



# 田生集團有限公司

RICHFIELD GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 183

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Lee Wing Yin (*Chief Executive Officer*)

Ngan Man Ho

### Non-Executive Director

Lai Hin Wing, Henry

### Independent Non-Executive Directors

Koo Fook Sun, Louis

Lung Hung Cheuk

Yeung Wing Yan, Wendy

## COMPLIANCE OFFICER

Lee Wing Yin

## COMPANY SECRETARY

Lee Wing Yin

## AUDIT COMMITTEE

Koo Fook Sun, Louis (*Chairman*)

Lung Hung Cheuk

Yeung Wing Yan, Wendy

## REMUNERATION COMMITTEE

Lung Hung Cheuk (*Chairman*)

Koo Fook Sun, Louis

Yeung Wing Yan, Wendy

## NOMINATION COMMITTEE

Yeung Wing Yan, Wendy (*Chairwoman*)

Koo Fook Sun, Louis

Lung Hung Cheuk

## AUTHORISED REPRESENTATIVES

Lee Wing Yin

Ngan Man Ho

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1209, 12/F.

Silvercord Tower 2

30 Canton Road

Tsim Sha Tsui

Hong Kong

## COMPANY HOMEPAGE

[ir.sinodelta.com.hk/richfieldgp/](http://ir.sinodelta.com.hk/richfieldgp/)

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman KY-1-1108

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## AUDITOR

BDO Limited

*Certified Public Accountants*

## STOCK CODE

183

# LETTER FROM CHIEF EXECUTIVE OFFICER

Dear Shareholders,

On behalf of Richfield Group Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to report our business developments in the financial year of 2014.

This is the fourth year of listing of the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited since 2 December 2010. The economic growth of Hong Kong remained moderate in the first quarter of 2014, by 2.5% in real terms over a year earlier. The inflation was eased slightly. The headline consumer price inflation of 2013 was 4.3% while the inflation in the first quarter of 2014 was 4.3%. However, the risk of upside inflation remained contained in the coming term. Besides, the Government maintained the demand management measures to curb the property prices of residential and non-residential properties. Thus, the transaction volume was further contracted during the year under review.

Furthermore, the gradual tapering of asset purchases by the United States Federal Reserve also weakened the market. The overall residential property prices marked a slight decline during the year. The market remained cautious about the Government's demand management measures as well as the uncertain monetary policy in the United States. The Group is conscious to monitor and analyze the impact of the local and global economy so as to make cautious business decisions and to adjust our development plan if necessary so as to maximize the return to the shareholders of the Company.

The Group has completed 3 property projects for the year under review. Those projects are located in Kowloon. In January 2014, the Group has disposed part of its equity interests in a redevelopment project in Hong Kong to an independent third party. In April 2014, the Group has also disposed its entire interests in the property held for redevelopment in London to another independent third party. Both disposals have strengthened the cash flow of the Group and will allow the Group to reallocate its resources for future development.

On behalf of the Board, I would like to take this opportunity to express our gratitude to all members of the Board, staff and those who have supported us for their dedication and contribution to the Group. We will continue to put our best efforts to generate good business results and better return to our shareholders.

**Lee Wing Yin**  
*Chief Executive Officer*  
Hong Kong  
23 September 2014

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

Richfield Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) is principally engaged in provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopment, property investment and trading and property development. The Group is currently reviewing and analyzing the potential value and engaged in various property assembly projects, property investment and trading projects and redevelopment projects. Those projects that have been engaged are all residential and commercial properties which located in Hong Kong and London. In June 2014, a new practice note of the “House” restrictions under Government leases has been circulated by the Lands Administration Office of the Lands Department in regards to a landmark judgment delivered by the Court of Final Appeal of Hong Kong in May 2013. The Group is proceeding to evaluate the possible impact of the new practice note as well as the judgment on the engaged projects before deciding on the actions to be taken.

During the year, the Group has disposed of part of the equity interests in a redevelopment project in Hong Kong and its entire interests in the property in London to the independent third parties, which would not only strengthen the cash flow of the Group but also allow the Group to reallocate its resources for future development.

## FINANCIAL PERFORMANCE

The Group recorded a turnover of approximately HK\$560,372,000 in the year under review, representing an increase of approximately 458% comparing with the previous financial year of approximately HK\$100,440,000. The significant increase in turnover was mainly attributable to the increase in revenue of the property development business. The property development business generated a turnover of approximately HK\$491,747,000 in the year under review, while there was no turnover for the previous fiscal year. The property assembly and brokerage business recorded a turnover of approximately HK\$63,356,000 in the year, representing a decrease of approximately 37% comparing with the previous fiscal year of approximately HK\$100,440,000.

Profit before income tax of the Group for the year under review was approximately HK\$44,706,000, while a loss before income tax of approximately HK\$190,463,000 was recorded for the previous financial year. The profit for the year under review was mainly attributable to the gain on disposal of the property in London, despite of the impairment of goodwill of HK\$198,000,000. Thus, the profit attributable to owners of the Company for the year was approximately HK\$10,502,000, when compared with the loss attributable to the owners of the Company of approximately HK\$195,402,000 for the last financial year.

## BUSINESS OVERVIEW

### Property Assembly and Brokerage Business

The growth of Hong Kong economy remained moderate in the first quarter of 2014, by 2.5% in real terms over a year earlier.

Globally, the United States Federal Reserve gradually tapered the asset purchase in January 2014 in which weakened the Hong Kong residential property market. Besides, many of the property buyers were sitting on the sidelines, which made the transaction volume further contracted during the year.

Various cooling measures of the Hong Kong Government to manage the excess demand on housing and curb property prices for both residential and non-residential properties have been passed by the Legislative Council in the year after their introduction in year 2012 and 2013. Furthermore, the Government is keen on increasing the land supply so as to ensure the stable development of the property market. In February 2014, the Lands Department of the Government announced a new land sale program that 34 residential sites, i.e. 15,500 flats, are capable to be provided. As a result, property owners kept sitting on the sideline and awaiting further changes and tendency of the market while developers adopted a conservative purchasing strategy. Although the acquisition costs were declined mildly during the year, the cooling measures of Government continued to affect the redevelopment plans of developers. Hence, some of the property assembly and brokerage projects of the Group were affected by the poor market sentiment and were temporarily suspended during the year.

**BUSINESS OVERVIEW** (cont'd)**Property Assembly and Brokerage Business** (cont'd)

During the financial year, the turnover from the property assembly and brokerage business recorded a decrease to approximately HK\$63,356,000, down by 37% from the last financial year of approximately HK\$100,440,000. The operating loss for the property assembly and brokerage business was approximately HK\$190,613,000 which has increased by approximately 0.65% when compared with the loss of approximately HK\$189,375,000 for the last financial year. The unfavorable result for the year was mainly attributable to the decrease in number of property assembly projects completed. The uncertain economic prospects as well as the Government demand management measures were the key factors of the deterioration in number of property assembly projects completed.

For the year ended 30 June 2014, the Group has completed 3 major assembly projects, which are mainly located in Kowloon, including Jordon, Tai Kok Tsui and Kowloon City etc. Those projects are mainly located along the metro line in the city. The total contract sum of the major completed projects and the total revenue for the major completed projects recorded for the year are approximately HK\$450,400,000 and HK\$27,707,000, respectively, while the total accumulated contract sum for those major completed projects since their commencement is approximately HK\$1,755,900,000. The revenue received for the year from those projects completed in previous year is approximately HK\$21,802,000 and the revenue received for the year from other incomplete projects is approximately HK\$13,847,000.

As at 30 June 2014, the Group was reviewing, monitoring and engaging in various property assembly projects which are mainly located in Hong Kong Island and Kowloon. The projects located in Hong Kong Island are mainly in Sheung Wan, Causeway Bay, Western District, Quarry Bay and Aberdeen, etc. while the projects located in Kowloon are mainly in Mong Kok, Sham Shui Po, Tai Kok Tsui, Ho Man Tin, Kwun Tong, To Kwa Wan, Hung Hom and Kowloon City etc.

**Property Development Business**

During the year, the Group kept on expanding its property development business, but also continued to take a conservative strategy on investment in new projects in view of the uncertainties in the global scene. Various cooling measures by the Hong Kong Government on property market of Hong Kong and the gradual reduction on the asset purchases of the United States Federal Reserve, the overall residential flat prices in Hong Kong marked a slight decline during the year and the transaction volume was further contracted.

During the year under review, the Group was engaged in 3 property development projects, which are located in Hong Kong and London. A shareholder's agreement with a wholly owned subsidiary of Phoenix Asia Real Estate Investment, a client of the Group for establishing an associate for a property development project at Nos. 18-32 Junction Road, Kowloon, Hong Kong ("Junction Road Property"), which the Group has 30% equity interests, has been proceeded in 2011. The project has a site area of approximately 10,200 square feet and a gross floor area of approximately 84,000 square feet. The project will be developed into a composite residential and commercial building. The development work has been commenced in 2011 and is expected to be completed by the end of 2014.

In addition, the Group has acquired all the property units of another project at Nos. 142-154 Carpenter Road, Kowloon ("Carpenter Road Property") in June 2012. It has a site area of approximately 9,100 square feet. The Group held 100% equity interests of the project. On 17 January 2014, the Group has entered into a provisional agreement for sale and purchase to dispose 49% equity interests in those wholly owned subsidiaries which holds the Carpenter Road Property. The transaction was completed on 17 March 2014. The disposal represents a good opportunity for realization of the Group's investment in the Carpenter Road Property whilst allows the Group to maintain its interests in the redevelopment of the Carpenter Road Property.

## **BUSINESS OVERVIEW** (cont'd)

### **Property Development Business** (cont'd)

Since there was a landmark judgment delivered by the Court of Final Appeal ("CFA") of Hong Kong in May 2013 for the definition of "House", these two projects were restricted under the relevant lease. On 25 June 2014, a new practice note for the "House" restrictions under Government leases has been circulated by the Lands Administration Office of the Lands Department in regards to the landmark judgment delivered by CFA. The applications regarding the redevelopment of the projects are still subject to review by the relevant government departments. At the same time, the Group is proceeding to evaluate the possible impact of the new practice note and the CFA Judgment on the redevelopment of the above two projects at this stage. In the meantime, the Group will co-operate with its joint venture partners to assess the possible impact of the new practice note and the CFA Judgment before deciding on the actions to be taken.

Apart from the two local property development projects, the Group had acquired another redevelopment project in central London at Nos. 119-122 Bayswater Road, London, United Kingdom in 2012. The property is located on Bayswater Road, which is directly opposite to Hyde Park. It is well served by London public transport with Underground Station located within one minute walking distance. During the year, the Group submitted an improved development planning to the City of Westminster and the new planning has been approved in March 2014. On 15 April 2014, the Group entered into a sales contract with an independent third party to dispose the entire interests in the property. The disposal was completed on 17 June 2014 with a gain of approximately HK\$151,743,000 and would strengthen the cash flow of the Group and will allow the Group to reallocate its resources for future development.

The Group will continue to explore the best possible business development proposal as well as to enhance the benefit of the shareholders while overcoming the challenges ahead.

### **Property Investment and Trading Business**

Due to the cooling measure of the Government, the revenue of property assembly and brokerage business has decreased significantly over the past few years. The Group has commenced to explore potential property investment and trading opportunities with a view to provide steady income source to the Group. The Group has acquired two potential commercial properties for investment purpose in previous years, which are located in Hong Kong Island and Kowloon.

#### *Ground Floor Shop at Kimberley Road, Tsim Sha Tsui*

The property is located at the ground floor of Wing Lee Building at No. 27-31C Kimberley Road, Tsim Sha Tsui, Kowloon with approximately 3,340 square feet. It is currently leased by a local style restaurant. Being benefited by the appreciable growth of inbound tourism, the Group believes that this property could generate stable rental income for the Group.

#### *Roof of Block C of Sea View Estate, North Point*

The other property is located at the front portion of the roof of Sea View Estate in North Point, which is facing the South of Victoria Harbour in Hong Kong Island. The Group believes that it can be converted into an eye-catching rooftop advertising signage with approximately 300 square meters. The construction work of the advertising signage is in progress and it is expected to be completed in December 2014.

During the financial year, the property investment and trading business recorded a gross rental income of approximately HK\$5,269,000. The operating profit for the property investment and trading business was approximately HK\$39,113,000 including a net fair value gain on investment properties of approximately 35,000,000. It is expected to provide a steady income source to the Group.

## **BUSINESS OVERVIEW** (cont'd)

### **Human Resources**

The Group employed approximately 56 (as at 30 Jun 2014) staff for the real estate team in the year. The Group understands that well-trained and experienced team members are essential to maintain a sustainable property assembly and brokerage business. Therefore, the Group constantly organized internal trainings and invited qualified guests to hold seminars in order to reinforce skills of the staff as well as to update the market information. The Group believes that comprehensive staff is the foundation of being a sustainable corporate.

### **Corporate Social Responsibilities**

The Group concerns education and learning of the youngsters. They would be the foundation of our society in the future. Therefore, the Group has set up a "Richfield Group Scholarship" with local University for students studying the subject "Planning and Development" in Bachelor of Science in Property Management programme since 2012. The subject covers knowledge on urban planning in which the Group believes that it is an essential and important issue for the society. During the year, the nominated candidates of the academic year 2013-2014 have been awarded the scholarship according to their academic performance.

Besides, the Group also concerns about people living in old districts. During the process of property assembly, the Group often comes across people, including the elderly, tenants and underprivileged groups, who live in old districts and dilapidated buildings. Most of them are indeed lack of assistance. The Group has donated a total of HK\$10 million to the local non-government organization (the "NGO"), Po Leung Kuk (the "PLK"), to set up a charity fund since 2011. The fund is managed and operated by the PLK independently. The aim of the fund is to help the needy, who generally lack information about assistance and measures provided by the Government and NGOs.

In addition, the Group also sponsored various local charitable activities, such as sponsoring a musical organized by the "Spring-Time Experimental Theatre" and "Boom Theatre" for enriching the experience of a group of youngsters; forming staff teams to participate in a charitable competition of hiking organized by "Green Power" for promoting environmental protection etc.

### **PROSPECT**

The growth of Hong Kong economy remained moderate in the year. The Government sustains its effort of raising flat supply through land sale program and other terms of land supply sources. For the land sale program in 2014-2015, 34 residential sites that capable of providing a total of about 15,500 flats are included. Besides, since the Government introduced further demand management measures to curb property prices for both residential and non-residential properties in February 2013, the transaction volume of properties slowed down notably during the year. The number of short-term resale fell further to record low of 77 cases per month in the first quarter of 2014. Yet the property market is still under a fluctuated condition, property owners and developers stayed on the sideline and awaiting for further changes and tendency of the market.

