ANNUAL REPORT 2018

APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability) | Stock Code: 519

*For identification purpose only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yao Wei Rong *(Chairman)*
Mr. Yuen Chi Ping *(Chief Executive Officer)*
Ms. Ng Kit Ling

Non-Executive Director

Mr. Guo Shun Gen

Independent Non-executive Directors

Mr. Lau Chi Keung
Mr. Yu Tat Chi, Michael
Mr. Chiu Kit Man, Calvin

AUDIT COMMITTEE

Mr. Yu Tat Chi, Michael *(Chairman)*
Mr. Lau Chi Keung
Mr. Chiu Kit Man, Calvin

REMUNERATION COMMITTEE

Mr. Lau Chi Keung *(Chairman)*
Mr. Chiu Kit Man, Calvin
Mr. Yao Wei Rong

NOMINATION COMMITTEE

Mr. Yao Wei Rong *(Chairman)*
Mr. Lau Chi Keung
Mr. Chiu Kit Man, Calvin

COMPANY SECRETARY

Ms. Ng Kit Ling

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1801, 18th Floor
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

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

SHARE REGISTRAR IN BERMUDA

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

PRINCIPAL BANKERS

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

AUDITOR

Mazars CPA Limited
Certified Public Accountants

SOLICITORS

Baker & McKenzie
Reed Smith Richards Butler
Miao & Co.

STOCK CODE

The Stock Exchange of Hong Kong Limited: 519

WEBSITE

http://www.applieddev.com

On behalf of the Board, I am pleased to present to the shareholders results of the Group for FY2018.

RESULTS

The Company recorded a profit after taxation of HK$10,638,000 for the year ended 30 June 2018 as compared to the profit of HK$290,980,000 for the year ended 30 June 2017. The decrease in the profit of the Group's results is mainly attributable to (i) a decrease in fair value gain of investment properties of HK$88,000,000 as compared to HK$115,000,000 in 2017; (ii) decrease in revenue of HK$10,550,000; (iii) increase in finance costs of HK$15,680,000 for the year ended 30 June 2018 and (iv) a non-recurring gain on bargain purchase of HK$171,654,000 recorded in 2017 which does not occur in the year ended 30 June 2018.

PROSPECTS

Reference is made to the Company's announcement dated 15 June 2018, 實力建業(南京)企業管理有限公司 (Applied Development (Nanjing) Corporate Management Co., Ltd.*) a wholly-owned subsidiary of the Company entered into a capital injection agreement to inject a sum of RMB110,000,000 into 南京東方頤年養老服務有限公司 (Nanjing Eastern Senior Living Service Co., Ltd.*, which together with its subsidiaries, the "Target Group"), which is principally engaged in services and provision of nursing housing to senior members. Whilst the Group will continue to engage in its principal business, the Group can also engage in the senior services and nursing housing business through the Target Group. According to Jiangsu Province's "Thirteenth Five-Year Plan" Pension Service Development Plan* 江蘇省"十三五"養老服務業發展規劃, Jiangsu province is one of the provinces in China facing the increase of ageing population and it is estimated that by 2020, the province's elderly population aged over 60 will reach 19,500,000, which will account for 25% of the total population and will exceed 30% by 2030, the Group therefore believes that the senior and nursing housing business is with growth potential and can establish value added component and complementary basis for the development of the Group's overall business.

Reference is made to the Company's announcements dated 14 June 2018, 9 July 2018 and 15 August 2018, the Subscriber entered into the Subscription Agreement with the Fund (acting by the General Partner) pursuant to which the Subscriber has conditionally agreed to make an investment of up to HK$600,000,000 (with a minimum commitment of HK$200,000,000) to the Fund, representing up to approximately 30% of the Proposed Fund Size. Following the acceptance of the Subscription Agreement by the General Partner and the fulfilment of the Conditions in accordance with the terms of the Subscription Agreement, the Subscriber will be admitted as a Limited Partner to the Fund by entering into the Limited Partnership Agreement. The investment strategy of the Fund is to focus on investments equities of private and public companies in certain industries inside or outside of China including, but not limited to, telecommunications media and technology, macro-health, high-end equipment manufacturing, energy-saving environmental protection, and new materials. The Board believes that the Investment in the Fund will contribute better return to the Group.

After the acquisition of the Wuxi Shengye at the end of June 2017, the pre-sale of the properties under development commenced in October 2017 and completion of the construction is expected to take place in 2019. The Board believes that the sales of the properties under development will bring revenue to the Group. After the disposal of the investment property located at China Merchants Tower in March 2018, the management will consider to lease and/or sell the Lippo Centre in sub-division of units with their prevailing prices of the market. The Board believes that the Lippo Centre will contribute satisfied return to the Group. The Group will continue to look for the best opportunities or investments including but not limited to the investments in property investment, resort and property development and investment holding businesses.

APPRECIATION

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

By Order of the Board

Yao Wei Rong
Chairman
Hong Kong, 28 September 2018

BUSINESS REVIEW

The Group's principal business is property investment, resort and property development and investment holding during the year ended 30 June 2018.

PROPERTY INVESTMENT

Reference is made to the Company's announcements dated 29 November 2017 and 15 February 2018, Advantage Performance entered into agreement and a termination agreement with Platinum Ocean Consultancy Limited respectively. Following the termination agreement, AHKPL entered into a property agreement with AHK International Limited to dispose of the investment property located at China Merchants Tower (the "Property") for a consideration of HK$63,000,000. After the completion of the disposal, the Group has ceased to hold the Property and recognised a net gain on disposal of HK$4,556,000.

The Group's investment properties contributed a total of rental income of HK$2,772,000 for the year ended 30 June 2018 (2017: HK$11,499,000). The increase in fair value for the year ended 30 June 2018 was HK$27,000,000 (2017: HK$115,000,000). The decrease of total rental income for the year ended 30 June 2018 was mainly due to the vacancy of the investment property located in Lippo Centre ("Lippo Centre") since the lease was expired in August 2017. The management will consider to lease and/or sell the Lippo Centre in sub-division of units for their prevailing prices in the market. The Board believes that the Group's Lippo Centre properties will contribute satisfied return to the Group.

RESORT AND PROPERTY DEVELOPMENT

After the acquisition of Wuxi Shengye in June 2017, Wuxi Shengye obtained the approval of the pre-sale of the part of the properties under development from the relevant authority in the PRC and had commenced the pre-sale since October 2017. At 30 June 2018, the pre-sales of properties under development with the total contract sum of approximately RMB142 million have been accumulated and the completion of the construction is expected to be in 2019.

INVESTMENT HOLDING

For the year ended 30 June 2018, the Group recorded interest income of HK$971,000 (2017: HK$2,560,000) on investment in corporate bonds.

During the year ended 30 June 2018, the Group further invested in "Green Asia Restructure Fund SPII" and "Green Asia Restructure Fund SPI" and the carrying value of "Green Asia Restructure Fund SPC" was HK$199,903,000 at 30 June 2018.

At 30 June 2018, the Company invested in 20% equity interests in Wealth Guide Global Limited ("Wealth Guide") for a nominal value of US$20 together with a shareholder loan of HK$200,000,000. The total assets of Wealth Guide at 30 June 2018 was approximately HK$1,158,000,000 representing an increase of approximately 19% compared with 30 June 2017.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 30 June 2018, the Group had current assets of HK$1,455,612,000 (2017: HK$1,202,931,000) and current liabilities of HK$642,605,000 (2017: HK$594,884,000), representing a current ratio of 2.3 times (2017: 2 times). The Group's total equity and the total bank and other borrowings as at 30 June 2018 amounted to HK$1,427,897,000 (2017: HK$1,247,146,000) and HK$414,491,000 (2017: HK$392,968,000) respectively, representing a gearing ratio of 29.0% (2017: 31.5%).

In September 2017, the Company successfully completed a placing of 417,515,000 new shares to independent investors at a price of HK$0.4 per placing share (the "Shares Placing"), representing a discount of approximately 19.9% to the closing price of HK$0.495 per share as quoted on the Stock Exchange on 6 September 2017, being the date of the placing agreement (further details of the placing are contained in the Company's announcements dated 6 September 2017). The net proceeds of the placing amounted to HK$166,132,000, representing a net price per placing share of approximately HK$0.40, were intended to be used as general working capital of the Group and/or for attractive investment opportunities which might arise in future.

FOREIGN CURRENCY MANAGEMENT

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

CAPITAL AND OTHER COMMITMENTS

At 30 June 2018, the Group had no material capital commitments and had commitments for expenditure in respect of the properties under development contracted but not provided for amounting to HK$200,332,000 (2017: HK$319,089,000).

PLEDGE OF ASSETS

At 30 June 2018, the Group had provided the following security for banking facilities granted to the Company:

(i) pledge of investment properties of the Group with a carrying amount of HK$530,000,000 (2017: HK$555,000,000);

(ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank; and

(iii) assignment agreements in respect of insurance compensation of the Group's investment properties duly executed by the Group in favour of the bank.

LITIGATION

The Group has no other material litigation during the year.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2018, the Group had a total of 28 (2017: 20) full-time employees and executive directors. For FY2018, total staff costs including directors' emoluments amounted to HK$7,329,000 (2017: HK$5,613,000). The remuneration packages for directors and employees are normally reviewed annually and are structured by reference to market terms and individual competence, performance and experience. The Group also provides medical insurance coverage and operates a provident fund scheme or relevant fund scheme for its employees in Hong Kong and the PRC.

PRINCIPAL RISK AND UNCERTAINTIES

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

BUSINESS RISK

The prospects of the Group's property business depend on the performance of the property market in Hong Kong and the PRC. Also, the fair values of the Group's investment properties and financial results of property development segment directly link to the performance of the property market in Hong Kong and the PRC. Any real estate market downturn in Hong Kong and the PRC 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 and net loss from property development segment. The real estate markets in Hong Kong and the PRC are affected by many factors, including but not limited to, changes in the local's economic, political, social and legal environment and changes in local's fiscal and monetary policy, all of which are beyond the control of the Group. The management policy to mitigate this risk is to diversify the Group's business in terms of asset composition, revenue and profitability.

MARKET RISK

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

The real estate market in the PRC is highly competitive. The area that are in competition include quality, design, brand, cost control and environment ancillary facilities. If the competitors of the Group keep on improving their products, the Group will improve its quality and cost control to catch the market and maintain the sales turnover.

FINANCIAL RISK

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES AND CUSTOMERS

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

SUBSEQUENT EVENTS

As at 30 June 2018, details of the subsequent events of the Group are set out in note 31 to the consolidated financial statements attached to this annual report.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM of the Company to be held on 4 December 2018 (Tuesday), the register of members of the Company will be closed from 29 November 2018 (Thursday) to 4 December 2018 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:00 p.m. on 28 November 2018 (Wednesday).

EXECUTIVE DIRECTORS

Mr. Yao Wei Rong ("**Mr. Yao**"), age 47, Chairman and Executive Director and a director of certain subsidiaries of the Company, Mr. Yao joined the Group in December 2017. Mr. Yao is also the vice president of Jiangsu Ruihua Investment Holding Group Co., Limited* (江蘇瑞華投資控股集團有限公司) ("Jiangsu Ruihua") which is also a substantial Shareholder of the Company. Mr. Yao graduated with financial professions at Nanjing Audit University* (南京審計學院) and Mr. Yao also obtained professions in Accounting from Nanjing University of Finance & Economics* (南京財經大學) in 2003 and a degree of Master of Business Administration from Dalian Maritime University* (大連海事大學) in 2010. He has over 20 years' experience in the banking and finance industry. From August 1992 to July 2003, he worked at China Construction Bank, Nanjing Branch, Chengnan Sub-branch* (中國建設銀行南京支行城南分行) and his last position was the head of credit department. From July 2003 to May 2011, Mr. Yao worked at the Branch of Nanjing Hung Mao Centre of Bank of Nanjing* (南京銀行南京洪武中心支行) and his last position was vice president. From May 2011 to February 2012, he served as senior management role at CITIC Securities Co., Ltd., Jiangsu Branch, Nanjing Sub-branch (中信證券江蘇公司). From February 2012 to March 2016, he worked at Nanjing Sanbao Technology Xiao'e Credit Co., Ltd.* (南京三寶科技小額貸款有限公司) as general manager.

