interests of controlled corporation	465,725,959 <i>(Note)</i>	22.309%

*Note:*

These interests were held by Millennium Capital, which was a wholly owned subsidiary of Peak Access which in turn was wholly owned by Ms. Wang. Ms. Wang was the sole director of Millennium Capital and Peak Access. Accordingly, Ms. Wang was deemed to be interested in 465,725,959 shares of the Company under the SFO.

The interests of Ms. Wang, Millennium Capital and Peak Access in 465,725,959 shares of the Company referred to above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 30 June 2016 as required pursuant to section 336 of the SFO.

### CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transactions and the Company had complied with the reporting, announcement and independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules:



## DIRECTORS' REPORT

On 9 November 2015, the Company entered into a disposal agreement (the "Disposal Agreement") with Glory Paradise Group Limited (the "Purchaser"), a company wholly and beneficially owned by Mr. Hung Kin Sang, Raymond ("Mr. Hung"), a former director of the Company who resigned on 15 July 2015. Pursuant to the Disposal Agreement, the Company agreed to dispose of and the Purchaser agreed to purchase, the entire issued share capital of and shareholder's loan to Applied Enterprises Limited and Beachside Investments Limited, both were wholly owned subsidiaries of the Company, for cash considerations of HK\$153,000,000 and HK\$102,000,000 respectively (the "Disposals"). The Disposals were approved by independent shareholders of the Company (being shareholders other than (i) Mr. Hung, the Purchaser and their respective associates; and (ii) any shareholder with a material interest in the Disposals or the transactions contemplated thereunder) at the special general meeting held on 21 December 2015 and completed on 22 December 2015. Details of the Disposals are contained in the circular of the Company dated 4 December 2015.

### RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 30 to the consolidated financial statements. Apart from the connected transactions disclosed above, the other related party transactions as disclosed in notes 30(A)(i) and 30(B) fall under the scope of connected transactions under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

### REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, subsidised training programme as well as discretionary bonuses.

The determination of directors' remuneration has taken into consideration of their respective responsibilities and contributions to the Company and with reference to market terms.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, none of the directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

### EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in note 26 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

### MANAGEMENT CONTRACTS

During the year, the Company had not entered into any contract in respect of the management or administration of any business of the Company.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

### **AUDIT COMMITTEE**

The audited consolidated financial statements of the Company for the year ended 30 June 2016 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

### **AUDITOR**

The consolidated financial statements of the Company for the year ended 30 June 2016 have been audited by Mazars CPA Limited. A resolution will be proposed at the AGM to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board

**Wang Jingyu**

*Chairlady and Managing Director*

Hong Kong, 24 August 2016



## CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

### CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions (“Code Provisions”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 30 June 2016, save in respect of Code Provisions (i) A.4.2, (ii) A.6.7 and (iii) A.2.1. Details of the deviations with reasons are set out in the paragraphs below:

#### (I) CODE PROVISION A.4.2

Under Code Provision A.4.2 of the CG Code, all directors who are appointed to fill casual vacancies are subject to re-election at the first general meeting after their appointments by the Board, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Bye-laws of the Company (the “Bye-laws”) deviates from this Code Provision in the following aspects:

- (a) Under Bye-law 86(2) of the Bye-laws, amongst other things, the directors have the power to appoint any person as a director, either to fill a casual vacancy on the Board, or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any director so appointed by the Board shall hold office until the next following annual general meeting of the Company.

The reason for retaining this Bye-law is for the purpose of compliance with paragraph 4(2) of Appendix 3 of the Listing Rules. The requirement for directors appointed to fill casual vacancies or as additional members of the Board to retire only at the next annual general meeting, rather than at the next general meeting also allows the shareholders to consider re-election of such new directors at the same time as the re-election of the directors who are subject to retirement by rotation, at the same general meeting.

- (b) Under Bye-law 87(1) of the Bye-laws, at the annual general meetings of the Company, one third of the directors for the time being (or where the number is not a multiple of three, the number nearest to, but not greater than one third), including the independent non-executive directors, shall retire from office by rotation provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. Notwithstanding the provisions of Bye-law 87(1), in practice, the Chairlady of the Board and the Managing Director of the Company, Ms. Wang Jingyu (“Ms. Wang”) will voluntarily submit herself for re-election by the shareholders at the annual general meeting of the Company at least once every three years. Accordingly in practice, all directors of the Company (including the independent non-executive directors), are subject to retirement by rotation at least once every three years. All independent non-executive directors are appointed for a term of three years, and are subject to retirement by rotation in accordance with the Bye-laws.



## CORPORATE GOVERNANCE REPORT

### (II) CODE PROVISION A.6.7

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, Mr. Lo Yun Tai, one of the Independent Non-executive Directors, was unable to attend the special general meeting held on 21 December 2015 due to his personal commitment and Mr. Su Ru Jia, one of the Independent Non-executive Directors, was unable to attend the special general meetings held on 7 April 2016 and 16 May 2016 both due to his other business engagements. However, the other two Independent Non-executive Directors present at the aforesaid special general meetings had enabled the Board to develop a balanced understanding of the views of shareholders of the Company.

### (III) CODE PROVISION A.2.1

Mr. Hung Kin Sang, Raymond (“Mr. Hung”) took the roles of both Chairman and Managing Director of the Company for the period from 18 December 2014 to 15 July 2015 which was not in compliance with Code Provision A.2.1 of the CG Code which requires the roles of chairman and chief executive to be separate and not performed by the same person. Subsequent to the resignation of Mr. Hung, Ms. Wang Jingyu has been appointed as the Chairlady and Managing Director of the Company since 15 July 2015 and is not in compliance with the requirement of Code Provision A.2.1 of the CG Code. As such, the Company will continue to identify suitable candidate in order to separate the roles of chairman and managing director of the Company.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 30 June 2016.

## BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company. The Board reviews and approves the objectives, strategies, direction and policies of the Group, the annual budget, annual and interim results, the management structure of the Company as well as other significant policy and financial matters. The Board has delegated the responsibility of day-to-day operations of the Group to the management of the Company.

As at 24 August 2016, the date of this annual report, the Board comprises six directors, three of which are Executive Directors, namely Ms. Wang Jingyu, Ms. Ng Kit Ling and Mr. Tsao Hoi Ho and three are Independent Non-executive Directors, namely Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence. The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed “Biographies of Directors and Senior Management” on pages 11 to 12 of this annual report.

Save for the aforesaid, there is no other financial, business, family or other material/relevant relationships between the Chairman and the Managing Director and among members of the Board.



## CORPORATE GOVERNANCE REPORT

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

During the year ended 30 June 2016, 14 regular Board meetings and 4 general meetings were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board meetings	General meetings
<b>Executive Directors</b>		
Ms. Wang Jingyu (appointed on 15 July 2015)	14/14	2/4
Ms. Ng Kit Ling	14/14	4/4
Mr. Tsao Hoi Ho	14/14	4/4
Mr. Hung Kin Sang, Raymond (resigned on 15 July 2015)	1/14	0/4
Mr. Meng Song (retired on 30 December 2015)	4/14	0/4
<b>Independent Non-executive Directors</b>		
Mr. Su Ru Jia	13/14	2/4
Mr. Lo Yun Tai	14/14	3/4
Mr. Chan Ming Fai, Terence	14/14	4/4

### CHAIRMAN AND CHIEF EXECUTIVE

The Managing Director is responsible for day-to-day management of the business of the Group, whilst the Chairman provides leadership for the Board to ensure that the Board acts diligently and in the best interests of the Group, and that meetings are planned and conducted effectively. The Chairman is also responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors. The Chairman also actively encourages the Directors to make full contributions and actively participate in the Board's affairs. It is also the responsibility of the Chairman to ensure that good corporate governance practices and procedures are established. The roles and duties of the Chairman and that of the Managing Director should be carried out by different people. As mentioned above, Ms. Wang Jingyu has taken the roles of Chairlady and Managing Director of the Company following the resignation of Mr. Hung. The Company will seek to appoint another person as the Managing Director of the Company once an appropriate candidate has been identified so that the roles of Chairlady and Managing Director can be carried out by different people.



# CORPORATE GOVERNANCE REPORT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

All Independent Non-executive Directors of the Company are appointed for a fixed term of three years and are subject to retirement by rotation in accordance with the Company's Bye-laws.

## REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Remuneration Committee comprises four members, including three Independent Non-executive Directors, namely Mr. Lo Yun Tai, Mr. Su Ru Jia and Mr. Chan Ming Fai, Terence, and one Executive Director, namely Ms. Wang Jingyu. Mr. Lo Yun Tai is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration; determining the remuneration packages of individual executive directors and senior management and making recommendations to the Board on the remuneration of non-executive directors. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met two times during the year ended 30 June 2016 to review the remuneration of the directors. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Lo Yun Tai	2/2
Mr. Su Ru Jia	2/2
Mr. Chan Ming Fai, Terence	2/2
Ms. Wang Jingyu (appointed on 15 July 2015)	2/2
Mr. Hung Kin Sang, Raymond (resigned on 15 July 2015)	1/2

## NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, including two Independent Non-executive Directors, namely Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence, and one Executive Director, namely Ms. Wang Jingyu. Mr. Lo Yun Tai is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition, assessment of the independence of independent non-executive directors and the management of board succession. The full terms of reference are available on the Company's website and the Stock Exchange's website.



## CORPORATE GOVERNANCE REPORT

The Nomination Committee met once during the year ended 30 June 2016 to review the structure, size and composition of the Board; assess the independence of the Independent Non-executive Directors of the Company; review and make recommendations to the Board on the re-election of directors; and review and make recommendations to the Board on the appointment of a director. The attendance of each member is set out as follows:

<b>Members</b>	<b>Number of attendance</b>
Mr. Lo Yun Tai	1/1
Mr. Chan Ming Fai, Terence	1/1
Ms. Wang Jingyu (appointed on 15 July 2015)	1/1
Mr. Hung Kin Sang, Raymond (resigned on 15 July 2015)	1/1

### **BOARD DIVERSITY POLICY**

The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor.

The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and enhance the benefits of diversity in the boardroom. The Company sees diversity as a wide concept and believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industrial experiences, background, race, gender and other qualities. In infusing its perspective on diversity, the Company will also take into account facts based on its own business model and specific needs from time to time.

The Company endeavors to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective.

Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Board believes that such merit-based appointments will best enable the Company to make sure that its Board is able to act in the best interests of the Company and its shareholders going forward.

The Nomination Committee is primarily responsible for identifying suitably qualified candidates to become members of the Board and in carrying out this responsibility, will give adequate consideration to the Company's diversity policy.

