PALADIN LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 495

2017
Annual Report

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Corporate information

DIRECTORS

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

Non-executive Director:
Chan Chi Ho
Yuen Chi Wah

Independent Non-executive Directors:
Au Chik Lam Alexander
Liu Man Kin Dickson
Luo Rongxuan

COMPANY SECRETARY

Chan Chi Ho

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

China CITIC Bank International Limited
DBS Bank (Hong Kong) Limited

SOLICITORS

Gall
David Norman & Co.

PRINCIPAL REGISTRARS

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

REGISTRARS IN HONG KONG

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL OFFICE

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

AUDIT COMMITTEE

Liu Man Kin Dickson *(Chairman)*
Au Chik Lam Alexander
Chan Chi Ho
Luo Rongxuan

NOMINATION COMMITTEE

Oung Shih Hua, James *(Chairman)*
Au Chik Lam Alexander
Luo Rongxuan
Liu Man Kin Dickson

REMUNERATION COMMITTEE

Liu Man Kin Dickson *(Chairman)*
Au Chik Lam Alexander
Luo Rongxuan
Oung Shih Hua, James

Chairman's Statement

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are property investment and research and development of high technology system and applications.

BUSINESS REVIEW AND PROSPECTS

Properties investment

Turnover of the group for the year ended 30 June 2017 comprising rental income from its investment properties amounted to approximately HK$14 million (2016: HK$11 million). The profit for the year decreased by approximately 87% to HK$97 million as compared to that of the corresponding period in 2016. Such decrease is mainly due to the one-off gain of HK$895 million arising from disposal of subsidiaries in relation to the peak road project for the year ended 30 June 2016 which did not occur for the year ended 30 June 2017.

The Group will continue to seek and explore investment opportunities to strength its investment portfolios.

Research and development

Sensors Integration Technology Limited, a wholly-owned subsidiary of the Group, has planned to conduct research and development of digital camera, camcorder, surveillance, video capturing and processing technology. It generated a revenue of approximately HK$0.5 million for the year ended 30 June 2017.

The Group will actively expand its business to cover a broader spectrum in the field of high technology products. During the year, the Group together with an independent third party established an associate known as Imagica Technology Inc. which is owned as to 49% by the Group and established 3 subsidiaries namely, Next Level A.I. Solutions, LLC., Navigs Oy and Pexray Oy, to conduct research and development, software and hardware design for the manufacture and sales of a range of high technology products including:

– portable x-ray systems used in inspection devices for security and counter terrorism applications;

– accurate positioning and image sensing technologies to be integrated into semi-automated agriculture vehicles and advanced driver assistance systems (ADAS);

– advanced algorithm and software solutions used in ADAS, for example, systems for identifying objects, vehicles and people in difficult lighting conditions, forward collision warning systems, lane departure and driver awareness systems, and for surveillance and intelligent traffic markets, for example, advance camera and video systems for traffic monitoring purpose; and

– image sensors such as line scan sensors used in spectroscopy and document scanners, and other sensors used in security applications.

Looking forward, the Group's corporate strategy will gradually expand its focus from property investment to high technology development. The Group look forward to all potential opportunities to expand its high technology business in different areas and diversity the investments.

Convertible redeemable preference shares

The convertible redeemable preference shares (the "Preference Shares") became redeemable at the option of their holders at a price of HK$0.25 per Preference Share on 31 December 2016. The listing of the Preference Shares was withdrawn on 30 December 2016. After 31 December 2016 all rights of conversion to ordinary shares attached to the Preference Shares lapsed.

On 5 July 2017, the Group redeemed all the Preference Shares. After this redemption, the Preference Shares ceased to exist and all unpaid amounts on them became a liability of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, net current assets of the Group were approximately HK$168 million. The current ratio was 1.87. The bank balances and cash were approximately HK$355 million.

As at 30 June 2017, the Group has outstanding liabilities of approximately HK$193 million comprising (i) other payables and accrued charges of approximately HK$13 million, (ii) amounts due to related parties of approximately HK$65 million, (iii) bank borrowings and overdrafts of approximately HK$108 million and (iv) convertible redeemable preference shares of approximately HK$6 million. The bank borrowings are on floating interest rates basis.

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

The Group's bank borrowings and overdrafts were secured by leasehold land and building of approximately HK$204 million and deposit placed for a life insurance policy of approximately HK$17 million.

The Group's gearing ratio, total debts divided by total assets, was approximately 16%.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2017, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2017, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed total of 32 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2017, there were contingent liabilities in respect of certain legal proceedings against certain subsidiaries of the Company. The aggregate amount of claims was approximately HK$13 million. In the opinion of the directors, the claims were remote and no provision has been made in the consolidated financial statements.

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2016: nil).

ACKNOWLEDGEMENT

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

By order of the Board
Oung Shih Hua, James
Chairman

Hong Kong
27 September 2017

Biography of Directors

EXECUTIVE DIRECTOR

Dr. Oung Shih Hua, James, aged 42, joined the Group in 1995. He holds a Bachelor of Science degree in finance and international business from New York University, a master's degree in psychology, and a Doctorate of Philosophy in applied psychology from East China Normal University. Dr. Oung is also a designated Fellow at Life Management Institute (FLMI) and is teaching graduate students part time in the People's Republic of China. He is currently the chairman of a private technology company.

NON-EXECUTIVE DIRECTORS

Mr. Yuen Chi Wah, aged 57, joined the Group as the financial controller in 2007 and was appointed as non-executive director on 1 August 2014. He has over 38 years working experience in corporate finance, financial management, auditing, accounting, and acquisitions gained from certain senior related positions in an audit firm in Hong Kong, and possess extensive experience in management in the field of garments, electronic industrial and property development.

Mr. Chan Chi Ho, aged 46, first joined the Group as company secretary in 2003 and was appointed as non-executive director on 1 August 2014. Prior to joining to the Group, Mr. Chan worked in an international accounting firm and served as its audit manager. He has over 22 years of experience in accounting and financial management. Mr. Chan holds a Bachelor of Arts degree in business studies and a master's degree in corporate governance from The Hong Kong Polytechnic University. He is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He also is a member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Au Chik Lam Alexander, aged 73, joined the Group in 2015. Dr. Au holds a Bachelor of Science degree in electrical engineering from The University of California, Los Angeles, a Master of Science degree and a Doctor of Philosophy in electrical engineering from Stanford University. Dr. Au has worked in technology industries in the United States and Taiwan for many years. He currently is a founder and Chief Executive Officer of a private company.

Mr. Liu Man Kin Dickson, aged 44, joined the Group in 2015 as an independent non-executive director. He has over 22 years of experience in auditing, tax planning, management consulting and company restructuring. He is currently a sole proprietor of an audit firm and a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. Luo Rongxuan, aged 62, joined the Group in 2017 as an independent non-executive director. He graduated from Radio Department of Anhui University. Mr. Luo has over 35 years of experience in radio management. He was an engineer in Office of Radio Regulation Committee in Anhui Province and the head of the radio monitoring station, and then he was a director of the infrastructure division of Anhui Economic and Information Technology Commission. He worked at Anhui Economic and Information Technology Commission as a director of the private enterprise division before his retirement in 2014.

Corporate Governance Report

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company. During the year ended 30 June 2017, the Company has complied with all the code provisions (the "Code") in the Corporate Governance Code set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for certain deviations disclosed herein.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the year ended 30 June 2017.

BOARD OF DIRECTORS

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

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

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

The Board is also entrusted with the overall responsibility of developing, maintaining and reviewing sound and effective corporate governance policies within the Group and is committed to ensuring that an effective corporate governance is put in place to continuously review and improve the corporate governance practices within the Group.

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

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

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

During the year ended 30 June 2017, four Board meetings, one special general meeting ("SGM") and the annual general meeting for the year 2016 ("AGM") were held with details of the directors' attendance set out below:

	Attendance/Number of meetings	
	Board meetings	**AGM**
Executive director		
Oung Shih Hua, James	5/5	0/1
Non-executive directors		
Chan Chi Ho	5/5	1/1
Yuen Chi Wah	5/5	1/1
Independent non-executive directors		
Au Chik Lam Alexander	5/5	0/1
Huang Weizong Martin (resigned on 1 March 2017)	0/5	0/1
Liu Man Kin Dickson	5/5	1/1
Luo Rongxuan (appointed on 1 March 2017)	2/5	N/A

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

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

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

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

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

NOMINATION COMMITTEE

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

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

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

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

One nomination committee meeting was held during the year ended 30 June 2017 to, inter alia, review the structure, size and composition of the Board and the independence of the independent non-executive directors. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Oung Shih Hua, James *(Chairman)*	1/1
Au Chik Lam Alexander	1/1
Huang Weizong Martin (resigned on 1 March 2017)	0/1
Liu Man Kin Dickson	1/1
Luo Rongxuan (appointed on 1 March 2017)	N/A

REMUNERATION COMMITTEE

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

No remuneration committee meeting was held during the year ended 30 June 2017 to review the remuneration packages of the directors and the senior management.