Although the Government lowered the compulsory auction sales threshold of old building from 90% to 80% since 1 April 2010, it also stimulated the growth of the overall acquisition price of old buildings by landlords and owners. It became a new kind of worthwhile investment by purchasing old tenement buildings for redevelopment in these years. The increment of land supply of the Government, the high acquisition price as well as the demand management measures of the Government also affects the plans of developers, in which seriously challenging the property assembly and brokerage business of the Group. The Group will focus on the property assembly projects in various prime locations around the metro area. Besides, the Group will regularly review and manage the project mix to maintain and maximize the profitability.

### **PROSPECT** (cont'd)

In order to diversify the business scope, the Group has been engaging in property developments and property investment and trading so as to broaden the revenue base which benefit the Company and the shareholders as a whole in the long run. The Group has been exploring the business opportunities both locally and internationally. During the year, the Group has engaged in two local property development projects in Hong Kong. The experience of the Group obtained in those projects can be applicable to our future property development projects.

Since the demand and needs of urban residential property of Hong Kong was growing continuously, the Group would monitor the market situation closely while dedicated to develop strategically in the property assembly, brokerage and development business for driving considerable growth of the Group. The Group is conscious to monitor and analyze the impact of the local and global economy so as to make cautious business decisions and to adjust our development plan if necessary so as to maximize the return to the shareholders of the Company.

The Group has been committed to conducting the property assembly business since 2007. Apart from seeking business opportunities, the Group has also expanded its endeavours of improving the environment of the urban old districts as well as the quality of life among the neighbourhoods over the years.

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2014, the Group had net current assets of approximately HK\$984,022,000 (2013: approximately HK\$1,033,740,000) including cash and bank balances of approximately HK\$734,053,000 (2013: approximately HK\$242,013,000).

The gearing ratio was 6.5% as at 30 June 2014 (2013: 18.56%). The gearing ratio is derived by dividing the total of borrowings and finance lease liabilities by total assets. The gearing ratio has decreased for the financial year under review when compared to 30 June 2013 due to the repayment of bank borrowings for the properties under development, investment properties and leasehold properties for the year.

During the year, the Group financed its operations with its own working capital and bank borrowings. As at 30 June 2014, total unsecured and secured bank borrowings of the Group amounted to approximately HK\$130,752,000 (2013: approximately HK\$370,015,000), in which approximately HK\$64,313,000 (2013: approximately HK\$299,273,000) are repayable within a period of not exceeding 5 years and approximately HK\$66,439,000 (2013: approximately HK\$70,742,000) are repayable beyond five years. Total other borrowings of the Group amounted to approximately HK\$1,836,000 (2013: approximately HK\$2,220,000), which are repayable within a period of not exceeding 5 years.

### **SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save for those disclosed in this report, there were no significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the year and there is no plan for material investments or capital assets as at the date of this report.

### **PLEDGE OF ASSETS**

As at 30 June 2014, properties under development, investment properties and leasehold properties of the Group with a carrying value of approximately HK\$0, HK\$225,000,000 and HK\$98,237,000 (30 June 2013: approximately HK\$435,901,000, HK\$190,000,000 and HK\$100,618,000), respectively were pledged to secure banking facilities for the Group.

### **CONTINGENT LIABILITIES**

As at 30 June 2014, the Company had given guarantees of HK\$238,000,000 (2013: HK\$728,000,000) in respect of the banking facilities of the associate for the property development projects at Nos. 18-32 Junction Road, Kowloon, Hong Kong and the investment properties for those shops in Wing Lee Building, Kowloon, Hong Kong.

### LEASE AND CONTRACTED COMMITMENTS

The Group leases a number of properties under operating leases. The leases run for an initial period of two years (2013: two years), with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective

landlords/lessors. As at 30 June 2014 and 2013, none of the leases included contingent rentals.

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	1,173	3,931
In the second to fifth years	–	1,105
	<b>1,173</b>	5,036

### CAPITAL COMMITMENTS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for:				
Available-for-sale financial assets	3,320	8,844	3,320	8,844
Reconstruction of investment properties	3,515	–	–	–
	<b>6,835</b>	8,844	<b>3,320</b>	8,844

### FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the year were denominated in United States dollars ("US\$"), British Pound ("GBP"), HK dollars ("HK\$") and Renminbi ("RMB"), and most of the assets and liabilities as at 30 June 2014 were denominated in US\$, GBP, HK\$ and RMB. Accordingly, the Board is of the view that, to a certain extent, the Group is exposed to foreign currency exchange risk. For the US\$ foreign exchange exposure, the Board believes the exposure is small as the exchange rate of US\$ to HK\$ is comparatively stable. However, the Group is exposed to RMB and GBP foreign exchange exposure and fluctuation of exchange rates of RMB and GBP against HK\$ could

affect the Group's results of operations. During the year, no hedging transaction or arrangement was made since the exchange rate of RMB and GBP to HK\$ is also fairly stable.

### TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

### **SEGMENT INFORMATION**

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 5 to the financial statements.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2014, the Group had 105 (2013: 133) employees, including the directors of the Company (the "Directors"). Total staff costs (including Directors' emoluments) were approximately HK\$39,441,000 for the year as compared to approximately HK\$67,992,000 in last year. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and share option scheme.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Lee Wing Yin ("Mr. Lee")**, aged 44, was appointed as the authorised representative and company secretary of the Company on 23 March 2007, an executive director of the Company on 1 June 2010, chief executive officer of the Company (the "CEO") on 4 November 2011 and compliance officer of the Company on 12 December 2011. He is also a director of various subsidiaries and the associates of the Company. He is responsible for provision of advice for overall management, strategic development and supervision of the Group. Mr. Lee is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He has over ten years of working experience in auditing and business advisory services and had worked for international accounting firms for six years. He held senior financial management positions with various local companies before joining the Company. Mr. Lee was appointed as the executive director and chairman of iOne Holdings Limited (Stock code: 982), a company listed on the Main Board of the Stock Exchange, with effect from 18 September 2009 and 1 March 2010 respectively; and resigned as the executive director and chairman of iOne Holdings Limited on 21 July 2014.

**Mr. Ngan Man Ho ("Mr. Ngan")**, aged 37, was appointed as an executive director and authorized representative of the Company on 12 December 2011. He is the chief architect of the Company and joined the Group in January 2010. He graduated from the University of Hong Kong with a master degree of Architecture and a bachelor degree of Arts in Architectural Studies. He is currently an authorized person under Building Authority of Hong Kong, a registered architect of Hong Kong and a member of Hong Kong Institute of Architect with 10 years of extensive experience in architectural design and project management. He has participated in various projects in Hong Kong and the PRC. His range of design works includes commercial office tower, hotel, civic and cultural buildings, comprehensive residential development, entertainment complex and industrial development.

## NON-EXECUTIVE DIRECTOR

**Mr. Lai Hin Wing, Henry ("Mr. Lai")**, aged 57, was appointed as an independent non-executive director of the Company on 23 March 2007 and re-designated as a non-executive director of the Company on 12 December 2011. Mr. Lai is a partner of Messrs. P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong, and has been practicing in the legal field for more than thirty years. Graduated from The University of Hong Kong with a bachelor of law degree, Mr. Lai was admitted as a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia. Mr. Lai is a Notary Public and a China Appointed Attesting Officer in Hong Kong.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Koo Fook Sun, Louis ("Mr. Koo")**, aged 58, was appointed as an independent non-executive director of the Company on 23 March 2007. He is also the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company. Mr. Koo is the founder and the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr. Koo has many years of experience in investment banking and professional accounting. He was a managing director and head of the corporate finance department of a major international bank. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). He currently serves as an independent non-executive director of another four companies listed on the Main Board of the Stock Exchange, namely Good Friend International Holdings Inc. (Stock code: 2398), Li Ning Company Limited (Stock code: 2331), Xingda International Holdings Limited (Stock code: 1899) and Midland Holdings Limited (Stock code: 1200). He was an independent non-executive director of Weichai Power Co., Ltd. (Stock code: 2338) during the period from 20 October 2003 to 29 June 2012.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

(cont'd)

**Mr. Lung Hung Cheuk ("Mr. Lung")**, aged 67, was appointed as an independent non-executive director of the Company on 23 March 2007. He is also the chairman of the remuneration committee, a member of the nomination committee and audit committee of the Company. Mr. Lung is a retired chief superintendent of the Hong Kong Police Force (the "Hong Kong Police") of Hong Kong. He joined the Hong Kong Police in 1966 as a Probationary Inspector at the age of 19. He was promoted to the rank of chief inspector in 1980, superintendent in 1986, senior superintendent in 1993 and chief superintendent in 1997. He had served in various police posts, namely Special Branch, Police Tactical Unit, Police Public Relations Bureau and in a number of police divisions at management level. Prior to his retirement in April 2002, he was the commander of Sham Shui Po Police District. Mr. Lung was also the secretary and then the chairman of the Superintendents' Association ("SPA") of the Hong Kong Police from 1993 to 2001. The membership of the SPA comprises the top management of the Hong Kong Police from superintendents up to and including the commissioner of Hong Kong Police. He was awarded the Police Meritorious Service Medal by the Chief Executive of Hong Kong in 2000. Mr. Lung is the independent non-executive director of Sitoy Group Holdings Limited (Stock code: 1023), a company listed on the Main Board of the Stock Exchange. He resigned as an independent non-executive director of Yunbo Digital Synergy Group Limited (formerly known as "Flexsystem Holdings Limited") (Stock code: 8050), a company listed on GEM of the Stock Exchange, on 17 February 2012 and iOne Holdings Limited (Stock code: 982), a company listed on the Main Board of the Stock Exchange, on 21 July 2014.

**Ms. Yeung Wing Yan, Wendy ("Ms. Yeung")**, aged 52, was appointed as an independent non-executive director of the Company on 12 December 2011. She is also the chairwoman of the nomination committee, a member of the audit committee and remuneration committee of the Company. She holds a master's degree in Juris Doctor of the Faculty of Law from the Chinese University of Hong Kong and a bachelor's degree in Business Administration from the University of Hawaii at Manoa, Honolulu, Hawaii. She has about 20 years of experience in corporate and financial communications. Ms. Yeung was the founder and managing director of Occasions Corporate & Financial Communication Limited from 1993 to 2007 and a managing director of Financial Dynamics International Limited from 2007 to 2010. She is currently a member of the Council of Lingnan University. Ms. Yeung resigned as an independent non-executive director of Yunbo Digital Synergy Group Limited (formerly known as "FlexSystem Holdings Limited") (Stock code: 8050), a company listed on the Growth Enterprise Market of the Stock Exchange on 17 February 2012.

## SENIOR MANAGEMENT

**Mr. Au Wing Wah ("Mr. Au")**, aged 58, is the founder and director of Richfield Realty Limited ("Richfield Realty"), a wholly owned subsidiary of the Company. He is responsible for the strategic planning and management of property assembly and brokerage business. Mr. Au has over 20 years experience of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopments and property trading in Hong Kong and he is familiar with the price and market demand of sites and buildings in different urban districts in Hong Kong.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with all CG Code during the year ended 30 June 2014 except for the code provisions A.2.1 and A.2.7 of the CG Code.

Code provision A.2.1 of the CG Code specifies that the roles of chairman and chief executive officer (chief executive for the CG Code) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer (chief executive for the CG Code) should be clearly established and set out in writing.

Code provision A.2.7 of the CG Code specifies that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the post of chairman of the Company (the "Chairman") has been vacant since the resignation of Mr. Pong Wai San, Wilson ("Mr. Pong") as the Chairman with effect from 5 February 2008 and therefore no meeting of the Chairman and non-executive Directors has been held during the year ended 30 June 2014. If candidate with suitable skills and experience is identified within or outside the Group, the Company will make necessary arrangement for the new appointment at appropriate time.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the year.

## BOARD OF DIRECTORS AND BOARD MEETING

The members of the Board for the year were:

### Executive Directors

Lee Wing Yin (*CEO*)  
Ngan Man Ho

### Non-executive Director

Lai Hin Wing, Henry

### Independent Non-executive Directors

Koo Fook Sun, Louis  
Lung Hung Cheuk  
Yeung Wing Yan, Wendy

The Board is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

## **BOARD OF DIRECTORS AND BOARD MEETING**

*(cont'd)*

Each of the Directors' biographical information is set out on pages 11 to 12 of this annual report. All executive Directors have given sufficient time and attention to the affairs of the Group and each of them has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

The Company has appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders of the Company. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Each of them, namely Mr. Koo, Mr. Lung and Ms. Yeung, has signed a letter of appointment with the Company for a term of one year, of which Mr. Koo's and Mr. Lung's terms are commencing from 23 March 2014 and expiring on 22 March 2015, while Ms. Yeung's term is commencing from 12 December 2013 and expiring on 11 December 2014.

Mr. Lai, the non-executive Director, has signed a letter of appointment with the Company for a term of one year commencing from 12 December 2013 and expiring on 11 December 2014.

Mr. Lee, the executive Director, has entered into a service agreement with the Company for a term of 36 months commencing from 1 June 2013, or terminated by not less than three months' notice in writing served by either party at any time thereafter. Mr. Lee is entitled to a director's emolument of HK\$68,000 per month plus discretionary bonus to be decided by the Board at its sole discretion, which is determined by reference to the prevailing market conditions and his roles, experience and responsibilities in the Company.

Mr. Ngan has entered into a service agreement with the Company for an initial term of 36 months commencing from 12 December 2011, or terminated by not less than three months' notice in writing served by either party at any time thereafter. Mr. Ngan is entitled to a director's emolument of HK\$62,000 per month plus discretionary bonus to be decided by the Board at its sole discretion, which is determined by reference to the prevailing market conditions and his roles, experience and responsibilities in the Company.

In accordance with article 87(1) of the articles of association of the Company, all Directors (including executive Directors, non-executive Director and independent non-executive Directors) are subject to retirement by rotation at least once every three years. Mr. Lee and Mr. Ngan shall retire from office as Directors by rotation at the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer themselves for re-election at the AGM.

**BOARD OF DIRECTORS AND BOARD MEETING***(cont'd)*

Pursuant to the requirements of the Rule 3.13 of the Listing Rules, the Company has received from each of the independent non-executive Directors the written confirmation of his independence. Based on such confirmations of independence, the Company considers all of the independent non-executive Directors to be independent.

The Board met 4 times as regular meetings during the year to review the financial and operating performance of the Group.

Details of the attendance of the meetings of the Board are as follows:

	Attendance/ Number of General Meeting entitled to attend	Attendance/ Number of Board Meetings entitled to attend
<b>Executive Directors</b>		
Lee Wing Yin	1/1	4/4
Ngan Man Ho	1/1	4/4
<b>Non-executive Director</b>		
Lai Hin Wing, Henry	1/1	4/4
<b>Independent Non-executive Directors</b>		
Koo Fook Sun, Louis	1/1	3/4
Lung Hung Cheuk	1/1	4/4
Yeung Wing Yan, Wendy	1/1	4/4

During the year ended 30 June 2014, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training.