The Company will review the policy on a regular basis to ensure its continued effectiveness.



# CORPORATE GOVERNANCE REPORT

## AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 30 June 2016 is set out in the "Independent Auditor's Report" on pages 28 to 29 of this annual report.

For the year ended 30 June 2016, remuneration payable to the Company's auditor, Mazars CPA Limited, for the provision of audit services was HK\$460,000. During the year, HK\$655,000 was paid as remuneration to Mazars CPA Limited for the provision of non-audit related services including professional services for disposal of subsidiaries and acquisition of property and subsidiaries, and announcement of interim and final results.

## AUDIT COMMITTEE

The Audit Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chan Ming Fai, Terence, Mr. Su Ru Jia and Mr. Lo Yun Tai. Mr. Chan Ming Fai, Terence is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditor. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Audit Committee met two times during the year ended 30 June 2016 and the attendance of each member is set out as follows:

<b>Members</b>	<b>Number of attendance</b>
Mr. Chan Ming Fai, Terence	2/2
Mr. Su Ru Jia	2/2
Mr. Lo Yun Tai	2/2

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited financial statements of the Group for the year ended 30 June 2015 and recommended to the Board for approval;
2. reviewed and discussed the unaudited financial statements of the Group for the six months ended 31 December 2015 and recommended to the Board for approval;
3. reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;
4. reviewed the effectiveness of risk management and the internal control system of the Group; and
5. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.



## CORPORATE GOVERNANCE REPORT

### DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 30 June 2016.

### CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. to develop and review the Group's policies and practices on corporate governance and make recommendations;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and
5. to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

### INTERNAL CONTROL AND RISK MANAGEMENT

The Board believes that a well-designed system of internal control is crucial to safeguard the assets of the Group and to ensure reliability of financial reporting as well as compliance with the relevant rules and regulations. A system of internal controls has been set up, with the intention of preventing material misstatements and losses and, where possible, eliminate risks of failure in operational systems to achieve the Group's objectives.

The Board has overall responsibility for the Group's internal control, financial control and risk management system. The Board also monitors their effectiveness from time to time, and reviews the scope and frequency of internal control reviews according to risk assessment. Special reviews may also be conducted on areas of concern identified by management or the Audit Committee from time to time.

During the reporting year, the Board through the Audit Committee reviewed the effectiveness of the internal control system of the Group, including the functions of financial, operation, compliance and risk management. The review covered the adequacy of resources, qualifications and experience of staff involved in the Company's accounting and financial report function, their training programs and budget, and all material controls. The Board, also through the Audit Committee, where necessary, initiated necessary improvements and also reinforcements to the internal control system. No material problems in any aspect of the internal control of the Company were noted. The review showed that the internal control system operated, on the whole, satisfactorily.



# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

Ms. Ng Kit Ling (“Ms. Ng”) was re-appointed the Company Secretary of the Company on 14 November 2013. The biographical details of Ms. Ng are set out under the section headed “Biographies of Directors and Senior Management” on pages 11 to 12 of this annual report. Ms. Ng has taken no less than 15 hours of the relevant professional training during the financial year ended 30 June 2016.

## SHAREHOLDERS’ RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders’ meeting are contained in the Bye-laws. The Bye-laws have been made available on the website of the Stock Exchange and the Company’s website. Amendments to the Listing Rules which came into force on 1 January 2009 have made it mandatory for all voting at meetings of shareholders of the Company to be taken by way of poll. Effective from 1 January 2012, the Listing Rules have been amended to allow voting by poll on procedural and administrative matters to be dispensed with by the chairman of the meeting. The Company has taken steps to ensure compliance with the requirements about voting by poll and arrangements have been made for the voting of each of the resolutions being put to the meetings to be dealt with by means of poll pursuant to the Listing Rules.

Pursuant to Bye-law 58 of the Bye-laws, shareholders holding at the date of 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 at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The purposes of convening the meeting must be stated in the relevant requisition, signed by all the shareholders concerned in one or more documents in like form and deposited at the Company’s head office and principal place of business in Hong Kong.

At general meetings, the Board and the respective committee members of the Audit Committee, Remuneration Committee and Nomination Committee are responsible for answering questions raised by the shareholders. The auditor of the Company will also attend the annual general meeting to answer questions raised by the shareholders on the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor independence.

In order to provide detailed and up-to-date information to our shareholders, the Company has a range of communication channels to ensure its shareholders are kept well-informed. These comprise communication by way of general meetings, annual reports, public notices, announcements and circulars.

The Company seeks to enhance communications and positive relationships with investors by maintaining regular dialogues with institutional investors and analysts to keep them updated about the business, operations and development of the Group, and by replying to any enquiries from investors appropriately. Investors are welcome to make enquiries to the Company at its office in Hong Kong or visit the Company’s website ([www.applieddev.com](http://www.applieddev.com)) directly for updated corporate and financial information on the Group.



# INDEPENDENT AUDITOR'S REPORT



## MAZARS CPA LIMITED

瑪澤會計師事務所有限公司  
42nd Floor, Central Plaza  
18 Harbour Road, Wanchai, Hong Kong  
香港灣仔港灣道18號中環廣場42樓  
Tel 電話: (852) 2909 5555  
Fax 傳真: (852) 2810 0032  
Email 電郵: info@mazars.hk  
Website 網址: www.mazars.hk

## TO THE SHAREHOLDERS OF APPLIED DEVELOPMENT HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Applied Development Holdings Limited (the "Company") and its subsidiaries set out on pages 30 to 84, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 Companies Act 1981 of Bermuda (as amended), 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 judgement, 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.



# INDEPENDENT AUDITOR'S REPORT

## OPINION

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

### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 24 August 2016

### **Chan Wai Man**

Practising Certificate number: P02487

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>	5	<b>7,622</b>	2,652
Other revenue	5	690	3
Other income	6	226	139
Other operating expenses	9	–	(751)
Net gain (loss) on disposal of financial assets at fair value through profit or loss		<b>1,233</b>	(3,788)
Net decrease in fair value of financial assets at fair value through profit or loss		<b>(571)</b>	(514)
Net increase in fair value of investment properties	13	<b>56,928</b>	23,407
Gain on disposal of subsidiaries	32	<b>318,937</b>	1,002
Administrative expenses		<b>(13,250)</b>	(23,769)
Interest income on promissory note receivable from a joint venture	20	<b>5,713</b>	10,931
Finance costs	8	<b>(1,819)</b>	(1,633)
Impairment loss on amount due from a joint venture	21	<b>(5,607)</b>	–
Share of results of a joint venture	16	–	–
<b>Profit before tax</b>	9	<b>370,102</b>	7,679
Taxation	10	<b>(66)</b>	–
<b>Profit for the year, attributable to equity holders of the Company</b>		<b>370,036</b>	7,679
<b>Other comprehensive income (loss)</b>			
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>			
– Change in fair value of available-for-sale investments		<b>(96)</b>	92
– Release of translation reserve upon disposal of a subsidiary	32	<b>276</b>	–
<i>Items that will not be reclassified subsequently to profit or loss</i>			
– Charge of deferred tax arising from surplus on properties revaluation upon transfer from property, plant and equipment and prepaid lease payments to investment properties		–	(1,088)
– Surplus on properties revaluation upon transfer from property, plant and equipment and prepaid lease payments to investment properties		–	3,694
<b>Other comprehensive income for the year, net of tax</b>		<b>180</b>	2,698
<b>Total comprehensive income for the year, attributable to equity holders of the Company</b>		<b>370,216</b>	10,377
<b>EARNINGS PER SHARE</b>	12		
Basic		<b>19.27 HK cents</b>	0.45 HK cent
Diluted		<b>19.27 HK cents</b>	0.45 HK cent

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Investment properties	13	440,000	356,320
Property, plant and equipment	14	100	2,152
Promissory note receivable from a joint venture	20	–	132,388
Other assets	15	174	174
Interest in a joint venture	16	–	–
Available-for-sale investments	17	175	271
		<b>440,449</b>	491,305
<b>Current assets</b>			
Financial assets at fair value through profit or loss	18	72,809	23,469
Other receivables	19	25,770	1,867
Amount due from a joint venture	21	–	16,763
Bank balances and cash	22	422,422	27,394
		<b>521,001</b>	69,493
<b>Current liabilities</b>			
Other payables	23	2,941	6,991
Interest-bearing borrowings	24	–	75,181
		<b>2,941</b>	82,172
<b>Net current assets (liabilities)</b>		<b>518,060</b>	(12,679)
<b>Total assets less current liabilities</b>		<b>958,509</b>	478,626



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Capital and reserves</b>			
Share capital	25	20,876	17,397
Share premium and reserves		935,297	460,141
<b>Total equity</b>		<b>956,173</b>	477,538
<b>Non-current liabilities</b>			
Deferred tax liabilities	27	2,336	1,088
		<b>958,509</b>	478,626

The consolidated financial statements on pages 30 to 84 were approved and authorised for issue by the Board of Directors on 24 August 2016 and are signed on its behalf by:

**Wang Jingyu**  
*Chairlady and Managing Director*

**Ng Kit Ling**  
*Executive Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000 (Note i)	Investment revaluation reserve HK\$'000 (Note ii)	Other reserve HK\$'000 (Note iii)	Capital redemption reserve HK\$'000 (Note iv)	Capital reserve HK\$'000 (Note v)	Translation reserve HK\$'000 (Note vi)	Retained profits HK\$'000	Total HK\$'000
At 1 July 2014	11,598	67,224	(392)	-	11,931	204,610	(276)	94,045	388,740
Profit for the year	-	-	-	-	-	-	-	7,679	7,679
<b>Other comprehensive income (loss)</b>									
<i>Items that may be reclassified subsequently to profit or loss</i>									
- Change in fair value of available-for-sale investments	-	-	92	-	-	-	-	-	92
<i>Items that will not be reclassified subsequently to profit or loss</i>									
- Charge of deferred tax arising from surplus on properties revaluation upon transfer from property, plant and equipment and prepaid lease payments to investment properties (Note 27)	-	-	-	(1,088)	-	-	-	-	(1,088)
- Surplus on properties revaluation upon transfer from property, plant and equipment and prepaid lease payments to investment properties (Note 14)	-	-	-	3,694	-	-	-	-	3,694
<b>Total other comprehensive income</b>	-	-	92	2,606	-	-	-	-	2,698
<b>Total comprehensive income for the year</b>	-	-	92	2,606	-	-	-	7,679	10,377
<b>Transaction with equity holders</b>									
<i>Contributions and distributions</i>									
- Issue of shares upon rights issue (Note 25(a))	5,799	72,622	-	-	-	-	-	-	78,421
At 30 June 2015	17,397	139,846	(300)	2,606	11,931	204,610	(276)	101,724	477,538
At 1 July 2015	17,397	139,846	(300)	2,606	11,931	204,610	(276)	101,724	477,538
Profit for the year	-	-	-	-	-	-	-	370,036	370,036
<b>Other comprehensive (loss) income</b>									
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>									
- Change in fair value of available-for-sale investments	-	-	(96)	-	-	-	-	-	(96)
- Release of translation reserve upon disposal of a subsidiary (Note 32)	-	-	-	-	-	-	276	-	276
<b>Total other comprehensive income</b>	-	-	(96)	-	-	-	276	-	180
<b>Total comprehensive income for the year</b>	-	-	(96)	-	-	-	276	370,036	370,216
<b>Transactions with equity holders</b>									
<i>Contributions and distributions</i>									
- Issue of shares upon placing of shares (Note 25(b))	3,479	104,940	-	-	-	-	-	-	108,419
<i>Change in ownership interest</i>									
- Derecognition of other reserve upon disposal of a subsidiary	-	-	-	(2,606)	-	-	-	2,606	-
	3,479	104,940	-	(2,606)	-	-	-	2,606	108,419
At 30 June 2016	20,876	244,786	(396)	-	11,931	204,610	-	474,366	956,173