Mr. Yuen Chi Ping ("**Mr. Yuen**"), aged 39, Executive Director and Chief Executive Officer and a director of subsidiaries of the Company. Mr. Yuen is a qualified lawyer in both Hong Kong and England and Wales. Mr. Yuen has over 12 years of experience practicing as a lawyer in the People's Republic of China (the "PRC") and Hong Kong, and has extensive experience in corporate law, China-related public and private mergers and acquisitions, and capital market transactions. Mr. Yuen obtained a bachelor's degree in laws in 2001 and completed the PCLL programme in 2002 in the University of Hong Kong, then undertook his traineeship and worked as a lawyer in various leading international law firms. Mr. Yuen joined the Group in September 2016. He also worked as a special counsel in the Shanghai office of Baker & McKenzie from 2011 to 2014, responsible for the firm's securities practice in Shanghai. Mr. Yuen has been appointed as a non-executive director of Hin Sang Group (International) Holding Co. Ltd. (stock code: 6893) since July 2016, a company listed on the Stock Exchange; and a non-executive director of China High Speed Transmission Equipment Group Co., Ltd. (stock code: 658) since December 2016, a company listed on the Stock Exchange. Mr. Yuen has been appointed as an executive director, the vice-chairman of the board and the co-chief executive officer of LongiTech Smart Energy Holding Limited (stock code: 1281) since April 2018. Mr. Yuen has been appointed as an independent non-executive director of Sun Cheong Creative Development Holdings Limited (stock code: 1781) since August 2018, of which the shares of the company are expected to deal on the Stock Exchange on 4 October 2018. Mr. Yuen has been appointed as a director of Pok Oi Hospital since April 2017. Mr. Yuen was the chief operating officer of Fullshare Holdings Limited (stock code: 607) from October 2014 to March 2018.

Ms. Ng Kit Ling ("**Ms. Ng**"), aged 53, Executive Director and a director of subsidiaries of the Company. Ms. Ng is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and holds a Master's degree in Accountancy from the Hong Kong Polytechnic University. She joined the Group in May 2005 and immediately prior to her appointment as an Executive Director in August 2012, Ms. Ng was the Financial Controller of the Company. She has over 32 years of experience in finance and accounting matters of companies listed in Hong Kong. Ms. Ng is also the Company Secretary of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Guo Shun Gen ("**Mr. Guo**"), aged 55, Non-executive Director. Mr. Guo joined the Group in December 2017 and he also currently serves as the managing partner of Jiangsu Ruihua Entrepreneurship Investment Management Limited (江蘇瑞華創業投資管理有限公司) and the Chairman of Jiangsu Ruiming Entrepreneurship Investment Management Limited (江蘇瑞明創業投資管理有限公司). Mr. Guo obtained a bachelor's degree in Mechanical Manufacturing and Design from Shaanxi University of Science & Technology* (陝西科技大學) in 1987, a master's degree in Economics from Nanjing University in 1997 and later obtained a degree of Master of Business Administration from Southeast University* (東南大學) in 2004. Mr. Guo has more than 30 years' experience in investments, entrepreneurship and investment management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Chi Keung ("**Mr. Lau**"), aged 69, Independent Non-executive Director. Mr. Lau has over 38 years of management experience in the real estate industry in the PRC and in Hong Kong. Mr. Lau obtained a higher diploma majoring in surveying/building technology issued by Hong Kong Technical College (currently known as Hong Kong Polytechnic University) in 1970. Mr. Lau was admitted fellow member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors respectively in 1987. Mr. Lau was appointed as a director of Henderson Investment Limited in 1995 and was appointed as a director of Henderson China Development Limited in 2005. Mr. Lau served in many social positions, including a member of the Construction Industry Training Authority, a member of the Administrative Appeals Board from 2003 to 2009 and an external examiner respectively of the Hong Kong University – B.Sc. (Hons) Degree in Surveying from 1998 to 2001 and of the Hong Kong Polytechnic University – B.Sc. (Hons) programme in Building Surveying from 2005 to 2007. Mr. Lau currently holds several social positions, including a member of the Disciplinary Panel of Hong Kong Institute of Surveyors, a member of the Appeal Tribunal Panel of Planning and Lands Branch, Development Bureau of Government Secretariat. Mr. Lau was awarded with "Justice of the Peace" issued by the Hong Kong government in 2001 and "Medal of Honour" issued by the Hong Kong government in 2005. Mr. Lau has been an independent non-executive director of Fullshare Holdings Limited (stock code: 607) since December 2013, a company listed on the Stock Exchange.

Mr. Yu Tat Chi, Michael ("**Mr. Yu**"), aged 53, Independent Non-executive Director. Mr. Yu holds a bachelor of commerce degree from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a founding member of The Hong Kong Independent Non-Executive Director Association. Mr. Yu has many years of experience in accounting, corporate finance and asset management. He had held senior management positions in listed companies in Hong Kong. Mr. Yu is an independent non-executive director of Golden Resources Development International Limited (sock code: 677) and EVOC Intelligent Technology Company Limited (stock code: 2308), both companies are listed in Hong Kong. Mr. Yu was also appointed as an independent non-executive director of China Netcom Technology Holdings Limited (a listed company in Hong Kong, stock code: 8071) on 31 August 2017 and Lerado Financial Group Company Limited (a listed company in Hong Kong stock code: 1225) on 6 February 2018.

Mr. Chiu Kit Man, Calvin ("**Mr. Chiu**"), aged 41, Independent Non-executive Director. Mr. Chiu holds a Bachelor of Business Administration degree from the Indiana University at Bloomington in the USA. He was selected as one of the Ten Outstanding Young Persons in 2011 and is now the vice chairman of The Outstanding Young Persons' Association. On social service front, he is the founder and chairman of The Against Elderly Abuse of Hong Kong, a government-recognised charitable organisation. Mr. Chiu was a senior sales manager with Synergy Group Holdings International Limited (stock code: 8105), a company listed in Hong Kong. He is currently a director of Sum Po International Company Limited, which is principally engaged in energy saving products and consultancy services. In 2016, he was appointed by the Hong Kong government as a member of The Advisory Committee on Built Heritage Conservation. Mr. Chiu is now a committee member of the Chinese People's Political Consultative Conference of Doumen District, Zhuhai City, vice chairman of Doumen Clan's Association, managing director of Sai Kung District Industries and Commerce Association Ltd., an executive committee member of VQ Foundation Limited and a member of the Youth Committee of New Territories General Chamber of Commerce.

* English name(s) of Companies are transliterations of Chinese name(s) and included for identification purposes only.

The Directors have the pleasure to present the annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The Group is principally engaged in (i) resort and property development; (ii) property investment and (iii) investment holding. Details of the principal activities of the principal subsidiaries are set out in note 29(a) to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 3 to 8 of this annual report. This discussion forms part of this directors' report.

RESULTS

The results of the Group for the year ended 30 June 2018 are set out in the consolidated statement of comprehensive income on page 35.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2018 (2017: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 94. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements. Details of the investment properties of the Group as at 30 June 2018 are set out on page 95.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 22 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 30 June 2018, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 29(b) to the consolidated financial statements and in the consolidated statement of changes in equity on pages 37 to 38, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2018, the Company had reserves (including capital reserve and accumulated losses) totalling approximately HK$131,569,000 (2017: HK$140,457,000) available for distribution to shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, purchases from the Group's five largest suppliers and the largest supplier were 93% and 75% arising from the resort and property development segment respectively. During the year, the aggregate revenue attributable to the five largest customers and the largest customer of the Group were 100% and 61% of the revenue arising from the property investment segment of the Group, respectively. The major customers are independent parties to the Company during the year.

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

DIRECTORS

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

EXECUTIVE DIRECTORS:

Mr. Yao Wei Rong *(Chairman) (appointed on 4 December 2017)*
Mr. Yuen Chi Ping *(Chief Executive Officer)*
Ms. Ng Kit Ling

NON-EXECUTIVE DIRECTOR:

Mr. Guo Shun Gen *(appointed on 4 December 2017)*
Mr. Wang Bo *((Chairman) resigned on 4 December 2017)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lau Chi Keung
Mr. Yu Tat Chi, Michael
Mr. Chiu Kit Man, Calvin

In accordance with Bye-laws 86(2) and 87(1) of the Company's Bye-Laws, Mr. Yao Wei Rong and Mr. Guo Shun Gen will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election.

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

PERMITTED INDEMNITY PROVISIONS

During the year ended 30 June 2018 and up to the date of this annual report, the Company has maintained directors' and officers' liability insurance coverage for the Directors and officers of the Company to provide protection against claims arising from lawful discharge of duties by the Directors and officers.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the directors' remuneration for the year ended 30 June 2018 are set out in note 11 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

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

1. Mr. Yu Tat Chi, Michael ("Mr. Yu") was appointed as an independent non-executive director of Lerado Financial Group Company Limited (a listed company in Hong Kong, stock code: 1225) on 6 February 2018.

2. Mr. Yuen Chi Ping ("Mr. Yuen") was appointed as an executive director, the vice-chairman of the board and the co-chief executive officer of LongiTech Smart Energy Holding Limited (a listed company in Hong Kong, stock code: 1281) since April 2018 and an independent non-executive director of Sun Cheong Creative Development Holdings Limited (the company will be listed on the Stock Exchange on 4 October 2018 with its stock code: 1781) since August 2018.

Except the above disclosures, there is no updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this Directors' Report and in note 28 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Ms. Ng Kit Ling	Beneficial owner	15,000	0.001%

Save as disclosed above, as at 30 June 2018, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 23 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2018, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

LONG POSITIONS IN THE SHARES OF THE COMPANY

	Number of ordinary shares		
Name of shareholder	Capacity and Nature of interest	Number of issued shares held	Approximate percentage of the Company's issued share capital of the Company
HK Ruihua	Beneficial owner	559,865,959	22.35%
Jiangsu Ruihua *(Note)*	Interest of controlled corporation	559,865,959	22.35%
Mr. Zhang Jianbin *(Note)*	Interest of controlled corporation	559,865,959	22.35%

Note: HK Ruihua is wholly owned by Jiangsu Ruihua, which is in turn owned by Mr. Zhang Jianbin as to 98.82%. Accordingly, each of Jiangsu Ruihua and Mr. Zhang Jianbin is deemed to be interested in 559,865,959 Shares, representing approximately 22.35% of the total issued share capital of the Company.

CONNECTED TRANSACTIONS

During the year, the Group has not entered into the material connected transactions and the Company had complied with the reporting, announcement and independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 28 to the consolidated financial statements and fall under the scope of connected transactions under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in note 23 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 30 June 2018 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 30 June 2018 have been audited by Mazars CPA Limited. A resolution will be proposed at the AGM to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board

Yao Wei Rong
Chairman

Hong Kong, 28 September 2018

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions ("Code Provisions") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 30 June 2018, save in respect of Code Provisions A.4.2. Details of the deviations with reasons are set out in the paragraphs below:

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by directors of the Company. Having made specific enquiries with the Directors, all the Directors have confirmed that they had complied with the required standards set out in the Model Code during the year ended 30 June 2018.

BOARD OF DIRECTORS

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

As at 30 June 2018, the date of this annual report, the Board comprises seven directors, three of which are Executive Directors, namely Mr. Yao Wei Rong, Mr. Yuen Chi Ping and Ms. Ng Kit Ling and a Non-executive Director, namely Mr. Guo Shun Gen and three are Independent Non-executive Directors, namely Mr. Lau Chi Keung, Mr. Yu Tat Chi, Michael and Mr. Chiu Kit Man, Calvin. The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "Biographies of Directors and Senior Management" on pages 9 to 10 of this annual report.

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

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

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

During the year ended 30 June 2018, 22 regular Board meetings and 1 general meeting were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board meetings	**General meetings**
Executive Directors		
Yao Wei Rong *(appointed on 4 December 2017)*	10/11	N.A.
Yuen Chi Ping	21/22	1/1
Ng Kit Ling	22/22	1/1
Non-executive Director		
Guo Shun Gen *(appointed on 4 December 2017)*	9/11	N.A.
Wang Bo *(resigned on 4 December 2017)*	7/10	0/1
Independent Non-executive Directors		
Lau Chi Keung	17/22	1/1
Yu Tat Chi, Michael	17/22	1/1
Chiu Kit Man, Calvin	17/22	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Managing Director/Chief Executive Officer is responsible for day-to-day management of the business of the Group, whilst the Chairman provides leadership for the Board to ensure that the Board acts diligently and in the best interests of the Group, and that meetings are planned and conducted effectively. The Chairman is also responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors. The Chairman also actively encourages the Directors to make full contributions and actively participate in the Board's affairs. It is also the responsibility of the Chairman to ensure that good corporate governance practices and procedures are established.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Remuneration Committee comprises three members, including two Independent Non-executive Directors, namely Mr. Lau Chi Keung and Mr. Chiu Kit Man, Calvin, and one Executive Director, namely Mr. Yao Wei Rong, who was appointed which was immediate after the resignation of Mr. Wang Bo on 4 December 2017. Mr. Lau Chi Keung is the Chairman of the Remuneration Committee.