AUDIT COMMITTEE

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

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

Two audit committee meetings were held during the year ended 30 June 2017. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Liu Man Kin Dickson *(Chairman)*	2/2
Au Chik Lam Alexander	2/2
Chan Chi Ho	2/2
Huang Weizong Martin (resigned on 1 March 2017)	0/2
Luo Rongxuan (appointed on 1 March 2017)	0/2

During the year ended 30 June 2017, the Audit Committee met mainly to review the Company's annual report for the year ended 30 June 2016, the Company's interim report for the six months ended 31 December 2016, the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the internal control system and related issues.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 30 June 2017, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

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

INDUCTION AND PROFESSIONAL DEVELOPMENT

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

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

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

Below is a summary of training received by Directors for the year ended 30 June 2017:

	Attending seminars/ in-house training on regulatory development or directors' duties
Executive Director	
Oung Shih Hua, James	✓
Non-executive directors	
Chan Chi Ho	✓
Yuen Chi Wah	✓
Independent Non-executive Directors	
Au Chik Lam Alexander	✓
Huang Weizong Martin (resigned on 1 March 2017)	✓
Liu Man Kin Dickson	✓
Luo Rongxuan (appointed on 1 March 2017)	✓

COMPANY SECRETARY

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

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

EXTERNAL AUDITOR AND THEIR REMUNERATION

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

During the year ended 30 June 2017, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	HK$'000
Audit services	817,000
Non-audit services	250,000
Total	1,067,000

INTERNAL CONTROL

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

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

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

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

The Board acknowledges its responsibility for the Group's system of internal controls and for reviewing its effectiveness through the audit committee. The Group has also engaged an independent advisor to conduct various agreed reviews over the Group's internal control system in order to assist the Board in reviewing the effectiveness of the internal control system of the Group. The reviews are aimed to cover all material controls, including financial, operational and compliance controls and risk management functions of the Group. The report from the independent advisor has been presented to and reviewed by the Audit Committee and the Board. Appropriate recommendations for further enhancing the internal control system have been adopted.

SHAREHOLDERS' RIGHTS

(I) Convene a Special General Meeting

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

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

(II) Send Enquiries to the Board

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

INVESTOR RELATIONS

During the year ended 30 June 2017, there has not been any change in the Company's constitutional documents.

In accordance with the requirements set forth in Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Guide") of the Listing Rules, the Group hereby presents the Environmental, Social and Governance report for the year ended 30 June 2017.

The Board is responsible for the Group's Environmental, Social and Governance ("ESG") strategy and reporting including evaluating and determining ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Group has engaged the management and staff of the Group across the Group's key subsidiaries and functions to review their operations to identify relevant ESG issues to the Group. ESG issues which are considered as material to the Group' as well as to the internal key stakeholders are included in this ESG report.

A. ENVIRONMENTAL

The Group has established environmental policies for the Group's employees which covered the material environmental issues including emissions, use of resources and other environmental impact as described in the sections below. The Group also comply with relevant environmental laws and regulations and did not note any cases of material non-compliance during the year ended 30 June 2017.

A1 Emissions

Air Emissions

Since the Group is principally engaged in property investment as well as the development of high technology system and application, no significant pollutants or hazardous wastes are discharged into the air or water due to its business nature. The Group's carbon emissions are also mainly generated from the use of energy.

Carbon Emissions

The main source of the Group's carbon emissions is the use of energy. The Group has developed various energy-saving initiatives to reduce its energy emissions. Please refer to the section headed "Use of Resources" below for further details.

The Group is also aware of the carbon footprint produced by business travels although the amount is not significant. As part of the Group's green policy, staff are encouraged to reduce business travel as possible. Telephone conference facilities are installed in the offices and some meetings by means of telephone conference have been conducted in lieu of physical conferences. In turn, physical travels have been minimised, and so as carbon emissions.

Waste Management

Waste generated from the Group's operation mainly consists of paper (e.g. consumption of paper in office).

In order to reduce waste, the Group advocates the policy "Reduce, Reuse and Recycle", and encourages its staff to reduce paper usage and recycle paper where possible. For example, the use of recycled papers and double-sided printing and photo-copying are adopted. Moreover, waste toners are recycled.

A2 Use of Resources

To reduce the Group's negative impact on the environment, the Group sets the policy for effective use of resources in order to protect the environment and make its operation more cost-efficient. The Group has implemented green office practices in order to minimise the use of resources like papers, electricity and water wherever possible. The Group's current green measures include double-sided printing, the use of energy-saving lightings such as LED, and reducing energy consumption by switching off idle lightings, computers and electrical appliances, etc. Collection boxes have been put in place to collect single-side used papers for reuse as draft papers and other scrap papers for recycling. Our key water usage is arising from toilet flushing, water tap and drinking water. We operated in leased office premises of which both of the water supply and discharge are solely controlled by the respective building management which considered that provision of water withdrawal and discharge data or sub-meter for individual occupant not feasible. To avoid not necessary water consumption from daily operation, we promote staff behavior by encouraging employees to always turn taps off tightly so they do not drip and giving priority to effective water-saving products.

A3 The Environment and Natural Resources

Our principal business activities do not have significant impact on the environment and natural resources. Despite this, we are committed to sustainability by focusing on reduction of greenhouse gas emissions and preservation of resources as mentioned above.

B. SOCIAL

B1 Employment

Employees are the greatest asset of the Group. The Group strives to attract, recruit, retain and train its employees. The Group is in compliance with the relevant labour laws and regulations in Hong Kong.

The Group recognises the importance of maintaining a stable staff force for its continued success. Staff remuneration is determined by reference to personal qualifications, performance, relevant experience, responsibilities and market trends. Our benefits including share options, subsidised medical care, pension funds and sponsorship for external education and training programmes are offered to employees.

The Group respects cultural diversity and is committed to providing a working environment which is free from all forms of discrimination (i.e. age, religion, gender, pregnancy, marital status, disability, family status and race). Therefore, any employee dismissal due to discrimination or unlawful reasons is forbidden in the Group. Besides, opportunities for hiring, training and promotion are equal and open to all qualified candidates or employees and the Group has developed a systematic and objective evaluation mechanism to assess their performance based on qualifications, work experience, skills and abilities.

The Group strives to maintain the work-life balance of its employees by establishing fair and reasonable working hours and leave policy to ensure employees have sufficient time for rest and leisure.

The Group did not note any cases of material non-compliance regarding the Group's labour practices during the year ended 30 June 2017.

B2 Health and Safety

Although our operation is predominantly office-based, we adhere to Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong) and other applicable laws and regulations to provide a safe and healthy workplace in order to protect our employees from occupational hazards. The Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact to the Group in providing a safe working environment and protecting employees from occupational hazards during the year ended 30 June 2017.

As employees are our most important asset and resource, the primary goal is to provide a safe and healthy working environment for the employees under reasonable and practicable conditions. We committed to achieve this goal by implementing the following key measures:

– Providing and maintaining in all workplaces under the Group's control a working environment which is safe and poses no threat to health

– Carry out inspection for any unsafe condition and fix it immediately

– Smoking is prohibited in all enclosed areas within the offices, without exception

With the above measures, we have no work-related fatal or work-related injury during the year ended 30 June 2017

B3 Development and Training

The Group strives to improve employee's knowledge and skills for discharging their duties at work and to make them valuable assets to the Group. For this reason, vocational training courses are provided to the employees. The Group also sponsors the employees for external training courses.

B4 Labour Standards

Anti-Child and Forced Labour

The Group strictly prohibits the use of child and forced labour in the Group's operations or activities. The Group's operations strictly comply with local labour laws and regulations. Forcing labour to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. Employment of any person who is under the age as set forth by the local labour law is prohibited. The Group formally requires all job applicants to present their identity cards when they attend recruitment interviews.

The Group did not note any cases of material non-compliance with laws and regulations in relation to labour standards during the year ended 30 June 2017.

B5 Supply Chain Management

Our suppliers mainly comprise of general office supplies suppliers, for example, water, paper and stationery. We generally select suppliers based on their scale of business and reputation. Our suppliers should comply with all relevant local and national laws and regulations in relation to unethical behaviour, bribery, corruption and other prohibited business practices. When a supplier is found to be inconsistent with our policy or contractual requirements, we will terminate future cooperation until the situation has been improved.

For the year ended 30 June 2017, we do not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

B6 Product Responsibility

Services

The Group strives to provide its customers with high-quality services, treating customers with a sincere and respectful attitude. Professional teams proactively collect and listen to the opinions of tenants and users, responding properly and providing support services. In addition, customer service performance is reviewed periodically to improve service quality.

Data Privacy

The Group understands the importance of data privacy. The Group is committed to protecting the privacy of its customers in the collection, processing and use of their personal data. The Group has adopted policies on consumer data protection in compliance with relevant laws and regulations. Training courses on data privacy and protection of data have been conducted. The Group did not note any cases of material non-compliance in relation to data privacy during the year ended 30 June 2017.

B7 Anti-corruption

We commit to stringent compliance with the Prevention of Bribery Ordinance ("POBO") enforced by the Independent Commission Against Corruption ("ICAC") in order to maintain a fair and just society. As the cornerstone of our corporate culture, we attach great emphasis to maintaining the highest standards of integrity and honesty. We adopt our zero-tolerance policy for misconduct. We have no hesitation to adopt disciplinary actions upon any proven misconduct case. We did not receive any whistleblowing disclosures for the Reporting Period. There was no significant risks relating to corruption have been identified.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the Group relating to bribery, extortion, fraud and money laundering for the year ended 30 June 2017.

B8 Community Investment

Being a responsible corporate citizen, we are constantly aware of the community needs and take up our corporate responsibility with best efforts to make contribution to the community by encouraging our employees to contribute their time and efforts in various local community projects in the regions.

Directions' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and the analysis of the Group's performance for the year ended 30 June 2017 as well as prospects of the Group's business are provided in the "Chairman's Statement" of this Annual Report.

Principal risks and uncertainties

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

– Business Risk

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

– Market Risk

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

The Group's other financial risks and uncertainties are set out in note 39 to the consolidated financial statements.

Particulars of important events

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

Financial key performance indicators

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

Environmental policies performance

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

Compliance with the relevant laws and regulations

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

Relationship with employees and customers

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

RESULTS

The results of the Group for the year ended 30 June 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

SHARE CAPITAL

Details of movements in the Company's issued share capital and share options during the year are set out in note 27 to the financial statements.