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

Notes:

- (i) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value. The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).
- (ii) Investment revaluation reserve comprises the accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of the amounts reclassified to profit or loss when those investments are disposed of or are determined to be impaired.
- (iii) Other reserve represents the revaluation adjustments of properties under property, plant and equipment and prepaid lease payments upon transfer to investment properties. Following the disposal of certain investment properties previously transferred from property, plant and equipment and prepaid lease payments through disposal of a subsidiary, the revaluation surplus attributable to these investment properties included in the other reserve was transferred to retained profits during the year ended 30 June 2016.
- (iv) Capital redemption reserve has been set up and is dealt with on repurchases and cancellations of the Company's own shares. The application of the capital redemption reserve is governed by Section 42A of the Companies Act 1981 of Bermuda (as amended).
- (v) Capital reserve represents contributed surplus arising from the cancellation of share premium account of the Company pursuant to a special resolution passed by the Company on 22 February 1999 and waivers of loans from the then minority shareholders of subsidiaries of the Company during the years ended 30 June 2006 and 2008.
- (vi) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. All foreign exchange differences are reclassified to profit or loss during the year ended 30 June 2016, the period in which the foreign operation was disposed of.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		370,102	7,679
Adjustments for:			
Depreciation of property, plant and equipment		617	1,370
Finance costs		1,819	1,633
Gain on disposal of property, plant and equipment		–	(49)
Gain on disposal of subsidiaries	32	(318,937)	(1,002)
Net (gain) loss on disposal of financial assets at fair value through profit or loss		(1,233)	3,788
Impairment loss on other assets		–	138
Reversal of impairment loss on other receivables		–	(28)
Bank interest income		(690)	(3)
Interest income from financial assets at fair value through profit or loss		(4,391)	(1,835)
Dividend income from financial assets at fair value through profit or loss		(641)	–
Interest income on promissory note receivable from a joint venture		(5,713)	(10,931)
Impairment loss on amount due from a joint venture		5,607	–
Net increase in fair value of investment properties		(56,928)	(23,407)
Loss on disposal of non-current assets classified as held for sale		–	613
Net decrease in fair value of financial assets at fair value through profit or loss		571	514
Release of prepaid lease payments		–	40
<b>Operating cash flows before changes in working capital</b>		<b>(9,817)</b>	<b>(21,480)</b>
Changes in working capital:			
Other receivables		(24,553)	8,569
Other payables		(2,991)	2,309
<b>Net cash used in operating activities</b>		<b>(37,361)</b>	<b>(10,602)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Interest received		4,805	1,399
Dividend received from financial assets at fair value through profit or loss		641	–
Additions to investment properties		(51,784)	(1,283)
Purchase of financial assets at fair value through profit or loss		(98,410)	(33,182)
Purchase of property, plant and equipment		(335)	(1,099)
Net cash outflow on acquisition of subsidiaries	31	(377,370)	–
Net cash inflow on disposal of subsidiaries	32	873,516	2,191
Proceeds from disposal of financial assets at fair value through profit or loss		49,907	5,850
Proceeds from disposal of property, plant and equipment		–	759
<b>Net cash from (used in) investing activities</b>		<b>400,970</b>	<b>(25,365)</b>
<b>FINANCING ACTIVITIES</b>			
Finance charges paid in respect of obligation under a finance lease		–	(6)
Interest paid in respect of bank and other borrowings		(1,819)	(1,627)
Proceeds from issue of shares upon placing of shares		108,419	–
Proceeds from issue of shares upon rights issue		–	78,421
New other borrowing raised ( <i>Remark</i> )		140,000	–
Repayment of bank borrowings		(75,181)	(13,596)
Repayment of other borrowing ( <i>Remark</i> )		(140,000)	(10,000)
Repayment of obligation under a finance lease		–	(595)
<b>Net cash from financing activities</b>		<b>31,419</b>	<b>52,597</b>
<b>Net increase in cash and cash equivalents</b>		<b>395,028</b>	<b>16,630</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>27,394</b>	<b>10,764</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>422,422</b>	<b>27,394</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash at bank and in hand		22,405	27,394
Non-pledged time deposits with original maturity of three months or less		400,017	–
		<b>422,422</b>	<b>27,394</b>

*Remark:*

The other borrowing of HK\$140,000,000 was unsecured and bearing interest rate at 12% per annum, which was raised from an independent financial institution for financing acquisition of subsidiaries and fully settled upon completion of disposal of a subsidiary during the year ended 30 June 2016 as set out in notes 31 and 32(f) to the consolidated financial statements respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed “Corporate Information” in the annual report.

The consolidated financial statements are presented in Hong Kong Dollar (“HK\$”), which is the functional currency of the Company.

The Company acts as an investment holding company. The Company and its subsidiaries (collectively the “Group”) are principally engaged in resort and property development, property investment and investment holding. The activities of the principal subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements. A summary of the principal accounting policies adopted by the Group is set out below.

### IMPACT OF THE AMENDMENTS OF THE LISTING RULES

The Group has adopted the amendments to the Listing Rules issued by the Stock Exchange to the disclosure of financial information with reference to the financial reporting requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) during the current year and, as a result, there are changes to the presentation and disclosures of certain information as compared with the 2015 consolidated financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

### BASIS OF MEASUREMENT

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for investment properties and certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year. The financial statements of its subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instrument's proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

### **ALLOCATION OF TOTAL COMPREHENSIVE INCOME**

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

### **CHANGES IN OWNERSHIP INTEREST**

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### SUBSIDIARIES

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in note 33 to the consolidated financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### JOINT VENTURE

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate or joint venture is regarded as the fair value on initial recognition as a financial asset.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### INVESTMENT PROPERTIES

Investment properties are land and/or building that are held by owner to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use, properties that are being constructed or developed for future use as investment properties and properties that are held under operating lease, which satisfy the definition of investment property and are carried at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued.

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 asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the term of the leases or 25 years, whichever is shorter
Leasehold improvements	20%
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	10% to 33 $\frac{1}{3}$ %

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, whereas shorter, the terms of the relevant leases.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

If a property (including prepaid lease payments) occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation surplus or deficit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### OTHER ASSETS

Other assets are antiques and artworks held for long-term investment purposes and are stated at cost less accumulated impairment losses.

### FINANCIAL INSTRUMENTS

#### RECOGNITION AND DERECOGNITION

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

#### CLASSIFICATION AND MEASUREMENT

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

##### 1) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective as hedging instruments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FINANCIAL INSTRUMENTS (CONTINUED)

#### CLASSIFICATION AND MEASUREMENT (CONTINUED)

##### 1) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

##### 2) LOANS AND RECEIVABLES

Loans and receivables including promissory note receivable from a joint venture, other receivables, amount due from a joint venture and bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

##### 3) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

##### 4) FINANCIAL LIABILITIES

The Group's financial liabilities include other payables and interest-bearing borrowings. All financial liabilities except for financial liabilities at fair value through profit or loss are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FINANCIAL INSTRUMENTS (CONTINUED)

#### CLASSIFICATION AND MEASUREMENT (CONTINUED)

##### 5) 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, net of direct issue costs.

#### IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss by using the discounted cash flow, interest income (i.e. the discount unwinding) is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

#### IMPAIRMENT OF OTHER ASSETS

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, investments in antiques and artworks and subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, with reference to fair value of consideration received or receivable, and on the following bases:

Rental income from operating leases is recognised when the properties are let out and on a straight-line basis over the lease terms.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

### LEASES

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.

#### *AS LESSEE*

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease. Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

### FOREIGN CURRENCY TRANSLATION

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FOREIGN CURRENCY TRANSLATION (CONTINUED)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation on non-monetary items in respect of which gain and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### RETIREMENT BENEFIT SCHEME

Payment to defined contribution retirement benefit scheme is charged as expenses when employees have rendered service entitling them to the contributions.

Details of the retirement benefit scheme are set out in note 35 to the consolidated financial statements.

### EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

#### SHARE OPTIONS GRANTED TO EMPLOYEES OF THE GROUP

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve in equity.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BORROWINGS COSTS

Borrowings costs which are directly attributable to the acquisition, construction and production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

### TAXATION

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax assets or liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and a joint venture, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts (if any).

### RELATED PARTIES

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### RELATED PARTIES (CONTINUED)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

### SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### SEGMENT REPORTING (CONTINUED)

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management has made various estimates and judgements which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements are continually evaluated. The key source of estimation uncertainty and critical judgements made in applying accounting policies that result in significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial period or significantly affect the amounts recognised in the consolidated financial statements are discussed below:

#### KEY SOURCES OF ESTIMATION UNCERTAINTY

##### *USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT*

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of actual usage and maintenance, which could affect the related depreciation charges included in profit or loss.

##### *IMPAIRMENT OF LOANS AND RECEIVABLES*

The management determines the provision for impairment of the Group's loans and receivables based on the current creditworthiness and the past collection history of each customer and other debtors and the current market condition. If the financial conditions of the Group's customers and other debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision may be required.