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

The Remuneration Committee met 3 times during the year ended 30 June 2018 to review the remuneration of the directors. The attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Lau Chi Keung	3/3
Mr. Chiu Kit Man, Calvin	3/3
Mr. Yao Wei Rong *(appointed on 4 December 2017)*	2/2
Mr. Wang Bo *(resigned on 4 December 2017)*	0/1

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, including two Independent Nonexecutive Directors, namely Mr. Lau Chi Keung and Mr. Chiu Kit Man, Calvin, and one Executive Director, namely Mr. Yao Wei Rong, who was appointed, which was immediate after the resignation of Mr. Wang Bo on 4 December 2017. Mr. Yao Wei Rong is the Chairman of the Nomination Committee.

NOMINATION COMMITTEE *(continued)*

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

The Nomination Committee met once during the year ended 30 June 2018 to review the structure, size and composition of the Board; assess the independence of the Independent Non-executive Directors of the Company; review and make recommendations to the Board on the re-election of directors; and review and make recommendations to the Board on the appointment of a director. The attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Yao Wei Rong *(appointed on 4 December 2017)*	N.A.
Mr. Wang Bo *(resigned on 4 December 2017)*	0/1
Mr. Lau Chi Keung	1/1
Mr. Chiu Kit Man, Calvin	1/1

BOARD DIVERSITY POLICY

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

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

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

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

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

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

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 30 June 2018 is set out in the "Independent Auditor's Report" on pages 30 to 34 of this annual report.

For the year ended 30 June 2018, remuneration payable to the Company's auditor, Mazars CPA Limited, for the provision of audit services was HK$680,000. During the year, HK$100,000 was paid as remuneration to Mazars CPA Limited for the provision of audit related services including professional services for announcement of interim and final results.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yu Tat Chi, Michael, Mr. Lau Chi Keung and Mr. Chiu Kit Man, Calvin. Mr. Yu Tat Chi, Michael is the Chairman of the Audit Committee.

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

The Audit Committee met 2 times during the year ended 30 June 2018 and the attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Yu Tat Chi, Michael	2/2
Mr. Lau Chi Keung	2/2
Mr. Chiu Kit Man, Calvin	2/2

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

1. reviewed and discussed the audited financial statements of the Group for the year ended 30 June 2017 and recommended to the Board for approval;

2. reviewed and discussed the unaudited financial statements of the Group for the six months ended 31 December 2017 and recommended to the Board for approval;

3. reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;

4. reviewed the effectiveness of risk management and the internal control system of the Group; and

5. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for FY2018.

CORPORATE GOVERNANCE FUNCTIONS

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

1. to develop and review the Group's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and

5. to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT STRUCTURE

Board of directors

The Board oversees the risk management and internal control systems, determines the nature and extent of the risks the Group is willing to accept in achieving the Group's strategic objectives. The Board assesses, evaluates and on-going monitors the Group's risk management and internal control systems to ensure it is appropriate and effective.

Audit Committee

Audit Committee assists the Board in overseeing the Group's Risk management and internal control systems by providing support and advice, including on-going monitoring of the execution of risk management processes, reviewing the Group's risk register, reviewing and approving the internal control review plan and results.

Management

The management is responsible for identifying and monitoring the risks from the daily operations of the Group. The management reports to the Board and Audit Committee on the risks identified including strategic, operational, financial, reporting and compliance risks and its changes. The management is also responsible for developing appropriate internal control measures to mitigate the risk, identify and resolve material internal control defects.

Independent internal control consultant and auditors

During the reporting period, the Group had outsourced its internal audit function to an independent internal control consultant (the "IC consultant"). The IC consultant adopts a risk-based approach to establish an internal control review plan and submits for the Audit Committee's approval. The IC consultant report directly to the Audit Committee on all internal audit matters. The Audit Committee is, therefore, able to monitor the internal control deficiencies and remediation of the internal control deficiencies effectively. The Auditor is also able to communicate to the Audit Committee directly the internal control issues they noticed during their audit.

RISK MANAGEMENT PROCESS

The Group's risk management process is embedded into its day-to-day operation. Through regular discussion with each operating function, the Group strengthen the understanding of risk management to all employees such that they could report various risks they identified to the management in a timely manner. Management communicates with each operating function to identify, assess, respond and monitor significant risks and their changes.

Significant risk factors are collected from bottom to top, including strategic, operational, financial, reporting and compliance risks. After identifying all relevant risks, management assesses the potential impact and possibilities of the risks and prioritize the risks, develops appropriate internal control measures to mitigate the risks identified and monitor the changes of risks in an on-going manner.

MAIN FEATURES OF OUR RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Maintain an effective internal control system at the operational level

- Establish clear internal control policies and procedures, clearly define the responsibilities, authorities and accountabilities of each key positions;

- Establish a code of conduct, explain the Group's requirements on integrity and ethical value to all staffs;

- Establish a whistle-blowing mechanism, encourage employees to report incidents of misconduct or fraud;

- Establish an appropriate level of information technology assess rights, avoid leakage of price sensitive information;

- Establish insider information disclosure policy, including reporting channel and responsible person of disclosure, unified response to external enquiries and obtain advice from professionals or the Stock Exchange of Hong Kong Limited, if necessary.

During the reporting period, the Board has reviewed the effectiveness of internal control policies and procedures, including those related to financial reporting and Listing Rule compliance. The Board has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions during the evaluation the effectiveness of the review the effectiveness of risk management and internal control systems.

On-going risk monitoring at risk management level

The management communicates with each operating function, collect significant risk factors that affect the Group from bottle to top, the management assesses the potential impact and possibilities of the risks and develops appropriate internal control measures to mitigate the risks identified, and submitted a risk-based internal control review plan, to enable the Board and Audit Committee effectively monitor and mitigate the major risks of the Group.

Independent review

The Group has appointed the IC consultant to conduct an internal control review[1] during the reporting period, and the review covered the period from 1 July 2017 to 30 June 2018. An internal control review report has been provided to the Audit Committee.

The management has established remediation and improvement plan for internal control weaknesses identified. Nothing has come to the Audit Committee's or Board's attention to believe that risk management and internal monitor control systems of the Group are inadequate or ineffective.

---

1 The internal control review performed by the IC consultant do not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Applied Development Holdings Limited (the "Company" or "Applied Development") and its subsidiaries (together referred as the "Group" or "We") are please to present its second Environmental, Social and Governance ("ESG") Report (the "Report") with an objective to outline our strategies, objective, achievement and performance regarding our sustainability development. This Report covers the period from 1 July 2017 to 30 June 2018 (the "Reporting Period"), and explained how the Company comply with the disclosure requirements of ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities published by Hong Kong Exchanges and Clearing Limited (the "ESG Guide") during the Reporting Period.

REPORTING BOUNDARY

This Report focuses on the operation of our head office and our property investment business in Hong Kong. We seek every opportunity to improve our internal data collection procedure and expand our reporting scope in the near future.

This Report highlighted our sustainability efforts in environmental and social aspects including emission, use of resources, natural resources, employment, health and safety, development and training, labor standards, supply chain management, product responsibility, anti-corruption and community investment. For details of our corporate governance, please refer to the Corporate Governance Report.

We welcome any feedback and opinions with regards to this Report and our sustainability performances. Please send us your comments to info@applieddev.com.

STAKEHOLDERS ENGAGEMENT

Stakeholders are key drivers in our sustainable development. Our report focus on a variety of ESG topics that are important to both our business and stakeholders, we communicate with our stakeholders and collect their view and opinions to form a base of our report so that we provide our stakeholders clear information about our approach and performance in sustainability development.

Stakeholders		Communication Channels
Customers	–	Daily operations
	–	Company website
	–	Emails
	–	Meetings & phone conference
	–	Customer service
	–	Customer satisfaction survey
Employees	–	Regular meetings
	–	Trainings and seminars
	–	Appraisals
	–	Team activities
Suppliers and business Partners	–	Emails
	–	Meetings & phone conference
	–	Site visit
	–	Product/Service feedback

Stakeholders	Communication Channels
Shareholders and Investors	– Annual and interim reports – Announcements and press conference
Government and Regulatory Bodies	– Letters – Documents/returns submitted – Inquiries
General public and community	– Company website – Community activities

APPLIED DEVELOPMENT'S APPROACH TO SUSTAINABILITY DEVELOPMENT

We value our planet and people living on it, we pay attention to sustainability and prepare to fight against global climate change. We integrate our ESG principles into our daily operations and seek for opportunities to further enhance our performance in environmental protection, reduce the resource consumption, reduce and properly handle our waste production and give care to our staff and community.

ENVIRONMENTAL SUSTAINABLE DEVELOPMENT

We attach great importance to environmental protection and we commit to reducing our impact on the environment during our operation. We have analysed our business flow and established different policies and actions to help us contribute to the sustainability of our precious environment.

EMISSIONS

Our operation is office based and therefore our major source of carbon emissions comes indirectly from the use of electricity and business travelling. We also generate general waste from office operation, such as paper usage and replacement of old computers. Reducing indirect greenhouse gases emission and office waste are our main objectives in promoting environmental sustainability. We launched a serial of activities to encourage recycling and use of electronic communications.

Encourage public transportation

The air pollution at the roadside in Hong Kong has been increasing over the years, usage of mobile vehicles, especially diesel vehicle, is the primary source of air emission in Hong Kong. To reduce the usage of diesel vehicles, we encourage our staff to use more public transportation instead of driving to the office, our headquarters in Hong Kong have no mobile vehicle so that our air emission could be reduced to a minimum level.

NO_x emission: 0 kg (NO_x = Nitrogen Oxides)	SO_x emission: 0 kg (SO_x = Sulfur Oxides)	PM emission: 0 kg (PM = Particulate Matter)

Less-paper-office campaign

Paper waste is traditionally a major source of solid waste generated in office environments, we promote "less paper office" and encourage our employees to reduce the paper usage by using electronic document. We introduced a duplex printing policy that duplex printing is our default printing option, we requested that both sides of the paper should be used unless it is not appropriate. We also put washable mugs and glasses in the pantry to replace the paper cup.

1.1 tonnes Non-hazardous waste produced	4.68 kg per m^2 non-hazardous waste produced intensity

Note: The amount of non-hazardous waste produced is calculated by estimating the waste produced per day.

3Rs principle

We advocate the principle of 3Rs (Reduce, Reuse & Recycle) in our office so as to reduce the amount of solid waste[1]. Old computers and electronic machines in our office will also be donated to charity organizations after all data and information have been safely wiped by our IT technician.

0 tonnes Hazardous waste produced	0 kg per m^2 Hazardous waste produced intensity

Low carbon office

Electricity usage and air-travelling is the major source of our carbon emission. We manage carbon emissions by reducing energy consumption. We remind staff to turn off unnecessary light and air-conditioning systems, choose to use energy-saving light and air-conditioner and set it into a proper temperature. We also try our best to communicate using electronic media to reduce air travelling through phone conferences and video conferences.

GHG emission in total (scope 1 and scope 2)	12.98 tonnes of CO_2 equivalent
GHG emission in total (scope 1)	0 tonnes of CO_2 equivalent
GHG emission in total (scope 2)	12.98 tonnes of CO_2 equivalent
GHG emission intensity (scope 1 and scope 2)	0.06 tonnes of CO_2 equivalent per m^2

Comply with emission related laws and regulations

During the Reporting Period, we fully complied with all laws and regulations regarding emission and did not receive any emission related complaint.

USE OF RESOURCES[2, 3]

We use electricity to provide lighting and air conditioning for our daily operation. Adequate, reasonable and efficient use of energy resources is the major principals towards resource usage.

Energy consumption	
– Purchased electricity	16,436 kWh
Energy consumption in intensity	69.82 kWh per m^2

We adopt and promote energy conservation policies to maximize our energy efficiency, for example, we set out air-conditioning at an optimal level, select energy-efficient equipment and increase the energy saving awareness to our staff.

Optimal air conditioning

We take several actions to optimize our use of air-conditioners, including setting our air-conditioning at optimal 25 degree Celsius, adjusting the vents to a proper angle instead of increasing the power and cleaning the filter regularly to reduce dusty or dirty which makes our conditioner less efficient.

---

1 The data of waste recycled have not yet been collected during the Reporting Period, we will consider to include it in our report in future.

2 Our headquarter operated in leased office premises of which water supply was solely controlled by the building management which did not provide water consumption data for individual occupant. Hence, we are unable to disclose relevant data.

3 The operation of our group does not involve any packaging materials.

THE ENVIRONMENT AND NATURAL RESOURCES

Energy saving awareness

Education plays an important role in environmental sustainability. we encourage our employees to switch off the lighting and air-conditioning systems in the areas of the workplace that are not being used and to switch off the computers, printers and other office equipment at the end of the daily work in developing energy-saving habits among our employees. We organize training and warm reminders to bring up our staff's awareness towards environmental protection, including our environmental protection policies, collect staff's opinions to enable on-going improvement and integrate our sustainability vision to their daily life.