**Continuing Professional Development**

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

During the year, all Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

**BOARD OF DIRECTORS AND BOARD MEETING** (cont'd)

Directors	Topic on training covered (Notes)
<b>Executive Directors</b>	
Lee Wing Yin	(a), (b), (c), (d)
Ngan Man Ho	(b)
<b>Non-executive Director</b>	
Lai Hin Wing, Henry	(b)
<b>Independent Non-executive Directors</b>	
Koo Fook Sun, Louis	(b)
Lung Hung Cheuk	(b)
Yeung Wing Yan, Wendy	(b)

Notes:

- (a) Corporate governance
- (b) Regulatory
- (c) Management
- (d) Finance/Accounting

**Directors' and Officers' Liabilities**

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is revised on an annual basis.

**REMUNERATION COMMITTEE**

According to the Listing Rules, the Company has to set up a remuneration committee comprising a majority of independent non-executive Directors. The remuneration committee of the Company (the "Remuneration Committee") was established on 23 March 2007 with written terms of reference which were revised on 28 February 2011 and 30 March 2012 respectively. As at the date of this report, the Remuneration Committee consists of three members, of which all are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung, which schedules to meet at least once a year. The chairman of the Remuneration Committee is Mr. Lung and the quorum necessary for the transaction of business is two.

**REMUNERATION COMMITTEE** (cont'd)

The revised terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and

compensation payments, including any compensation payable for loss and termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

The Remuneration Committee held 2 meetings during the year to review the remuneration packages of all the Directors and senior management of the Company. Details of the attendance of the meeting of the Remuneration Committee are as follows:

Members	Attendance
Lung Hung Cheuk ( <i>Committee Chairman</i> )	2/2
Koo Fook Sun, Louis	1/2
Yeung Wing Yan, Wendy	2/2

**NOMINATION COMMITTEE**

According to code provision A.5 of the CG Code, the Company has to set up a nomination committee comprising a majority of independent non-executive Directors. The nomination committee of the Company (the "Nomination Committee") was established on 12 November 2007 with written terms of reference which were revised on 28 February 2011 and 30 March 2012 respectively. As at the date of this report, the Nomination Committee consists of three members, of which all are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung, which schedules to meet at least once a year. The chairwoman of the Nomination Committee is Ms. Yeung and the quorum necessary for the transaction of business is two.

The revised terms of reference of the Nomination Committee are posted on the websites of both the Stock Exchange and the Company.

The roles and functions of the Nomination Committee include nomination of the potential candidates for directorship, reviewing the nomination of the Directors, making recommendations to the Board for ensuring that all nominations are fair and transparent, reviewing and monitoring the implementation of the policy of diversity of the Board (the "Board Diversity Policy").

The Nomination Committee formulated the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

### **NOMINATION COMMITTEE** *(cont'd)*

The Nomination Committee held 4 meetings during the year to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, make recommendations to the Board

relating to the renewal services of non-executive Director and independent non-executive Directors and to consider the set up of the Board Diversity Policy. Details of the attendance of the meeting of the Nomination Committee are as follows:

Members	Attendance
Yeung Wing Yan, Wendy <i>(Committee Chairwoman)</i>	4/4
Koo Fook Sun, Louis	3/4
Lung Hung Cheuk	4/4

### **AUDITOR'S REMUNERATION**

The Company has appointed BDO Limited as the auditor of the Company (the "Auditor"). The Board is authorised in the annual general meeting to determine the remuneration of the Auditor. During the year, the Auditor performed the work of statutory audit for the year and also involved in non-audit assignment of the Group. The remuneration of the Auditor for the year is approximately HK\$766,000. The fee paid for non-audit service was approximately HK\$85,000.

the Company (the "Audit Committee") was established on 23 March 2007 with written terms of reference which were revised on 28 February 2011 and 30 March 2012 respectively. During the year, the Audit Committee was chaired by Mr. Koo and as at the date of this report, all Audit Committee members are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung.

### **AUDIT COMMITTEE**

According to the Listing Rules, the Company has to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee of

The revised terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to Directors.

**AUDIT COMMITTEE** (cont'd)

The Audit Committee held 4 meetings during the year and had reviewed the audited consolidated financial statements for the year ended 30 June 2013 and the unaudited consolidated financial statements for the three months ended 30 September 2013, six months ended 31 December 2013 and nine months ended 31 March 2014 respectively,

with the recommendations to the Board for approval; and to review the accounting principles and policies adopted by the Group and its financial reporting functions and internal control system. During the year, the Audit Committee met the Company's auditor twice. Details of the attendance of the meetings of the Audit Committee are as follows:

Members	Attendance
Koo Fook Sun, Louis ( <i>Committee Chairman</i> )	3/4
Lung Hung Cheuk	4/4
Yeung Wing Yan, Wendy	4/4

The Group's unaudited consolidated quarterly, interim results and audited consolidated annual results for the year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee has also reviewed the audited consolidated financial statement for the year ended 30 June 2014.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The Auditor's responsibilities are set out in the Independent Auditor's Report.

**CORPORATE GOVERNANCE FUNCTIONS**

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board on 30 March 2012. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Group's compliance with the corporate governance code as set out in the Listing Rules and disclosure in the corporate governance report in annual report of the Company.

## CORPORATE GOVERNANCE FUNCTIONS (cont'd)

During the year ended 30 June 2014, the Board held 1 meeting to review the policies and practices of the Company relating to the CG Code. Details of the attendance of the related meeting of the Board are as follows:

	Attendance
<b>Executive Directors</b>	
Lee Wing Yin	1/1
Ngan Man Ho	1/1
<b>Non-executive Director</b>	
Lai Hin Wing, Henry	1/1
<b>Independent Non-executive Directors</b>	
Koo Fook Sun, Louis	1/1
Lung Hung Cheuk	1/1
Yeung Wing Yan, Wendy	1/1

## INTERNAL CONTROL

The Board had conducted a review of the effectiveness of the Group's internal control system. The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. A policy regarding the disclosure of the inside information of the Company has also been set up. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board considered that the internal control system of the Group is effective and the Audit Committee has found no material deficiencies on the internal control system.

## INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company values communication with the shareholders of the Company (the "Shareholders") and investors. The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. Enquiries and suggestions from Shareholders or investors are welcomed, and enquires from Shareholders may be put to the Board through the following channels to the Company Secretary:

1. By mail to the Company's principle place of business at Unit 1209, 12/F., Silvercord Tower 2, 30 Canton Road, Tsim Sha Tsui, Hong Kong;
2. By telephone at telephone number (852) 2317 6233;
3. By fax at fax number (852) 2317 6088; or
4. By email at [inquire@richfieldgroup.com.hk](mailto:inquire@richfieldgroup.com.hk).

## **INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT** *(cont'd)*

The Company uses a number of formal communications channel to account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the website of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to Shareholders through the publication of interim and annual reports and/or dispatching circular, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 58 of the article of association of the Company, any

one or more of the members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Unit 1209, 12/F., Silvercord Tower 2, 30 Canton Road, Tsim Sha Tsui, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

The Board has established a shareholder communication policy on 30 March 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (<http://ir.sinodelta.com.hk/richfieldgp/>) which includes the latest information relating to the Group and its businesses.

# DIRECTORS' REPORT

For the year ended 30 June 2014

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2014.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 18 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year and the state of affairs of the Group as at 30 June 2014 are set out in the financial statements on pages 34 to 108 of this report.

## DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2014 (2013: Nil).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 13 November 2014 to Tuesday, 18 November 2014, both days inclusive, during which period no transfer of shares will be registered. In order to attend the AGM, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12 November 2014.

### CHARITABLE DONATIONS

During the year, the Group made charitable donation amount to HK\$284,000.

### SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years:

#### Consolidated Results

	Year Ended 30 June 2014 HK\$'000	Year Ended 30 June 2013 HK\$'000	Year Ended 30 June 2012 HK\$'000	Year Ended 30 June 2011 HK\$'000	Period from 1 April 2009 to 30 June 2010 HK\$'000
Revenue	<b>560,372</b>	100,400	153,807	485,304	310,709
Profit/(Loss) before income tax from continuing and discontinued operations	<b>44,706</b>	(190,463)	29,850	203,045	166,305
Income tax expense	<b>(34,255)</b>	(4,939)	(5,631)	(35,142)	(25,868)
Profit/(Loss) after income tax	<b>10,451</b>	(195,402)	24,219	167,903	140,437
Attributable to: Owners of the Company	<b>10,502</b>	(195,402)	24,219	167,903	140,437

#### Consolidated Assets and Liabilities

	As at 30 June 2014 HK\$'000	As at 30 June 2013 HK\$'000	As at 30 June 2012 HK\$'000	As at 30 June 2011 HK\$'000	As at 30 June 2010 HK\$'000
Total assets	<b>2,033,577</b>	2,005,838	2,216,479	2,174,572	1,133,831
Total liabilities	<b>(515,249)</b>	(513,392)	(521,406)	(457,770)	(135,455)
Net assets	<b>1,518,328</b>	1,492,446	1,695,073	1,716,802	998,376

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 31 to the financial statements.

### RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity of the Group on pages 40 to 41 of this report and in note 32 to the financial statements respectively.

### DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders amount to HK\$1,306,240,000 (2013: HK\$1,260,825,000). Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the reserves of the Company are available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association. In addition, dividends or distributions may, with the sanction of an ordinary resolution of shareholders of the Company, be declared and paid out of the share premium account of the Company provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the five largest customers of the Group accounted for approximately 99.7% (2013: 97%) of the Group's total turnover for the year. Turnover made to the Group's largest customers accounted for approximately 87.8% (2013: 69%) of the Group's total turnover for the year.

The Group had no major suppliers due to the nature of the principal activities of the Group.

At no time during the year, the Directors, their associates or any shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in these major customers.

### DIRECTORS

The Directors for the year and up to the date of this annual report were as follows:

#### Executive Directors

Lee Wing Yin (*CEO*)  
Ngan Man Ho

#### Non-executive Director

Lai Hin Wing, Henry

#### Independent Non-executive Directors

Koo Fook Sun, Louis  
Lung Hung Cheuk  
Yeung Wing Yan, Wendy

In accordance with article 87(1) of the articles of association of the Company, Lee Wing Yin and Ngan Man Ho shall retire from office as Directors by rotation at the conclusion of the AGM and, being eligible, offer themselves for re-election at the AGM.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 12 of this annual report.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed herein, no contract of significant to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' SERVICE CONTRACTS

Details of the Directors' service contracts and appointment letters are described in the "Corporate Governance Report" on page 14.

Apart from the forgoing, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company

within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Number of shares		Approximate percentage of shareholding
	Personal interest	Total	
Lee Wing Yin	2,000,000	2,000,000 (Note 1)	0.06%
Ngan Man Ho	248,000	248,000	0.01%
	2,000,000	2,000,000 (Note 1)	0.06%
Lai Hin Wing, Henry	1,000,000	1,000,000 (Note 2)	0.03%
Koo Fook Sun, Louis	1,000,000	1,000,000 (Note 2)	0.03%
Lung Hung Chuek	1,000,000	1,000,000 (Note 2)	0.03%
Yeung Wing Yan, Wendy	1,000,000	1,000,000 (Note 2)	0.03%

Note :

1. These shares represent the share options granted by the Company on 26 October 2012 and 3 June 2014 under the share option scheme adopted on 1 November 2011.
2. These shares represent the share options granted by the Company on 26 October 2012 under the share option scheme adopted on 1 November 2011.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION** (cont'd)

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES**

As at 30 June 2014, other than the interests of certain Directors and chief executive of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation" above, the interests or short positions of person in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which shares are held	Number of shares	Approximate percentage of shareholding
Pong Wai San, Wilson (Note 1)	Beneficial owner	394,176,000	11.33%
	Interested in controlled corporation	936,794,000	26.93%
Tung Ching Yee, Helena (Note 2)	Family interest	1,330,970,000	38.26%
Virtue Partner Group Limited (Note 1)	Beneficial owner	936,794,000	26.93%
Au Wing Wah ("Mr. Au")	Beneficial owner	8,400,000	0.24%
	Interest in controlled corporation	760,000,000 (Note 4)	21.85%
Kong Pik Fan (Note 5)	Family interest	768,400,000	22.09%
Richfield (Holdings) Limited	Beneficial owner	760,000,000 (Note 4)	21.85%

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES** (cont'd)

Notes:

1. 936,794,000 shares are beneficially owned by Virtue Partner Group Limited, a company wholly owned by Mr. Pong, and therefore Mr. Pong is deemed to be interested in these shares under the SFO. 394,176,000 shares are personally owned by Mr. Pong, of which 8,400,000 shares represent the share options granted to him by the Company under the Old Scheme on 9 July 2010 and 11,000,000 and 22,600,000 shares represent the share options granted to him by the Company under the New Scheme on 26 October 2012 and 3 June 2014 respectively.
2. Ms. Tung Ching Yee, Helena is the wife of Mr. Pong and is accordingly deemed to be interested in the shares beneficially owned by Mr. Pong in his own capacity and through his controlled corporation, Virtue Partner Group Limited, under the SFO.
3. These 8,400,000 shares are share options granted by the Company to Mr. Au under the New Scheme on 26 October 2012.
4. These 760,000,000 shares are beneficially owned by Richfield (Holdings) Limited, a company wholly owned by Mr. Au, and therefore Mr. Au is deemed to be interested in the shares owned by Richfield (Holdings) Limited, under the SFO.
5. Ms. Kong Pik Fan is the wife of Mr. Au and accordingly deemed to be interested in the shares beneficially owned by Mr. Au in his own capacity and through his controlled corporation, Richfield (Holdings) Limited, under SFO.

All the interests disclosed above represent long position in shares of the Company.

Save as disclosed above, as at 30 June 2014, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **SHARE OPTION SCHEME**

A share option scheme was adopted by the Company pursuant to written resolution of the Company on 2 May 2002 (the "Old Scheme") under which the Board may, at its discretion, grant options to the eligible participants of the scheme, including any directors, employees, consultants, advisers, suppliers or customers of the Group. The Old Scheme was terminated and a new share option scheme was adopted on 1 November 2011 (the "Adoption Date") by the shareholders of the Company (the "New Scheme"). The purpose of the share option scheme is to grant options to selected persons as incentives or rewards for their contribution to the Group.

The following is a summary of principal terms of the New Scheme adopted by the Shareholders passed as an ordinary resolution on 1 November 2011. The terms of the New Scheme are in accordance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange ("the "Listing Rules").

### **(a) Purpose of the New Scheme**

The purpose of the New Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Company and its subsidiaries.

### **(b) Participants of the New Scheme**

The Board may, at its absolute discretion grant all directors (including executive, non-executive or independent non-executive directors), any employee (full-time or part-time), any adviser, consultant, supplier or customer of the Company or any of its subsidiaries, options to subscribe at a price calculated in accordance with the paragraph below for such number of shares as it may determine in accordance with the terms of the New Scheme.