##### *IMPAIRMENT OF INVESTMENTS AND RECEIVABLES*

The Group assess annually if their investments in subsidiaries have suffered any impairment in accordance with HKAS 36 and follow the guidance of HKAS 39 in determining whether amounts due from those entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FUTURE CHANGES IN HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to HKASs 16 and 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>1</sup>
Annual Improvements Project	<i>2012-2014 Cycle</i> <sup>1</sup>
Amendments to HKAS 7	<i>Disclosure Initiatives</i> <sup>2</sup>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> <sup>2</sup>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>3</sup>
HKFRS 15 and Clarifications to HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
HKFRS 9 (2014)	<i>Financial Instruments</i> <sup>3</sup>
HKFRS 16	<i>Lease</i> <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>5</sup> The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed.

The directors are in the process of assessing the possible impact on the future adoption of the new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

## 3. FINANCIAL INSTRUMENTS

### (A) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, bank balances and cash, other receivables and other payables. Details of these financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### MARKET RISK

##### Currency risk

The Group is exposed to foreign currency risk primarily on financial assets at fair value through profit or loss. The currency giving rise to this risk is United States Dollar ("US\$"). The Group does not hedge its foreign currency risks because the rate of exchange between HK\$ and US\$ is stable under current market condition and the existing currency exchange policies adopted by the Government of Hong Kong Special Administrative Region.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 3. FINANCIAL INSTRUMENTS (CONTINUED)

### (A) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### MARKET RISK (CONTINUED)

##### Price risk

The Group is exposed to price risks arising from equity and debt instruments and equity-linked notes held under financial assets at fair value through profit or loss in the consolidated financial statements.

The sensitivity analysis has been determined based on the exposure to price risk. At the end of the reporting period, if the market price had been 5% (2015: 5%) higher/lower while all other variables were held constant, the Group's net profit would be increased/decreased by HK\$3,640,000 (2015: HK\$1,173,000) due to change in the fair value of investments held under financial assets at fair value through profit or loss.

#### CREDIT RISK

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to bank balances and amount due from security brokers included in other receivables.

The management considers the credit risk in respect of bank balances and amount due from security brokers is minimal because the counter-parties are authorised financial institutions in Hong Kong with low default risks.

#### LIQUIDITY RISK

The Group's objective is to maintain sufficient level of bank balances and cash to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses.

The maturity profile of the financial liabilities of the Group at the end of the reporting period based on remaining contractual undiscounted payments is summarised below:

	2016		
	Total carrying value HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or less than 1 year HK\$'000
Other payables	2,941	2,941	2,941
	2015		
	Total carrying value HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or less than 1 year HK\$'000
Other payables	2,974	2,974	2,974
Bank borrowings, secured	75,181	84,301	84,301
	78,155	87,275	87,275

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 3. FINANCIAL INSTRUMENTS (CONTINUED)

### (A) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### LIQUIDITY RISK (CONTINUED)

The amounts repayable under a mortgage loan agreement that included a clause that gave the lender the unconditional right to call the loan at any time were classified under the "on demand" bracket. In this regard, secured bank borrowings with carrying amount at 30 June 2015 of HK\$65,181,000 had been so classified even though the directors did not expect that the bank would exercise its rights to demand repayment and thus these borrowings, which include payment of interest, would be repaid according to the following schedule as set out in the mortgage loan agreement:

	Within 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 30 June 2015	4,710	18,840	50,751	74,301

The secured bank borrowings were fully settled during the year ended 30 June 2016.

### (B) CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS

#### FAIR VALUE MEASUREMENTS

The following table presents the carrying value of financial instruments measured at fair value at 30 June 2016 and 2015 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical financial instruments that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the financial instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 3. FINANCIAL INSTRUMENTS (CONTINUED)

### (B) CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### FAIR VALUE MEASUREMENTS (CONTINUED)

(i) *Financial assets measured at fair value*

*Financial assets at fair value through profit or loss:*

Debt instruments listed overseas

Debt instruments listed in Hong Kong

Equity securities listed in Hong Kong

Equity-linked notes

*Available-for-sale investments:*

Equity securities listed in Hong Kong

At 30 June 2016	
Total HK\$'000	Level 1 HK\$'000
35,661	35,661
7,891	7,891
9,470	9,470
19,787	19,787
<b>72,809</b>	<b>72,809</b>
175	175

At 30 June 2015

Total HK\$'000	Level 1 HK\$'000
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*Financial assets at fair value through profit or loss:*

Debt instruments listed overseas

Debt instruments listed in Hong Kong

*Available-for-sale investments:*

Equity securities listed in Hong Kong

16,054	16,054
7,415	7,415
<b>23,469</b>	<b>23,469</b>
271	271

During the years ended 30 June 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 3. FINANCIAL INSTRUMENTS (CONTINUED)

### (B) CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### FAIR VALUE MEASUREMENTS (CONTINUED)

##### (ii) Financial assets and liabilities not measured at fair value

The carrying amounts of the financial assets and liabilities of the Group carried amounts at other than their fair values are not materially different from their fair values as at 30 June 2016 and 2015.

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

	2016 HK\$'000	2015 HK\$'000
<i>Loans and receivables measured at cost/amortised cost:</i>		
Other receivables (excluding prepayments)	25,387	832
Promissory note receivable from a joint venture	–	132,388
Amount due from a joint venture	–	16,763
Bank balances and cash	422,422	27,394
	<b>447,809</b>	177,377
<i>Available-for-sale financial assets measured at fair value:</i>		
Available-for-sale investments	175	271
<i>Financial assets at fair value through profit or loss measured at fair value:</i>		
Financial assets at fair value through profit or loss	72,809	23,469
<i>Financial liabilities measured at cost/amortised cost:</i>		
Other payables	2,941	2,974
Interest-bearing borrowings	–	75,181
	<b>2,941</b>	78,155

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 4. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 30 June 2016 and 2015.

## 5. REVENUE

	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>		
Gross rental income from investment properties	2,590	817
Interest income from financial assets at fair value through profit or loss	4,391	1,835
Dividend income from financial assets at fair value through profit or loss	641	–
	<b>7,622</b>	2,652
<b>Other revenue</b>		
Bank interest income	690	3
<b>Total revenue</b>	<b>8,312</b>	2,655

## 6. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Gain on disposal of property, plant and equipment	–	49
Reversal of impairment loss on other receivables	–	28
Sundry income	226	62
	<b>226</b>	139

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 7. SEGMENT INFORMATION

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision maker, who are the directors, for the purposes of allocating resources to segments and assessing their performance. The directors consider resort and property development, property investment and investment holding are the Group's major operating segments.

During the year ended 30 June 2016, as described in note 32, the Group disposed of two subsidiaries, Applied Enterprises Limited ("Applied Enterprises") and Beachside Investments Limited ("Beachside") which were engaged in resort and property development business. For the year ended 30 June 2015, the Group's resort and property development segment included multi-purpose resort communities as well as sale of condo hotels, residential units and club memberships. No revenue had been earned by the resort and property development segment which was still under development. The property investment segment includes mainly residential and commercial properties that are held for capital appreciation or to earn rental income. The investment holding segment includes holding of equity securities, debt instruments, equity-linked notes and other assets. No operating segments have been aggregated.

Segment revenue and results for the year ended 30 June 2016 are presented below:

	<b>Resort and property development</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	–	2,590	5,032	7,622
<b>Other revenue and income</b>	–	116	190	306
	–	2,706	5,222	7,928
<b>Results</b>				
Segment results	(1,305)	58,684	5,307	62,686
Unallocated corporate income				610
Unallocated corporate expenses				(10,418)
Gain on disposal of subsidiaries	4,067	313,168		317,235
Gain on disposal of subsidiaries – unallocated				1,702
Interest income on promissory note receivable from a joint venture	5,713			5,713
Finance costs				(1,819)
Impairment loss on amount due from a joint venture	(5,607)			(5,607)
Profit before tax				370,102
Taxation				(66)
Profit for the year				370,036

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 7. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities as at 30 June 2016 and other segment information for the year ended 30 June 2016 are presented below:

	Resort and property development HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Assets</b>	87	441,165	95,882	537,134	424,316	961,450
<b>Liabilities</b>	10	4,680	565	5,255	22	5,277
Other segment information:						
Additions to property, plant and equipment	-	335	-	335	-	335
Additions to investment properties	-	51,784	-	51,784	-	51,784
Depreciation of property, plant and equipment	-	165	95	260	357	617
Gain on disposal of subsidiaries	4,067	313,168	-	317,235	1,702	318,937
Net decrease in fair value of financial assets at fair value through profit or loss	-	-	571	571	-	571
Net increase in fair value of investment properties	-	56,928	-	56,928	-	56,928
Net gain on disposal of financial assets at fair value through profit or loss	-	-	1,233	1,233	-	1,233

Segment revenue and results for the year ended 30 June 2015 are presented below:

	Resort and property development HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Total HK\$'000
<b>Revenue</b>	-	817	1,835	2,652
<b>Other revenue and income</b>	-	-	6	6
	-	817	1,841	2,658
<b>Results</b>				
Segment results	1,923	18,741	(3,539)	17,125
Unallocated corporate income				136
Unallocated corporate expenses				(19,882)
Gain on disposal of a subsidiary – unallocated				1,002
Finance costs				(1,633)
Interest income on promissory note receivable from a joint venture	10,931			10,931
Profit before tax				7,679
Taxation				-
Profit for the year				7,679

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 7. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities as at 30 June 2015 and other segment information for the year ended 30 June 2015 are presented below:

	Resort and property development HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Assets</b>	251,540	257,423	24,110	533,073	27,725	560,798
<b>Liabilities</b>	4,695	1,450	891	7,036	76,224	83,260

Other segment information:

Additions to property, plant and equipment	-	375	-	375	724	1,099
Additions to investment properties	1,283	-	-	1,283	-	1,283
Depreciation of property, plant and equipment	-	192	125	317	1,053	1,370
Gain on disposal of a subsidiary	-	-	-	-	1,002	1,002
Gain on disposal of property, plant and equipment	-	-	-	-	49	49
Impairment loss on other assets	-	-	138	138	-	138
Net decrease in fair value of financial assets at fair value through profit or loss	-	-	514	514	-	514
Net increase in fair value of investment properties	3,407	20,000	-	23,407	-	23,407
Net loss on disposal of financial assets at fair value through profit or loss	-	-	3,788	3,788	-	3,788
Release of prepaid lease payments	-	40	-	40	-	40

There was no revenue generated from inter-segment transactions for both years. Revenue from the property investment segment reported above represents rental income earned from external customers. Segment results represent profit or loss attributable to each segment without allocation of corporate income, central administration costs, gain on disposal of subsidiaries, finance costs, interest income on promissory note receivable from a joint venture, impairment loss on amount due from a joint venture and income tax expense. Total assets and liabilities represent all assets and liabilities under each segment together with unallocated corporate assets and liabilities other than those that have been eliminated in consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 7. SEGMENT INFORMATION (CONTINUED)

### GEOGRAPHICAL INFORMATION

The Group's operations are principally located in Hong Kong, Singapore, the People's Republic of China other than Hong Kong (the "PRC"), the British Virgin Islands (the "BVI") and the Republic of Panama (the "Panama").