SOCIAL SUSTAINABLE DEVELOPMENT

EMPLOYMENT AND LABOUR PRACTICES

Employees are our valuable assets, they support and help in accomplishing our corporate missions and strategies. We strive to attract, retain and develop talented people, and treat our employees as family members. We respect them and ensures their rights are protected.

EMPLOYMENT

Comply with labor laws and regulations

We strictly adhere to the relevant laws and regulations regarding employment and labour practices, including but not limited to Employment Ordinance, Employees' Compensation Ordinance, Minimum Wage Ordinance and Mandatory Provident Fund Scheme Ordinance in Hong Kong. We strictly abide by all relevant labor laws and regulations and did not receive any complaint during the Reporting Period.

Employees' rights and benefits

We provide comprehensive remuneration package and benefits (include but not limited to mandatory provident fund, annual leave, travel and meal allowance), and review regularly to ensure it is competitive to the market. We also review their performance regularly to make sure they are fairly paid according to their performance. We foster open and effective communication, we try our best to retain talent and look for improvement opportunity. We also promote work-life balance by implementing five-day work week and discouraging overtime work, we also allow staff to leave early on festival days to let them spend more time with their family.

Keen communication

In addition to comprehensive remuneration packages and benefits, we communicate and listen to how they think, what they want and how they want us to support them. We work out solutions together and fight side by side.

Every great team have their way to enforce their team spirit and sense of belonging, we give our people time out by organizing tea or lunch gathering, allowing them to relax and talk freely, share the interesting things in their life and experience with other colleagues.

Equal opportunities

Equality in the workplace is vital, we provide recruitment and promotion opportunity to everyone fairly regardless of their ethnicity, gender, creed, religion, age, disability and sexual preference. We only consider their work performance, competency, experience and qualifications during recruitment and promotion processes. All forms of workplace discrimination and harassment are straightly prohibited, we take serious disciplinary actions and report to police or relevant regulatory bodies if any workplace discrimination or harassment were found.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety are always listed as our top priorities. We make our best endeavors to provide a healthy and safe work environment in order to protect our employees from occupational hazards. We maintain a hygienic workplace, adequate ventilation and proper lighting to reduce visual strain and discomfort. We also educate our staff on fire safety and perform fire drill periodically.

We strictly adhere to Occupational Safety and Health Ordinance and other regulations related to occupational health and safety. During the Reporting Period, We also did not receive any reports on work-related injuries or causalities and are not aware of any non-compliance related to occupational health and safety.

DEVELOPMENT AND TRAINING

We support our employees in training and professional development, we provide internal and external training to enhance their skills and knowledge, including orientation training, on-job training and regular briefing section, to make sure they are well equipped for accomplishing their tasks. We also encourage our staff to participate in a wide range of training programs to pursue continuous learning.

LABOUR STANDARDS

Prevent child and forced labor

We comply with all relevant laws and regulations regarding prevention of child and forced labor. Our recruitment process includes identification and background checking so as to avoid the use of child and forced labor. We do not tolerate any violation to labor's right and refuse to use any child labor and forced labor, we expect the same to our suppliers.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

We emphasize the selection of suppliers and maintains an approved list of the suppliers. In addition to assessing our suppliers' product/service quality and price, we consider their environmental and social practices, including but not limited to their business integrity, the way they treat their employees, compliance to the prevention of child and forced labor, as well as their measures in environmental protection. We expect our suppliers could act responsibly and align with our sustainability values.

We conduct regular supplier performance review to monitor their performance. If the assessment result is unsatisfactory, we will demand for rectification and follow up their remediation status. We will only place new orders to them after our assessment result become satisfactory.

Green procurement

We give higher priority to environmental friendly products. Products with greater energy efficiency, higher recycle content, less packaging and longer durability features will be taken into account during our procurement process. We would try to avoid to purchase single-use disposable items when possible. We believe our practice could, in a long run, reduce our energy cost that could benefit to both the environment and our Group.

Supplier code of conduct

We favour suppliers who share the Group's commitment to honesty and integrity. We have zero tolerance for any kind of bribery and corruption. We will report to relevant regulatory bodies such as police or ICAC if we notice any acts of bribery and corruption. We also require our staff and directors to actively declare if they have any conflict of interest with our suppliers.

PRODUCT RESPONSIBILITY

We have established complaint handling channel and appointed responsible staff to ensure quick handling of complaints and enquiries. We also handle sensitive customer information with extra care to prevent leakage of information. Customer's privacy data and information are accessible by our authorized staff only. We continue to enhance our service in order to meet customers' expectation and build trust with them. During the Reporting Period, We did not receive any report for violation of laws and regulations related to our service quality or leakage of customer information.

ANTI-CORRUPTION

The Group upholds the principles of honesty and integrity by strictly observing the Prevention of Bribery Ordinance. We established Code of Conducts to our employees and have established whistle-blowing channel for reporting misconduct. Employees are required to follow the rules and guidance outlined in Internal Control Policy. They are required to decline any advantages offered when performing their duties and responsibilities and immediately report such situation to directors. We encourage employees to stay alert for preventing bribery, extortion, fraud, money laundering, etc. and how to report if they have noticed any misconducts. During the Reporting Period, we did not receive any report in relation to corruption, bribery, extortion, fraud and money laundering related to our employees and directors.

COMMUNITY INVESTMENT

We foster positive relationships with our communities and strives to integrate the corporate social responsibility into our business. We actively participate in different activities that could contribute to our society. During the reporting period, we have sponsored and supported the Youth Festival organized by the Hong Kong Young Chief Officers' Association. The Youth Festival organized different large sports activities, busking and TEDx. We hope our contribution can give more support to young people so that they can reward our society in the future.

INDEPENDENT AUDITOR'S REPORT

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

To the members of
Applied Development Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Applied Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 35 to 93, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 financial position of the Group as at 30 June 2018, and of its financial performance and 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the 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 judgement, were of most significance in our audit of the consolidated financial statements for the year ended 30 June 2018. 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 *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Refer to significant accounting policies in note 2 and the disclosure of investment properties in note 13 to the consolidated financial statements.* The Group's investment properties measured at fair value amounted to HK$530,000,000 as at 30 June 2018. The fair value was determined by the Group with reference to the valuations performed by an independent professional valuer engaged by the Group. We considered this matter to be a key audit matter because the valuation of investment properties involved significant judgements and estimates including the determination of valuation techniques and different inputs in the models.	Our audit procedures, among others, included: – evaluating the competence, capabilities and objectivity of the independent professional valuer; – discussing with the independent professional valuer to understand the valuation process and methodologies, the performance of the property market, significant assumptions adopted, critical judgements used in the valuation of investment properties; – assessing the reasonableness of the key assumptions adopted in the valuation; and – checking, if applicable, the accuracy and relevance of the key inputs adopted in the valuation of investment properties.
Recoverability of available-for-sale financial assets measured at cost less impairment loss *Refer to significant accounting policies in note 2 and the disclosure of available-for-sale financial assets in note 15 to the consolidated financial statements.* The Group recognised a shareholder's loan of HK$200,000,000 to Wealth Guide Global Limited, a company in which the Group has 20% equity interest, together with its equity interest therein, as available-for-sale financial assets measured at cost less impairment loss. We considered this matter to be a key audit matter because of its significance to the consolidated financial statements and the assessment of impairment loss requires the management's use of judgement and estimates.	Our audit procedures, among others, included: – obtaining an understanding of how assessment of impairment loss was conducted by the management; – assessing the appropriateness of the methodologies and critical judgements made by management leading to the conclusion of the recoverability assessment; and – evaluating the judgements made by management over the occurrence of the impairment event against the evidence available.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of properties under development ("PUD") *Refer to significant accounting policies in note 2 and the disclosure of properties under development in note 16 to the consolidated financial statements.*	
As at 30 June 2018, the Group's PUD amounted to approximately HK$820,929,000, representing 38% of the Group's total assets. The Group's PUD are stated at the lower of cost and net realisable value ("NRV"). We identified the assessment of whether the PUD were stated at the lower of cost and NRV as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the involvement of estimations in the assessment. The determination of the NRV involves estimates based on prevailing market conditions and also taking into account the estimated future costs to completion.	Our audit procedures, among others, included: – assessing the appropriateness of the determination of NRV of the PUD, on a sample basis, by comparing the NRV to market prices achieved in the same projects or comparable properties, based on the current market development trend, government and regulations in the real estate industry and our knowledge of the Group's business with reference to the valuation report prepared by the independent professional valuer; – obtaining and inspecting the valuation report prepared by the independent professional valuer engaged by the management and on which the management's assessment of the NRV of PUD and prepaid lease payments was based; – evaluating the competence, capabilities and objectivity of the independent professional valuer; – discussing with the independent professional valuer their valuation methodology and the key estimates and assumptions adopted in their valuation; and – assessing the management's process in estimating the future costs to completion for the PUD, on a sample basis, by comparing them to the actual development cost and comparing the adjustments made by the management in the future costs to completion to current market data.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2018 annual report of the Company other than 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. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- 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.

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 and 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 September 2018

The engagement director on the audit resulting in this independent auditor's report is:

Chan Wai Man
Practising Certificate number: P02487

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**3,743**	14,293
Other revenue	5	**4,310**	3,198
Other income	6	**57**	–
Net gain on disposal of financial assets at fair value through profit or loss		**3,660**	2,319
Net increase in fair value of financial assets at fair value through profit or loss		**9,596**	692
Net increase in fair value of investment properties	13	**27,000**	115,000
Net gain arising from the acquisition of a subsidiary		**–**	171,654
Net gain on disposal of an investment property	13	**4,556**	–
Selling expenses		**(4,389)**	–
Administrative expenses		**(23,648)**	(15,644)
Other operating expenses		**–**	(154)
Finance costs	8	**(16,089)**	(409)
Profit before taxation	9	**8,796**	290,949
Taxation	10	**1,842**	31
Profit for the year, attributable to equity holders of the Company		**10,638**	290,980
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
– Change in fair value of available-for-sale financial assets		**37**	(28)
– Exchange differences arising on translation of foreign operations		**3,944**	21
Other comprehensive income (loss) for the year, net of tax		**3,981**	(7)
Total comprehensive income for the year, attributable to equity holders of the Company		**14,619**	290,973
Earnings per share	12		
Basic		**0.44 HK cents**	13.94 HK cents
Diluted		**0.44 HK cents**	13.94 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	13	**530,000**	555,000
Property, plant and equipment	14	**126**	224
Available-for-sale financial assets	15	**200,185**	200,147
		730,311	755,371
Current assets			
Properties under development	16	**820,929**	756,037
Financial assets at fair value through profit or loss	17	**245,154**	50,692
Other receivables	18	**145,736**	52,975
Bank balances and cash	19	**243,793**	343,227
		1,455,612	1,202,931
Current liabilities			
Accounts and other payables	20	**228,114**	201,916
Interest-bearing borrowings	21	**414,491**	392,968
		642,605	594,884
Net current assets		**813,007**	608,047
Total assets less current liabilities		**1,543,318**	1,363,418
Capital and reserves			
Share capital	22	**25,051**	20,876
Reserves		**1,402,846**	1,226,270
Total equity		**1,427,897**	1,247,146
Non-current liabilities			
Deferred tax liabilities	24	**115,421**	116,272
		1,543,318	1,363,418

The consolidated financial statements on pages 35 to 93 were approved and authorised for issue by the Board of Directors on 28 September 2018 and signed on its behalf by:

Yuen Chi Ping
Executive Director

Ng Kit Ling
Executive Director

	Share capital HK$'000	Reserves: Share premium HK$'000 (Note i)	Investment revaluation reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000 (Note iii)	Capital reserve HK$'000 (Note iv)	Translation reserve HK$'000 (Note v)	Retained profits HK$'000	Total reserves HK$'000	Total HK$'000
At 1 July 2016	20,876	244,786	(396)	11,931	204,610	–	474,366	935,297	956,173
Profit for the year	–	–	–	–	–	–	290,980	290,980	290,980
Other comprehensive income (loss)									
Items that may be reclassified subsequently to profit or loss									
Change in fair value of available-for-sale financial assets	–	–	(28)	–	–	–	–	(28)	(28)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	21	–	21	21
Total other comprehensive income (loss)	–	–	(28)	–	–	21	–	(7)	(7)
Total comprehensive income (loss) for the year	–	–	(28)	–	–	21	290,980	290,973	290,973
At 30 June 2017	20,876	244,786	(424)	11,931	204,610	21	765,346	1,226,270	1,247,146

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

		Reserves							
	Share capital HK$'000	Share premium HK$'000 (Note i)	Investment revaluation reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000 (Note iii)	Capital reserve HK$'000 (Note iv)	Translation reserve HK$'000 (Note v)	Retained profits HK$'000	Total reserves HK$'000	Total HK$'000
At 1 July 2017	20,876	244,786	(424)	11,931	204,610	21	765,346	1,226,270	1,247,146
Profit for the year	–	–	–	–	–	–	10,638	10,638	10,638
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
Change in fair value of available-for-sale financial assets	–	–	37	–	–	–	–	37	37
Exchange differences arising on translation of foreign operations	–	–	–	–	–	3,944	–	3,944	3,944
Total other comprehensive income	–	–	37	–	–	3,944	–	3,981	3,981
Total comprehensive income for the year	–	–	37	–	–	3,944	10,638	14,619	14,619
Transactions with equity holders									
Contributions and distributions									
Issue of shares upon placing of shares (note 22)	4,175	161,957	–	–	–	–	–	161,957	166,132
At 30 June 2018	25,051	406,743	(387)	11,931	204,610	3,965	775,984	1,402,846	1,427,897

Notes:

(i) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value. The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(ii) Investment revaluation reserve comprises the accumulated gains and losses arising from the fair value change of available-for-sale financial assets that have been recognised in other comprehensive income (loss), net of the amounts reclassified to profit or loss when those financial assets are disposed of or are determined to be impaired.