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders as at 30 June 2017 was the retained profits of HK$751,933,000 (2016: HK$651,960,000).

MAJOR SUPPLIERS AND CUSTOMERS

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

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

DIRECTORS

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

Executive director:

Oung Shih Hua, James

Non-executive director:

Chan Chi Ho
Yuen Chi Wah

Independent non-executive directors:

Au Chik Lam Alexander
Huang Weizong Martin (resigned on 1 March 2017)
Liu Man Kin Dickson
Luo Rongxuan (appointed on 1 March 2017)

In accordance with the provisions of the Company's Bye-laws, Messrs. Au Chik Lam, Liu Man Kin Dickson and Luo Rongxuan retire and, being eligible, offer themselves for re-election.

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

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

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

DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests and short positions of the directors of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") were as follows:

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

Name of director	Capacity	Number of issued ordinary shares held	Number of underlying shares – share options*	Total	Percentage of the issued ordinary shares
Oung Shih Hua, James	Beneficial owner	13,104,166	26,190,000	39,294,166	2.93%
Chan Chi Ho	Beneficial owner	–	26,190,000	26,190,000	1.95%
Yuen Chi Wah	Beneficial owner	–	26,190,000	26,190,000	1.95%

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

Other than as disclosed above, as at 30 June 2017, none of the directors, chief executive of the Company nor their associates had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, the persons (other than the directors of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position:

Ordinary Shares of HK$0.01 each of the Company

Name of Shareholder	Capacity	Number of issued Ordinary Shares held	Percentage of issued Ordinary Shares held
Basurto Holdings Limited *(Note a)*	Interest of a controlled corporation	508,848,531	37.89%
Cityguard Holdings Limited *(Note b)*	Beneficial owner	508,848,531	37.89%
Five Star Investments Limited *(Note c)*	Interest of a controlled corporation	508,848,531	37.89%
Gold Seal Holdings Limited *(Note d)*	Beneficial owner	159,388,211	11.87%
Next Level Corporate Limited *(Note e)*	Other *(Note e)*	508,848,531	37.89%
	Beneficial owner	150,000,000	11.17%
		658,848,531	49.06%
Mr. Oung Da Ming	Beneficial owner	75,000,000	5.59%
	Interest of a controlled corporation *(Note a)*	508,848,531	37.89%
	Interest of a controlled corporation *(Note d)*	159,388,211	11.87%
		743,236,742	55.35%

Underlying Shares – Share option

Name of shareholder	Capacity	Number of underlying shares	Percentage of issued ordinary shares
Mr. Oung Da Ming	Beneficial owner	26,190,000	1.95%

Convertible redeemable preference shares of HK$0.01 each of the Company

Name of Shareholder	Capacity	Number of issued Preference shares held	Percentage of issued Preference shares held
Goldenfield Equities Limited *(Note f)*	Beneficial owner	9,099,014	35.29%

Convertible Note issued by the Company:

Name of noteholder	Date of issue	Conversion period	Conversion price per share *HK$*	Outstanding as at the Latest Practicable Date	Number of underlying shares	Approximate percentage of the issued convertible notes	Percentage of issued Ordinary Shares
Next Level Corporate Limited *(Note e)*	24 November, 2014	24 November, 2014 to 23 November, 2024	0.25	50,000,000	50,000,000	74.79%	3.72%

Notes:

(a) Basurto Holdings Limited is held by Mr. Oung Da Ming on trust for the estate of his deceased mother, Ms. Oung Chin Liang Fung (as to 67%) and his sister, Ms. Lilian Oung (as to 33%).

(b) Cityguard Holdings Limited, is a wholly-owned subsidiary of Five Star Investments Limited.

(c) Five Star Investments Limited is directly and individently (through Basurto Holdings Limited) owned as to 67% by the estate of Ms. Oung Chin Liang Fung, grandmother of Dr. Oung Shih Hua, James, and 33% by Ms. Lilian Oung, his aunt. See note (a) above.

(d) Gold Seal Holdings Limited is solely owned by Mr. Oung Da Ming.

(e) Next Level Corporate Limited is owned as 25% by Mr. Oung Da Ming, 25% by his son, Mr. Oung Shih How, 25% by Dr. Oung Shih Hua, James, and 25% by Anglo Chinese Nominees, Limited which holds its shares in Next Level Corporate Limited as bare trustee for Basurto Holdings Limited. Next Level Corporate Limited is the owner of equity derivatives relating to Ordinary Shares and a chargee of Ordinary Shares.

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

Other than as disclosed above, as at 30 June 2017, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Option Scheme

The Share Option Scheme was adopted by the Company on 8 December 2015 for the purpose of providing incentives or rewards to selected participants for their contributions to the Group. Details of the Share Option Scheme are set out in note 30 to the consolidated financial statements.

Share options comprising a total of 261,900,000 underlying Shares (the "Options") were granted under the Share Option Scheme to certain employees of the Group and Directors on 30 May 2016 (the "First Grant Date") and 23 June 2017 (The "Second Grant Date") respectively. Details of the movements of the share options during the year are as follows:

		Number of Options							
Grantees	Outstanding as at 01.07.2016	Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercise during the Year	Outstanding as at 30.6.2017	Exercise price per Share *HK$*	Grant Date	Exercise period
Directors									
Oung Shih Hua, James	13,100,000	–	–	–	–	13,100,000	0.335	30 May 2016	30 May 2015 – 29 May 2025
	–	13,090,000	–	–	–	13,090,000	0.305	23 June 2017	23 June 2017 – 22 June 2027
Chan Chi Ho	13,100,000	–	–	–	–	13,100,000	0.335	30 May 2016	30 May 2015 – 29 May 2025
	–	13,090,000	–	–	–	13,090,000	0.305	23 June 2017	23 June 2017 – 22 June 2027
Yuen Chi Wah	13,100,000	–	–	–	–	13,100,000	0.335	30 May 2016	30 May 2015 – 29 May 2025
	–	13,090,000	–	–	–	13,090,000	0.305	23 June 2017	23 June 2017 – 22 June 2027
Employees and others (in aggregate)	91,700,000	–	–	–	–	91,700,000	0.335	30 May 2016	30 May 2015 – 29 May 2025
	–	91,630,000	–	–	–	91,630,000	0.305	23 June 2017	23 June 2017 – 22 June 2027

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the directors' interest in contracts of significance are set out in note 35 to the consolidated financial statements.

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

CONNECTED TRANSACTIONS

Details of the connected transactions entered into during the year are set out in note 35 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

Save for convertible redeemable preference shares, convertible notes and share option scheme of the Company as disclosed in notes 26, 28 and 30 respectively to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year ended 30 June 2017, the Company repurchased 3,055,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of HK$916,500. Details of the share repurchases by the Company are included in note 27 to the financial statements.

On 19 June 2017, the Group announced to redeem all the preference shares at a price of HK$0.25 per share on 5 July 2017.

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares for the year ended 30 June 2017.

AUDIT COMMITTEE

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

EMOLUMENT POLICY

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

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

Details of directors emolument during the year are set out in note 12 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 30 June 2017 as required under the Listing Rules.

AUDITOR

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

On behalf of the Board
Oung Shih Hua, James
Chairman

Hong Kong
27 September 2017

Deloitte. 德勤

TO THE MEMBERS OF PALADIN LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Paladin Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 37 to 114, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of balance to the consolidated financial statements as a whole and the involvement of management's judgement in determining the fair value. At 30 June 2017 and 23 February 2017, the fair values of investment properties of commercial properties and residential properties were approximately HK$579,520,000 and HK$205,000,000, respectively (consolidated statement of financial position), with aggregate fair value gain recognised in profit or loss of approximately HK$135,470,000 (consolidated statement of profit or loss and other comprehensive income). The Group's investment properties are stated at fair value based on valuations performed by an independent firm of qualified valuer (the "Valuer"). Details of the valuation techniques and key inputs used in the valuations are disclosed in note 15 to the consolidated financial statements.	Our procedures in relation to the valuation of investment properties included: • Obtaining an understanding from the Valuer and management of the Group about the valuation techniques, performance of the property markets, significant assumptions adopted, critical judgmental areas, key inputs and data used in the valuations; • Assessing the accuracy of information provided by management of the Group to the Valuer by comparing details of rentals to respective underlying existing lease agreements; • Evaluating the competence, capabilities and objectivity of the Valuer; and • Assessing reasonableness of key inputs used by the Valuer and management of the Group by comparing relevant market information with similar properties.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tan, Tsung Yuan, Nicholas.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Revenue	5	**14,446**	11,433
Other income	7	**4,259**	3,127
Other gains and losses	8	**2,276**	631
Administrative expenses		**(54,757)**	(52,306)
Fair value change on investment properties	15	**135,470**	(110,815)
Gain on disposal of subsidiaries	31	**–**	894,565
Share of loss of an associate		**(1,841)**	–
Finance costs	9	**(2,879)**	(13,066)
Profit before taxation		**96,974**	733,569
Taxation	10	**(298)**	–
Profit for the year	11	**96,676**	733,569
Profit (loss) for the year attributable to			
Owners of the Company		**96,899**	733,569
Non-controlling interests		**(223)**	–
		96,676	733,569
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**1,317**	1,558
Fair value gain on an available-for-sale investment		**556**	2,372
Other comprehensive income for the year		**1,873**	3,930
Total comprehensive income for the year		**98,549**	737,499
Total comprehensive income attribute to			
Owners of the Company		**98,317**	737,499
Non-controlling interests		**232**	–
		98,549	737,499
EARNINGS PER SHARE	14		
Basic		**7.28 HK cents**	57.17 HK cents
Diluted		**6.81 HK cents**	50.13 HK cents

Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties	15	**579,520**	649,050
Property, plant and equipment	16	**211,476**	34
Interest in an associate	17	**13,759**	–
Available-for-sale investment		**12,616**	12,060
Deposits placed for life insurance policies	18	**35,034**	20,926
Deposits paid	19	**3,199**	4,915
		855,604	686,985
Current assets			
Other receivables, deposits and prepayments	20	**6,229**	15,532
Bank balances and cash	21	**354,653**	428,238
		360,882	443,770
Current liabilities			
Other payables and accrued charges	22	**12,998**	14,697
Other borrowing	23	**–**	92,743
Amounts due to related parties	24	**64,932**	12,870
Tax payable		**298**	–
Bank overdrafts		**575**	43
Secured bank borrowings	25	**107,639**	97,303
Convertible redeemable preference shares	26	**6,446**	15,997
		192,888	233,653
Net current assets		**167,994**	210,117
Total assets less current liabilities		**1,023,598**	897,102

Consolidated Statement of Financial Position (Cont'd)

At 30 June 2017

	NOTES	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	27	**13,428**	13,275
Reserves		**1,009,750**	883,827
Equity attributable to owners of the Company		**1,023,178**	897,102
Non-controlling interests		**420**	–
Total equity		**1,023,598**	897,102

The consolidated financial statements on pages 37 to 114 were approved and authorised for issue by the Board of Directors on 27 September 2017 and are signed on its behalf by:

Oung Shih Hua, James	**Yuen Chi Wah**
CHAIRMAN	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(note a)*	Treasury shares reserve HK$'000 *(note b)*	Other reserve HK$'000 *(note c)*	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Convertible notes reserve HK$'000	Share option reserve HK$'000 *(Note 27)*	Accumulated (losses) profit HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2015	10,954	111,274	6,286	–	21,766	(2,761)	2,188	74,447	–	(81,609)	142,545	–	142,545
Profit for the year	–	–	–	–	–	–	–	–	–	733,569	733,569	–	733,569
Other comprehensive income for the year	–	–	–	–	–	1,558	2,372	–	–	–	3,930	–	3,930
Total comprehensive income for the year	–	–	–	–	–	1,558	2,372	–	–	733,569	737,499	–	737,499
Issue of shares on conversion of convertible redeemable preference shares	11	236	(96)	–	–	–	–	–	–	–	151	–	151
Issue of shares on conversion of convertible notes	2,420	58,097	–	–	–	–	–	(60,517)	–	–	–	–	–
Recognition of equity-settled share-based payment *(Note 30)*	–	–	–	–	–	–	–	–	25,476	–	25,476	–	25,476
Share repurchased *(Note 27)*	–	–	–	(8,523)	–	–	–	–	–	–	(8,523)	–	(8,523)
Shares cancelled *(Note 27)*	(110)	(3,186)	–	3,296	–	–	–	–	–	–	–	–	–
Transaction costs attributable to shares repurchase	–	(18)	–	(28)	–	–	–	–	–	–	(46)	–	(46)
At 30 June 2016	13,275	166,403	6,190	(5,255)	21,766	(1,203)	4,560	13,930	25,476	651,960	897,102	–	897,102
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	96,899	96,899	(223)	96,676
Other comprehensive income for the year	–	–	–	–	–	862	556	–	–	–	1,418	455	1,873
Total comprehensive income for the year	–	–	–	–	–	862	556	–	–	96,899	98,317	232	98,549
Issue of shares on conversion of convertible redeemable preference shares	347	10,244	(3,116)	–	–	–	–	–	–	–	7,475	–	7,475
Recognition of equity-settled share-based payment *(Note 30)*	–	–	–	–	–	–	–	–	21,206	–	21,206	–	21,206
Shares repurchased *(Note 27)*	–	–	–	(917)	–	–	–	–	–	–	(917)	–	(917)
Shares cancelled *(Note 27)*	(194)	(5,630)	–	5,824	–	–	–	–	–	–	–	–	–
Transaction costs attributable to shares repurchase	–	(32)	–	27	–	–	–	–	–	–	(5)	–	(5)
Lapsed of conversion rights	–	–	(3,074)	–	–	–	–	–	–	3,074	–	–	–
Capital contribution from non-controlling interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	188	188
At 30 June 2017	13,428	170,985	–	(321)	21,766	(341)	5,116	13,930	46,682	751,933	1,023,178	420	1,023,598

Notes:

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

(b) The treasury shares reserve represents the share repurchased but not yet cancelled during the years ended 30 June 2017 and 2016.

(c) The other reserve represents the amount transferred from liability component of convertible redeemable preference shares upon the alteration of the terms of the existing convertible redeemable preference shares during the year ended 30 June 2008.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	NOTE	**2017** **HK$'000**	2016 *HK$'000*
OPERATING ACTIVITIES			
Profit before taxation		**96,974**	733,569
Adjustments for:			
Depreciation of property, plant and equipment		**2,077**	24
Interest expenses		**2,879**	13,066
Interest income		**(3,788)**	(1,278)
Reversal of provision for litigations		**(2,131)**	–
(Gain) loss on fair value change on investment properties		**(135,470)**	110,815
Premium charged on life insurance policies		**3,477**	765
Share-based payment expenses		**21,206**	25,476
Share of loss of an associate		**1,841**	–
Gain on disposal of property, plant and equipment		**(145)**	–
Gain on disposals of subsidiaries		**–**	(894,565)
Operating cash flows before movements in working capital		**(13,080)**	(12,128)
Decrease in other receivables, deposits and prepayments		**3,485**	1,178
Decrease in other payables and accrued charges		**(1,699)**	(7,187)
NET CASH USED IN OPERATING ACTIVITIES		**(11,294)**	(18,137)
INVESTING ACTIVITIES			
Interest received		**51**	385
Purchase of property, plant and equipment		**(3,604)**	–
Proceeds from disposal of property, plant and equipment		**145**	–
Deposits paid for acquisition of investment properties		**–**	(4,615)
Deposits paid for acquisition of property, plant and equipment		**(3,199)**	(300)
Placement of deposit for a life insurance policy		**(16,945)**	–
Capital contribution in an associate		**(15,600)**	–
Acquisitions of investment properties		**–**	(759,865)
Proceeds from disposals of subsidiaries	*31*	**–**	1,035,913
Withdrawal of pledged bank deposits		**–**	50,585
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(39,152)**	322,103

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the year ended 30 June 2017

	NOTE	**2017**	2016
		HK$'000	*HK$'000*
FINANCING ACTIVITIES			
Bank borrowings raised		**12,691**	159,459
Repayment to related parties		**(29,650)**	(5,255)
Redemption of convertible redeemable preference shares		**(2,731)**	–
Repayment of bank borrowings		**(2,355)**	(15,550)
Interest paid		**(2,224)**	(4,974)
Payment on repurchase of shares		**(917)**	(8,523)
Transaction costs attributable to repurchase of shares		**(5)**	(46)
Capital contribution from non-controlling interest in subsidiaries		**188**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(25,003)**	125,111
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(75,449)**	429,077
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**428,195**	(1,193)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,332**	311
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**354,078**	428,195
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**354,653**	428,238
Bank overdrafts		**(575)**	(43)
		354,078	428,195

1. GENERAL

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

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

Amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and the related amendments[2]
HKFRS 16	Leases[3]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[2]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[3]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised loss[1]
Amendments to HKAS 40	Transfers of investment property[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 30 June 2017, the directors anticipate that the application of HKFRS 9 in the future will affect the classification and measurement of the Group's financial assets but unlikely affect the Group's financial liabilities. The Group's available-for-sale investment currently stated at fair value through other comprehensive income will either be measured at fair value through profit of loss or be designated as FVTOCI. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 15 "Revenue from contracts with customers"

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

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

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

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

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified assets is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presents as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group as lessee has non-cancellable operating lease commitments of HK$10,490,000 as disclosed in note 36. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new arrangements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company perform a detailed review.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not anticipate that the application of the amendments to HKAS 7 will have a material effect on the Group's financial performance and positions in these consolidated financial statements. However, the directors of the Company anticipate that the application may result in more disclosures in these consolidated financial statements.

Amendments to HKAS 40 "Transfers of investment property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situation listed in HKAS 40 are not exhaustive and that a change in use is possible for properties under construction.

The amendments are effective for annual periods beginning on or after 1 January 2018 with application permitted. Entities can apply the amendments either retrospectively or prospectively. The directors of the Company do not anticipate that the application of the amendments to HKAS 40 will have a material effect on the Group's financial performance and positions and/or the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Acquisition of subsidiaries not constituting a business

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Interest in an associate (Cont'd)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

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

Investment properties

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

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

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Available-for-sale financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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

Impairment of financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

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

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

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

Financial liabilities and equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Equity instruments

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

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

Convertible notes

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

(a) the part of the contingent settlement provision that could require settlement in cash or another financial asset (or otherwise in such a way that it would be a financial liability) is not genuine;

(b) the issuing group entity can be required to settle the obligation in cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability) only in the event of liquidation of the issuing group entity; or

(c) the instrument has all the features and meets the conditions in paragraphs 16A and 16B of HKAS 32.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Convertible notes (Cont'd)

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

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Convertible redeemable preference shares

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

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

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

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition

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

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

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

Impairment on tangible assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing costs

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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

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

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

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

When share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to accumulated profit.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

Deferred taxation on investment properties

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

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

Key sources of estimation uncertainty

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

Legal claims

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

5. REVENUE

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

	2017	2016
	HK$'000	*HK$'000*
Rental income from investment properties	**14,446**	11,433

6. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chairman of the Company, for the purpose of allocating resources to the segments and to assess their performances.