The following table provides an analysis of the Group's revenue from external customers by geographical market, which interest income from financial assets at fair value through profit or loss is based on the location of the markets of the respective investments:

	Revenue by geographical market	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	5,405	1,367
Singapore	2,217	1,285
	<b>7,622</b>	<b>2,652</b>

The following is an analysis of the carrying amounts of non-current assets by geographical area in which the assets are located:

	Carrying amounts of non-current assets	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	440,274	253,288
Panama	–	99,690
PRC	–	5,668
	<b>440,274</b>	<b>358,646</b>

Non-current assets presented above exclude financial instruments. The Group does not have deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

### INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from three external customers (2015: three) individually contributing over 10% of the revenue from the Group's property investment segment is as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A	1,191	–
Customer B	730	–
Customer C	423	480
Customer D	–	203
Customer E	–	134
	<b>2,344</b>	<b>817</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 8. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest expenses on bank borrowings	1,635	1,494
Interest expenses on other borrowing	184	133
Finance charges on obligation under a finance lease	–	6
	<b>1,819</b>	<b>1,633</b>

## 9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2016 HK\$'000	2015 HK\$'000
<b>Staff costs, including directors' emoluments</b>		
Salaries and other benefits	3,221	12,324
Retirement benefit scheme contributions	82	91
Total staff costs	<b>3,303</b>	<b>12,415</b>
<b>Other operating expenses</b>		
Impairment loss on other assets	–	138
Loss on disposal of non-current assets classified as held for sale	–	613
	<b>–</b>	<b>751</b>
<b>Other items</b>		
Auditor's remuneration	460	540
Depreciation of property, plant and equipment	617	1,370
Direct operating expenses relating to investment properties that generated rental income	301	105
Direct operating expenses relating to investment properties that did not generate rental income	1,010	2,474
Exchange loss, net	77	11
Legal and professional fees	2,555	1,868
Operating lease payments on premises	1,962	1,823
Release of prepaid lease payments	–	40

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 10. TAXATION

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the year ended 30 June 2016 are wholly absorbed by unrelieved tax losses brought forward from previous years. Hong Kong Profits Tax had not been provided as the Group incurred a loss for taxation purposes for the year ended 30 June 2015.

Taxation arising in the PRC and overseas jurisdictions, if applicable, are calculated at the rates prevailing in the relevant jurisdictions based on existing legislation, interpretations and practices in respect thereof.

The tax charge comprises:

	2016 HK\$'000	2015 HK\$'000
<b>Current tax</b>	–	–
<b>Deferred taxation</b>		
Recognition of temporary differences ( <i>Note 27</i> )	66	–
Total tax charge for the year	<b>66</b>	–
	2016 HK\$'000	2015 HK\$'000
<b>Reconciliation of taxation</b>		
Profit before tax	<b>370,102</b>	7,679
Tax at Hong Kong Profits Tax rate of 16.5% ( <i>2015: 16.5%</i> )	<b>61,067</b>	1,267
Tax effect of expenses not deductible in determining taxable profit	<b>1,590</b>	1,887
Tax effect of income not taxable in determining taxable profit	<b>(63,266)</b>	(5,543)
Unrecognised tax losses	<b>922</b>	2,951
Unrecognised temporary differences	–	(562)
Utilisation of previously unrecognised tax losses	<b>(329)</b>	–
Others	<b>82</b>	–
Tax expenses for the year	<b>66</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (A) DIRECTORS' EMOLUMENTS

For the years ended 30 June 2016 and 2015, the emoluments paid or payable to each of the eight (2015: nine) directors were as follows:

	Wang Jingyu HK\$'000 (Note v)	Ng Kit Ling HK\$'000	Tsao Hoi Ho HK\$'000 (Note ii)	Meng Song HK\$'000 (Note iii)	Hung Kin Sang, Raymond ("Mr. Hung") HK\$'000 (Notes i, v)	Hung Kai Mau, Marcus Hung") HK\$'000 (Notes i, ii)	Su Ru Jia HK\$'000	Chan Ming Fai HK\$'000	Lo Yun Tai HK\$'000	Lun Tsan Kau HK\$'000 (Note iv)	Total HK\$'000
<b>Year ended 30 June 2016</b>											
Fees	-	-	-	-	-	-	150	150	150	-	450
Other emoluments											
Salaries and other benefits	-	1,033	360	302	24	-	-	-	-	-	1,719
Retirement benefit scheme contributions	-	18	18	-	-	-	-	-	-	-	36
Discretionary bonus	-	86	30	-	-	-	-	-	-	-	116
<b>Total emoluments</b>	<b>-</b>	<b>1,137</b>	<b>408</b>	<b>302</b>	<b>24</b>	<b>-</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>-</b>	<b>2,321</b>
<b>Year ended 30 June 2015</b>											
Fees	-	-	-	-	-	-	150	150	150	275	725
Other emoluments											
Salaries and other benefits	-	2,576	194	205	3,637	1,358	-	-	-	-	7,970
Retirement benefit scheme contributions	-	17	10	-	-	8	-	-	-	-	35
<b>Total emoluments</b>	<b>-</b>	<b>2,593</b>	<b>204</b>	<b>205</b>	<b>3,637</b>	<b>1,366</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>275</b>	<b>8,730</b>

#### Notes:

- (i) During the year ended 30 June 2016, the Group did not provide rent-free accommodation to Mr. Marcus Hung (2015: estimated rateable values of approximately HK\$80,000).
- (ii) On 18 December 2014, Mr. Marcus Hung resigned as an executive director and the chairman of the Company. On the same date, Mr. Hung was appointed as the chairman of the Company while Mr. Tsao Hoi Ho was appointed as an executive director of the Company.
- (iii) Mr. Meng Song was appointed as an executive director of the Company on 22 December 2014 and was retired on 30 December 2015.
- (iv) On 31 December 2014, Mr. Lun Tsan Kau resigned as an independent non-executive director of the Company.
- (v) On 15 July 2015, Mr. Hung resigned as the chairman and the managing director of the Company while Ms. Wang Jingyu was appointed as the chairlady and the managing director of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 30 June 2016 and 2015. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 30 June 2016 and 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### (B) EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three (2015: three) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2015: two) individuals are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	673	1,470
Retirement benefits scheme contributions	31	29
	<b>704</b>	<b>1,499</b>

The two (2015: two) highest paid individuals' remuneration falls within the following band:

	Number of employees	
	2016	2015
Nil to HK\$1,000,000	2	2

During the years ended 30 June 2016 and 2015, 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 a compensation for loss of office. During the years ended 30 June 2016 and 2015, no such highest paid individuals waived or agreed to waive any emoluments.

## 12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the following data:

	2016 HK\$'000	2015 HK\$'000
Profit for the year for the purposes of calculating basic earnings per share	<b>370,036</b>	<b>7,679</b>

	2016 No. of shares	2015 No. of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	<b>1,920,280,138</b>	<b>1,707,257,168</b>

The number of shares for the purpose of calculating basic earnings per share for the year ended 30 June 2015 has been adjusted to reflect the bonus element of rights issue of shares as set out in note 25(a) to the consolidated financial statements.

For the years ended 30 June 2016 and 2015, diluted earnings per share is the same as basic earnings per share. The Company did not have any dilutive potential ordinary shares during the years ended 30 June 2016 and 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 13. INVESTMENT PROPERTIES

	HK\$'000
<b>Fair value</b>	
At 1 July 2014	326,000
Additions – subsequent expenditure	1,283
Net increase in fair value	23,407
Transferred from property, plant and equipment and prepaid lease payments ( <i>Note 14</i> )	5,630
	<hr/>
At 30 June 2015	356,320
Additions – acquisition	51,784
Acquisition of subsidiaries ( <i>Note 31</i> )	380,288
Disposal of subsidiaries ( <i>Note 32</i> )	(405,320)
Net increase in fair value	56,928
	<hr/>
<b>At 30 June 2016</b>	<b>440,000</b>

The fair value of the investment properties held in Hong Kong (*2015: investment properties held in Hong Kong and the PRC and the investment properties under development held in Panama*) has been arrived at on the basis of valuation as at the end of the reporting period carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), an independent firm of qualified professional valuer not connected with the Group. JLL is a member of the Hong Kong Institute of Surveyors (“HKIS”) and has appropriate qualifications and recent experience in the valuation of similar properties at the relevant locations. The valuation, which conforms to the HKIS Valuation Standards on Properties, was conducted on an open market basis by the direct comparison approach assuming sale with the benefit of vacant possession or by making reference to comparable sale evidences as available in the relevant market. Sales prices of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age, were used to value the properties. The most significant input into this valuation approach is price per square foot.

The fair value measurement of the Group’s investment properties has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The fair values of the investment properties as at 30 June 2016 and 2015 are classified as Level 2 fair value measurement, which uses significant observable inputs in arriving at fair value. During the years ended 30 June 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurement, or transfers into or out of Level 3 fair value measurement.