(iii) Capital redemption reserve has been set up and is dealt with on repurchases and cancellations of the Company's own shares. The application of the capital redemption reserve is governed by Section 42A of the Companies Act 1981 of Bermuda (as amended).

(iv) Capital reserve represents contributed surplus arising from the cancellation of share premium account of the Company pursuant to a special resolution passed by the Company on 22 February 1999 and waivers of loans from the then minority shareholders of subsidiaries of the Company during the years ended 30 June 2006 and 2008.

(v) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**8,796**	290,949
Adjustments for:			
Depreciation of property, plant and equipment		**136**	21
Write-off of property, plant and equipment		**–**	70
Finance costs		**16,089**	409
Interest income		**(4,310)**	(3,198)
Net gain on disposal of financial assets at fair value through profit or loss		**(3,660)**	(2,319)
Net increase in fair value of financial assets at fair value through profit or loss		**(9,596)**	(692)
Net increase in fair value of investment properties	13	**(27,000)**	(115,000)
Net gain arising from the acquisition of a subsidiary		**–**	(171,654)
Net gain on disposal of an investment property	13	**(4,556)**	–
Loss on disposal of other assets		**–**	154
Interest income from financial assets at fair value through profit or loss		**(971)**	(2,560)
Foreign exchange losses		**–**	21
Dividend income from financial assets at fair value through profit or loss		**–**	(234)
Operating cash flows before changes in working capital		**(25,072)**	(4,033)
Changes in working capital:			
Properties under development		**(57,674)**	–
Other receivables		**(35,887)**	24,686
Accounts and other payables		**24,882**	367
Net cash (used in) generated from operations		**(93,751)**	21,020
Interest paid		**(17,142)**	–
Net cash (used in) from operating activities		**(110,893)**	21,020

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Interest received		**4,294**	6,326
Dividend received from financial assets at fair value through profit or loss		**–**	234
Purchase of financial assets at fair value through profit or loss		**(276,899)**	(126,133)
Purchase of property, plant and equipment		**(36)**	(15)
Net cash outflow on acquisition of a subsidiary		**–**	(269,048)
Net proceeds from disposal of an investment property	13	**56,556**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**96,570**	150,651
Provision of shareholder's loan to an affiliate company		**–**	(200,000)
Advance to other borrowers		**(288,250)**	(50,250)
Repayment from other borrowers		**231,500**	–
Proceeds from disposal of other assets		**–**	20
Net cash used in investing activities		**(176,265)**	(488,215)
FINANCING ACTIVITIES			
Net proceeds from issue of shares upon placing of shares	22	**166,132**	–
New bank borrowing raised	25	**348,000**	388,000
New other borrowings raised	25	**109,830**	–
Repayment of bank borrowing	25	**(388,000)**	–
Repayment of other borrowings	25	**(48,350)**	–
Net cash from financing activities		**187,612**	388,000
Net decrease in cash and cash equivalents		**(99,546)**	(79,195)
Cash and cash equivalents at the beginning of the reporting period		**343,227**	422,422
Effect on exchange rate changes		**112**	–
Cash and cash equivalents at the end of the reporting period		**243,793**	343,227
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand		**56,152**	317,953
Short-term time deposits		**187,641**	25,274
		243,793	343,227

1. GENERAL

Applied Development Holdings Limited (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"). The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

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

The Company acts as an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in resort and property development, property investment and investment holding. The activities of the principal subsidiaries of the Company are set out in note 29(a) to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

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

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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

ADOPTION OF NEW/REVISED HKFRSs

Amendments to HKAS 7: Disclosure Initiative

The amendments require entities 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.

The adoption of the amendments results in additional disclosures in note 25 to the consolidated financial statements. In accordance with the transitional provisions therein, the comparative information is not presented in the first year of adoption.

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments did not have any significant impact on the consolidated financial statements for the current reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW/REVISED HKFRSs *(continued)*

Annual Improvements 2014-2016 Cycle: HKFRS 12 – Clarification of the Scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

The adoption of the amendments did not have any significant impact on the consolidated financial statements for the current reporting period.

A summary of the principal accounting policies adopted by the Group is set out below.

BASIS OF MEASUREMENT

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

BASIS OF CONSOLIDATION

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

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

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

Allocation of total comprehensive income

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION *(continued)*

Changes in ownership interest

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

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

SUBSIDIARIES

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

In the Company's statement of financial position which is presented in note 29 to the consolidated financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes and HKAS 19 Employee Benefits* respectively;

– Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

– Assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire (if applicable), and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if applicable) and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS *(continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

INVESTMENT PROPERTIES

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual value, using the straight-line method at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately.

Leasehold improvements	20%
Furniture, fixtures and equipment	10% to 25%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

PROPERTIES UNDER DEVELOPMENT

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion. Development cost attributable to properties under development comprises mainly construction costs, cost of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

FINANCIAL INSTRUMENTS

Recognition and derecognition

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Recognition and derecognition *(continued)*

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

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

Classification and measurement

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

1) *Financial assets at fair value through profit or loss*

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

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

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

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

2) *Loans and receivables*

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Classification and measurement *(continued)*

3) *Available-for-sale financial assets*

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

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

4) *Financial liabilities*

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

5) *Equity instruments*

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

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss by using the discounted cash flow, interest income (i.e. the discount unwinding) is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets *(continued)*

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

IMPAIRMENT OF OTHER ASSETS

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

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

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

REVENUE RECOGNITION

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION *(continued)*

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised immediately. Deposits and instalments received on the properties sold prior to the date of revenue recognition are included in the "Deposits received and receipt in advance" under current liabilities.

LEASES

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

As lessor

Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

FOREIGN CURRENCY TRANSLATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCY TRANSLATION *(continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

– Assets and liabilities for each statement of financial position presented and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period.

– Income and expenses for each statement of comprehensive income are translated at average exchange rate.

– All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

– On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

– On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

– On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

EMPLOYEE BENEFITS

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

RETIREMENT BENEFIT SCHEME

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

Details of the retirement benefit scheme are set out in note 30 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees of the Group

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

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

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

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

BORROWINGS COSTS

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

TAXATION

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CASH EQUIVALENTS

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

RELATED PARTIES

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

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

SEGMENT REPORTING

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key sources of estimation uncertainty

Valuation of investment properties

The Group's investment properties are stated at fair value based on the valuation carried out by an independent professional valuer on an open market basis by the direct comparison approach assuming sale with the benefit of vacant possession or by making reference to comparable sale evidence as available in the relevant market.

In determining the fair value of investment properties, the valuer has based on a method of valuation which involves, inter alia, sales price of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions as at the end of each reporting period. Particulars of the investment properties of the Group are set out in note 13 to the consolidated financial statements.

Impairment of loans and receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of investments and receivables

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

Estimation of net realisable value of properties under development

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices and internal estimates such as future selling prices and costs to completion of the properties. The Group also engaged an independent professional valuer to assess the net realisable value of the properties under development. Particulars of the properties under development of the Group are set out in note 16 to the consolidated financial statements.

FUTURE CHANGES IN HKFRSs

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

Annual Improvements to HKFRSs	2014–2016 Cycle: HKFRS 1 and HKAS 28[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Annual Improvements to HKFRSs	2015–2017 Cycle[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKAS 19	Employee benefits[2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The effective date to be determined

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FUTURE CHANGES IN HKFRSs *(continued)*

Except for HKFRS 9, HKFRS 15 and HKFRS 16 as set out below, the directors of the Company do not anticipate that the application of these new standards and amendments will have any material impact on the Group's consolidated financial statements in the future.

HKFRS 9 Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 *Financial instruments: Recognition and Measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity. The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard:

Investments currently classified as available-for-sale financial assets

There will be no change to the classification for debt investments which satisfy the conditions for classification as financial assets at fair value through other comprehensive income ("FVOCI"). Debt investments which satisfy the conditions for classification as financial assets at amortised cost will have to be reclassified to financial assets at amortised cost.

Equity investments and other debt investments will have to be reclassified to financial assets at fair value through profit or loss ("FVTPL"), unless the equity investments are eligible for and designated at FVOCI. Related fair value change will have to be transferred from the investment revaluation reserve to retained profits upon application. The Group may make an irrevocable election to designate equity investments that are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies as financial assets at FVOCI at the date of application. Fair value gains or losses realised on the disposal of financial assets, which are designated as FVOCI, will no longer be transferred to profit or loss on disposal, but instead reclassified directly from the FVOCI reserve to retained profits.

Investments currently classified as FVTPL

The debt and equity investments will continue to be measured on the same basis under HKFRS 9.

Financial liabilities

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FUTURE CHANGES IN HKFRSs *(continued)*

HKFRS 9 Financial Instruments *(continued)*

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, financial assets at FVOCI, revenue from contracts with customers, loans receivables, lease receivables, loan commitments and certain financial guarantee contracts. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses and will need to perform a more detailed analysis to determine the impact on the consolidated financial statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 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, HKAS 11 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 new 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. The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the future reporting periods.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FUTURE CHANGES IN HKFRSs *(continued)*

HKFRS 16 Leases

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise right-of-use and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carry forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

Based on the preliminary assessment, the directors of the Company are of the opinion that the properties leased by the Group, which are currently classified as operating leases under HKAS17, will not have a significant impact on the future financial position, financial performance and cash flows of the Group upon adoption.

3. FINANCIAL INSTRUMENTS

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk

Currency risk

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

3. FINANCIAL INSTRUMENTS *(continued)*

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk *(continued)*

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured bank borrowings with floating interest rates as at the end of the reporting period. The interest rates and terms of repayment have been disclosed in note 21 to the consolidated financial statements. The Group currently does not have a policy to hedge against the interest rate risk as the management does not expect any significant interest rate risk as at the end of the reporting period.

At the end of the reporting period, if interest rates had been 100 basis points *(2017: 100 basis points)* higher/lower and all other variables were held constant, the Group's net profit would decrease/increase by approximately HK$2,906,000 *(2017: approximately HK$3,880,000)*, but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the secured bank borrowings in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

Price risk

The Group is exposed to price risks principally arising from the unlisted investment funds held under financial assets at FVTPL in the consolidated financial statements.

The sensitivity analysis has been determined based on the exposure to price risk. At the end of the reporting period, if the market price had been 5% *(2017: 5%)* higher/lower while all other variables were held constant, the Group's net profit would increase/decrease by approximately HK$8,346,000 *(2017: approximately HK$2,535,000)* due to change in the fair value of investments held under financial assets at FVTPL.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to bank balances, available-for-sale financial assets measured at costs, financial assets at FVTPL and loans receivables included in other receivables.

The management considers the credit risk in respect of bank balances and financial assets at FVTPL is minimal because the counter-parties are authorised financial institutions in Hong Kong and the People's Republic of China (the "PRC") with low default risks.

In respect of loans to other borrowers, individual credit evaluations are performed taking into account of the counterparties' repayment ability. Monitoring procedures are in place on an ongoing basis in order to reduce credit risk.

3. FINANCIAL INSTRUMENTS *(continued)*

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Credit quality analysis for provision of financial service

The Group regards a loan receivable as impaired if there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

A loan receivable that has been renegotiated due to a deterioration in the borrower's credit/financial condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Management monitors the credit risk on an ongoing basis. The Group provides financial services only to creditworthy third parties. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. The default risk of the industry in which corporate borrowers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group had a concentration of credit risk as 100% *(2017: 100%)* of the total loans receivables were due from the Group's two *(2017: one)* borrower(s).