During the year ended 30 June 2017, in order to more accurately reflect the current business activities and business model of the Group, the internal organisation structure and reporting was changed such that property development and property investment activities are no longer separately assessed or reviewed. Instead, the information reviewed by the chief operating decision maker as at the end of the reporting period analyses the performance of the property business as a whole. Accordingly, it is determined that the Group now has one operating segment. The operating results and other financial information of this operating segment that are regularly reviewed by the chief operating decision maker have been prepared in accordance with accounting policies as disclosed in note 3 that are regularly reviewed by the directors of the Company.

As the segment information for the comparative period have to be restated whenever the composition of reportable segments changes during a reporting period, the segment information presented in the preceding year or period's published accounts of the Group are not presented in this annual report as comparative information.

7. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**51**	385
Consultancy fee income	**426**	746
Interest income from deposits placed for life insurance policies	**3,737**	893
Rental income from properties held for sale	**–**	801
Others	**45**	302
	4,259	3,127

8. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Net exchange gain	**–**	631
Gain on disposal of property, plant and equipment	**145**	–
Reversal of provision for litigations	**2,131**	–
	2,276	631

9. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**2,167**	4,914
Interest on bank overdrafts	**57**	60
Interest on other borrowing	**–**	6,870
Finance costs on convertible redeemable preference shares *(note 26)*	**655**	1,222
	2,879	13,066

10. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Under provision in prior years	**298**	–

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

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

No current year tax provision has been provided as the Group had no assessable profit for both years.

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

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation	**96,974**	733,569
Tax charge at Hong Kong Profits Tax rate of 16.5%	**16,001**	121,039
Tax effect of income not taxable for tax purpose	**(22,876)**	(148,373)
Tax effect of expenses not deductible for tax purpose	**7,052**	26,719
Tax effect of tax losses not recognised	**366**	482
Underprovision in respect of prior years	**298**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**147**	(6)
Others	**(690)**	139
Taxation for the year	**298**	–

11. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remunerations *(note 12)*	**11,642**	10,863
Other staff costs	**3,295**	2,017
Other staff's retirement benefit scheme contributions	**99**	47
Other staff's share-based payment	**14,189**	17,340
Total staff costs	**29,225**	30,267
Auditor's remuneration	**817**	800
Depreciation of property, plant and equipment	**2,077**	24

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

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

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2016: seven) directors of the Company were as follows:

	2017							
	Executive director	Non-executive directors		Independent non-executive directors				
	Oung Shih Hua, James# HK$'000	Chan Chi Ho HK$'000	Yuen Chi Wah HK$'000	Liu Man Kin Dickson HK$'000	Huang Weizong Martin HK$'000	Au Chik Lam Alexander HK$'000	Luo Rong Xuan HK$'000 (note a)	Total HK$'000
Fees	1,300	260	130	240	–	240	40	2,210
Other emoluments:								
Salaries and other benefits	1,872	–	494	–	–	–	–	2,366
Share-based payment	2,339	2,339	2,339	–	–	–	–	7,017
Retirement benefit scheme contributions	18	13	18	–	–	–	–	49
	5,529	2,612	2,981	240	–	240	40	11,642

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

(a) Directors' emoluments (Cont'd)

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

Notes:

(a) The directors have been appointed during the year.

(b) The director has resigned during the year.

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

The directors' emoluments disclosed above include their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years. During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 30 to the Group's consolidated financial statements.

In addition to above, the Group provided its property as accommodation to Mr. Oung Shih Hua, James at rent-free from 23 February 2017 to 30 June 2017. The estimated money value of the benefit in kind is approximately HK$480,000.

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

(b) Employees' emoluments

During the year, the five highest paid individuals of the Group included three (2016: three) directors, details of whose emoluments are set out in (a) above. The emoluments of the remaining two (2016: two) individuals are as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**304**	307
Equity-settled share option expense	**4,054**	4,954
Retirement benefit scheme contributions	**14**	14
	4,372	5,275

The emoluments of this employee fall within the following bands:

	Number of employees	
	2017	2016
HK$2,000,001 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**–**	1
	2	2

During both years, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss in office. In addition, during the year, certain highest paid individuals were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 30 to the Group's consolidated financial statements.

In addition to above, the Group provided its property as accommodation to one of the five highest paid individuals of the Group at rent-free from 23 February 2017 to 30 June 2017. The estimated money value of the benefit in kind is approximately HK$480,000.

13. DIVIDENDS

No dividend was paid or proposed by the Group during the year ended 30 June 2017 (2016: nil), nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

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

	For the year ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**96,899**	733,569
Effect of dilutive potential shares:		
Interest on convertible redeemable preference shares (net of income tax)	**655**	1,222
Earnings for the purposes of diluted earnings per share	**97,554**	734,791

	2017	2016
Number of shares		
Weighted average number of shares for the purposes of calculating basic earnings per share	**1,330,495,814**	1,283,247,688
Effect of dilutive potential shares:		
Convertible redeemable preference shares	**34,608,440**	70,979,239
Convertible notes	**66,854,209**	111,401,433
Weighted average number of shares for the purpose of calculating diluted earnings per share	**1,431,958,463**	1,465,628,360

The computation of diluted earnings per share for the years ended 30 June 2017 and 2016 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2015	–
Addition during the year	240,825
Acquired through acquisition of subsidiaries	519,040
Net decrease in fair value recognised in profit or loss	(110,815)
At 30 June 2016	649,050
Net increase in fair value recognised in profit or loss	135,470
Transferred to property, plant and equipment	(205,000)
At 30 June 2017	579,520

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

The investment properties comprised of two residential properties located at No.53 Conduit Road and two commercial properties located at No.151 Gloucester Road which were held by the Group for long-term capital appreciation. During the year ended 30 June 2017, the Directors of the Group determined that the commencement of owner-occupation of the two residential properties to directors' quarters was on 23 February 2017. As a result of change in use of these properties, the two residential properties were transferred to property, plant and equipment on 23 February 2017 at fair value of HK$205,000,000 (see note 16). The remaining two commercial properties were classified as investment properties and measured using the fair value model.

15. INVESTMENT PROPERTIES (Cont'd)

The fair values as at 23 February 2017 and 30 June 2017 have been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent firm of qualified valuer (the "Valuer") which is not connected to the Group. The Valuer is a member of Hong Kong Institute of Surveyors and whose address is 17th Floor, Champion Building, 287-291 Des Voeux Road Central, Hong Kong. The fair values of these investment properties were arrived by using income method and direct comparison method. Commercial properties have been valued by Term and Reversion Method. It estimates the value of the property on an open market basis by taking into the account of the current rent receivable from the existing tenancy agreement and the reversionary potential of the property interests by reference to the market sales evidence of commercial comparables around the valuation date and the deferred reversion value. Whereas, residential properties have been valued by direct comparison which is based on market properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at 30 June 2016, all the Group's investment properties were situated in Hong Kong, of which HK$193,870,000 were secured to support banking facilities granted to the Group. As at 30 June 2017, none of the Group's investment properties were secured.

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

Investment properties held by the Group	Fair value *HK$'000*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
As at 30 June 2017 Commercial premises	579,520	Level 3	Income method – Term and Reversion approach with key inputs of vacant possession value	Vacant possession value mainly taking into account of floor level, between the comparables, which ranged from HK$21,880 to HK$26,347 (2016: HK$19,534 to HK$22,109) per square feet on saleable area basis.	A significant increase in the vacant possession value used would result in a significant increase in the fair value of the investment properties, and vice versa.
As at 23 February 2017 Residential premises	205,000	Level 3	Direct comparison method on the basis of vacant possession with market unit rate as the key input	Market unit rate, mainly taking into account the floor level and size, between the comparables, which ranged from HK$35,924 to HK$43,075 (2016: HK$35,334 to HK$42,065) per square feet on saleable area basis.	A significant increase in the market unit rate used would result in a significant increase in the fair value of the investment properties, and vice versa.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Total HK$'000
COST				
At 1 July 2015	–	–	9,316	9,316
Exchange realignment	–	–	(183)	(183)
At 30 June 2016	–	–	9,133	9,133
Additions	–	7,686	833	8,519
Transferred from investment properties	205,000	–	–	205,000
Disposals	–	–	(513)	(513)
Exchange realignment	–	–	48	48
At 30 June 2017	205,000	7,686	9,501	222,187
DEPRECIATION				
At 1 July 2015	–	–	9,257	9,257
Exchange realignment	–	–	(182)	(182)
Provided for the year	–	–	24	24
At 30 June 2016	–	–	9,099	9,099
Provided for the year	1,424	523	130	2,077
Eliminated on disposals	–	–	(513)	(513)
Exchange realignment	–	–	48	48
At 30 June 2017	1,424	523	8,764	10,711
CARRYING VALUES				
At 30 June 2017	203,576	7,163	737	211,476
At 30 June 2016	–	–	34	34

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

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

Leasehold land and buildings	Over the period of the lease
Leasehold improvements	15%
Office equipment, furniture and fixtures	15 – 25%

At the end of the reporting period, the Group has pledged leasehold land and building with a net book value of approximately HK$203,576,000 (2016: nil) to secure general banking facilities granted to the Group.

17. INTEREST IN AN ASSOCIATE

	2017
	HK$'000
Cost of unlisted investments in an associate	15,600
Share of post-acquisition losses	(1,841)
	13,759

During the year ended 30 June 2017, the Group made a capital injection to Imagica Technology Incorporation ("Imagica") of United States Dollar ("USD") 2,000,000 (equivalent to HK$15,600,000) of which the Group holds 49% equity interest.