All of the Group’s property interests held under operating leases to earn rental or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 July 2014	589	13,027	1,036	12,968	27,620
Additions	–	329	46	724	1,099
Disposal	–	–	(82)	(724)	(806)
Disposal of a subsidiary (Note 32)	–	–	–	(1,472)	(1,472)
Transferred to investment properties	(589)	–	–	–	(589)
At 30 June 2015	–	13,356	1,000	11,496	25,852
Additions	–	324	11	–	335
Disposal/written off	–	(10,933)	(74)	–	(11,007)
Disposal of subsidiaries (Note 32)	–	(2,404)	(306)	(11,496)	(14,206)
<b>At 30 June 2016</b>	<b>–</b>	<b>343</b>	<b>631</b>	<b>–</b>	<b>974</b>
<b>Accumulated depreciation and impairment</b>					
At 1 July 2014	116	12,529	876	9,334	22,855
Provided for the year	8	212	97	1,053	1,370
Disposal	–	–	(82)	(36)	(118)
Disposal of a subsidiary (Note 32)	–	–	–	(283)	(283)
Transferred to investment properties	(124)	–	–	–	(124)
At 30 June 2015	–	12,741	891	10,068	23,700
Provided for the year	–	191	69	357	617
Disposal/written off	–	(10,933)	(74)	–	(11,007)
Disposal of subsidiaries (Note 32)	–	(1,756)	(255)	(10,425)	(12,436)
<b>At 30 June 2016</b>	<b>–</b>	<b>243</b>	<b>631</b>	<b>–</b>	<b>874</b>
<b>Carrying values</b>					
<b>At 30 June 2016</b>	<b>–</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>100</b>
At 1 July 2015	–	615	109	1,428	2,152

The Group's properties under leasehold land and buildings and prepaid lease payments with carrying value of HK\$465,000 and HK\$1,471,000 respectively were transferred to investment properties upon change in intention from use as director's quarter purpose to capital appreciation purpose on 30 June 2015. Fair value of the properties at the date of transfer amounted to HK\$5,630,000. The surplus on properties revaluation of HK\$3,694,000 was credited to other reserve during the year ended 30 June 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 15. OTHER ASSETS

Other assets represent antiques and artworks held for long-term investment purposes. In the opinion of the directors, other assets are worth at least their carrying values at the end of the reporting period.

## 16. INTEREST IN A JOINT VENTURE

Share of net assets

	2016 HK\$'000	2015 HK\$'000
Share of net assets	–	–

As at 30 June 2015, the Group had a 50% interest in a joint arrangement that was structured as a limited liability company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangement. Therefore, the entity was classified as a joint venture of the Group. During the year ended 30 June 2016, interest in the joint venture was derecognised through disposal of a subsidiary, Applied Enterprises as set out in note 32 to the consolidated financial statements.

The particulars of the joint venture as at 30 June 2015 are as follows:

Name of joint venture	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of issued share capital held by the Group %	Principal activities
Quorum Island (BVI) Limited ("Quorum")	Corporation	BVI	Ordinary	50	Resort and property development

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 16. INTEREST IN A JOINT VENTURE (CONTINUED)

### FAIR VALUE OF INVESTMENT

The joint venture is a private company and there is no quoted market price available for the investment.

### FINANCIAL INFORMATION OF A JOINT VENTURE

The summarised financial information in respect of Quorum is set out below, which represents amounts shown in the financial statements of Quorum prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	2016 HK\$'000	2015 HK\$'000
<b>At 30 June</b>		
<b>Gross amount</b>		
Non-current assets	–	152,710
Current assets	–	771
Current liabilities	–	(192,810)
Net liabilities	–	(39,329)
Included in above:		
Cash and cash equivalents	–	771
Current financial liabilities *	–	(171,600)
<i>* Exclude other payables and provisions</i>		
<b>Reconciliation</b>		
Net liabilities of joint venture	–	(39,329)
Group's ownership interests	–	50%
Carrying amount of the Group's interest in joint venture	–	–
<b>Year ended 30 June (or up to the date of disposal)</b>		
<b>Gross amount</b>		
Revenue	615	3,690
Expenses	(1,541)	(1,185)
(Loss) Profit for the year and total comprehensive (loss) income for the year	(926)	2,505
Dividends received from a joint venture	–	–

The financial information of Quorum is prepared using the same accounting policies as those adopted by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 16. INTEREST IN A JOINT VENTURE (CONTINUED)

### UNRECOGNISED SHARE OF LOSSES OF A JOINT VENTURE

The unrecognised share of loss of a joint venture for current year amounted to HK\$463,000 (2015: profit of HK\$1,252,000) and the related share of losses cumulatively up to the date of disposal amounted to HK\$20,128,000 (2015: up to the end of the reporting period amounted to HK\$19,665,000).

### CONTINGENT LIABILITIES

There were no contingent liabilities relating to the Group's interest in the joint venture at 30 June 2015.

## 17. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Equity securities at fair value listed in Hong Kong	175	271

The fair value of the listed securities is determined on the basis of quoted market price at the end of the reporting period.

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2016 HK\$'000	2015 HK\$'000
At fair value, designated upon initial recognition			
Debt instruments listed overseas	<i>i</i>	35,661	16,054
Debt instruments listed in Hong Kong	<i>ii</i>	7,891	7,415
Equity securities listed in Hong Kong	<i>iii</i>	9,470	–
Equity-linked notes	<i>iv</i>	19,787	–
		<b>72,809</b>	<b>23,469</b>

Notes :

- (i) The Group held debt instruments listed overseas with aggregate principal amount of US\$4,200,000 as at 30 June 2016 (2015: US\$2,000,000) which bear fixed interest rate of 8.50% to 10.125% per annum (2015: 8.50% to 9.75% per annum) and will be due in 2017 to 2020 (2015: due in 2019 to 2020). The fair value of these debt instruments amounted to HK\$35,661,000 (2015: HK\$16,054,000) is determined on the basis of quoted market price at the end of the reporting period.
- (ii) The Group held debt instruments listed in Hong Kong with aggregate principal amount of US\$1,000,000 as at 30 June 2016 (2015: US\$1,000,000) which bear fixed interest rate of 8.75% per annum (2015: 8.75% per annum) and will be due in 2018 (2015: due in 2018). The fair value of these debt instruments amounted to HK\$7,891,000 (2015: HK\$7,415,000) is determined on the basis of quoted market price at the end of the reporting period.
- (iii) The fair value of these equity securities listed in Hong Kong amounted to HK\$9,470,000 (2015: nil) is determined on the basis of quoted market price at the end of the reporting period.
- (iv) The Group held equity-linked notes with aggregate principal amount of HK\$20,000,000 (2015: nil) which bear fixed interest rate of 6% per annum and will be due in August 2016 to September 2016 (subject to early redemption). These equity-linked notes are linked with various securities listed in Hong Kong at various strike prices. The fair value of these equity-linked notes amounted to HK\$19,787,000 (2015: nil) is determined on the basis of quoted market price at the end of the reporting period.

The above financial instruments were designated at fair value upon initial recognition as they are managed and evaluated on a fair value basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 19. OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Deposits, prepayments and other debtors	1,288	1,867
Amount due from security brokers	24,482	–
	<b>25,770</b>	<b>1,867</b>

## 20. PROMISSORY NOTE RECEIVABLE FROM A JOINT VENTURE

	2016 HK\$'000	2015 HK\$'000
Non-current portion	–	132,388

Following the expiration of the due date of the promissory note receivable from Quorum on 9 April 2011, management of the Group considered that there was objective evidence that an impairment loss on the promissory note had occurred. Management expected that the full amount of the promissory note amounted to US\$22 million (equivalent to approximately HK\$171,600,000) would be realisable in approximately four years after 30 June 2011. Consequently, impairment loss of HK\$50,143,000 measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at 9% per annum was recognised in profit or loss in the reporting period ended 30 June 2011.

In December 2012, the Group brought a legal action against Quorum for the non-payment of the promissory note. Having taken into consideration of the latest development of the legal action, management had reassessed the period of recovery and expected that the full amount of the promissory note would be realisable in four years' time from 30 June 2014. Accordingly, impairment loss of HK\$22,857,000 measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at 9% per annum was recognised in profit or loss for the year ended 30 June 2014.

During the year ended 30 June 2016, there was a discount unwinding of HK\$5,713,000 up to the date of disposal (2015: HK\$10,931,000) recognised as an interest income in profit or loss using 9% per annum, the rate of interest used to discount the future cash flows in previous year.

The promissory note receivable was derecognised through the disposal of Applied Enterprises as set out in note 32 to the consolidated financial statements.

## 21. AMOUNT DUE FROM A JOINT VENTURE

The amount was unsecured, interest-free and had no fixed repayment term. During the year ended 30 June 2016, a provision of HK\$5,607,000 (2015: nil) had been made for non-repayment of the amount due. The amount was derecognised through the disposal of Applied Enterprises as set out in note 32 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 22. BANK BALANCES AND CASH

	2016 HK\$'000	2015 HK\$'000
Cash at bank and in hand	22,405	27,394
Time deposits	400,017	–
	<b>422,422</b>	<b>27,394</b>

Bank balances and cash comprise bank balances and cash held by the Group that bear interest at prevailing market interest rates. Short-term time deposits are made between one month and three months depending on the immediate cash requirement of the Group and earn interest at the prevailing short-term deposit rates.

## 23. OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Accrued charges and other creditors	2,941	6,991

## 24. INTEREST-BEARING BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Bank borrowings, secured	–	75,181
Current portion	–	13,637
Non-current portion which contains a repayment on demand clause	–	61,544
	<b>–</b>	<b>75,181</b>

Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 year	–	13,637
One to five years	–	15,177
Over five years	–	46,367
	<b>–</b>	<b>75,181</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 24. INTEREST-BEARING BORROWINGS (CONTINUED)

At 30 June 2015, the Group's bank borrowings carried variable interest rates ranging from 1.45% to 2.80% per annum above one month Hong Kong Inter-bank Offer Rate. The effective interest rate during the year ended 30 June 2016 was 1.88% (2015: 1.87%) per annum. The bank borrowings at 30 June 2015 were secured by the assets of the Group as follows:

- (a) pledge of investment properties of the Group with a carrying amount of HK\$251,000,000 at 30 June 2015;
- (b) all monies earned by the above pledged investment properties of the Group. During the year ended 30 June 2015, rental income of HK\$817,000 was generated from these investment properties;
- (c) property insurance on the pledged investment properties executed by the Group in favour of the bank. At 30 June 2015, the property insurance coverage amounted to HK\$20,460,000; and
- (d) unconditional and irrevocable corporate guarantee given by the Company in respect of all amounts owing by the subsidiary to the bank under the facilities.

The secured bank borrowings at 30 June 2015 included mortgage loan of HK\$65,181,000 with a clause in its terms that gave the bank a customary overriding right of repayment on demand and an unfettered right of terminating the facility at any time by notice in writing to the Group at its sole discretion were classified as current liabilities even though the directors did not expect that the bank would exercise its rights to demand repayment. The remaining HK\$10,000,000 at 30 June 2015 represented revolving credit granted which is repayable on demand.