## **SHARE OPTION SCHEME** (cont'd)

### **(c) Total Number of Shares Available for Issue Under the New Scheme**

The maximum number of shares of the Company (the "Share(s)") available for issue under the share options which may be granted under the New Scheme and any other share option scheme of the Company must not, exceed 10% of the shares in issue on the Adoption Date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company), unless shareholders' approval has been obtained.

As at the date of this annual report, the outstanding number of options available for issue under the New Scheme is 347,850,000 shares, representing 10% of the issued share capital of the Company.

### **(d) The Maximum Entitlement of Each Participant Under the New Scheme**

The total number of Shares issued and to be issued upon exercise of options granted and to be granted to each participant or grantee (including exercised, cancelled and outstanding options) under the New Scheme, in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue.

### **(e) Timing for Exercising Option**

An option may be exercised in accordance with the terms of the New Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

### **(f) Payment of Acceptance of Option**

The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

### **(g) Period of Acceptance of Option**

An offer for the grant of options must be accepted within 21 days from the date of grant of the options.

### **(h) The Basis of Determining the Exercise Price of Option**

The subscription price of a share in respect of any particular option granted under the New Scheme shall be a price determined by the Board and notified to a participant and shall be at least the highest of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date on which the Board passes a resolution approving the making of an offer of grant of an option to the participant (the "Offer Date");
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the Offer Date; and
- (iii) the nominal value of the Share on the Offer Date.

### **(i) Duration of New Scheme**

The New Scheme will remain in force for a period of 10 years commencing from the Adoption Date.

## SHARE OPTION SCHEME (cont'd)

### (j) Grant of Options to Connected Person

Any grant of options to a connected person (as defined in the Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee). Where options are proposed to be granted to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director or any of their respective associates, and the proposed grant of options which would result in the share issued and to be issued upon exercise of all options already granted or to be granted to such

person in the 12-month period up to and including the date of offer of the options, would entitle that person to receive more than 0.1% of the total issued shares of the Company for the time being and the value of which is in excess of HK\$5,000,000, then the proposed grant must be subject to the approval of the shareholders at the general meeting. All connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant).

Details of the share options movements during the year ended 30 June 2014 under the share option schemes are as follows:

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Exercise Period	Number of share options					
				Balance as at 01.07.2013	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 30.06.2014
<b>Directors</b>									
Lee Wing Yin	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
	3/6/2014 (Note 3)	0.221	3/6/2014 – 2/6/2024	-	1,000,000	-	-	-	1,000,000
Ngan Man Ho	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
	3/6/2014 (Note 3)	0.221	3/6/2014 – 2/6/2024	-	1,000,000	-	-	-	1,000,000
Lai Hin Wing, Henry	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
Koo Fook Sun, Louis	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
Yeung Wing Yan, Wendy	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
Lung Hung Cheuk	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
Subtotal				6,000,000	2,000,000	-	-	-	8,000,000
<b>Director of subsidiaries and the Substantial Shareholder</b>									
Au Wing Wah	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	8,400,000	-	-	-	-	8,400,000
<b>Consultant of the Company and the Substantial Shareholder</b>									
Pong Wai San, Wilson	9/7/2010 (Note 2)	0.59	9/7/2010 – 8/7/2015	8,400,000	-	-	-	-	8,400,000
	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	11,000,000	-	-	-	-	11,000,000
	3/6/2014 (Note 3)	0.221	3/6/2014 – 2/6/2024	-	22,600,000	-	-	-	22,600,000
<b>Total</b>				<b>33,800,000</b>	<b>24,600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,400,000</b>

### **SHARE OPTION SCHEME** (cont'd)

Note 1: The closing price of the Shares immediately before 26 October 2012, on which those options were granted, was HK\$0.395.

Note 2: The closing price of the Shares immediately before 9 July 2010, on which those options were granted, was HK\$0.59.

Note 3: The closing price if the Shares immediately before 3 June 2014, on which those options were granted, was HK\$0.221.

Information on the accounting policy and the value of options granted is provided in notes 3.23 and 35 to the financial statements.

### **DIRECTOR'S RIGHTS TO ACQUIRE SHARE OR DEBENTURES**

Apart from as disclosed under the heading "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

### **PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the year.

### **INVESTMENT IN SUBSIDIARIES**

The principal activities of the Company's subsidiaries are set out in note 18 to the financial statements.

### **CORPORATE GOVERNANCE**

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 13 to 21. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

### **MANAGEMENT CONTRACTS**

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

### **PUBLIC FLOAT**

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report.

### **DIRECTORS' INTERESTS IN COMPETING INTERESTS**

As at the date of this report, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

### **CONTINUING CONNECTED TRANSACTIONS**

On 23 September 2014, the Board approved the renewal of two tenancy agreements of the Company (the "Tenancy Agreements") with Flexwood Limited ("Flexwood") as landlord, which were signed on 23 September 2014, pursuant to which the Company will continue to rent two existing premises owned by Flexwood for a term of two years commencing from 15 October 2014 with the monthly rents of HK\$140,000 and HK\$180,000 respectively. The Directors consider that it is in the commercial interest of the Company if the Company continues to rent the existing office premises as it is not easy to identify other appropriate premises and the Company will bear unnecessary relocation costs and expenses if the Company has to move to other premises. Flexwood is a property holding company wholly and beneficially owned by Mr. Pong, a consultant and substantial shareholder of the Company. Accordingly, Flexwood is a connected person to the Company as defined under the Listing Rules and the transaction contemplated under the tenancy agreement constitutes a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The detail of the above continuing connected transaction is set out in the Company's announcement dated 23 September 2014.

### **CONNECTED TRANSACTION**

Save as disclosed above, there were no significant connected party transactions entered into by the Group for the year ended 30 June 2014.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **AUDITOR**

BDO Limited will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

FOR AND ON BEHALF OF THE BOARD

**Lee Wing Yin**

*Executive Director*

Hong Kong

23 September 2014

# INDEPENDENT AUDITOR'S REPORT



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## **To the shareholders of Richfield Group Holdings Limited** *(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Richfield Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 34 to 108, which comprise the consolidated and company statements of financial position as at 30 June 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

*Certified Public Accountants*

### **Yu Tsui Fong**

Practising Certificate Number P05440

Hong Kong, 23 September 2014

# CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	6	560,372	100,440
Cost of sales		(362,694)	(37,840)
<b>Gross profit</b>		<b>197,678</b>	62,600
Other income	7	108,948	20,883
Selling and distribution expenses		(3,871)	(8,472)
Administrative expenses and other operating expenses		(60,254)	(63,419)
Impairment loss recognised in respect of goodwill	21	(198,000)	(203,000)
Finance costs	9	(5)	(3)
Share of profit of associates		104	413
Share of profit of a joint venture		106	535
<b>Profit/(Loss) before income tax</b>	8	<b>44,706</b>	(190,463)
Income tax expense	10	(34,255)	(4,939)
<b>Profit/(Loss) for the year</b>		<b>10,451</b>	(195,402)
<b>Profit/(Loss) for the year attributable to:</b>			
Owners of the Company	11	10,502	(195,402)
Non-controlling interests		(51)	–
		<b>10,451</b>	(195,402)
<b>Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company during the year</b>	13		
Basic and diluted		<b>HK 0.30 cent</b>	HK (5.62) cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	2014 HK\$'000	2013 HK\$'000
<b>Profit/(Loss) for the year</b>	<b>10,451</b>	(195,402)
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Net fair value gain/(loss) on available-for-sale financial assets	<b>2,147</b>	(756)
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	<b>9,865</b>	–
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	<b>(8,667)</b>	9
Exchange differences arising on translation of foreign operations	<b>6,159</b>	–
<b>Other comprehensive income for the year, net of tax</b>	<b>9,504</b>	(747)
<b>Total comprehensive income for the year</b>	<b>19,955</b>	(196,149)
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the Company	<b>20,006</b>	(196,149)
Non-controlling interests	<b>(51)</b>	–
	<b>19,955</b>	(196,149)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16(a)	128,489	133,502
Investment properties	17	249,000	190,000
Interests in associates	19	517	413
Amounts due from an associate	19	4,328	4,401
Interests in a joint venture	20	640	535
Amounts due from a joint venture	20	4,526	4,631
Goodwill	21	73,000	271,000
Available-for-sale financial assets	22	75,575	90,676
		<b>536,075</b>	695,158
<b>Current assets</b>			
Amounts due from associates	19	99,814	68,014
Available-for-sale financial assets	22	25,178	–
Properties held for trading	23	50,122	73,075
Properties under development	24	444,444	745,485
Trade receivables	25	16,054	58,673
Prepayments, deposits and other receivables		15,443	10,718
Financial assets at fair value through profit or loss	26	1,372	607
Cash and bank balances	27	734,053	242,013
Restricted bank deposits	28	111,022	112,095
		<b>1,497,502</b>	1,310,680
<b>Current liabilities</b>			
Accrued expenses and other payables		127,642	137,428
Borrowings	29	130,752	136,015
Finance lease liabilities	30	432	384
Amount due to non-controlling shareholder	34	218,603	–
Provision for income tax		36,051	3,113
		<b>513,480</b>	276,940
<b>Net current assets</b>		<b>984,022</b>	1,033,740
<b>Total assets less current liabilities</b>		<b>1,520,097</b>	1,728,898
<b>Non-current liabilities</b>			
Borrowings	29	–	234,000
Finance lease liabilities	30	1,404	1,836
Deferred tax liabilities	33	365	616
		<b>1,769</b>	236,452
<b>Net assets</b>		<b>1,518,328</b>	1,492,446
<b>EQUITY</b>			
Share capital	31	34,785	34,785
Reserves	32	1,483,602	1,457,661
<b>Equity attributable to owners of the Company</b>		<b>1,518,387</b>	1,492,446
<b>Non-controlling interests</b>		(59)	–
<b>Total equity</b>		<b>1,518,328</b>	1,492,446

Lee Wing Yin  
Director

Ngan Man Ho  
Director

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	18	–	–
Property, plant and equipment	16(b)	1,117	1,825
Available-for-sale financial assets	22	75,575	90,676
		<b>76,692</b>	92,501
<b>Current assets</b>			
Prepayments, deposits and other receivables		1,716	1,965
Amounts due from subsidiaries	18	777,901	1,191,578
Available-for-sale financial assets	22	25,178	–
Financial assets at fair value through profit or loss	26	1,372	607
Cash and bank balances	27	684,862	203,195
		<b>1,491,029</b>	1,397,345
<b>Current liabilities</b>			
Accrued expenses and other payables		1,366	116
Amounts due to subsidiaries	18	207,599	182,672
		<b>208,965</b>	182,788
<b>Net current assets</b>		<b>1,282,064</b>	1,214,557
<b>Total assets less current liabilities</b>		<b>1,358,756</b>	1,307,058
<b>Net assets</b>		<b>1,358,756</b>	1,307,058
<b>EQUITY</b>			
Share capital	31	34,785	34,785
Reserves	32	1,323,971	1,272,273
<b>Total equity</b>		<b>1,358,756</b>	1,307,058

Lee Wing Yin  
Director

Ngan Man Ho  
Director

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>			
Profit/(Loss) before income tax		<b>44,706</b>	(190,463)
Adjustments for:			
Interest income	7	<b>(6,860)</b>	(6,505)
Dividend income	7	<b>(10,167)</b>	(1,154)
Impairment of goodwill	21	<b>198,000</b>	203,000
Depreciation	8	<b>7,818</b>	8,369
Fair value gain on inventories reclassified as investment properties	7	<b>(1,047)</b>	–
Fair value gain on investment properties	7	<b>(35,000)</b>	–
Net fair value gain on financial assets at fair value through profit or loss	7	–	(1,009)
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	8	<b>9,865</b>	–
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	8	<b>(8,667)</b>	9
Share of profit of associates		<b>(104)</b>	(413)
Share of profit of a joint venture		<b>(106)</b>	(535)
Gain on disposal of property, plant and equipment	7	–	(3)
Reversal of write-down of properties held for trading to its net realisable value	8	–	(452)
Equity-settled share-based payments	8	<b>2,938</b>	3,505
Interest expenses	9	<b>5</b>	3
Operating profit before working capital changes		<b>201,381</b>	14,352
Decrease/(Increase) in properties under development		<b>301,041</b>	(318,597)
Decrease/(Increase) in trade receivables		<b>42,619</b>	(33,813)
Increase in prepayments, deposits and other receivables		<b>(4,725)</b>	(3,047)
(Decrease)/Increase in accrued expenses and other payables		<b>(9,786)</b>	14,525
Purchases of financial assets at fair value through profit or loss		<b>(765)</b>	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	3,600
Cash generated from/(used in) operations		<b>529,765</b>	(322,980)
Interest received		<b>6,860</b>	6,505
Interest paid		<b>(5)</b>	(3)
Income tax paid		<b>(3,211)</b>	(23,116)
<i>Net cash generated from/(used in) operating activities</i>		<b>533,409</b>	(339,594)

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from investing activities</b>			
Dividend received		10,167	1,154
(Increase)/Decrease in short-term deposits with an original maturity of more than 3 months		(264,916)	77,813
Decrease/(Increase) in restricted bank deposits		1,073	(17,095)
Purchases of property, plant and equipment		(2,805)	(2,768)
Purchases of available-for-sale financial assets		(33,367)	–
Proceeds from disposals of property, plant and equipment		–	4
Proceeds from disposals of available-for-sale financial assets		25,437	2,365
Proceeds from disposal of interests in subsidiaries		225,956	–
Expenses paid for disposal of interests in subsidiaries		(4,364)	–
Advances to associates		(31,727)	(4,356)
Repayment from/(Advances to) a joint venture		105	(11)
<i>Net cash (used in)/generated from investing activities</i>		<b>(74,441)</b>	57,106
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(239,263)	(4,716)
Capital element of finance lease liabilities paid		(384)	(403)
Dividends paid	12(b)	–	(9,983)
<i>Net cash used in financing activities</i>		<b>(239,647)</b>	(15,102)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>219,321</b>	(297,590)
<b>Cash and cash equivalents at beginning of year</b>		<b>215,722</b>	513,312
<b>Effect of foreign exchange rate change</b>		<b>7,803</b>	–
<b>Cash and cash equivalents at end of year</b>		<b>442,846</b>	215,722
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	27	76,001	57,636
Short-term deposits		366,845	158,086
		<b>442,846</b>	215,722