Particulars of the associate of the Group at 30 June 2017 are set out as follow:

Name of entity	**Country of incorporation**	**Principal place of business**	**Proportion of ownership interest held by the Group 2017**	**Proportion of voting rights held by the Group 2017**	**Principal activity**
Imagica Technology Incorporation	Canada	Canada	49%	49%	Research and development

17. INTEREST IN AN ASSOCIATE (Cont'd)

The summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's management accounts prepared in accordance with HKFRSs.

	2017
	HK$'000
Current assets	13,073
Non-current assets	16
Current liabilities	(168)
Loss and total comprehensive expense for the year	3,758

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2017
	HK$'000
Net assets of Imagica	12,921
Proportion of the Group's ownership interest in Imagica	49%
Carrying amount of the Group's interest in Imagica	6,331
Goodwill	7,428
Carrying amount of the Group's interest in Imagica	13,759

18. DEPOSITS PLACED FOR LIFE INSURANCE POLICIES

In September 2016, the Group entered into a life insurance policy with an insurance company to insure an Executive Director. Under the policy, the beneficiary and policy holder is East Top (Hong Kong) Limited ("East Top") and the total insured sum is HK$20,000,000. East Top is required to pay an upfront deposit of HK$16,944,706 including a premium charge at inception of the policy amounting to HK$8,351,926. East Top can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the gross premium paid plus pre-determined guarantee cash back amount as at the end of each policy year.

In March 2012, the Group entered into a life insurance policy with an insurance company to insure an Executive Director. Under the policy, the beneficiary and policy holder is World Modern International Limited and changed to Master Era Limited ("Master Era") during the year end 30 June 2016, and the total insured sum is US$10,000,000 (approximately HK$78,000,000). Master Era is required to pay an upfront deposit of US$2,806,000 (approximately HK$21,887,000) including a premium charge at inception of the policy amounting to US$168,000 (approximately HK$1,310,000). Master Era can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payment of US$2,806,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value"). In addition, if withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge. The insurance Company will pay Master Era an interest of 4.65% per annum on the outstanding Cash Value of the policy for the first year. Commencing on the 2nd year, the interest will become 2% per annum plus a premium determined by the insurance company on an annual basis.

At the end of the reporting period, the carrying amount of deposit placed for a life insurance policy which has been pledged as security for the bank borrowing, is approximately HK$17,226,000 (2016: nil).

19. DEPOSITS PAID

	2017	2016
	HK$'000	*HK$'000*
Deposits paid for		
– leasehold improvements	**3,199**	4,615
– Other property, plant and equipment	**–**	300
	3,199	4,915

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2017	2016
	HK$'000	*HK$'000*
USD	**725**	899
EUR	**114**	–
TWD	**18**	–

21. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.01% to 0.02% (2016: 0.01% to 0.02%) per annum.

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

	2017	2016
	HK$'000	*HK$'000*
USD	**123,898**	170,385
TWD	**6,815**	–
EUR	**35,142**	–

22. OTHER PAYABLES AND ACCRUED CHARGES

	2017	2016
	HK$'000	*HK$'000*
Rental deposits received	**3,480**	3,421
Accruals	**4,394**	5,423
Other payables	**5,124**	5,853
	12,998	14,697

23. OTHER BORROWING

As at 30 June 2016, other borrowing represents a loan from an independent third party, which was unsecured, interest bearing at 8% per annum and repayable on demand. During the year ended 30 June 2017, the independent third party transferred the full amount to Cityguard Holding Limited, which is included in amounts due to related parties (see note 24).

24. AMOUNTS DUE TO RELATED PARTIES

	2017	2016
	HK$'000	*HK$'000*
Oung Da Ming, a director of the Company's major subsidiaries	**110**	95
Alfred Zee, a director of the Group's subsidiary	**–**	4
Gold Seal Holdings Limited *(Note)*	**9,071**	12,771
Cityguard Holding Limited *(Note)*	**55,751**	–
	64,932	12,870

The amounts are non-trade, unsecured, non-interest bearing and repayable on demand.

Note: These companies are shareholders of the Company.

25. SECURED BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Secured:		
Mortgage loans	**94,948**	97,303
Revolving loan	**12,691**	–
	107,639	97,303
Carrying amounts repayable based on contractual repayment dates:		
Within one year	**15,061**	2,419
Within a period of more than one year but not exceeding two years	**2,423**	2,464
Within a period of more than two years but not exceeding five years	**7,595**	7,683
More than five years	**82,560**	84,737
	107,639	97,303
Less: Amounts due within one year shown under current liabilities	**(15,061)**	(2,419)
Carrying amount of bank loans that are not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	**(92,578)**	(94,884)
Amounts shown under non-current liabilities	**–**	–

25. SECURED BANK BORROWINGS (Cont'd)

At 30 June 2017, the secured bank borrowings comprised:

(i) a revolving loan with an outstanding amount of approximately HK$12,691,000 (2016: nil) that carries interest at the rate of 1.35% (2016: nil) per annum over Hong Kong Interbank Offer Rate ("HIBOR").

(ii) mortgage loans with an outstanding amount of approximately HK$94,948,000 (2016: HK$97,303,000) that shall be repayable by 347 monthly instalments and carries interest at a rate of 1.75% (2016: 1.75%) per annum over HIBOR; and

The effective interest rates of the Group's bank borrowings was 1.89% (2016: 1.96%) per annum.

All bank borrowings are secured by the Group's assets. The details of pledged assets are disclosed in note 33.

26. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

	Number of preference shares	**Amount of par value** *HK$'000*
Authorised:		
At 1 July 2015, 30 June 2016 and 30 June 2017	1,270,000,000	12,700
Issued and fully paid:		
At 1 July 2015	71,033,529	710
Conversion of issued convertible redeemable preference share into ordinary shares	(1,030,000)	(10)
At 30 June 2016	70,003,529	700
Conversion of issued convertible redeemable preference share into ordinary shares	(33,294,391)	(333)
Redemption of issued convertible redeemable preference shares	(10,926,320)	(109)
At 30 June 2017	25,782,818	258

26. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

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

Movement of the convertible redeemable preference shares are as follows:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 July 2015	14,924	6,286	21,210
Conversion of convertible redeemable preference shares	(149)	(96)	(245)
Interest charged for the year	1,222	–	1,222
At 30 June 2016	15,997	6,190	22,187
Conversion of convertible redeemable preference shares	(7,475)	(3,116)	(10,591)
Interest charged for the year	655	–	655
Lapsed of conversion rights	–	(3,074)	(3,074)
Redemption of convertible redeemable preference shares	(2,731)	–	(2,731)
At 30 June 2017	6,446	–	6,446

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

26. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

The principal terms of the convertible redeemable preference shares at 30 June 2016 and 2017, as altered, include the following:

(i) Cumulative dividend

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

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

(ii) Further issues

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

(iii) Early redemption at the option of the Company

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

26. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(iv) Conversion rights

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

Holders of the convertible redeemable preference shares are not required to pay any extra amount should they convert their convertible redeemable preference shares into ordinary shares in the Company. All rights of conversion to ordinary shares attached to the convertible redeemable preference shares was lapsed on 1 January 2017.

(v) Redemption

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

(a) 31 December 2016;

(b) any consolidation, amalgamation or merger of the Company with any other corporation;

(c) listing of the ordinary shares of the Company are revoked or withdrawn (except in connection with the simultaneous listing of the ordinary shares on such other internationally recognised stock exchange);

(d) a directors' resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company; or

(e) an effective resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company.

26. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(vi) Priority

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

(vii) Voting

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

(viii) Further issues

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

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

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

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

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

27. SHARE CAPITAL

	Nominal value per share	Numbers of shares	Amount
	HK$		*HK$'000*
Authorised:			
At 1 July 2015, 30 June 2016 and 30 June 2017	0.01	50,000,000,000	500,000
Issued and fully paid:			
At 1 July 2015	0.01	1,095,377,500	10,954
Issue of shares on conversion of convertible redeemable preference shares		1,072,914	11
Issue of shares on conversion of convertible notes		242,069,605	2,420
Shares cancelled		(10,985,000)	(110)
At 30 June 2016	0.01	1,327,535,019	13,275
Issue of shares on conversion of convertible redeemable preference shares		34,681,649	347
Issue of shares on conversion of convertible notes		5	–
Shares cancelled		(19,415,000)	(194)
At 30 June 2017	0.01	1,342,801,673	13,428

27. SHARE CAPITAL (Cont'd)

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

Month of repurchase	No. of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
For the year ended 30 June 2017				
July 2016	1,990,000	HK$0.3	HK$0.3	597
May 2017	1,065,000	HK$0.3	HK$0.3	320
	3,055,000			917
For the year ended 30 June 2016				
January 2016	22,570,000	HK$0.3	HK$0.3	6,771
February 2016	1,005,000	HK$0.3	HK$0.3	301
June 2016	4,835,000	HK$0.3	HK$0.3	1,451
	28,410,000			8,523

During the year ended 30 June 2017, 3,055,000 (2016: 28,410,000) ordinary shares were repurchased, of which 1,065,000 (2016: 17,425,000) ordinary shares have not yet cancelled.

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

28. CONVERTIBLE NOTES

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

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

(i) Distributions

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

(ii) Cash settlement option

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

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

28. CONVERTIBLE NOTES (Cont'd)

(iii) Redemption at the option of the Company

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

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

(iv) Automatic conversion on maturity

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

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

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

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

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

28. CONVERTIBLE NOTES (Cont'd)

(iv) Automatic conversion on maturity (Cont'd)

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

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

During the year ended 30 June 2017, convertible notes of HK$2 (2016: HK$60,517,000) have been converted to 5 (2016: 242,069,605) ordinary shares.