During the year ended 30 June 2016, all the bank borrowings were fully settled and the above-mentioned banking facilities were terminated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 25. SHARE CAPITAL

	Notes	Number of shares	HK\$'000
<b>Authorised:</b>			
At 1 July 2014, 30 June 2015 and 30 June 2016, ordinary shares of HK\$0.01 each		<b>6,000,000,000</b>	<b>60,000</b>
<b>Issued and fully paid:</b>			
At 1 July 2014, ordinary shares of HK\$0.01 each		1,159,773,826	11,598
Issue of shares upon rights issue	(a)	579,886,913	5,799
At 30 June 2015, ordinary shares of HK\$0.01 each		1,739,660,739	17,397
Issue of shares upon placing of shares	(b)	347,930,000	3,479
<b>At 30 June 2016, ordinary shares of HK\$0.01 each</b>		<b>2,087,590,739</b>	<b>20,876</b>

Notes:

- (a) On 15 August 2014, the Company issued 579,886,913 rights shares (the "Rights Share(s)") by way of rights issue (the "Rights Issue"), on the basis of one Rights Share for every two existing shares of the Company at a subscription price of HK\$0.139 per Rights Share. The net proceeds from the Rights Issue after deducting related expenses were HK\$78,421,000.
- (b) On 24 December 2015, the Company issued 347,930,000 placing shares (the "Placing Share(s)") by way of placing (the "Placing"), at a placing price of HK\$0.32 per Placing Share. The net proceeds from the Placing after deducting related expenses were HK\$108,419,000.

These shares rank pari passu with all existing shares in all respects.

## 26. SHARE-BASED PAYMENTS

The Company adopted a share option scheme on 15 November 2012 (the "Scheme") for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors may, at its discretion, grant options to any employees, including executive directors, or consultants of the Company and/or its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of adoption of the Scheme (the "Scheme Mandate Limit") or the date of any shareholders' meeting in refreshing the Scheme Mandate Limit, if applicable. Unless approved by the shareholders of the Company, the number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 1% of the number of shares issued and issuable under the Scheme or any other limit as may be permitted under the Listing Rules.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 26. SHARE-BASED PAYMENTS (CONTINUED)

Any grant of options under the Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK\$1 by the grantee on each acceptance of grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at its discretion to determine the specific exercise period. The exercise price is determined by the Board of Directors, and will be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Pursuant to an ordinary resolution passed in Annual General Meeting ("AGM") on 4 November 2014, the refreshment of the Scheme Mandate Limit (the "Refreshment") was proposed and passed by shareholders. The total number of shares which may be issued upon exercise of the options to be granted under the Refreshment must not exceed 173,966,073 shares, representing 10% of the issued share capital of the Company at the date of the AGM approving the proposed Refreshment.

The directors and employees of the Company and its subsidiaries are entitled to participate in the Scheme. As at 30 June 2016, the total number of shares available for issue under the Scheme was 173,966,073 (2015: 173,966,073) shares, which represented approximately 8% (2015: 10%) of the Company's issued share capital.

During the years ended 30 June 2016 and 2015, no share options had been granted. There were no share options outstanding as at 30 June 2016 and 2015.

## 27. DEFERRED TAXATION

The movements for the year in the Group's net deferred tax liabilities are as follows:

	2016 HK\$'000	2015 HK\$'000
At the beginning of the reporting period	1,088	–
Disposal of a subsidiary (Note 32)	(1,088)	–
Acquisition of subsidiaries (Note 31)	2,270	–
Charge to profit or loss (Note 10)	66	–
Charge to other comprehensive income	–	1,088
<b>At the end of the reporting period</b>	<b>2,336</b>	<b>1,088</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 27. DEFERRED TAXATION (CONTINUED)

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		Liabilities	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Depreciation allowances	–	–	(2,374)	–
Fair value adjustment	–	–	–	(1,088)
Tax losses	38	–	–	–
Deferred tax assets (liabilities)	38	–	(2,374)	(1,088)
Offsetting	(38)	–	38	–
Net deferred tax liabilities	–	–	(2,336)	(1,088)
Amount expected to be recovered after more than 12 months	–	–	(2,336)	(1,088)

The balance represented deferred tax on accelerated tax depreciation offsetting against unused tax losses recognised (2015: the fair value adjustment arising from revaluation of properties upon transfer from property, plant and equipment and prepaid lease payments to investment properties).

### Unrecognised deferred tax assets arising from

	2016 HK\$'000	2015 HK\$'000
Deductible temporary differences	–	72,765
Tax losses	260,692	265,603
<b>At the end of the reporting period</b>	<b>260,692</b>	<b>338,368</b>

At the end of the reporting period, the Group had unused tax losses of HK\$260,692,000 (2015: HK\$265,603,000) available for offset against future taxable profits. No deferred tax assets in respect of these items have been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely. The deductible temporary differences of HK\$72,765,000 at 30 June 2015 represented deficit on revaluation of overseas investment properties, which were disposed of upon the disposal of subsidiaries during the year ended 30 June 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 28. OPERATING LEASE COMMITMENTS

### THE GROUP AS LESSEE

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>567</b>	2,181
In the second to fifth year inclusive	–	567
	<b>567</b>	2,748

Operating lease payments represent rentals payable by the Group for certain of its offices (*2015: its offices and directors' accommodations*). Leases are negotiated for a term of 2 years (*2015: 2 years*). Rentals are fixed over the lease period and no arrangements have been entered into for contingent rental payments.

## 29. OPERATING LEASE ARRANGEMENTS

### THE GROUP AS LESSOR

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments, which represent rentals receivable by the Group under non-cancellable operating leases which fall due as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>10,338</b>	360
In the second to fifth year inclusive	<b>839</b>	–
	<b>11,177</b>	360

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 30. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, during the year, the Group had the following transactions with related parties:

### (A) TRANSACTIONS

- (i) On 4 December 2014, for the purpose of better utilisation of the Group's financial resources, all independent non-executive directors of the Company approved (i) the disposal of a motor vehicle which was held by Data Pen Limited ("Data Pen"), a wholly owned subsidiary of the Company to a director of Data Pen who is a daughter of Mr. Hung, a former director of the Company, who resigned on 15 July 2015, for a cash consideration of HK\$759,000 (the "First Disposal"); and (ii) after the aforesaid disposal, the sales of entire issued share capital of and shareholder's loan to Data Pen to Mr. Hung for a cash consideration of HK\$2,191,000 (the "Second Disposal"). Details of which are set out in note 32 to the consolidated financial statements. The First Disposal and Second Disposal were completed in January 2015 and February 2015 respectively.
- (ii) In December 2015, Applied Enterprises and Beachside were disposed of to Mr. Hung at total consideration of HK\$255,000,000. Details of which are set out in note 32 to the consolidated financial statements.

### (B) REMUNERATION TO KEY MANAGEMENT PERSONNEL

There was no remuneration to members of key management other than directors as disclosed in note 11(A) to the consolidated financial statements for the year ended 30 June 2016 (2015: nil).

## 31. ACQUISITION OF SUBSIDIARIES

In May 2016, Advantage Performance Limited, a wholly owned subsidiary of the Company, acquired the entire equity interests in and shareholder's loans to Legacy Billion Limited and Superform Investment Limited ("Superform") (together the "Acquired Group") from independent third parties at total consideration of HK\$374,352,000. The principal activity of Legacy Billion Limited and Superform is investment holding and property investment respectively. The major asset owned by Superform is the whole 24th office floor of Lippo Centre Tower One in Admiralty, Hong Kong. Further details of the transaction are contained in the Company's circular dated 27 April 2016.

In the opinion of directors, the acquisition does not constitute business combinations as defined in HKFRS 3, therefore, the acquisition has been accounted for as acquisition of assets and liabilities during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 31. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of acquisition:

	HK\$'000
<b>Consideration – cash paid:</b>	
Total cash consideration	374,352
Direct expenses capitalised in investment properties	3,018
	<hr/>
	<b>377,370</b>
	<hr/> <hr/>
	HK\$'000
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>	
Investment property	380,288
Other receivables	240
Other payables	(888)
Deferred tax liabilities	(2,270)
	<hr/>
<b>Total identifiable net assets</b>	<b>377,370</b>
	<hr/> <hr/>
	HK\$'000
<b>Net cash outflow on acquisition of subsidiaries – cash paid</b>	<b>377,370</b>
	<hr/> <hr/>

Since acquisition, the Acquired Group has contributed HK\$1,191,000 and HK\$12,630,000 to the revenue and results of the Group respectively. If the acquisition effected during the year had taken place at the beginning of the year, the revenue and profit for the Group would have been approximately HK\$14,246,000 and approximately HK\$434,694,000 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 32. DISPOSAL OF SUBSIDIARIES

### YEAR ENDED 30 JUNE 2016

- (a) In September 2015, Applied Enterprises entered into sale and purchase agreements with an independent third party to dispose of the entire issued share capital of and shareholder's loan to Applied Toys Limited ("Applied Toys") and Applied Mission Limited ("Applied Mission"), both were wholly owned subsidiaries of the Company, for cash considerations of HK\$1,550,000 and HK\$4,600,000 respectively. At the time of disposal, the major asset of Applied Toys was a motor vehicle whereas the major assets of Applied Mission were investment properties in the PRC. The aggregate gain on disposal of these subsidiaries was approximately HK\$1,557,000.
- (b) In September 2015, Applied Enterprises entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in and shareholder's loan to Quorum Electronics (Shenzhen) Company Limited 盈聯多科技企業(深圳)有限公司 ("Quorum Electronics") for a cash consideration of HK\$620,000. The major assets of Quorum Electronics at the time of disposal were two motor vehicles. The gain on disposal of this subsidiary was approximately HK\$331,000.
- (c) In September 2015, Supreme Success Company Holdings Limited ("Supreme Success"), a wholly owned subsidiary of the Company, disposed of the entire equity interest in and shareholder's loan to a wholly owned subsidiary to an independent third party for a cash consideration of HK\$210,000. The major asset of this subsidiary and its subsidiaries which had not commenced business at the time of disposal was bank balances of HK\$124,000. The gain on disposal of these subsidiaries was approximately HK\$86,000.
- (d) In October 2015, the Company entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in and shareholder's loan to Supreme Success for a cash consideration of HK\$300,000. The major asset of Supreme Success and its subsidiaries at the time of disposal was bank balances of HK\$221,000. The gain on disposal of these subsidiaries was approximately HK\$79,000.
- (e) In November 2015, the Company entered into a disposal agreement with a purchaser, which is wholly and beneficially owned by Mr. Hung, to dispose of the entire issued share capital of and shareholder's loan to Applied Enterprises and Beachside and its wholly owned subsidiaries, Playa Grande Development Holdings Inc., Playa Grande Hot Spring Development Holdings, Inc. and Playa Grande Management Company Limited Inc. (together the "Beachside Group"), all were wholly owned subsidiaries of the Company, for cash considerations of HK\$153,000,000 and HK\$102,000,000 respectively. At the time of disposal, the major assets of Applied Enterprises were its 50% interest in Quorum and the promissory note receivable from Quorum whereas the major assets of the Beachside Group were investment properties in the Panama. The gain on disposal of Applied Enterprises and the Beachside Group was approximately HK\$1,706,000 and HK\$2,361,000 respectively. The disposals were completed in December 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 32. DISPOSAL OF SUBSIDIARIES (CONTINUED)

### YEAR ENDED 30 JUNE 2016 (CONTINUED)

- (f) In January 2016, Applied Investment (Asia) Limited (“Applied Investment”) and Applied International Holdings Limited, both are wholly owned subsidiaries of the Company, as vendors (the “Vendors”), entered into a sale and purchase agreement with the purchaser, who is an independent third party, pursuant to which (i) the Vendors have conditionally agreed to sell, and the purchaser has conditionally agreed to purchase, the entire issued share capital of Severn Villa Limited; and (ii) Applied Investment has conditionally agreed to sell and the purchaser has conditionally agreed to purchase a shareholder’s loan owed by Severn Villa Limited to Applied Investment, at a total consideration of HK\$636,800,000. At the time of disposal, the major assets of Severn Villa Limited are four residential apartments, one roof area, one whole garden area and part of another garden area, and six parking spaces located at Severn Villa, No.3 Severn Road, Hong Kong. The gain on disposal of Severn Villa Limited is approximately HK\$312,817,000. The disposal was completed in May 2016.