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Equity attributable to owners of the Company										
	Share capital	Share premium account	Proposed final dividend	Translation reserve	Share-based payment reserve	Revaluation reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2012	34,785	1,274,759	9,983	-	8,094	5,892	-	361,560	1,695,073	-	1,695,073
2012 final dividend paid (note 12(b))	-	-	(9,983)	-	-	-	-	-	(9,983)	-	(9,983)
Equity-settled share-based payments (note 35)	-	-	-	-	3,505	-	-	-	3,505	-	3,505
Cancellation of share options	-	-	-	-	(5,296)	-	-	5,296	-	-	-
Transactions with owners	-	-	(9,983)	-	(1,791)	-	-	5,296	(6,478)	-	(6,478)
Loss for the year	-	-	-	-	-	-	-	(195,402)	(195,402)	-	(195,402)
Other comprehensive income:											
Net fair value loss on available-for-sale financial assets	-	-	-	-	-	(756)	-	-	(756)	-	(756)
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	-	-	-	-	-	9	-	-	9	-	9
Total comprehensive income for the year	-	-	-	-	-	(747)	-	(195,402)	(196,149)	-	(196,149)
At 30 June 2013 and 1 July 2013	34,785	1,274,759	-	-	6,303	5,145	-	171,454	1,492,446	-	1,492,446

Consolidated Statement of Changes in Equity  
For the year ended 30 June 2014

	Equity attributable to owners of the Company										
	Share capital	Share premium account	Proposed final dividend	Translation reserve	Share-based payment reserve	Revaluation reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2013	34,785	1,274,759	-	-	6,303	5,145	-	171,454	1,492,446	-	1,492,446
Equity-settled share-based payments (note 35)	-	-	-	-	2,938	-	-	-	2,938	-	2,938
Disposal of interests in subsidiaries that does not result in loss of control (note 34)	-	-	-	-	-	-	7,361	-	7,361	(8)	7,353
Expenses directly attributable to the disposal of interests in subsidiaries that does not result in loss of control	-	-	-	-	-	-	(4,364)	-	(4,364)	-	(4,364)
<b>Transactions with owners</b>	-	-	-	-	2,938	-	2,997	-	5,935	(8)	5,927
Profit for the year	-	-	-	-	-	-	-	10,502	10,502	(51)	10,451
Other comprehensive income:											
Net fair value gain on available-for-sale financial assets	-	-	-	-	-	2,147	-	-	2,147	-	2,147
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	-	-	-	-	-	9,865	-	-	9,865	-	9,865
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	-	-	-	-	-	(8,667)	-	-	(8,667)	-	(8,667)
Exchange differences arising on translation of foreign operations	-	-	-	6,159	-	-	-	-	6,159	-	6,159
<b>Total comprehensive income for the year</b>	-	-	-	6,159	-	3,345	-	10,502	20,006	(51)	19,955
<b>At 30 June 2014</b>	<b>34,785</b>	<b>1,274,759</b>	<b>-</b>	<b>6,159</b>	<b>9,241</b>	<b>8,490</b>	<b>2,997</b>	<b>181,956</b>	<b>1,518,387</b>	<b>(59)</b>	<b>1,518,328</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## 1. GENERAL INFORMATION

Richfield Group Holdings Limited (the “Company”) is an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 1209, 12th Floor, Silvercord Tower 2, 30 Canton Road, Tsim Sha Tsui, Hong Kong. The Company’s issued shares have been listed on the Main Board (the “Main Board”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 2 December 2010.

The principal activity of the Company is investment holding. Details of its subsidiaries (together with the Company referred to as the “Group”) are set out in note 18. The Group is principally engaged in the provision of property brokerage services, provision of schemes for property consolidation, assembly and redevelopment, property trading and property development. During the year, the Group set up a team for engaging in property investment and trading which management considers it is one of the ordinary activities of the Group and the revenue derived from this business is classified as revenue. Accordingly, certain comparative figures in note 5 – segment information for the year ended 30 June 2013 have been restated. Other than this, there were no significant changes in the Group’s operations during the year.

The consolidated financial statements on pages 34 to 108 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) unless otherwise stated.

## 2. ADOPTION OF NEW AND AMENDED HKFRSs

### 2.1 Adoption of New and Amended HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 July 2013:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

Except as explained below, the adoption of these new and amended HKFRSs has no material impact on the Group’s financial statements.

## **2. ADOPTION OF NEW AND AMENDED HKFRSs (cont'd)**

### **2.1 Adoption of New and Amended HKFRSs (cont'd)**

#### ***HKFRS 10, Consolidated Financial Statements***

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK SIC Interpretation 12, Consolidation – Special Purpose Entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July 2013.

#### ***HKFRS 11, Joint Arrangements***

HKFRS 11, which replaces HKAS 31, Interests in Joint Ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

#### ***HKFRS 12, Disclosure of Interests in Other Entities***

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in notes 18, 19 and 20. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

## **2. ADOPTION OF NEW AND AMENDED HKFRSs (cont'd)**

### **2.1 Adoption of New and Amended HKFRSs (cont'd)**

#### *HKFRS 13, Fair Value Measurement*

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in note 17. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

### **2.2 New and Amended HKFRSs That Have Been Issued But are not Yet Effective**

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group. The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

#### *HKFRS 9, Financial Instruments*

This standard is effective for accounting periods beginning on or after 1 January 2018. Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

## 2. ADOPTION OF NEW AND AMENDED HKFRSs (cont'd)

### 2.2 New and Amended HKFRSs That Have Been Issued But are not Yet Effective (cont'd)

#### *HKFRS 15, Revenue from Contracts with Customers*

This standard is effective for accounting periods beginning on or after 1 January 2017. HKFRS 15 establishes a single revenue recognition framework. 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.

#### *Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities*

This standard is effective for accounting periods beginning on or after 1 January 2014. The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

The directors of the Company are in the process of making an assessment of the potential impact of new and amended HKFRSs but are not yet in a position to state whether they could have material financial impact on the Group's results and financial position.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of Preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss, available-for-sale financial assets and investment properties, which are measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in those non-controlling interests having a deficit balance.

#### 3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control directly or indirectly. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

#### 3.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### 3.4 Associates *(cont'd)*

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

#### 3.5 Joint Arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- (i) Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- (ii) Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- (i) the structure of the joint arrangement;
- (ii) the legal form of joint arrangements structured through a separate vehicle;
- (iii) the contractual terms of the joint arrangement agreement; and
- (iv) any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 3.4).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.6 Goodwill

Goodwill arising in a business combination is measured as the excess of the sum of fair value of consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net fair value of the acquisition-date identifiable assets acquired and the liabilities assumed.

Goodwill is measured at cost less impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested annually for impairment.

If the consideration transferred and the amount recognised for non-controlling interests is less than the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised directly in profit or loss, after re-assessment.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

#### 3.7 Foreign Currency Translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the reporting date are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.8 Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is provided to write off the cost less their estimated residual values over their estimated useful lives, using straight-line method at the following rates per annum:

Leasehold properties	Over the lease terms
Furniture, fixtures and equipment	20% to 30%
Motor vehicles	20%
Leasehold improvements	20% or over the lease terms, whichever is shorter

The assets' estimated residual values, if any, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

#### 3.9 Impairment of Non-Financial Assets

Goodwill, property, plant and equipment and interests in subsidiaries, associates and a joint venture are subject to impairment testing.

Goodwill arising from business combinations is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.9 Impairment of Non-Financial Assets (cont'd)

Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss on goodwill arising from business combinations is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 3.10 Investment Property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

#### 3.11 Operating Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

##### (i) *Assets Acquired under Finance Leases*

Where the Group acquires the right to use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.11 Operating Leases (cont'd)

##### (ii) *Operating Lease Charges as the Lessee*

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

##### (iii) *Assets Leased Out Under Operating Leases as the Lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

#### 3.12 Properties Held for Trading

Properties held for trading are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

#### 3.13 Properties Under Development

Properties under development for future sale in the ordinary course of business are carried at the lower of cost and net realisable value. Cost comprises the acquisition cost of land and/or properties, development expenditure, other direct expenses and capitalised borrowing costs. Net realisable value represents the estimated selling price less estimated cost of completion and applicable selling expenses.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.14 Financial Assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) *Financial Assets at Fair Value Through Profit or Loss*

Financial assets at fair value through profit or loss are mainly financial assets held for trading and they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.14 Financial Assets (cont'd)

##### (ii) *Financial Assets at Fair Value Through Profit or Loss (cont'd)*

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.20.

##### (iii) *Available-for-Sale Financial Assets*

Available-for-sale financial assets are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the revaluation reserve in equity, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.14 Financial Assets (cont'd)

##### *Impairment of Financial Assets*

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

##### (i) *Financial Assets Carried at Amortised Cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.14 Financial Assets (cont'd)

##### *Impairment of Financial Assets (cont'd)*

##### *(ii) Available-for-Sale Financial Assets*

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

##### *(iii) Financial Assets Carried at Cost*

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

#### 3.15 Cash and Cash Equivalents

For the purpose of statement of cash flows presentation, cash and cash equivalents include demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and form an integral part of the Group's cash management.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.16 Financial Liabilities

The Group's financial liabilities include trade and other payables, borrowings, finance lease liabilities and amount due to non-controlling shareholder.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and are derecognised when the obligations under the liability are discharged, cancelled or expires. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

(i) *Trade and Other Payables, Borrowings and Amount Due to Non-Controlling Shareholder*

These are recognised initially at fair value and subsequently measured at amortised cost, using effective interest method.

(ii) *Finance Lease Liabilities*

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.11(i)).

#### 3.17 Provisions and Contingent Liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### 3.18 Share Capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.19 Borrowing Costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

#### 3.20 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Commission income is recognised in the accounting period in which the services are rendered and the Group's entitlement to commission income becomes unconditional or irrevocable;

Trading of property and sale of properties under development are recognised upon the signing of the sale and purchase agreement;

Interest income is recognised on time-proportion basis using effective interest method;

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease terms. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivables;

Renovation service income and lease management services income are recognised when the services are rendered; and

Dividend income is recognised when the right to receive payment is established.

#### 3.21 Income Tax

Income taxes for the year comprise current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.21 Income Tax (cont'd)

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Income taxes are recognised in profit or loss, except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity income in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entities; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.22 Retirement Benefit Costs and Short Term Employee Benefits

(i) *Defined Contribution Retirement Plan*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong.

Contributions are made based on a percentage of the employees' basic salaries and are recognised in profit or loss as employees render services during the year. Assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(ii) *Short-Term Employee Benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

#### 3.23 Share-Based Employee Compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees, directors, consultants, advisors, suppliers or customers of the Company and its subsidiaries.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in share-based payment reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.24 Segment Reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

Property Assembly and Brokerage Business:	Provision of property brokerage services; provision of schemes for property consolidation, assembly and redevelopment; and property trading for assembly projects purpose.
Property Development Business:	The Group's property development business is segregated further into two reportable segments on a geographical basis – Hong Kong and the United Kingdom
Property Investment and Trading Business:	Investment in the properties and property trading for profit-making purpose

Each of these operating segments is managed separately as each of the product and service line requires different resources as well as marketing approaches. All inter-segment transfers are priced with reference to prices charged to external parties for similar orders.

The measurement policies the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that renovation service income, net fair value changes on financial assets at fair value through profit or loss, reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets and disposals of available-for-sale financial assets, certain interest income, dividend income, share of results of associates and a joint venture, certain finance costs, net exchange loss/gain, equity-settled share-based payments, income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but investments in financial assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.25 Related Parties

- (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 key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity 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 key management personnel of the entity (or of a parent of the entity).

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:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

#### **3.26 Financial Guarantee Contract**

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of a guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised as investment in subsidiaries on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, where appropriate.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **4.1 Estimated Impairment of Goodwill**

The Group tests goodwill arising from business combinations annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require estimations of the value-in-use of the CGUs to which the goodwill is allocated. During the year, an impairment loss of HK\$198,000,000 has been recognised. If the actual growth rate had been lower or the pre-tax discounted rate higher than management's estimates or the estimated cash flows later than management estimates due to the delay in the process of the projects' completion, the Group may make the further impairment losses that arose on goodwill.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** *(cont'd)*

##### **4.2 Net Realisable Value of Properties Held for Trading and Properties Under Development**

Net realisable value of properties held for trading and properties under development is the estimated selling price in the ordinary course of business, less selling expenses and estimated cost of completion. These estimates are based on the current market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. Management reassesses these estimations at the reporting date to ensure properties held for trading and properties under development are accounted for at the lower of cost and net realisable value.

##### **4.3 Impairment of Receivables**

The impairment loss on receivables of the Group is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

##### **4.4 Impairment of Available-for-Sale Financial Assets**

The impairment loss on available-for-sale financial assets is established when there is objective evidence. The directors of the Company review available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value of an investment in an equity instrument below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

##### **4.5 Taxation**

The Group is subject to various taxes in Hong Kong and the United Kingdom. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

##### **4.6 Fair Value of Investment Properties**

Investment properties are carried at their fair value. The fair value of the investment properties was determined by reference to valuations conducted on these properties by the independent professional valuers using property valuation techniques which involve certain assumptions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in profit or loss and the carrying amount of these properties included in the consolidated statement of financial position.

## 5. SEGMENT INFORMATION

The executive directors have identified the Group's four product and service lines as operating segments as further described in note 3.24. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

There was no inter-segment sale and transfer during the year (2013: Nil).

	Property Assembly and Brokerage Business		Property Development Business – Hong Kong		Property Development Business – the United Kingdom		Property Investment and Trading Business		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Reportable segment revenue:										
From external customers	63,356	100,440	-	-	491,747	-	5,269	6,050	560,372	106,490
Reportable segment profit/(loss)	(190,613)	(189,375)	(766)	(267)	156,326	4,045	39,113	5,939	4,060	(179,658)
Bank interest income	303	456	24	-	102	39	1	-	430	495
Depreciation	7,020	7,928	-	-	-	-	65	-	7,085	7,928
Reversal of write-down of properties held for trading to its net realisable value	-	(452)	-	-	-	-	-	-	-	(452)
Fair value gain on inventories reclassified as investment properties	1,047	-	-	-	-	-	-	-	1,047	-
Fair value gain on investment properties	-	-	-	-	-	-	35,000	-	35,000	-
Impairment loss in respect of goodwill	198,000	203,000	-	-	-	-	-	-	198,000	203,000
Reportable segment assets	417,120	676,586	445,784	446,569	11,189	314,419	259,523	191,509	1,133,616	1,629,083
Additions to non-current assets during the year	-	1,828	-	-	-	-	60,896	-	60,896	1,828
Reportable segment liabilities	171,972	183,970	218,985	234,236	34,532	2,630	88,590	92,420	514,079	513,256

## 5. SEGMENT INFORMATION (cont'd)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2014 HK\$'000	2013 HK\$'000 (Restated)
Reportable segment revenue	<b>560,372</b>	106,490
Rental income derived from new segment – Property Investment and Trading Business	–	(6,050)
Consolidated revenue	<b>560,372</b>	100,440
Reportable segment profit/(loss)	<b>4,060</b>	(179,658)
Renovation service income	<b>41</b>	24
Net fair value gain on financial assets at fair value through profit or loss	–	1,009
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	<b>8,667</b>	(9)
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	<b>(9,865)</b>	–
Interest income	<b>6,430</b>	6,010
Dividend income	<b>10,167</b>	1,154
Share of profit of associates	<b>104</b>	413
Share of profit of a joint venture	<b>106</b>	535
Finance costs	–	(1)
Exchange gain/(loss), net	<b>40,066</b>	(5,966)
Equity-settled share-based payments	<b>(2,938)</b>	(3,505)
Corporate salaries and allowances	<b>(3,929)</b>	(3,380)
Depreciation on corporate property, plant and equipment	<b>(733)</b>	(441)
Corporate rent and rates	<b>(4,301)</b>	(3,560)
Unallocated corporate expenses	<b>(3,169)</b>	(3,088)
Profit/(Loss) before income tax	<b>44,706</b>	(190,463)
Reportable segment assets	<b>1,133,616</b>	1,629,083
Available-for-sale financial assets	<b>100,753</b>	90,676
Financial assets at fair value through profit or loss	<b>1,372</b>	607
Corporate cash and bank balances and short term deposits	<b>685,361</b>	205,152
Share of net assets of associates	<b>517</b>	413
Share of net assets of a joint venture	<b>640</b>	535
Amounts due from associates	<b>104,142</b>	72,415
Amounts due from a joint venture	<b>4,526</b>	4,631
Other corporate assets	<b>2,650</b>	2,326
Group assets	<b>2,033,577</b>	2,005,838
Reportable segment liabilities	<b>514,079</b>	513,256
Other corporate liabilities	<b>1,170</b>	136
Group liabilities	<b>515,249</b>	513,392

## 5. SEGMENT INFORMATION (cont'd)

The following table provides an analysis of the Group's revenue from external customers.