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through facilities available from bank and other borrowers. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

3. FINANCIAL INSTRUMENTS *(continued)*

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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

	2018		
	Total carrying value HK$'000	**Total contractual undiscounted cash flow HK$'000**	**On demand or less than 1 year HK$'000**
Accounts and other payables	**137,315**	**137,315**	**137,315**
Interest-bearing borrowings	**414,491**	**429,250**	**429,250**
	551,806	**566,565**	**566,565**

	2017		
	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or less than 1 year HK$'000
Accounts and other payables	201,916	201,916	201,916
Interest-bearing borrowings	392,968	393,767	393,767
	594,884	595,683	595,683

3. FINANCIAL INSTRUMENTS *(continued)*

(b) CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements

The following table presents the carrying value of financial instruments measured at fair value at 30 June 2018 and 2017 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

(i) *Financial assets measured at fair value*

	At 30 June 2018			
	Total HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Financial assets at fair value through profit or loss:				
Debt instruments listed in Hong Kong	**37,454**	**37,454**	**–**	**–**
Debt instruments listed overseas	**7,797**	**7,797**	**–**	**–**
Unlisted investment funds	**199,903**	**–**	**199,903**	**–**
	245,154	**45,251**	**199,903**	**–**
Available-for-sale financial assets:				
Equity investments listed in Hong Kong	**185**	**185**	**–**	**–**

	At 30 June 2017			
	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets at fair value through profit or loss:				
Unlisted investment funds	50,692	–	50,692	–
Available-for-sale financial assets:				
Equity investments listed in Hong Kong	147	147	–	–

During the years ended 30 June 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

3. FINANCIAL INSTRUMENTS *(continued)*

(b) CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

***Fair value measurements** (continued)*

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

The carrying amounts of the financial assets and liabilities of the Group carried at amounts other than their fair values are not materially different from their fair values as at 30 June 2018 and 2017.

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

	2018	2017
	HK$'000	HK$'000
Loans and receivables measured at cost/amortised cost:		
Other receivables (excluding prepayments)	**138,670**	51,718
Bank balances and cash	**243,793**	343,227
	382,463	394,945
Available-for-sale financial assets:		
Unlisted shares, at cost	**–**	–
Loan to an affiliate company, at cost	**200,000**	200,000
	200,000	200,000
Financial liabilities measured at cost/amortised cost:		
Accounts and other payables (excluding deposits received and receipt in advance)	**137,315**	201,916
Interest-bearing borrowings	**414,491**	392,968
	551,806	594,884

4. CAPITAL MANAGEMENT

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 30 June 2018 and 2017.

5. REVENUE

	2018 **HK$'000**	2017 HK$'000
Revenue		
Gross rental income from investment properties	**2,772**	11,499
Interest income from financial assets at fair value through profit or loss	**971**	2,560
Dividend income from financial assets at fair value through profit or loss	**–**	234
	3,743	14,293
Other revenue		
Bank interest income	**1,353**	1,458
Loan interest income	**2,957**	1,740
	4,310	3,198
	8,053	17,491

6. OTHER INCOME

	2018 **HK$'000**	2017 HK$'000
Sundry income	**57**	–

7. SEGMENT INFORMATION

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision maker, who are the directors of the Company, for the purposes of allocating resources to segments and assessing their performance. The directors of the Company consider resort and property development, property investment and investment holding are the Group's major operating segments. No revenue has been earned by the resort and property development segment as the properties under development was not yet completed. The property investment segment includes mainly commercial properties that are held for capital appreciation or to earn rental income. The investment holding segment includes holding of unlisted investment funds, equity securities and debt instruments and other assets. No operating segments have been aggregated.

Segment revenue and results for the year ended 30 June 2018 are presented below:

	Resort and property development HK$'000	Property investment HK$'000	Investment holding HK$'000	Total HK$'000
Revenue	–	2,772	971	3,743
Other revenue and income	97	–	9	106
	97	2,772	980	3,849
Results				
Segment results	(12,992)	32,292	13,910	33,210
Unallocated corporate income				4,261
Unallocated corporate expenses				(12,586)
Finance costs				(16,089)
Profit before taxation				8,796
Taxation				1,842
Profit for the year				10,638

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2018 and other segment information for the year ended 30 June 2018 are presented below:

	Resort and property development HK$'000	Property investment HK$'000	Investment holding HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Assets	853,121	530,725	445,349	1,829,195	356,728	2,185,923
Liabilities	408,583	348,766	499	757,848	178	758,026
Other segment information:						
Additions to property, plant and equipment	36	–	–	36	–	36
Depreciation of property, plant and equipment	122	–	14	136	–	136
Net increase in fair value of financial assets at fair value through profit or loss	–	–	9,596	9,596	–	9,596
Net gain on disposal of financial assets at fair value through profit or loss	–	–	3,660	3,660	–	3,660
Net increase in fair value of investment properties	–	27,000	–	27,000	–	27,000
Net gain on disposal of an investment property	–	4,556	–	4,556	–	4,556

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results for the year ended 30 June 2017 are presented below:

	Resort and property development HK$'000	Property investment HK$'000	Investment holding HK$'000	Total HK$'000
Revenue	–	11,499	2,794	14,293
Other revenue and income	–	–	272	272
	–	11,499	3,066	14,565
Results				
Segment results	(1,683)	126,077	5,178	129,572
Unallocated corporate income				2,926
Unallocated corporate expenses				(12,794)
Net gain arising from the acquisition of a subsidiary	171,654			171,654
Finance costs				(409)
Profit before taxation				290,949
Taxation				31
Profit for the year				290,980

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2017 and other segment information for the year ended 30 June 2017 are presented below:

	Resort and property development HK$'000	Property investment HK$'000	Investment holding HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Assets	770,738	556,363	250,866	1,577,967	380,335	1,958,302
Liabilities	317,151	4,946	1,027	323,124	388,032	711,156
Other segment information:						
Additions to property, plant and equipment	–	–	15	15	–	15
Depreciation of property, plant and equipment	–	–	21	21	–	21
Write-off of property, plant and equipment	–	–	70	70	–	70
Loss on disposal of other assets	–	–	154	154	–	154
Net gain arising from the acquisition of a subsidiary	171,654	–	–	171,654	–	171,654
Net increase in fair value of financial assets at fair value through profit or loss	–	–	692	692	–	692
Net gain on disposal of financial assets at fair value through profit or loss	–	–	2,319	2,319	–	2,319
Net increase in fair value of investment properties	–	115,000	–	115,000	–	115,000

There was no revenue generated from inter-segment transactions for both years. Revenue from the property investment segment reported above represents rental income earned from external customers. Segment results represent profit or loss attributable to each segment without allocation of corporate income, central administration costs, net gain arising from the acquisition of a subsidiary, finance costs and income tax credit. Total assets and liabilities represent all assets and liabilities under each segment together with unallocated corporate assets and liabilities other than those that have been eliminated in consolidation.

7. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group's operations are principally located in Hong Kong, Singapore and the PRC other than Hong Kong.

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

	Revenue by geographical market	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**3,629**	12,967
Singapore	**114**	1,326
	3,743	14,293

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

	Carrying amounts of non-current assets	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**530,010**	555,024
The PRC	**116**	200
	530,126	555,224

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

7. SEGMENT INFORMATION *(continued)*

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from two external customers *(2017: two)* individually contributing 10% or more of the revenue from the Group's property investment segment is as follows:

	2018 HK$'000	2017 HK$'000
Customer A	**1,678**	10,068
Customer B	**1,094**	1,431

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on bank and other borrowings	**16,733**	409
Less: Interest capitalised into properties under development	**(644)**	–
	16,089	409

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	2018 HK$'000	2017 HK$'000
Staff costs, including directors' emoluments		
Salaries and other benefits	**6,881**	5,537
Retirement benefit scheme contributions	**448**	76
Total staff costs	**7,329**	5,613
Other operating expenses		
Loss on disposal of other assets	**–**	154
Other items		
Auditor's remuneration	**700**	530
Depreciation of property, plant and equipment	**136**	21
Direct operating expenses relating to investment properties that generated rental income	**–**	11
Direct operating expenses relating to investment properties that did not generate rental income	**1,201**	4
Exchange loss (gain), net	**629**	(100)
Legal and professional fees	**4,181**	5,620
Operating lease payments on premises	**1,952**	2,059
Write-off of property, plant and equipment	**–**	70

10. TAXATION

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the years ended 30 June 2018 and 2017 are wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation arising in the PRC, if applicable, is calculated at the rates based on existing legislation, interpretations and practices in respect thereof.

The tax credit comprises:

	2018 **HK$'000**	2017 HK$'000
Current tax	**–**	–
Deferred taxation		
Recognition of tax losses (note 24)	**(1,842)**	(31)
Total tax credit for the year	**(1,842)**	(31)

Reconciliation of taxation

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**8,796**	290,949
Income tax at application tax rate	**347**	48,007
Tax effect of expenses not deductible in determining taxable profit	**4,434**	465
Tax effect of income not taxable in determining taxable profit	**(7,919)**	(47,309)
Unrecognised tax losses	**1,725**	129
Unrecognised temporary differences	**–**	10
Utilisation of previously unrecognised tax losses	**(316)**	(1,677)
Utilisation of unrecognised temporary differences	**227**	–
Others	**(340)**	344
Tax credit for the year	**(1,842)**	(31)

The applicable tax rate is the weighted average of rate prevailing in the territories in which the group entities operate.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

For the years ended 30 June 2018 and 2017, the emoluments paid or payable to each of the eight *(2017: eleven)* directors were as follows:

	Wang Bo HK$'000 (Note i & ii)	Yuen Chi Ping HK$'000 (Note i)	Ng Kit Ling HK$'000	Yao Weirong HK$'000 (Note ii)	Tsao Hoi Ho HK$'000 (Note i)	Guo Shungen HK$'000 (Note ii)	Lau Chi Keung HK$'000 (Note i)	Yu Tat Chi, Michael HK$'000 (Note i)	Chiu Kit Man, Calvin HK$'000 (Note i)	Su Ru Jia HK$'000 (Note i)	Chan Ming Fai HK$'000 (Note i)	Lo Yun Tai HK$'000 (Note i)	Total HK$'000
Year ended 30 June 2018													
Fees	**205**	**240**	**240**	**138**	**–**	**138**	**240**	**240**	**240**	**–**	**–**	**–**	**1,681**
Other emoluments													
Salaries and other benefits	**–**	**733**	**998**	**552**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,283**
Retirement benefit scheme contributions	**–**	**18**	**18**	**11**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**47**
Discretionary bonus	**–**	**122**	**158**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**280**
Total emoluments	**205**	**1,113**	**1,414**	**701**	**–**	**138**	**240**	**240**	**240**	**–**	**–**	**–**	**4,291**
Year ended 30 June 2017													
Fees	383	191	191	–	–	–	191	191	191	131	131	131	1,731
Other emoluments													
Salaries and other benefits	–	574	1,406	–	524	–	–	–	–	–	–	–	2,504
Retirement benefit scheme contributions	–	15	20	–	5	–	–	–	–	–	–	–	40
Discretionary bonus	–	18	75	–	–	–	–	–	–	–	–	–	93
Total emoluments	383	798	1,692	–	529	–	191	191	191	131	131	131	4,368

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) DIRECTORS' EMOLUMENTS *(continued)*

Notes:

(i) On 14 September 2016, Mr. Wang Bo was appointed as the chairman and a non-executive director of the Company, Mr. Yuen Chi Ping was appointed as an executive director of the Company and Mr. Lau Chi Keung, Mr. Yu Tat Chi, Michael and Mr. Chiu Kit Man, Calvin were appointed as independent non-executive directors of the Company. On the same date, Mr. Tsao Hoi Ho resigned as an executive director of the Company and Mr. Su Ru Jia, Mr. Chan Ming Fai and Mr. Lo Yun Tai resigned as independent non-executive directors of the Company.

(ii) On 4 December 2017, Mr. Wang Bo resigned as the chairman and a non-executive director of the Company. On the same date, Mr. Yao Weirong was appointed as the chairman and an executive director of the Company and Mr. Guo Shungen was appointed as a non-executive director of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 30 June 2018 and 2017. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 30 June 2018 and 2017.

(b) EMPLOYEES' EMOLUMENTS

The five highest paid non-director individuals included three *(2017: three)* directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining two *(2017: two)* individuals are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**724**	833
Retirement benefits scheme contributions	**33**	33
	757	866

The two *(2017: two)* highest paid individuals' remuneration falls within the following band:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**2**	2

During the years ended 30 June 2018 and 2017, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as a compensation for loss of office. During the years ended 30 June 2018 and 2017, no such highest paid individuals waived or agreed to waive any emoluments.

12. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	HK$'000
Profit for the year for the purposes of calculating basic earnings per share	**10,638**	290,980

	2018	2017
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**2,428,465,999**	2,087,590,739

For the years ended 30 June 2018 and 2017, diluted earnings per share is the same as basic earnings per share. The Company did not have any dilutive potential ordinary shares during the years ended 30 June 2018 and 2017.

13. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	HK$'000
Fair value		
At the beginning of the reporting period	**555,000**	440,000
Disposal of an investment property (note (a))	**(52,000)**	–
Increase in fair value	**27,000**	115,000
At the end of the reporting period	**530,000**	555,000

13. INVESTMENT PROPERTIES *(continued)*

Notes:

(a) In February 2018, the Group entered into a sales and purchase agreement with a third party, pursuant to which the Group agreed to sell an investment property at an aggregate consideration of HK$63,000,000. A net gain on disposal of an investment property amounting to approximately HK$4,556,000 was recognised in the profit or loss for the year ended 30 June 2018.

(b) The fair value of investment properties held in Hong Kong has been arrived at on the basis of valuation at the end of the reporting period carried out by CHFT Advisory and Appraisal Limited *(2017: Crowe Horwath (HK) Consulting & Valuation Limited)*, an independent firm of qualified professional valuer which is a member of the Hong Kong Institute of Surveyors ("HKIS") and has appropriate qualifications and recent experience in the valuation of similar properties at the relevant locations. The valuation, which conforms to the HKIS Valuation Standards on Properties, was conducted on an open market basis by the direct comparison approach assuming sale with the benefit of vacant possession or by making reference to comparable sale evidences as available in the relevant market. Sales prices of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age, were used to value the properties. The most significant input into this valuation approach is price per square foot.

The fair value measurement of the Group's investment properties has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The fair values of the investment properties as at 30 June 2018 and 2017 are classified as Level 2 fair value measurement, which uses significant observable inputs in arriving at fair value. During the years ended 30 June 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurement, or transfers into or out of Level 3 fair value measurement.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 July 2016	343	631	974
Additions	–	15	15
Written off	(343)	(448)	(791)
Acquisition of a subsidiary	–	200	200
At 30 June 2017	–	398	398
Additions	–	36	36
Exchange differences	–	2	2
At 30 June 2018	**–**	**436**	**436**
Accumulated depreciation			
At 1 July 2016	243	631	874
Charge for the year	1	20	21
Written off	(244)	(477)	(721)
At 30 June 2017	–	174	174
Charge for the year	–	136	136
At 30 June 2018	**–**	**310**	**310**
Net carrying values			
At 30 June 2018	**–**	**126**	**126**
At 1 July 2017	–	224	224

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	2018 HK$'000	2017 HK$'000
Equity securities listed in Hong Kong, at fair value	(a)	**185**	147
Unlisted shares, at cost	(b)	**–**	–
Loan to an affiliate company, at cost	(b)	**200,000**	200,000
		200,185	200,147

Notes:

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

(b) As at 30 June 2018, the Group held 20% interest in the ordinary share capital of Wealth Guide Global Limited ("Wealth Guide") amounting to US$20 (equivalent to approximately HK$156) and provided a shareholder's loan to Wealth Guide amounting to HK$200 million in proportion to the Group's equity interest in Wealth Guide. The shareholder's loan is unsecured, interest-free and has no fixed repayment term and it is to be repaid upon the agreement of the Group and the majority shareholder of Wealth Guide. The majority shareholder of Wealth Guide also provided the loan in the proportion to its shareholding. The shareholder's loan is considered as quasi-capital investment and forms part of the Group's investment in Wealth Guide.

Wealth Guide is a company incorporated in the British Virgin Islands. The principal activity of Wealth Guide is investment holdings and the major investments are equity securities and other investments.

In the opinion of the directors of the Company, the Group has no significant influence on Wealth Guide in accordance with HKAS 28 (2011) because no representative can be appointed in the board of directors of Wealth Guide by the Group and the Group did not participate in any policy making processes of Wealth Guide. Accordingly, the equity investments and shareholder's loan are accounted for as available-for-sale financial assets measured at cost less impairment loss.

The directors are of the opinion that as the variability in the range of reasonable fair value estimates for the unlisted investments are significant and the probability of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, these investments are stated at cost less any impairment loss.

16. PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Properties under development	**820,929**	756,037

The properties under development are located in the PRC held under lease term of 40 years from 2014 to 2053.

The development of the properties at the end of the reporting period is expected to be completed after more than one year.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2018 HK$'000	2017 HK$'000
At fair value, designated upon initial recognition			
Unlisted investment funds	(a)	**199,903**	50,692
Debt instruments listed in Hong Kong	(b)	**37,454**	–
Debt instruments listed overseas	(c)	**7,797**	–
		245,154	50,692

Notes:

(a) The unlisted investment funds represented 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP and 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP II (collectively referred to as the "Funds") with carrying amount of approximately HK$138,859,000 and HK$61,044,000 *(2017: HK$50,692,000 and HK$Nil)* respectively. The Funds are segregated portfolios managed by Green Asia Restructure Fund SPC.

The Funds are exempted companies incorporated with limited liability and registered as segregated portfolio companies in the Cayman Islands. The investment objective of the Funds is capital appreciation by engaging in the business of originating, underwriting, acquiring and trading, debt securities and loans in listed and unlisted corporate, which may be publicly traded or privately placed.

During the year ended 30 June 2018, the Group disposed of partial interest in the Funds and recognised a net gain on disposal of approximately HK$3,660,000 in profit or loss.

The fair value of these unlisted investment funds amounting to approximately HK$199,903,000 *(2017: approximately HK$50,692,000)* was established by reference to the prices quoted by the administrator based on the net assets value of the Funds at the end of the reporting period.

(b) At the end of the reporting period, the Group held debt instruments listed in Hong Kong with aggregate principal amount of US$5,025,000 *(2017: US$Nil)*, which bore fixed interest rate ranging from 4.75% to 7.10% per annum. The fair value of these debt instruments at the end of the reporting period amounting to approximately HK$37,454,000 *(2017: HK$Nil)* was determined on the basis of quoted market price.

(c) At the end of the reporting period, the Group held debt instruments listed overseas with aggregate principal amount of US$1,007,250 *(2017: US$Nil)*, which bore fixed interest rate ranging from 5.875% to 6.85% per annum. The fair value of these debt instruments at the end of the reporting period amounting to approximately HK$7,797,000 *(2017: HK$Nil)* was determined on the basis of quoted market price.

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

18. OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Deposits, prepayments and other debtors	**7,670**	2,725
Loans receivables (note)	**107,000**	50,250
Prepaid PRC land appreciation tax	**1,066**	–
Due from a security broker	**30,000**	–
	145,736	52,975

Note:

Loans granted to third party borrowers are unsecured, bearing fixed interest rates ranging from 4% to 6% *(2017: at 1.5%)* per annum and receivable within twelve months.

19. BANK BALANCES AND CASH

	2018 HK$'000	2017 HK$'000
Cash at bank and on hand	**56,152**	317,953
Short-term time deposits	**187,641**	25,274
	243,793	343,227

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

20. ACCOUNTS AND OTHER PAYABLES

	Note	2018 HK$'000	2017 HK$'000
Accounts payables			
To third parties	(a)	**109,738**	173,380
Other payables			
Accrued charges and other creditors		**5,537**	6,686
Deposits received and receipt in advance	(b)	**90,799**	–
Provision for land transfer fees		**22,040**	21,850
		228,114	201,916

Notes:

(a) The ageing analysis of accounts payables of the Group is presented based on recognition date at the end of the reporting period as follows:

	2018 HK$'000	2017 HK$'000
Within 365 days	**40,760**	–
Over 365 days	**68,978**	173,380
	109,738	173,380

(b) Deposits received and receipt in advance represent deposits received from sales of properties under development of approximately HK$72,325,000 *(2017: HK$Nil)*, which are expected to be recognised as income in more than one year, and properties decoration fee received from customers and intention deposits received from potential customers for purchase of properties under development of approximately HK$9,649,000 *(2017: HK$Nil)* and HK$8,825,000 *(2017: HK$Nil)* respectively.

21. INTEREST-BEARING BORROWINGS

	Notes	**2018 HK$'000**	2017 HK$'000
Current portion			
Bank borrowings, secured	(a)	**348,000**	388,000
Other borrowings, unsecured	(b)	**66,491**	4,968
		414,491	392,968

Notes:

(a) At the end of the reporting period, the Group's bank borrowings carry interest rates at 2% below Hong Kong Dollar Prime Rate *(2017: 3.5% per annum above three-month Hong Kong Inter-bank Offered Rate)* and are repayable in November 2019 *(2017: in September 2017)*. The effective interest rate during the year was 4.39% *(2017: 4.27%)* per annum. At the end of the reporting period, bank loan with a clause in their terms that gives the bank an overriding rights to demand for repayment without notice or with notice period of less than 12 months at its sole discretion are classified as current liabilities even though the directors do not expect that the banks would exercise their right to demand repayment. The bank borrowings are secured by the assets of the Group as follows:

(i) pledge of investment properties of the Group with a carrying amount of approximately HK$530,000,000 *(2017: approximately HK$555,000,000)*;

(ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank. During the year ended 30 June 2018, rental income of approximately HK$1,678,000 *(2017: approximately HK$11,499,000)* was generated from the investment property; and

(iii) assignment agreements in respect of insurance compensation of the Group's investment properties duly executed by the Group in favour of the bank.

(b) At the end of the reporting period, the Group's other borrowings are unsecured and bearing fixed interest rates ranging from 10% to 24% *(2017: at 24%)* per annum and repayable within twelve months or on demand.

22. SHARE CAPITAL

	Number of shares	**HK$'000**
Authorised:		
At 1 July 2016, 30 June 2017 and 30 June 2018, ordinary shares of HK$0.01 each	**6,000,000,000**	**60,000**
Issued and fully paid:		
At 1 July 2016 and 30 June 2017, ordinary shares of HK$0.01 each	2,087,590,739	20,876
Issue of shares upon placing of shares (note)	417,515,000	4,175
At 30 June 2018, ordinary shares of HK$0.01 each	**2,505,105,739**	**25,051**

Note:

On 25 September 2017, the Company issued 417,515,000 ordinary shares by way of placing (the "Placing"), at a placing price of HK$0.4 per share. The net proceeds from the Placing after deducting related expenses were approximately HK$166,132,000 to provide additional working capital and for attractive investment opportunities. These shares rank pari passu with all existing shares in all respects.

23. SHARE-BASED PAYMENTS

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

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

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

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

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

The directors and employees of the Company and its subsidiaries are entitled to participate in the Scheme. As at 30 June 2018, the total number of shares available for issue under the Scheme was 173,966,073 *(2017: 173,966,073)* shares, which represented approximately 7% *(2017: 8%)* of the Company's issued share capital.

During the years ended 30 June 2018 and 2017, no share options had been granted. There were no share options outstanding as at 30 June 2018 and 2017.

24. DEFERRED TAXATION

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

	2018 HK$'000	2017 HK$'000
At the beginning of the reporting period	**116,272**	2,336
Acquisition of subsidiaries	**–**	113,967
Credit to profit or loss (note 10)	**(1,842)**	(31)
Exchange differences	**991**	–
At the end of the reporting period	**115,421**	116,272

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

	Assets		Liabilities	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Depreciation allowances	**–**	–	**(2,733)**	(2,602)
Fair value adjustment	**–**	–	**(114,957)**	(113,967)
Tax losses	**2,269**	297	**–**	–
Deferred tax assets (liabilities)	**2,269**	297	**(117,690)**	(116,569)
Offsetting	**(2,269)**	(297)	**2,269**	297
Net deferred tax liabilities	**–**	–	**(115,421)**	(116,272)
Amount expected to be recovered/settled after 12 months	**–**	–	**(115,421)**	(116,272)

The balance represented deferred tax on the fair value adjustment on the properties under development arising from the acquisition of a subsidiary and accelerated tax depreciation offsetting against unused tax losses recognised.

24. DEFERRED TAXATION *(continued)*

UNRECOGNISED DEFERRED TAX ASSETS ARISING FROM

	2018	2017
	HK$'000	HK$'000
Depreciation allowances	**22**	61
Tax losses arising in Hong Kong	**259,157**	251,308
Tax losses arising in the PRC	**15,090**	12,346
At the end of the reporting period	**274,269**	263,715

At the end of the reporting period, the Group had unused tax losses and deductible temporary differences of approximately HK$259,157,000 and HK$22,000 *(2017: approximately HK$251,308,000 and HK$61,000)* respectively available for offset against future taxable profits. No deferred tax assets in respect of these items have been recognised due to the unpredictability of future profit streams. Neither the tax losses nor the deductible temporary differences expire under current tax legislation in Hong Kong.