29. DEFERRED TAXATION

At 30 June 2017, the Group has unused tax losses of approximately HK$46,630,000 (2016: HK$44,411,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately HK$46,630,000 (2016: HK$44,411,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

30. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

During the year ended 30 June 2017, the number of ordinary shares in respect of which options had been granted under the Scheme was 130,900,000 (30 June 2016: 131,000,000), representing 9.7% (2016: 9.9%) of the ordinary shares of the Company in issue at that date. The number of ordinary shares in respect of which options remained outstanding as at 30 June 2017 was 261,900,000 (2016: 131,000,000) The total number of ordinary shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of ordinary shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

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

A resolution of refreshing the Scheme limit by increasing it by 1,309,234,602 ordinary shares was duly passed by way of poll at the annual general meeting held on 12 December 2016.

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

Options were granted on 30 May 2016 and 23 June 2017 and the estimated fair values of the options granted on those dates was HK$21,206,000 and HK$25,476,000 respectively, which was calculated using the binomial option pricing model based on following data:

Date of grant	23 June 2017	30 May 2016
Share price at grant date	HK$0.305	HK$0.335
Exercise price	HK$0.305	HK$0.335
Expected volatility	73.07%	74.61%
Expected life	10 years	10 years
Risk-free rate	1.259%	1.257%
Expected dividend yield	0%	0%
Early exercise multiples		
– Director	2.8x	3.0x
– Employees	2.2x	2.5x

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

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

The following table discloses movements of the Company's share options held by directors and employees of the Group during the year ended 30 June 2017:

Categories of participants	Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.7.2016	Granted during the year	Outstanding at 30.6.2017
Directors	30.05.2016	30.05.2016 – 29.05.2026	0.335	39,300,000	–	39,300,000
Employees	30.05.2016	30.05.2016 – 29.05.2026	0.335	91,700,000	–	91,700,000
				131,000,000	–	131,000,000
Directors	23.06.2017	23.06.2017 – 22.06.2027	0.305	–	39,270,000	39,270,000
Employees	23.06.2017	23.06.2017 – 22.06.2027	0.305	–	91,630,000	91,630,000
				–	130,900,000	130,900,000
Exercisable at the end of the year						261,900,000

At the end of the reporting period, the weighted average exercise price is HK$0.320 (2016: HK$0.335). During the reporting period, the Group recognised a share-based payment expense of HK$21,206,000 (2016: HK$25,476,000) in relation to share options granted by the Company during the year.

31. DISPOSAL OF SUBSIDIARIES

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

On 20 October 2015, the Group completed the disposal transaction and recognised a gain on disposal of HK$894,565,000.

31. DISPOSAL OF SUBSIDIARIES (Cont'd)

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

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

32. CONTINGENT LIABILITIES

The Group had the following outstanding litigations as at 30 June 2017, in which the directors of the Company are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained at the current stage:

(a) On 28 October 2014, Mike Chen issued a writ of summons against the Company, claiming for (i) repayment of HK$10,500,000, being an alleged loan made to Magetta Co. Limited in which the Company undertook to repay and HK$2,000,000, being an alleged loan made to the Company, and (ii) interest. On 27 January 2015, the Company filed a Defence and Counterclaim. The Company's counterclaim is for Mike Chen's breach of trust and/or his fiduciary duties owed to the Company. The Company claims, amongst others, for a sum of HK$410,447 against Mike Chen. On 23 March 2015, Mike Chen filed his Reply and Defence to Counterclaim. The litigation is still ongoing and there is no further update on the case up to the report date.

(b) On 14 November 2014, a petition under section 724 of the Companies Ordinance was served on the Company, as first respondent, and Cityguard Holdings Limited, Five Star Investments Limited ("Five Star"), Gold Seal Holdings Limited, Mr. Oung Da Ming, Dr. Oung Shih Hua, James, Mr. Yuen Chi Wah and Mr. Chan Chi Ho as second to eighth respondents. The petition was filed by Mr. Chen Te Kuang, Mike (as petitioner), a former director who was removed from office by a resolution passed by the ordinary shareholders in general meeting held on 1 August 2014.

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

    (i) proceedings are brought in the names of the Company and two of its subsidiaries against Oung Da Ming, Margaret Uon, Five Star, Cityguard Holdings Limited and/or Gold Seal Holdings Limited;

    (ii) the Company to set up a special committee to review the internal controls and risk management systems of the Company, such special committee to engage independent experts to assist it in reviewing the systems and identifying material weaknesses with recommended remedial actions;

32. CONTINGENT LIABILITIES (Cont'd)

(b) (Cont'd)

(iii) a receiver of the Company's business is appointed until the special committee has completed its review and the recommended remedial actions, if any, are implemented;

(iv) alternatively, the 4th to 8th respondents and their agents/associates be restrained from acting as directors and/or bank signatories of the Company and its subsidiaries until the special committee has completed its review and the recommended remedial actions, if any, are implemented;

(v) damages (to be assessed), and any interest on those damages, be paid to the petitioner by any of the 2nd to 8th respondents as the Court thinks fit.

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

The directors of the Company are of the opinion that the remaining cases are ongoing and the Group is unable to evaluate the likely outcome of the actions, as the outflow of economic benefits of the action and the amount of the obligation cannot be reliably estimated. Accordingly, no provision is considered necessary.

33. PLEDGED OR SECURED ASSETS

At the end of the reporting period, the following assets of the Group were pledged or secured to support banking facilities granted to the Group:

	2017 ***HK$'000***	2016 *HK$'000*
Investment properties	**–**	193,870
Deposit placed for a life insurance policy	**17,226**	–
Leasehold land and building	**203,576**	–
	220,802	193,870

34. RETIREMENT BENEFIT SCHEME

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

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

Under the stated-managed retirement benefit scheme operated by the government of overseas countries, the Group is required to contribute a specified rate of payroll costs to the retirement benefit scheme to fund the benefits for its employees. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contribution.

The aggregate employer's contributions during the year ended 30 June 2017 recognised in the consolidated statement of profit or loss and other comprehensive income of the Group amounted to HK$148,000 (2016: HK$100,000).

35. RELATED PARTY TRANSACTIONS

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

(a) During the year ended 30 June 2017, a service fee of HK$391,138 (2016: HK$922,750) is paid to a related company in which one of the directors of the Company and his close family member have beneficial and controlling interests.

(b) Details of amounts due to related parties are set out in note 24.

(c) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was HK$11,642,000 (2016: HK$10,863,000).

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

36. OPERATING LEASES

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

The Group as lessor

	2017	2016
	HK$'000	*HK$'000*
Within one year	**2,310**	12,327

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

The Group as lessee

	2017	2016
	HK$'000	*HK$'000*
Within one year	**3,323**	1,315
In the second year to fifth years inclusive	**6,387**	130
Over five years	**780**	–
	10,490	1,445

The minimum lease payments under operating lease recognised as an expense for the year is HK$3,377,000 (2016: HK$1,424,000). Operating lease payments represent rentals payable by the Group for certain of its office properties, leases are negotiated for term of three to seven years.

37. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
– leasehold improvement in relation to investment properties	**1,250**	5,675
– property, plant and equipment	**–**	500
	1,250	6,175

38. CAPITAL RISK MANAGEMENT

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

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

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

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)		
– other receivables	**620**	13,657
– deposits placed for life insurance policies	**35,034**	20,926
– bank balances and cash	**354,653**	428,238
	390,307	462,821
Available-for-sale financial asset		
– available-for-sale investment	**12,616**	12,060
Financial liabilities		
At amortised cost		
– other payables	**5,124**	5,853
– other borrowing	**–**	92,743
– amounts due to related parties	**64,932**	12,870
– bank overdrafts	**575**	43
– secured bank borrowings	**107,639**	97,303
– convertible redeemable preference shares	**6,446**	15,997
	184,716	224,809

39. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies

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

Market risk

Currency risk

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

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

	Assets		**Liabilities**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollars ("USD")	**145,220**	192,180	**2,457**	–
European Dollars ("EUR")	**35,210**	–	**23**	–
Taiwan Dollars ("TWD")	**6,815**	–	**1**	–

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

For the monetary assets and liabilities denominated in USD, since HKD is pegged to USD, the financial impact on exchange difference between HKD and USD is expected to be immaterial and therefore no sensitivity analysis on USD has been prepared.

39. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against the EUR and TWD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity where HKD strengthen 5% against the EUR and TWD. For a 5% weakening of HKD against EUR and TWD, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	2017	2016
	HK$'000	*HK$'000*
EUR	**1,759**	–
TWD	**341**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

39. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Interest rate risk

The Group is exposed to fair value interest risk in relation to deposits placed for life insurance policies. The Group is also exposed to cash flow interest rate risk in relation to bank balances, floating-rate bank overdrafts and bank borrowings (see notes 21 and 25 for details). The management continuously monitors interest rate fluctuation and will consider further hedging interest rate risk should the need arise.

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

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

Sensitivity analysis

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

If interest rates on floating-rate bank overdrafts and secured bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit for the year ended 30 June 2017 would decrease/increase by approximately HK$452,000 (2016: HK$406,000). This was mainly attributable to the Group's exposure to interest rates on floating-rate bank overdrafts and secured bank borrowings.

39. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Other price risk

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to other price risks at the end of the reporting period. 5% (2016: 5%) increase or decrease is used when reporting exposure to other price risk internally to key management personnel and represents management's assessment of the reasonably possible change in price.