The aggregated net assets of the subsidiaries as at the date of disposal are set out as follows:

	HK\$'000
<b>Net assets disposed of:</b>	
Investment properties	405,320
Property, plant and equipment	1,770
Promissory note receivable from a joint venture	138,101
Other receivables	991
Amount due from a joint venture	11,156
Bank balances and cash	1,151
Other payables	(1,947)
Deferred tax liabilities	(1,088)
	<hr/>
	555,454
	<hr/> <hr/>
	HK\$'000
<b>Gain on disposal of subsidiaries:</b>	
Consideration received	899,080
Net assets disposed of	(555,454)
Release of translation reserve upon disposal of a subsidiary	(276)
Direct expenses	(24,413)
	<hr/>
<b>Gain on disposal of subsidiaries</b>	<b>318,937</b>
	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 32. DISPOSAL OF SUBSIDIARIES (CONTINUED)

### YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	HK\$'000
Total cash consideration	899,080
Cash and cash equivalents in subsidiaries disposed of	(1,151)
Direct expenses	(24,413)
	<hr/>
<b>Net inflow of cash and cash equivalents</b>	<b>873,516</b>
	<hr/> <hr/>

### YEAR ENDED 30 JUNE 2015

In February 2015, the Group disposed of the entire issued share capital of and shareholder's loan to Data Pen to Mr. Hung for a cash consideration of HK\$2,191,000. The major assets of Data Pen at the time of the disposal comprised two motor vehicles. The disposal was completed in February 2015. The details are as follows:

	HK\$'000
<b>Net assets disposed of:</b>	
Property, plant and equipment	1,189
Gain on disposal	1,002
	<hr/>
Consideration, satisfied by cash	2,191
	<hr/> <hr/>

Analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	HK\$'000
Cash consideration and net inflow of cash and cash equivalents	2,191
	<hr/> <hr/>

Conforming to current year's presentation, the gain on disposal of a subsidiary that was included in other income has been reclassified as a separate line item in the consolidated statement of comprehensive income for the year ended 30 June 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Interests in subsidiaries	34	521,251	367,168
<b>Current assets</b>			
Other receivables		416	270
Bank balances and cash		309,759	19,173
		<b>310,175</b>	19,443
<b>Current liabilities</b>			
Other payables		466	785
Amount due to a subsidiary		553,473	183,211
		<b>553,939</b>	183,996
<b>Net current liabilities</b>		<b>(243,764)</b>	(164,553)
<b>Total assets less current liabilities</b>		<b>277,487</b>	202,615
<b>Capital and reserves</b>			
Share capital	25	20,876	17,397
Share premium and reserves	33(A)	256,611	185,218
<b>Total equity</b>		<b>277,487</b>	202,615

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

### (A) MOVEMENTS OF THE SHARE PREMIUM AND RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2014	67,224	11,931	204,610	(164,515)	119,250
Loss for the year and total comprehensive loss for the year	-	-	-	(6,654)	(6,654)
<b>Transaction with equity holders</b>					
<i>Contributions and distributions</i>					
- Issue of shares upon rights issue	72,622	-	-	-	72,622
At 30 June 2015	139,846	11,931	204,610	(171,169)	185,218
Loss for the year and total comprehensive loss for the year	-	-	-	(33,547)	(33,547)
<b>Transaction with equity holders</b>					
<i>Contributions and distributions</i>					
- Issue of shares upon placing of shares	104,940	-	-	-	104,940
<b>At 30 June 2016</b>	<b>244,786</b>	<b>11,931</b>	<b>204,610</b>	<b>(204,716)</b>	<b>256,611</b>

The capital reserve of the Company represents contributed surplus arising from the cancellation of share premium account of the Company pursuant to a special resolution passed by the Company on 22 February 1999 and waivers of loans from the then minority shareholders of subsidiaries of the Company during the years ended 30 June 2006 and 2008. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Subject to the conditions mentioned in the foregoing paragraph, the Company did not have any reserves (2015: reserves of HK\$33,441,000) available for distribution to shareholders at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 34. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at the end of the reporting period are as follows:

Name of subsidiaries	Place of incorporation	Paid up share capital	Proportion of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
Applied Investment	Hong Kong	Ordinary HK\$574,630,911	100%	–	Investing in securities
Applied Hong Kong Properties Limited	Hong Kong	Ordinary HK\$500,000	–	100%	Investing in equity securities and property investment
Applied Talent Management Limited	Hong Kong	Ordinary HK\$1	–	100%	Provision of administrative and secretarial services
Dragon Gainer Investment Limited	Hong Kong	Ordinary HK\$1	–	100%	Provision of administrative and secretarial services
Superform	Hong Kong	Ordinary HK\$102	–	100%	Property investment

None of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the reporting period.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or assets and liabilities of the Group. To give details of all other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 35. RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has enrolled all its qualifying employees into a mandatory provident fund scheme (the "MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contributions payable in future years.

The retirement benefits cost of the MPF Scheme charged to profit or loss, as set out in note 9 to the consolidated financial statements, represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 36. CAPITAL COMMITMENTS

	2016 HK\$'000	2015 HK\$'000
Capital expenditure in respect of the acquisition of investment properties and property, plant and equipment contracted but not provided for in the consolidated financial statements		
– the Group	–	19,139
– share of a joint venture	–	31,288
	–	50,427

## 37. LITIGATIONS

### HIGH COURT ACTION NO. 424/2011

Wong Kar Gee, Mimi (“Ms. Wong”), a former non-executive director of the Company retired on 14 January 2011, originally commenced the claim for various arrears of salaries and other allowances, non-executive director’s fee and reimbursements in respect of the investment properties in the Labour Tribunal against the Company. After a preliminary hearing, the Labour Tribunal transferred the claim to the High Court in February 2011 for a total sum of the claim of approximately HK\$3.5 million.

On 31 May 2011, Ms. Wong lodged a statement of claim to the High Court against the Company for an aggregate amount of approximately HK\$1.5 million and the related interest and costs (the “Statement of Claims”).

On 21 August 2012, Ms. Wong’s lawyer took out a summons application for leave to amend the Statement of Claims in which the claim amount was adjusted to approximately HK\$3 million with further interest and related costs to be charged.

On 20 February 2013, the High Court provisionally struck out the claim as Ms. Wong failed to appear at the case management conference. Ms. Wong applied appeal to the High Court to restore the claim.

On 26 February 2014, the High Court made decision to restore Ms. Wong’s claim with no conditions attached.

On 11 March 2014, the Company applied appeal to the High Court against the restoration.

On 19 August 2015, the High Court dismissed the appeal and the Company should pay Ms. Wong her costs of and occasioned by the appeal, to be taxed.

In November 2015, Ms. Wong’s lawyer took out a summons application for directions of the action. According to the court order filed on 1 February 2016, the matter be adjourned to 30 June 2016 for the 4th Case Management Conference before Master.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 37. LITIGATIONS (CONTINUED)

### HIGH COURT ACTION NO. 424/2011 (CONTINUED)

On 28 March 2016, Ms. Wong's lawyer took out a summons application for leave to file a supplemental witness statement (the "Supplemental Statement") in respect of the amendments made to her claim to supplement her first witness statement dated 25 April 2012.

On 2 June 2016, the Company's lawyer took out a summons application for leave to file 2 supplemental witness statements to respond the Supplemental Statement.

After the 4th Case Management Conference before Master held on 30 June 2016, the Master made an order to the Company to take out application to amend the defence (the "Amended Defence") by 29 July 2016.

On 29 July 2016, the Company's lawyer took out a summons application for leave to file the Amended Defence.

On 12 August 2016, a sum of HK\$1,200,000 was paid into the High Court by the Company as the sanctioned payment to settle the claims from Ms. Wong. Up to the date of this annual report, there is no further update from the High Court.

## FIVE-YEAR FINANCIAL SUMMARY

### RESULTS

	For the year ended 30 June				2016 HK\$'000
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	
Revenue	3,296	–	279	2,652	<b>7,622</b>
(Loss) Profit before tax	(39,115)	(3,420)	(94,749)	7,679	<b>370,102</b>
Tax (charge) credit	(5,768)	1,146	(1,319)	–	<b>(66)</b>
(Loss) Profit for the year	(44,883)	(2,274)	(96,068)	7,679	<b>370,036</b>
Attributable to equity holders of the Company	(44,883)	(2,274)	(96,068)	7,679	<b>370,036</b>

### ASSETS AND LIABILITIES

	At 30 June				2016 HK\$'000
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	
Total assets	543,202	587,273	509,750	560,798	<b>961,450</b>
Total liabilities	(128,669)	(167,317)	(121,010)	(83,260)	<b>(5,277)</b>
	414,533	419,956	388,740	477,538	<b>956,173</b>
Equity attributable to equity holders of the Company	414,533	419,956	388,740	477,538	<b>956,173</b>



## PARTICULARS OF INVESTMENT PROPERTIES

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

<b>Name/location</b>	<b>Approximate gross floor area</b>	<b>Lease expiry</b>	<b>Type</b>	<b>Effective % held</b>
<b>Hong Kong</b>				
24th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong	14,984 sq.ft.	2059	Commercial	100
Office No. 3316 on 33rd Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	2,062 sq.ft.	2055	Commercial	100