In addition, at the end of the reporting period, the Group has the following tax losses arising in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the year in which the tax loss was incurred:

	2018	2017
	HK$'000	HK$'000
Year of expiry		
2018	**–**	768
2019	**2,712**	2,689
2020	**5,461**	5,414
2021	**2,903**	2,878
2022	**4,014**	597
	15,090	12,346

25. OTHER CASH FLOW INFORMATION

Details of the changes in the Group's liabilities from financing activities are as follows:

Year ended 30 June 2018

	Interest-bearing borrowings HK$'000
At the beginning of the reporting period	**392,968**
New bank borrowing raised	**348,000**
New other borrowings raised	**109,830**
Repayment of bank borrowing	**(388,000)**
Repayment of other borrowings	**(48,350)**
Exchange differences	**43**
At the end of the reporting period	**414,491**

26. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

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

	2018 HK$'000	2017 HK$'000
Within one year	**160**	150

Operating lease payments represent rental expenses payable by the Group for its offices. Leases are negotiated for a term of 1 year *(2017: 1 year)*. Rental expenses are fixed over the lease period and no arrangements have been entered into for contingent rental payments.

26. OPERATING LEASE COMMITMENTS *(continued)*

THE GROUP AS LESSOR

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

	2018 **HK$'000**	2017 HK$'000
Within one year	**–**	2,387
In the second to fifth year inclusive	**–**	387
	–	2,774

27. OTHER COMMITMENTS

At the end of the reporting period, the Group had the following commitments for expenditure:

	2018 **HK$'000**	2017 HK$'000
Expenditure in respect of the properties under development contracted but not provided for	**200,332**	319,089

28. RELATED PARTY TRANSACTIONS

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

(a) TRANSACTIONS

In January 2017, the Group entered into a loan agreement with an entity ultimately controlled by Mr. Ji Changqun ("Mr. Ji"), the then substantial shareholder of the Company (the "Lender"), to borrow RMB15,000,000 (equivalent to approximately HK$17,250,000) for payment of the earnest money (the "Earnest Money") in relation to the proposed capital injection of RMB150,000,000 (equivalent to approximately HK$172,500,000) (the "Capital Injection") into Yancheng Herong Property Development Limited* (鹽城和融房地產開發有限公司) ("Yancheng Herong") pursuant to the capital injection agreement (the "Capital Injection Agreement") entered into on 23 January 2017. The loan was unsecured, bearing interest at 4.3% per annum and repayable within 1 year.

In view that Yancheng Herong and its shareholders were unable to obtain necessary government approvals for the Capital Injection in a short period of time, in June 2017, the Company started the discussion with Yancheng Herong and its shareholders for termination of the Capital Injection Agreement. On 29 June 2017, the principal amount of the loan together with interest of approximately RMB656,000 (equivalent to approximately HK$743,000) was fully settled through refund of the Earnest Money together with associated interest by Yancheng Herong to the Lender due to proposed termination of the Capital Injection Agreement.

On 21 July 2017, the Company, Yancheng Herong and its shareholders finalised the terms and signed a termination agreement, pursuant to which the parties agreed to terminate the Capital Injection Agreement and no financial impact resulting from termination of the agreement. Details of the termination of transaction in relation to the Capital Injection were set out in the Company's announcement dated 21 July 2017.

(b) REMUNERATION TO KEY MANAGEMENT PERSONNEL

There was no remuneration to members of key management other than directors as disclosed in note 11(a) to the consolidated financial statements for both years.

* *English translation for identification purposes only.*

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Interests in subsidiaries	(a)	**305,248**	527,566
Current assets			
Other receivables		**62,423**	50,592
Bank balances and cash		**208,024**	228,895
		270,447	279,487
Current liabilities			
Other payables		**401**	1,003
Interest-bearing borrowings		**–**	388,000
		401	389,003
Net current assets (liabilities)		**270,046**	(109,516)
Total assets less current liabilities		**575,294**	418,050
Capital and reserves			
Share capital	22	**25,051**	20,876
Reserves	(b)	**550,243**	397,174
Total equity		**575,294**	418,050

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) INTERESTS IN SUBSIDIARIES

	2018 HK$'000	2017 HK$'000
Unlisted shares, at cost	**89,046**	89,046
Amount due from subsidiaries	**253,381**	475,699
	342,427	564,745
Provision for impairment losses	**(37,179)**	(37,179)
	305,248	527,566

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term. At the end of the reporting period, the carrying amounts of the amounts due approximate their fair values. The amounts due from subsidiaries are not expected to be realised in the next twelve months from the end of the reporting period.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) INTERESTS IN SUBSIDIARIES *(continued)*

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

Name of subsidiaries	Place of incorporation/ registration and operation	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued/paid up share capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Applied Investment (Asia) Limited ("Applied Investment")	Hong Kong	Ordinary HK$574,630,911	100%	–	Investing in securities
Applied Hong Kong Properties Limited	Hong Kong	Ordinary HK$500,000	–	100%	Investing in equity securities and property investment
Applied Talent Management Limited	Hong Kong	Ordinary HK$1	–	100%	Provision of administrative and secretarial services
Dragon Gainer Investment Limited	Hong Kong	Ordinary HK$1	–	100%	Provision of administrative and secretarial services
Superform Investment Limited	Hong Kong	Ordinary HK$102	–	100%	Property investment
無錫盛業海港股份有限公司 Wuxi Shengye Joint Stock Company Limited* ("Wuxi Shengye") (note ii)	The PRC	Registered capital RMB380,000,000	–	100%	Property development

* *English translation for identification purpose only.*

Notes:

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

(ii) Wuxi Shengye is a wholly foreign owned enterprise.

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

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(b) MOVEMENTS OF RESERVES OF THE COMPANY

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2016	244,786	11,931	204,610	(204,716)	256,611
Profit for the year and total comprehensive income for the year	–	–	–	140,563	140,563
At 30 June 2017 and 1 July 2017	244,786	11,931	204,610	(64,153)	397,174
Loss for the year and total comprehensive loss for the year	–	–	–	(8,888)	(8,888)
Transactions with equity holders					
Contributions and distributions					
Issue of shares upon placing of shares (note 22)	161,957	–	–	–	161,957
At 30 June 2018	**406,743**	**11,931**	**204,610**	**(73,041)**	**550,243**

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

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Subject to the conditions mentioned in the foregoing paragraph, the Company had reserves (including capital reserve and accumulated losses) totalling approximately HK$131,569,000 *(2017: approximately HK$140,457,000)* available for distribution to shareholders at the end of the reporting period.

The directors do not recommend the payment of a dividend for the year ended 30 June 2018 *(2017: Nil)*.

30. RETIREMENT BENEFIT SCHEME

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

In accordance with rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local government. Contributions to those plans are expensed as incurred and other than these monthly contributions and the Group has no further obligation for the payment of the retirement benefits to its employees.

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

31. EVENTS AFTER REPORTING PERIOD

In addition to the events disclosed elsewhere in these consolidated financial statements, the Group had the following subsequent events:

(a) On 14 June 2018, Applied Investment, a wholly-owned subsidiary of the Company, entered into a subscription agreement, pursuant to which Applied Investment has conditionally agreed to make an investment of up to HK$600,000,000 (with minimum commitment of HK$200,000,000) to Ruihua International M&A Fund LP (the "Ruihua Fund"), a Cayman Islands exempted limited partnership acting by Cayman Ruihua Investment Management Limited ("Cayman Ruihua"). Cayman Ruihua is a wholly-owned subsidiary of Hong Kong Ruihua Investment Management Limited, a substantial shareholder of the Company. The investment strategy of the Ruihua Fund is to focus on investments equities of private and public companies in certain industries inside or outside of the PRC including, but not limited to, telecommunications media and technology, macro-health, high-end equipment manufacturing, energy-saving environmental protection and new materials.

At the end of the reporting period, the conditions as stipulated in the subscription agreement have not yet fulfilled, as such the Group has no capital commitment. The transaction has not yet completed at the date of this report. Details of the subscription were set out in the Company's announcement dated 14 June 2018.

(b) On 15 June 2018, Applied Development (Nanjing) Corporate Management Co., Ltd.* (實力建業（南京）企業管理有限公司) ("Applied Nanjing"), a wholly-owned subsidiary of the Company, entered into a capital injection agreement, pursuant to which Applied Nanjing will inject RMB110,000,000 into Nanjing Eastern Senior Living Service Co., Ltd.* (南京東方頤年養老服務有限公司) ("Nanjing Eastern"). Upon completion of transaction, the Group will hold 50% equity interest in Nanjing Eastern and have the right to appoint three out of five directors to the board of directors of Nanjing Eastern. Nanjing Eastern will then become a 50% owned subsidiary of the Company. At the end of the reporting period, the conditions as stipulated in the capital injection agreement have not yet fulfilled, as such the Group has no capital commitment. The transaction has not yet completed at the date of this report. Details of the transaction were set out in the Company's announcement dated 15 June 2018.

31. EVENTS AFTER REPORTING PERIOD *(continued)*

(c) On 28 June 2018, Dragon Bell Group Limited ("Dragon Bell"), a wholly-owned subsidiary of the Company, entered into a cornerstone investment agreement, pursuant to which Dragon Bell has subscribed for the shares of Redsun Properties Group Limited ("Redsun") at offer price for an aggregate consideration of HK$300,000,000. Details of the subscription were set out in the Company's announcement dated 28 June 2018.

On 9 July 2018, Dragon Bell entered into a margin loan agreement, pursuant to which CCB International Securities Limited granted Dragon Bell a margin loan facility with principal amount of up to HK$100,000,000. The purpose of the margin loan was for partial funding of the subscription of Redsun's shares in the upcoming initial public offering. The Company has provided continuing guarantee in favour of Dragon Bell to guarantee the settlement of all liabilities and obligation of Dragon Bell under the margin loan agreement.

Redsun was listed on the Main Board of the Stock Exchange (stock code: 1996) on 12 July 2018. 131,578,000 ordinary shares at offer price of HK$2.28 per share, representing approximately 4% of equity interest in Redsun, were allotted to the Group. Such investment will be accounted for in accordance with HKFRS 9, which will be effective in the next reporting period. The conditions as stipulated in the subscription agreement have not yet fulfilled, as such the Group has no capital commitment.

* *English translation for identification purpose only.*

FIVE-YEAR FINANCIAL SUMMARY

The following is a summary of the published results of and the assets and liabilities of the Group:

RESULTS

	For the year ended 30 June				
	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	279	2,652	7,622	14,293	**3,743**
(Loss) Profit before taxation	(94,749)	7,679	370,102	290,949	**8,796**
Tax (charge) credit	(1,319)	–	(66)	31	**1,842**
(Loss) Profit for the year	(96,068)	7,679	370,036	290,980	**10,638**
Attributable to equity holders of the Company	(96,068)	7,679	370,036	290,980	**10,638**

ASSETS AND LIABILITIES

	At 30 June				
	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	509,750	560,798	961,450	1,958,302	**2,185,923**
Total liabilities	(121,010)	(83,260)	(5,277)	(711,156)	**(758,026)**
	388,740	477,538	956,173	1,247,146	**1,427,897**
Equity attributable to equity holders of the Company	388,740	477,538	956,173	1,247,146	**1,427,897**

PARTICULARS OF INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Particulars of investment properties held by the Group at 30 June 2018 are as follows:

Name/location	Approximate gross floor area	Lease expiry	Type	Effective % held
Hong Kong				
24th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong	14,984 sq.ft.	2059	Commercial	100

Particulars of properties under development held by the Group at 30 June 2018 are as follows:

Name/location	Construction progress of the properties	Expected completion date	Approximate site area	Approximate gross floor area under construction	Lease expiry	Type	Effective % held
The PRC							
The side of Tianhe Road, Tianyi New Town, Huishan District, Wuxi City, Jiangsu Province, the PRC	Under construction	The fourth quarter of 2019	29,326 sq.m.	191,984 sq.m.	2053	Commercial	100

DEFINITIONS

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

"Advantage Performance"	Advantage Performance Limited, a wholly owned subsidiary of the Company
"AGM"	the annual general meeting of the Company
"AHKPL"	Applied Hong Kong Properties Limited, a wholly owned subsidiary of the Company
"Board"	the Board of Directors of the Company
"Company"	Applied Development Holdings Limited
"Directors"	the directors of the Company
"FY2018"	the financial year ended 30 June 2018
"FY2017"	the financial year ended 30 June 2017
"Group"	the Company and its subsidiaries
"HK Ruihua"	Hongkong Ruihua Investment Management Limited
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Jiangsu Ruihua"	江蘇瑞華投資控股集團有限公司
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"sq.ft."	square feet
"sq.m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Applied Investment (Asia) Limited, a wholly owned subsidiary of the Company
"Wuxi Shengye"	無錫盛業海港股份有限公司, a wholly owned subsidiary of the Company
"HK$" and "HK cents"	Hong Kong dollars and cents
"US dollars"	United States dollars
"RMB"	Renminbi
"%"	per cent.