	2014 HK\$'000	2013 HK\$'000 (Restated)
Hong Kong	<b>68,625</b>	106,490
United Kingdom	<b>491,747</b>	–
	<b>560,372</b>	106,490

Non-current assets are located in Hong Kong. The geographical location of customers is based on the location at which the services were provided and the goods were delivered. The geographical location of non-current assets is based on the physical location of the assets.

During the year, there was neither revenue from external customers attributable to the Cayman Islands (domicile) (2013: Nil) nor non-current assets were located in the Cayman Islands (2013: Nil). The country of domicile is the country where the Company was incorporated.

Revenue from the major customers is as follows:

	2014 HK\$'000	2013 HK\$'000
Customer A (note i)	<b>59,100</b>	72,187
Customer B (note i)	–	15,361
Customer C (note ii)	<b>491,747</b>	–
	<b>550,847</b>	87,548

Notes:

- (i) derived from the Property Assembly and Brokerage Business.
- (ii) derived from the Property Development Business.

## 6. REVENUE

The Group's principal activities are disclosed in note 1 to the financial statements. Revenue from the Group's principal activities recognised during the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Commission income	61,554	99,283
Lease management services income	1,802	1,157
Rental income from investment properties	5,269	–
Sale of properties under development	491,747	–
	<b>560,372</b>	100,440

## 7. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Interest income	6,860	6,505
Dividend income	10,167	1,154
Rental income from properties held for trading and properties under development	6,153	5,158
Renovation service income	41	24
Rental income from investment properties	–	6,050
Net fair value gain on financial assets at fair value through profit or loss	–	1,009
Fair value gain on inventories reclassified as investment properties	1,047	–
Fair value gain on investment properties	35,000	–
Gain on disposal of property, plant and equipment	–	3
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	8,667	–
Exchange gain, net	40,066	–
Sundry income	947	980
	<b>108,948</b>	20,883

## 8. PROFIT/(LOSS) BEFORE INCOME TAX

	2014 HK\$'000	2013 HK\$'000
Profit/(Loss) before income tax is arrived at after charging/(crediting) the following:		
Auditor's remuneration		
– current year provision	766	695
– under-provision in respect of previous years	106	8
Cost of inventories recognised as expense, including:		
– cost of properties sold	340,004	–
– reversal of write-down of properties held for trading to its net realisable value	–	(452)
Depreciation	7,818	8,369
Directors' remuneration (note 15(a))	2,488	2,865
Equity-settled share-based payments (note 35)	2,938	3,505
Exchange (gain)/loss, net (note 7)	(40,066)	6,048
Minimum lease payments under operating lease rentals for land and buildings	5,653	5,221
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets (note 7)	(8,667)	9
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	9,865	–

## 9. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest charges on:		
Bank loans		
– wholly repayable within five years	4,826	5,997
– not wholly repayable within five years	2,394	2,548
Total borrowing costs	7,220	8,545
Less: interest capitalised in properties under development (note 24)*	(7,215)	(8,542)
	5	3

\* Borrowing costs have been capitalised at effective interest rates ranged from 2.13% to 2.50% (2013: 1.96% to 2.80%) per annum.

The above analysis shows the finance costs of bank borrowings, including those with a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements.

## 10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Income tax in the consolidated income statement is as follows:

	2014 HK\$'000	2013 HK\$'000
<b>Current tax – Hong Kong profits tax</b>		
Provision for the year	1,756	3,209
(Over)/Under-provision in respect of prior years	(242)	286
	<b>1,514</b>	3,495
<b>Current tax – Overseas</b>		
Provision for the year	32,992	828
<b>Deferred tax</b> (note 33)	(251)	616
<b>Total income tax expense</b>	<b>34,255</b>	4,939

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2014 HK\$'000	2013 HK\$'000
Profit/(Loss) before income tax	44,706	(190,463)
Notional tax on profit or loss before income tax, calculated at the rates applicable to profits/loss in the countries concerned	14,417	(31,268)
Tax effect of share of profit of associates and a joint venture	96	(156)
Tax effect of non-deductible expenses	34,005	37,761
Tax effect of non-taxable revenue	(15,829)	(1,789)
Tax effect of temporary difference not recognised	468	176
Tax effect of unused tax losses not recognised	1,340	76
Tax effect of prior year's unrecognised tax losses utilised this year	–	(147)
(Over)/Under-provision in prior years	(242)	286
Income tax expense	<b>34,255</b>	4,939

## 11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK\$10,502,000 (2013: a loss of HK\$195,402,000), a profit of HK\$45,415,000 (2013: a loss of HK\$14,669,000) has been dealt with in the financial statements of the Company.

## 12. DIVIDENDS

- (a) The directors do not recommend the payment of final dividend for the year ended 30 June 2014 (2013: Nil).
- (b) Dividend attributable to the previous year approved and paid during the year:

	2014 HK\$'000	2013 HK\$'000
Final dividend (2013: HK0.287 cent per share)	–	9,983

## 13. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following data:

	2014	2013
Profit/(Loss) for the year, attributable to owners of the Company (HK\$'000)	<b>10,502</b>	(195,402)
Number of shares ('000) Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<b>3,478,500</b>	3,478,500

There were no diluted potential ordinary shares for the years ended 30 June 2014 and 2013 as the outstanding share options were out of the money for the purpose of the diluted earnings/(loss) per share calculation.

#### 14. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits in kind	37,992	63,006
Equity-settled share-based payments	238	3,505
Pension costs – defined contribution plans	1,211	1,481
	<b>39,441</b>	<b>67,992</b>

#### 15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

##### (a) Directors' Emoluments

The emoluments paid/payable to the directors were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity-settled share-based payments HK\$'000	Pension cost – defined contribution plans HK\$'000	Total HK\$'000
<b>Year ended 30 June 2014</b>					
<b>Executive directors</b>					
Mr. Lee Wing Yin	928	–	119	15	1,062
Mr. Ngan Man Ho	852	–	119	15	986
<b>Non-executive director</b>					
Mr. Lai Hin Wing Henry	110	–	–	–	110
<b>Independent non-executive directors</b>					
Mr. Koo Fook Sun Louis	110	–	–	–	110
Mr. Lung Hung Cheuk	110	–	–	–	110
Ms. Yeung Wing Yan Wendy	110	–	–	–	110
	<b>2,220</b>	<b>–</b>	<b>238</b>	<b>30</b>	<b>2,488</b>

## 15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(cont'd)

### (a) Directors' Emoluments (cont'd)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity-settled share-based payments HK\$'000	Pension cost – defined contribution plans HK\$'000	Total HK\$'000
<b>Year ended 30 June 2013</b>					
<b>Executive directors</b>					
Mr. Lee Wing Yin	840	–	138	15	993
Mr. Ngan Man Ho	795	–	138	15	948
<b>Non-executive director</b>					
Mr. Lai Hin Wing Henry	72	–	138	–	210
<b>Independent non-executive directors</b>					
Mr. Koo Fook Sun Louis	100	–	138	–	238
Mr. Lung Hung Cheuk	100	–	138	–	238
Ms. Yeung Wing Yan Wendy	100	–	138	–	238
	2,007	–	828	30	2,865

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

### (b) Five Highest Paid Individuals

Of the five individuals whose emoluments were the highest in the Group for the year ended 30 June 2014, two (2013: two) are directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the three (2013: three) individuals for the years ended 30 June 2014 and 2013 are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits in kind	8,134	10,898
Equity-settled share-based payments	–	1,518
Pension costs – defined contribution plans	46	45
	8,180	12,461

## 15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(cont'd)

### (b) Five Highest Paid Individuals (cont'd)

Their emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	1	–
HK\$8,000,001 to HK\$8,500,000	–	1

During the years ended 30 June 2014 and 2013, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2013: Nil).

The emoluments paid or payable to member of senior management were within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
HK\$5,500,001 to HK\$6,000,000	1	–
HK\$8,000,001 to HK\$8,500,000	–	1

## 16. PROPERTY, PLANT AND EQUIPMENT

### (a) Group

	Leasehold properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
<b>At 1 July 2012</b>					
Cost	129,816	9,419	3,718	7,741	150,694
Accumulated depreciation	(4,062)	(4,585)	(322)	(3,378)	(12,347)
<b>Net carrying amount</b>	<b>125,754</b>	<b>4,834</b>	<b>3,396</b>	<b>4,363</b>	<b>138,347</b>
<b>Year ended 30 June 2013</b>					
Opening net book amount	125,754	4,834	3,396	4,363	138,347
Additions	–	984	–	2,960	3,944
Disposals	–	(420)	–	–	(420)
Depreciation	(3,054)	(1,389)	(744)	(3,182)	(8,369)
<b>Closing net book amount</b>	<b>122,700</b>	<b>4,009</b>	<b>2,652</b>	<b>4,141</b>	<b>133,502</b>
<b>At 30 June 2013 and 1 July 2013</b>					
Cost	129,816	9,983	3,718	10,701	154,218
Accumulated depreciation	(7,116)	(5,974)	(1,066)	(6,560)	(20,716)
<b>Net carrying amount</b>	<b>122,700</b>	<b>4,009</b>	<b>2,652</b>	<b>4,141</b>	<b>133,502</b>
<b>Year ended 30 June 2014</b>					
Opening net book amount	<b>122,700</b>	<b>4,009</b>	<b>2,652</b>	<b>4,141</b>	<b>133,502</b>
Additions	–	397	1,961	447	2,805
Depreciation	<b>(3,053)</b>	<b>(1,609)</b>	<b>(809)</b>	<b>(2,347)</b>	<b>(7,818)</b>
<b>Closing net book amount</b>	<b>119,647</b>	<b>2,797</b>	<b>3,804</b>	<b>2,241</b>	<b>128,489</b>
<b>At 30 June 2014</b>					
Cost	<b>129,816</b>	<b>10,380</b>	<b>5,679</b>	<b>11,148</b>	<b>157,023</b>
Accumulated depreciation	<b>(10,169)</b>	<b>(7,583)</b>	<b>(1,875)</b>	<b>(8,907)</b>	<b>(28,534)</b>
<b>Net carrying amount</b>	<b>119,647</b>	<b>2,797</b>	<b>3,804</b>	<b>2,241</b>	<b>128,489</b>

Leasehold properties are held on medium lease and located in Hong Kong.

As at 30 June 2014, the Group's leasehold properties with net carrying amount of HK\$98,237,000 (2013: HK\$100,618,000) were pledged to secure bank loans of HK\$44,320,000 (2013: HK\$45,880,000) granted to the Group (note 29).

Furniture, fixtures and equipment with net carrying amount of HK\$1,836,000 (2013: HK\$2,220,000) are held under finance leases (note 30).

**16. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

(b) Company

	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 July 2012			
Cost	157	687	844
Accumulated depreciation	(128)	(592)	(720)
Net carrying amount	29	95	124
Year ended 30 June 2013			
Opening net book amount	29	95	124
Additions	135	1,981	2,116
Depreciation	(45)	(370)	(415)
Closing net book amount	119	1,706	1,825
At 30 June 2013 and 1 July 2013			
Cost	292	2,668	2,960
Accumulated depreciation	(173)	(962)	(1,135)
Net carrying amount	119	1,706	1,825
<b>Year ended 30 June 2014</b>			
Opening net book amount	<b>119</b>	<b>1,706</b>	<b>1,825</b>
Depreciation	<b>(48)</b>	<b>(660)</b>	<b>(708)</b>
<b>Closing net book amount</b>	<b>71</b>	<b>1,046</b>	<b>1,117</b>
<b>At 30 June 2014</b>			
Cost	<b>292</b>	<b>2,668</b>	<b>2,960</b>
Accumulated depreciation	<b>(221)</b>	<b>(1,622)</b>	<b>(1,843)</b>
<b>Net carrying amount</b>	<b>71</b>	<b>1,046</b>	<b>1,117</b>

## 17. INVESTMENT PROPERTIES – GROUP

	2014 HK\$'000	2013 HK\$'000
<b>Fair value</b>		
At 1 July	<b>190,000</b>	–
Transferred from properties held for trading	<b>24,000</b>	190,000
Change in fair value	<b>35,000</b>	–
At 30 June	<b>249,000</b>	190,000

Investment properties are held on medium lease and located in Hong Kong.

As at 30 June 2014, the Group's investment properties of HK\$225,000,000 (2013: HK\$190,000,000) were pledged to secure bank loans of HK\$86,432,000 (2013: HK\$90,135,000) granted to the Group (note 29).

The fair value of the Group's investment properties at 30 June 2014 has been arrived at on market value basis carried out by the independent professional valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Fair values as at 30 June 2014 are determined either

- (i) using direct comparison approach for shop units in Hong Kong. The comparison based on prices realised on actual sales of comparable properties is made. Comparable properties with similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

Significant unobservable inputs	Range
Quality of properties	-9% to 22%

The higher the differences in the quality of the Group's properties and the comparable properties would result in correspondingly higher or lower fair value.

## 17. INVESTMENT PROPERTIES – GROUP (cont'd)

- (ii) using investment method for the roof of the building with rooftop advertising signage in Hong Kong. This is based on capitalisation of the net rental income with due allowance for reversionary income potential. The direct comparison method is also adopted in estimating the values of their reversionary interest (if any).

Significant unobservable inputs	Rate
Return rate	7.5%

The higher the return rate would result in correspondingly higher fair value.