If the prices of the available-for-sale investment had been 5% (2016: 5%) higher/lower, investment revaluation reserve for the year ended 30 June 2017 would increase/decrease by approximately HK$631,000 (2016: increase/decrease by HK$603,000) as a result of the changes in fair value of available-for-sale investment.

Credit risk

As at 30 June 2017, other than those financial assets as stated in the consolidated statement of financial position whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from contingent liabilities in relation to outstanding litigation is disclosed in note 32. In order to minimise the credit risk, the directors of the Company continuously monitor exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Deposits paid for life insurance policies with carrying amount of approximately HK$35,034,000 (2016: HK$20,926,000) were the deposits placed into insurance companies. However, having considered the strong financial background of these insurance companies, the management believes that there is no significant credit risk.

39. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk

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

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

Liquidity and interest risk tables

	Weighted average interest rate	On demand *HK$'000*	Less than 3 months *HK$'000*	3 months to 1 year *HK$'000*	1 to 2 years *HK$'000*	2 to 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amounts *HK$'000*
As at 30 June 2017								
Non-derivative financial liabilities								
Other payables	N/A	5,124	–	–	–	–	5,124	5,124
Bank borrowings	1.89%	107,639	–	–	–	–	107,639	107,639
Amounts due to related parties	N/A	64,932	–	–	–	–	64,932	64,932
Bank overdraft	5.00%	575	–	–	–	–	575	575
Convertible redeemable preference shares	N/A	6,446	–	–	–	–	6,446	6,446
		184,716	–	–	–	–	184,716	184,716

39. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity and interest risk tables (Cont'd)

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

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

	Weighted average interest rate	**Less than 3 months** *HK$'000*	**3 months to 1 year** *HK$'000*	**1 to 2 years** *HK$'000*	**2 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total undiscounted cash flows** *HK$'000*	**Total carrying amounts** *HK$'000*
Secured bank borrowings								
As at 30 June 2017	1.89%	13,803	3,337	4,450	13,349	106,436	141,375	107,639
As at 30 June 2016	1.96%	919	3,226	4,301	12,902	107,187	128,535	97,303

39. FINANCIAL INSTRUMENTS (Cont'd)

Fair value

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

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

	Level 1 and total	
	2017	2016
	HK$'000	*HK$'000*
Available-for-sale financial asset		
Club debenture	**12,616**	12,060

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

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2017, other borrowing amounted to HK$92,743,000 was transferred to Cityguard Holdings Limited, included in amounts due to related parties (see note 24). During the year, the amount due to Cityguard Holdings Limited was also offset by other receivables amounted to HK11,046,000.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital	Proportion of nominal value of issued share capital held by the Company at 30 June				Principal activities
			2017		2016		
			Directly	**Indirectly**	Directly	Indirectly	
Banhart Company Limited	Hong Kong	Ordinary HK$9,998 Non-voting deferred* HK$2	**–**	**100%**	–	100%	Investment holding
Sensors Integration Technology Limited	Hong Kong	Ordinary HK$2,597,634	**–**	**100%**	–	100%	Investment holding
Magetta Company Limited	Hong Kong	Ordinary HK$2	**100%**	**–**	100%	–	Investment holding
Master Era Limited	Hong Kong	Ordinary HK$1	**–**	**100%**	–	100%	Management and operating
Acme Elite Limited	British Virgin Islands	US$1	**100%**	**–**	100%	–	Property investment
Afar Success Limited	British Virgin Islands	US$1	**100%**	**–**	100%	–	Property investment
Prime Supreme Corporation	British Virgin Islands	US$1	**100%**	**–**	100%	–	Investment holding
Upwill Limited	Hong Kong	Ordinary HK$1	**–**	**100%**	–	100%	Property investment

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital	Proportion of nominal value of issued share capital held by the Company at 30 June				Principal activities
			2017		2016		
			Directly	Indirectly	Directly	Indirectly	
Legacy One Asia Limited	British Virgin Islands	US$1	**100%**	**–**	100%	–	Investment holding
East Top (Hong Kong) Limited	Hong Kong	Ordinary HK$1	**–**	**100%**	–	100%	Property investment
Next Level A.I. Solution System LLC	The United States of America ("USA")	US$2,000,000	**–**	**100%**	–	100%	Research and development
Next Level Security System LLC	USA	US$1,000,000	**–**	**100%**	–	100%	Research and development
Next Level Medical System LLC	USA	US$1,000,000	**–**	**100%**	–	100%	Research and development
百利鼎有限公司 *(Note)*	Taiwan	TW$29,800,000	**–**	**100%**	–	–	Research and development
Naving Oy *(Note)*	Finland	EU$2,008,571	**–**	**70%**	–	–	Research and development
Pexray Oy *(Note)*	Finland	EU$2,008,571	**–**	**70%**	–	–	Research and development

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

Note: The companies were set up during the year.

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

None of the subsidiaries had issued any debt securities at 30 June 2017 or at any time during the year.

42. FINANCIAL INFORMATION OF THE COMPANY

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

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**33,360**	33,360
Deposit paid for acquisition of property, plant and equipment	**–**	300
Available-for-sale investment	**12,616**	12,060
Amounts due from subsidiaries	**337,297**	286,020
Loan receivables from subsidiaries	**484,155**	516,798
	867,428	848,538
Current assets		
Other receivables	**358**	3,969
Bank balances	**190,454**	283,667
	190,812	287,636
Current liabilities		
Other payable and accrued charges	**487**	1,578
Amount due to a shareholder	**9,071**	12,771
Amounts due to subsidiaries	**58,539**	77,542
Convertible redeemable preference shares	**6,446**	15,997
Tax payables	**298**	–
	74,841	107,888
Net current assets	**115,971**	179,748
Total assets less current liabilities	**983,399**	1,028,286
Capital and reserve		
Share capital	**13,428**	13,275
Reserves *(Note)*	**969,971**	1,015,011
Total equity	**983,399**	1,028,286

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

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

	Share premium *HK$'000*	Capital reserve *HK$'000*	Treasury shares reserve *HK$'000*	Other reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Convertible notes reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 July 2015	111,274	6,286	–	21,766	–	74,447	–	212,491	426,264
Profit for the year	–	–	–	–	–	–	–	571,638	571,638
Other comprehensive income for the year	–	–	–	–	2,372	–	–	–	2,372
Total comprehensive income for the year	–	–	–	–	2,372	–	–	571,638	574,010
Issue of shares on conversion of convertible redeemable preference shares	236	(96)	–	–	–	–	–	–	140
Issue of shares on conversion of convertible notes	58,097	–	–	–	–	(60,517)	–	–	(2,420)
Recognition of equity-settled share-based payment	–	–	–	–	–	–	25,476	–	25,476
Shares repurchased	–	–	(8,523)	–	–	–	–	–	(8,523)
Shares cancelled	(3,186)	–	3,296	–	–	–	–	–	110
Transaction costs attributable to repurchase of ordinary shares	(18)	–	(28)	–	–	–	–	–	(46)
At 30 June 2016	166,403	6,190	(5,255)	21,766	2,372	13,930	25,476	784,129	1,015,011
Loss for the year	–	–	–	–	–	–	–	(73,202)	(73,202)
Other comprehensive income for the year	–	–	–	–	556	–	–	–	556
Total comprehensive expense for the year	–	–	–	–	556	–	–	(73,202)	(72,646)
Issue of shares on conversion of convertible redeemable preference shares	10,244	(3,116)	–	–	–	–	–	–	7,128
Recognition of equity-settled share-based payment	–	–	–	–	–	–	21,206	–	21,206
Shares repurchased	–	–	(917)	–	–	–	–	–	(917)
Shares cancelled	(5,630)	–	5,824	–	–	–	–	–	194
Transaction costs attributable to repurchase of ordinary shares	(32)	–	27	–	–	–	–	–	(5)
Lapsed of conversion rights	–	(3,074)	–	–	–	–	–	3,074	–
At 30 June 2017	170,985	–	(321)	21,766	2,928	13,930	46,682	714,001	969,971

43. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year presentation.

Financial Summary

RESULTS

	Year ended 30 June				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	162,820	330	–	11,433	**14,446**
Profit (loss) before taxation	30,919	195,495	(120,713)	733,569	**96,974**
Taxation	(10)	–	–	–	**(298)**
Profit (loss) profit for the year attributable to					
– Owners of the Company	30,909	195,495	(120,713)	733,569	**96,899**
– Non-controlling interests	–	–	–	–	**(223)**

ASSETS AND LIABILITIES

	At 30 June				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	1,238,249	1,075,041	1,074,334	1,130,755	**1,216,486**
Total liabilities	(1,309,369)	(923,766)	(931,789)	(233,653)	**(192,888)**
(Deficiency) surplus of shareholders' funds	(71,120)	151,275	142,545	897,102	**1,023,598**

Schedule of Property Interests

Particulars of the properties held by the Group as at 30 June 2017 are as follows:

(a) Investment properties

Address	Purpose	Approximate saleable area *(Sq. ft.)*	Lease term
20/F, AXA Centre No. 151 Gloucester Road Hong Kong	Commercial	11,722	Long
21/F, AXA Centre No. 151 Gloucester Road Hong Kong	Commercial	11,722	Long
Car parking spaces Nos. 414-420 AXA Centre No. 151 Gloucester Road Hong Kong	Commercial	–	Long

(b) Owner-occupied properties

Address	Purpose	Approximate saleable area *(Sq. ft.)*	Lease term
Unit 3A, Cluny Park No. 53 Conduit Road Hong Kong	Residential	2,551	Medium
Unit 3B, Cluny Park No. 53 Conduit Road Hong Kong	Residential	2,384	Medium
Car parking spaces Nos. P12 and P16 Cluny Park No. 53 Conduit Road Hong Kong	Residential	–	Medium