The fair value of all the investment properties is a Level 3 recurring fair value measurement. During the year, there were no transfers between Level 1 and Level 2, and no transfers into or out of Level 3.

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

## 18. INTERESTS IN SUBSIDIARIES AND DUE FROM/(TO) SUBSIDIARIES – COMPANY

	2014 HK\$'000	2013 HK\$'000
<b>Non-current</b>		
Unlisted investments, at cost	–	–
<b>Current</b>		
Due from subsidiaries	777,901	1,191,578
Due to subsidiaries	207,599	182,672

Amounts due are unsecured, interest-free and repayable on demand.

## 18. INTERESTS IN SUBSIDIARIES AND DUE FROM/(TO) SUBSIDIARIES – COMPANY (cont'd)

The directors of the Company are of the opinion that a complete list of the particulars of all the subsidiaries is of excessive length and therefore the following list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group. Details of principal subsidiaries as at 30 June 2014 are as follows:

	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of ownership interests/ voting rights/profit share				Principal activities
			Directly		Indirectly		
			2014	2013	2014	2013	
Vastwood Ltd.	The British Virgin Islands (the "BVI")	Ordinary, United States Dollars ("US\$")1	100	100	–	–	Investment holding
Richfield Property Consultants Limited (formerly known as A-Join Property Agency Limited)	Hong Kong ("HK")	Ordinary, HK\$1	–	–	100	100	Property agency
Richfull Consultants Limited	HK	Ordinary, HK\$1	–	–	100	100	Consultancy services
Richfield Realty Limited ("Richfield Realty")	HK	Ordinary, HK\$1	–	–	100	100	Property agency and site assembly
World Fair Global Limited	The BVI	Ordinary, US\$1	100	100	–	–	Investment holding
Maison Investment Development Ltd.	The BVI	Ordinary, US\$1	–	–	100	100	Property holding
Merchant Haven Limited	The BVI	Ordinary, US\$1	–	–	100	100	Property holding
Mutual Wave Limited	HK	Ordinary, HK\$1	–	–	100	100	Property holding
Sentiment Great Limited	The BVI	Ordinary, US\$1	–	–	100	100	Property holding
Central Fly Limited	The BVI	Ordinary, US\$1	–	–	100	100	Property investment
Wo Ming Limited	The BVI	Ordinary, US\$1	–	–	100	100	Property holding
Brilliant Icon Limited	The BVI	Ordinary, US\$1	–	–	100	100	Property investment
Glory Peak Holdings Limited	The BVI	Ordinary, US\$1	–	–	100	100	Property holding
Prosper Day Limited	The BVI	Ordinary, US\$1	–	–	100	100	Property holding
High Bond Limited	The BVI	Ordinary, US\$1	–	–	51	100	Property development
Macro Win Limited	The BVI	Ordinary, US\$1	–	–	51	100	Property development
Wofeng Holding Limited	The BVI	Ordinary, US\$1	–	–	51	100	Property development
Ace Decade Development Limited	The United Kingdom	Ordinary, British Pound ("GBP")1	–	–	100	100	Property development

## 19. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES – GROUP

	2014 HK\$'000	2013 HK\$'000
<b>Non-current</b>		
Share of net assets	517	413
<b>Non-current</b>		
Due from an associate	4,328	4,401
<b>Current</b>		
Due from associates	99,814	68,014

As at 30 June 2014, amounts due from associates are unsecured, interest-free and repayable on demand. The directors of the Company are of the opinion that amount due from one of the associates of HK\$4,328,000 (2013: HK\$4,401,000) is expected to be recovered after more than one year.

Particulars of associates as at 30 June 2014 are as follows:

Name of associates	Particular of issued and paid up share capital	Place of incorporation and operations	Form of business structure	Percentage of ownership interests/ voting rights/ profit share	Principal activities
Apex Plan Limited (note a)	10 ordinary shares of US\$1 each	The BVI	Incorporated	30%	Investment holding
Everhost Limited (note a)	Ordinary share of HK\$1	HK	Incorporated	30%	Property development
Gora Holdings Limited (note a)	1 ordinary share of US\$1	The BVI	Incorporated	30%	Investment holding
Joint Channel Limited (note a)	Ordinary share of HK\$1	HK	Incorporated	30%	Property development
Corporate Icon Limited (note b)	5 ordinary shares of US\$1 each	The BVI	Incorporated	20%	Property holding

Notes:

- (a) These associates adopt their financial year end dates on 31 December.
- (b) This associate adopts its financial year end date on 30 June.

## 19. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES – GROUP (cont'd)

The aggregated amounts of financial information as extracted from the financial statements of associates for the year ended 30 June 2014 are as follows:

	2014 HK\$'000	2013 HK\$'000
Current assets	669,520	525,352
Non-current assets	29,392	27,509
Current liabilities	707,908	563,462
Revenue	426	309
Profit for the year	1,604	1,878

The Group has discontinued the recognition of its share of losses of certain associates because the share of losses of these associates had exceeded the Group's interests in them. The amounts of unrecognised share of those associates, extracted from the financial statements of associates, both for the year and cumulatively, are as follows:

	2014 HK\$'000	2013 HK\$'000
Unrecognised share of (profit)/loss of associates for the year	(326)	73
Accumulated unrecognised share of losses of associates	3,475	3,801

## 20. INTERESTS IN A JOINT VENTURE AND AMOUNT DUE FROM A JOINT VENTURE – GROUP

	2014 HK\$'000	2013 HK\$'000
<b>Non-current</b>		
Share of net assets	640	535
<b>Non-current</b>		
Due from a joint venture	4,526	4,631

As at 30 June 2014, amount due from a joint venture is unsecured, interest-free and repayable on demand. The directors of the Company are of the opinion that amount due of HK\$4,526,000 is expected to be recovered after more than one year.

## 20. INTERESTS IN A JOINT VENTURE AND AMOUNT DUE FROM A JOINT VENTURE – GROUP

(cont'd)

Particulars of the joint venture as at 30 June 2014 are as follows:

Name of a joint venture	Particular of issued and paid up shares	Place of incorporation and operations	Form of business structure	Percentage of ownership interests/ voting rights/ profit share	Principal activities
Cosmo Reach Limited ("Cosmo")	10 ordinary shares of US\$1 each	The BVI	Incorporated	10%*	Property holding

\* According to a shareholder agreement, the Group shall share 50% of the dividend declared by Cosmo.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with rights to the assets and obligation for the liabilities of the joint arrangement resting primary with Cosmo. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Summarised financial information in relation to the joint venture is presented below:

	2014 HK\$'000	2013 HK\$'000
Non-current assets	<b>52,530</b>	51,470
Current assets	<b>1</b>	4
Current liabilities	<b>46,127</b>	46,125
Included in the above amounts are:		
Current financial liabilities (excluding trade and other payables)	<b>46,127</b>	46,125
Revenue	<b>1,181</b>	7,769
Profit for the year	<b>1,055</b>	7,737

## 21. GOODWILL – GROUP

Goodwill arose from the acquisition of Richfield Realty in 2007. The net carrying amount of HK\$73,000,000 (2013: HK\$271,000,000) as at 30 June 2014 is attributable to the Property Assembly and Brokerage Business.

The recoverable amounts of the CGU engaged in the Property Assembly and Brokerage Business were determined based on value-in-use calculations, using cash flow projections based on financial budgets covering a five-year period approved by management and valued by the independent professional valuers. For the year ended 30 June 2014, the cash flows beyond the five-year period (2013: five-year period) were extrapolated using an average growth rate of 2% (2013: 2%). The growth rates reflected the long-term average growth rates of this CGU. The discount rate applied to cash flow calculation was 12% (2013: 9%).

Management's key assumptions include profit margins, which are determined based on past performance, its expectations for market share after taking into consideration of published market forecast and research and its expectation on the cooling measures on the Hong Kong property market. Management believes that this is the best available input for forecasting the property market. The growth rates used are generally consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Apart from the considerations described above in determining the value-in-use of the CGUs, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

	2014 HK\$'000	2013 HK\$'000
<b>Cost</b>		
At 1 July and 30 June	<b>474,000</b>	474,000
<b>Accumulated impairment loss</b>		
At 1 July	<b>203,000</b>	–
Impairment loss recognised in the year	<b>198,000</b>	203,000
At 30 June	<b>401,000</b>	203,000
<b>Net carrying amount</b>	<b>73,000</b>	271,000

Given (i) various cooling measures of the Hong Kong Special Administration Region (the "HK Government") to manage the excess demand on housing and curb property prices for both residential and non-residential properties cause a sustainable impact on the property market and a much poor market sentiment for property assembly and brokerage business. It has further slowed down the transaction volume of properties during the year; (ii) the HK Government is keen on increasing the land supply so as to ensure the stable development of the property market. In February 2014, the Lands Department of the HK Government announced a new land sale program that 34 residential sites, i.e. 15,500 flats, are capable to be provided; and (iii) in June 2014, a new practice note of the "House" restrictions under the Government Leases has been circulated by the Lands Administration Office of the Lands Department in regards to a landmark judgement delivered by the Court of Final Appeal of Hong Kong in May 2013 and it may increase the cost of acquisition of land eventually, the property owners adopted a wait-and-see attitude towards the property market while the developers adopted a conservative purchasing strategy. As a result, some of the property assembly and brokerage projects of the Group were affected by the poor market sentiment and were temporarily suspended during the year.

As a result of these situations, which the directors have factored into their value-in-use calculations and forecast, the directors considered that there had been an impairment in goodwill of HK\$198,000,000 (2013: HK\$203,000,000) during the year.

## 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP AND COMPANY

	2014 HK\$'000	2013 HK\$'000
<b>Non-Current</b>		
Listed equity securities – Hong Kong	<b>18,333</b>	33,658
Listed debts investments – Hong Kong	<b>25,460</b>	25,728
Listed debts investments – outside Hong Kong	<b>5,028</b>	–
Unlisted investment funds	<b>26,754</b>	31,290
	<b>75,575</b>	90,676
<b>Current</b>		
Listed debts investments – Hong Kong	<b>25,178</b>	–
	<b>100,753</b>	90,676
	2014 HK\$'000	2013 HK\$'000
Net carrying amount at beginning of the year	<b>90,676</b>	93,797
Additions	<b>33,367</b>	–
Disposals	<b>(25,437)</b>	(2,365)
Change in fair value credited/(debited) to revaluation reserve in equity	<b>2,147</b>	(756)
Net carrying amount at end of the year	<b>100,753</b>	90,676

Listed equity securities, listed debts investments and unlisted investment funds with carrying amounts of HK\$18,333,000 (2013: HK\$33,658,000), HK\$55,666,000 (2013: HK\$25,728,000) and HK\$15,365,000 (2013: HK\$22,325,000) respectively are stated at fair value. The fair values have been determined directly by reference to published price and quotations in active markets.

Unlisted investment funds with a carrying amount of HK\$11,389,000 (2013: HK\$8,965,000) are measured at cost less impairment losses as the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The directors of the Company are of the opinion that the fair value cannot be measured reliably.

As at 30 June 2014 and 2013, available-for-sale financial assets were individually determined to be impaired on the basis of a material decline in their fair value below cost which indicated that the investment costs may not be recovered. For the year ended 30 June 2014, an impairment of HK\$9,865,000 (2013: Nil) on these investments was recognised in profit or loss in accordance with the policy set out in note 3.14 and its fair value was HK\$9,269,000 as at 30 June 2013.

### 23. PROPERTIES HELD FOR TRADING – GROUP

Analysis of carrying amount of properties held for trading is as follows:

	2014 HK\$'000	2013 HK\$'000
In Hong Kong		
– 10 to 50 years (medium leases)	70	23,023
– 50 years or more (long leases)	50,052	50,052
	<b>50,122</b>	73,075

### 24. PROPERTIES UNDER DEVELOPMENT – GROUP

Analysis of carrying amount of properties under development is as follows:

	2014 HK\$'000	2013 HK\$'000
In Hong Kong		
– 10 to 50 years (medium leases)	444,444	435,901
Overseas		
– Freehold	–	309,584
	<b>444,444</b>	745,485

	2014 HK\$'000	2013 HK\$'000
<b>At cost:</b>		
At the beginning of the year	745,485	426,888
Additions	31,748	310,055
Disposals	(340,004)	–
Interest capitalised (note 9)	7,215	8,542
At the end of the year	<b>444,444</b>	745,485

All properties under development are expected to be recovered after more than one year.

As at 30 June 2014, no properties under development were pledged to secure bank loans (2013: the Group's properties under development with carrying amounts of HK\$435,901,000 were pledged to secure bank loans of HK\$234,000,000 granted to the Group (note 29)).

## 25. TRADE RECEIVABLES – GROUP

The Group generally allows a credit period of 1 month (2013: 1 month) to its trade customers within Property Assembly and Brokerage Business, in accordance with the terms of the mutual agreements after individual negotiations.

Based on the invoice dates, ageing analysis of trade receivables is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 90 days	9,060	25,108
91 to 180 days	2,850	29,689
181 to 365 days	1,393	1,246
Over 365 days	2,751	2,630
	<b>16,054</b>	58,673

All trade receivables are subject to credit risk exposure. Impairment on trade receivables is recognised when the debts are identified to be irrecoverable.

Based on the due dates, ageing analysis of trade receivables is as follows:

	2014 HK\$'000	2013 HK\$'000
Neither past due nor impaired	9,060	25,108
Less than 90 days past due	2,850	29,689
Over 90 days past due	4,144	3,876
Trade receivables that are past due but not impaired	<b>6,994</b>	33,565
	<b>16,054</b>	58,673

As at 30 June 2014, there was no amount denominated in a currency other than the functional currency of the entity to which they relate (2013: Nil).

Receivables that were neither past due nor impaired were due from the reputable customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

The directors of the Company consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP AND COMPANY

These represented the unlisted investment funds and are held for trading purposes. The balances at the reporting dates are stated at fair value which have been determined by reference to the quoted bid prices at the reporting dates.

## 27. CASH AND BANK BALANCES – GROUP AND COMPANY

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash and bank balances	<b>76,001</b>	57,636	<b>27,413</b>	19,419
Short-term deposits	<b>658,052</b>	184,377	<b>657,449</b>	183,776
Total cash and bank balances as stated in the statement of financial position	<b>734,053</b>	242,013	<b>684,862</b>	203,195
Short-term deposits with an original maturity of more than three months	<b>(291,207)</b>	(26,291)	<b>(291,207)</b>	(26,291)
Cash and cash equivalents for the presentation of the statement of cash flows	<b>442,846</b>	215,722	<b>393,655</b>	176,904

Cash at banks earn interest at rates up to 0.4% (2013: 0.4%) per annum based on the daily bank deposits rates. Short-term deposits earn interest at rates of 0.01% to 3.40% (2013: 0.01% to 3.50%) per annum and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in cash and bank balances of the Group is an aggregate amount of HK\$94,320,000 (2013: HK\$112,378,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in Hong Kong. RMB is not a freely convertible currency.

The directors of the Company consider that the fair values of short-term deposits are not materially different from their carrying amounts because of the short maturity period on their inception.

## 28. RESTRICTED BANK DEPOSITS – GROUP

These bank deposits are kept in the separate bank accounts by the Group as (i) these are temporarily received from the developers of the property assembly projects and are held on behalf of the developers for the purpose of the payments of initial deposits to the owners of the properties in accordance with the provisional sale and purchase agreements; and (ii) the rental income and rental deposits are temporarily received on behalf of the developers.

As these bank deposits are restricted to a specific use by the Group, they are not under the cash management of the Group.

## 29. BORROWINGS – GROUP

	2014 HK\$'000	2013 HK\$'000
<b>Current</b>		
Bank loans, secured		
– Portion due for repayment within one year	<b>5,886</b>	5,219
– Portion due for repayment after one year which contain a repayment on demand clause	<b>124,866</b>	130,796
	<b>130,752</b>	136,015
<b>Non-current</b>		
Bank loans, secured	–	234,000
	<b>130,752</b>	370,015

As at the reporting dates, the Group's bank loans, based on the schedule repayment dates set out in the bank loan agreements and ignored the effect of any repayment on demand clause, are as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year or on demand	<b>5,886</b>	5,219
In the second year	<b>6,704</b>	5,870
In the third to fifth years, inclusive	<b>51,723</b>	288,184
Beyond five years	<b>66,439</b>	70,742
	<b>130,752</b>	370,015

The interest-bearing borrowings were secured by guarantees by Mr. Au Wing Wah, a substantial shareholder of the Company (solely for the bank borrowings of HK\$44,320,000 (2013: HK\$45,880,000)), and the pledge of certain properties under property, plant and equipment (note 16(a)) and investment properties (note 17) with net carrying amounts of HK\$98,237,000 and HK\$225,000,000 (2013: property, plant and equipment (note 16(a)), investment properties (note 17) and properties under development (note 24) with net carrying amounts of HK\$100,618,000, HK\$190,000,000 and HK\$435,901,000) respectively as at 30 June 2014.

The effective interest rates of the Group's borrowings ranged from 2.09% to 2.72% (2013: 1.96% to 2.80%) per annum.

### 30. FINANCE LEASE LIABILITIES – GROUP

	2014 HK\$'000	2013 HK\$'000
Total minimum lease payments:		
Due within one year	432	384
Due in the second to fifth years	1,404	1,836
	<b>1,836</b>	2,220
Future finance charges on finance leases	–	–
Present value of finance lease liabilities	<b>1,836</b>	2,220

  

	2014 HK\$'000	2013 HK\$'000
Present value of minimum lease payments:		
Due within one year under current liabilities	432	384
Due in the second to fifth years under non-current liabilities	1,404	1,836
	<b>1,836</b>	2,220

The Group has entered into finance leases for certain office equipment. The lease period is for 5 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. None of the leases included contingent rentals.

Finance lease liabilities are effectively secured by the underlying assets (note 16(a)) as the rights to the leased asset will be reverted to the lessor in the event of default of repayment by the Group.

The carrying amounts of finance lease liabilities are denominated in HK\$ and approximate their fair values.

### 31. SHARE CAPITAL

	2014		2013	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At the beginning of the year and the end of the year	3,478,500	34,785	3,478,500	34,785

## 32. RESERVES

### Group

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity on pages 40 to 41 of the financial statements.

### Company

	Share premium account HK\$'000	Proposed final dividend HK\$'000	Share-based payment reserve HK\$'000	Revaluation reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000
At 1 July 2012	1,274,759	9,983	8,094	5,892	(4,561)	1,294,167
2012 final dividend paid (note 12(b))	-	(9,983)	-	-	-	(9,983)
Equity-settled share-based payments (note 35)	-	-	3,505	-	-	3,505
Cancellation of share options	-	-	(5,296)	-	5,296	-
Transactions with owners	-	(9,983)	(1,791)	-	5,296	(6,478)
Loss for the year	-	-	-	-	(14,669)	(14,669)
Other comprehensive income:						
Net fair value loss on available-for-sale financial assets	-	-	-	(756)	-	(756)
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	-	-	-	9	-	9
Total comprehensive income for the year	-	-	-	(747)	(14,669)	(15,416)
At 30 June 2013 and 1 July 2013	<b>1,274,759</b>	-	<b>6,303</b>	<b>5,145</b>	<b>(13,934)</b>	<b>1,272,273</b>
Equity-settled share-based payments (note 35)	-	-	<b>2,938</b>	-	-	<b>2,938</b>
Transactions with owners	-	-	<b>2,938</b>	-	-	<b>2,938</b>
Profit for the year	-	-	-	-	<b>45,415</b>	<b>45,415</b>
Other comprehensive income:						
Net fair value gain on available-for-sale financial assets	-	-	-	<b>2,147</b>	-	<b>2,147</b>
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	-	-	-	<b>9,865</b>	-	<b>9,865</b>
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	-	-	-	<b>(8,667)</b>	-	<b>(8,667)</b>
Total comprehensive income for the year	-	-	-	<b>3,345</b>	<b>45,415</b>	<b>48,760</b>
At 30 June 2014	<b>1,274,759</b>	-	<b>9,241</b>	<b>8,490</b>	<b>31,481</b>	<b>1,323,971</b>

### 32. RESERVES (cont'd)

Share premium account arises from the shares issued at a premium. Under the Companies Law of the Cayman Islands, share premium is available for distributions or paying dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the dividend distribution, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association of the Company, with the sanction of an ordinary resolution, dividends can be declared and paid out of share premium.

Other reserve represents the difference between the proportionate share of the carrying amount of its subsidiaries' net liabilities, assignment of debt amount and the consideration received for the disposal of a certain interests in subsidiaries that does not result in loss of control.

### 33. DEFERRED TAX – GROUP

Details of the deferred tax liabilities and assets recognised are as follows:

	Accelerated tax allowances HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 July 2012	–	–	–
Charged to profit or loss (note 10)	827	(211)	616
At 30 June 2013 and 1 July 2013	827	(211)	616
Credited to profit or loss (note 10)	414	(665)	(251)
<b>At 30 June 2014</b>	<b>1,241</b>	<b>(876)</b>	<b>365</b>

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 HK\$'000	2013 HK\$'000
Deferred tax assets	<b>(876)</b>	(211)
Deferred tax liabilities	<b>1,241</b>	827
	<b>365</b>	616

### 33. DEFERRED TAX – GROUP (cont'd)

At the reporting date, the Group had unrecognised deferred tax assets and liabilities as follows:

	2014 HK\$'000	2013 HK\$'000
Tax effect of temporary differences arising as a result of:		
Deferred tax assets:		
Tax losses available to set off against future assessable profits	2,037	698
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purpose	190	–
	<b>2,227</b>	698
Deferred tax liabilities:		
Excess of depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	–	295

No provision for deferred taxation has been recognised in respect of the tax losses of HK\$12,348,000 (2013: HK\$4,231,000) as this has not yet been all agreed with the Inland Revenue Department and there is the unpredictability of future profit streams. The tax losses do not expire under current tax legislation.

### 34. DISPOSAL OF INTERESTS IN SUBSIDIARIES AND AMOUNT DUE TO NON-CONTROLLING SHAREHOLDER

On 17 March 2014, the Group disposed of a 49% of equity interests in a subsidiary, Plan Link Limited ("Plan Link") and its subsidiaries ("Plan Link Group"), which are engaged in properties development project in Hong Kong, and entered into an assignment of debt to an independence third party at a consideration of HK\$225,956,000. Upon completion, the Group holds 51% of Plan Link and is able to exercise control on Plan Link. The difference of HK\$7,361,000 between the proportionate share of the carrying amount of its net liabilities, assignment of debt amount and the consideration received for the disposal have been credited to the Group's other reserve.

The transaction has been accounted for as equity transaction as follows:

	2014 HK\$'000
Consideration received for 49% ownership interest	225,956
Net liabilities attributable to 49% ownership interest	8
Assignment of debt – Amount due to non-controlling shareholder	<b>(218,603)</b>
Increase in equity attributable to owners of the Company (included in other reserve)	<b>7,361</b>

Amount due to non-controlling shareholder is unsecured, interest-free and repayable on demand.

### 35. SHARE-BASED PAYMENTS

The Company adopted a new share option scheme (the “2011 Share Option Scheme”) at the annual general meeting held on 1 November 2011 (the “2011 AGM”).

The share option scheme adopted on 21 May 2002 by the Company (the “2002 Share Option Scheme”) was terminated immediately after the conclusion of the 2011 AGM. However, the outstanding share options granted under the 2002 Share Option Scheme shall continue to be exercisable under the terms of issue.

The principal terms of the share option scheme are set out as follows:

#### 2011 Share Option Scheme

The 2011 Share Option Scheme shall be valid and effective for a period of ten years commencing on 1 November 2011. The purpose of the 2011 Share Option Scheme is to enable the Company to grant options to the selected persons as incentives or rewards for their contribution to the Company and its subsidiaries.

Eligible participants of the 2011 Share Option Scheme include any employees, non-executive directors (including any independent non-executive directors) of the Company and any of its subsidiaries, advisers, consultants, suppliers or customers of the Company or any of its subsidiaries.

The total number of shares in respect of which options may be granted under the 2011 Share Option Scheme and any other share option schemes of the Company, is not exceeding 10% of the total number of shares in issue of the Company from 1 November 2011 onwards or at the renewal of such limit. Under the 2011 Share Option Scheme, the Company may obtain an approval from its shareholders to refresh the above mentioned 10% limit.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant hereinafter mentioned, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares which may be issued upon exercise of all outstanding options granted and to be granted to each eligible participant in the 2011 Share Option Scheme and any other share option schemes of the Company within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

An offer for the granting of share options shall be accepted in written within 21 days from the offer date and by way of payment of consideration of HK\$1. The exercise period of the share options granted shall be determined by the board of directors and notified to the relevant grantee, but must not be more than ten years from the date of grant of the share options. The exercise price of the share options shall be a price determined by the board of directors at its absolute discretion and notified to a participant and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the offer date; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares of the Company on the offer date.

### 35. SHARE-BASED PAYMENTS (cont'd)

The following shows the outstanding position of the share options granted under the share option schemes as at 30 June 2014:

Name or category of grantees	Number of share options				Date of grant of share options	Exercise Period (note a)	Exercise price (HK\$) (note b)
	At 1 July 2013	Cancel during the year	Grant during the year	At 30 June 2014			
<b>Directors</b>							
Lee Wing Yin	1,000,000	–	–	1,000,000	26 October 2012	Period 3	0.395
	–	–	1,000,000	1,000,000	3 June 2014	Period 4	0.221
Ngan Man Ho	1,000,000	–	–	1,000,000	26 October 2012	Period 3	0.395
	–	–	1,000,000	1,000,000	3 June 2014	Period 4	0.221
Koo Fook Sun, Louis	1,000,000	–	–	1,000,000	26 October 2012	Period 3	0.395
Lung Hung Cheuk	1,000,000	–	–	1,000,000	26 October 2012	Period 3	0.395
Yeung Wing Yan, Wendy	1,000,000	–	–	1,000,000	26 October 2012	Period 3	0.395
Lai Hin Wing, Henry	1,000,000	–	–	1,000,000	26 October 2012	Period 3	0.395
	6,000,000	–	2,000,000	8,000,000			
<b>Director of subsidiaries and the substantial shareholder</b>							
Au Wing Wah	11,000,000	–	–	11,000,000	26 October 2012	Period 3	0.395
<b>Consultant of the Company and the substantial shareholder</b>							
Pong Wai San, Wilson	8,400,000	–	–	8,400,000	9 July 2010	Period 1	0.59
	8,400,000	–	–	8,400,000	26 October 2012	Period 3	0.395
	–	–	22,600,000	22,600,000	3 June 2014	Period 4	0.221
	16,800,000	–	22,600,000	39,400,000			
	33,800,000	–	24,600,000	58,400,000			

### 35. SHARE-BASED PAYMENTS (cont'd)

The following shows the outstanding position of share options granted under the share option schemes as at 30 June 2013:

Name or category of grantees	Number of share options				Date of grant of share options	Exercise Period (note a)	Exercise price (HK\$) (note b)
	At 1 July 2012	Cancel during the year	Grant during the year	At 30 June 2013			
<b>Directors</b>							
Lee Wing Yin	1,000,000	(1,000,000)	–	–	7 December 2010	Period 2	1.17
	–	–	1,000,000	1,000,000	26 October 2012	Period 3	0.395
Ngan Man Ho	–	–	1,000,000	1,000,000	26 October 2012	Period 3	0.395
Koo Fook Sun, Louis	1,000,000	(1,000,000)	–	–	7 December 2010	Period 2	1.17
	–	–	1,000,000	1,000,000	26 October 2012	Period 3	0.395
Lung Hung Cheuk	1,000,000	(1,000,000)	–	–	7 December 2010	Period 2	1.17
	–	–	1,000,000	1,000,000	26 October 2012	Period 3	0.395
Yeung Wing Yan, Wendy	–	–	1,000,000	1,000,000	26 October 2012	Period 3	0.395
Lai Hin Wing, Henry	1,000,000	(1,000,000)	–	–	7 December 2010	Period 2	1.17
	–	–	1,000,000	1,000,000	26 October 2012	Period 3	0.395
	4,000,000	(4,000,000)	6,000,000	6,000,000			
<b>Director of subsidiaries and the substantial shareholder</b>							
Au Wing Wah	8,400,000	(8,400,000)	–	–	9 July 2010	Period 1	0.59
	–	–	11,000,000	11,000,000	26 October 2012	Period 3	0.395
	8,400,000	(8,400,000)	11,000,000	11,000,000			
<b>Consultant of the Company and the substantial shareholder</b>							
Pong Wai San, Wilson	8,400,000	–	–	8,400,000	9 July 2010	Period 1	0.59
	–	–	8,400,000	8,400,000	26 October 2012	Period 3	0.395
	8,400,000	–	8,400,000	16,800,000			
	20,800,000	(12,400,000)	25,400,000	33,800,000			

### 35. SHARE-BASED PAYMENTS (cont'd)

Notes:

- (a) The vesting date of the share options for Periods 1, 2, 3 and 4 is the date of grant.

Period 1: 9 July 2010 to 8 July 2015  
 Period 2: 7 December 2010 to 6 December 2015  
 Period 3: 26 October 2012 to 25 October 2017  
 Period 4: 3 June 2014 to 2 June 2024

- (b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

- (c) The weighted average exercise prices of share option are set out below:

	2014 HK\$	2013 HK\$
At beginning of the year	0.443	0.702
Cancelled during the year	–	0.777
Granted during the year	0.221	0.395
At end of the year	0.350	0.443

- (d) The weighted average remaining contractual life of the share options outstanding at 30 June 2014 was approximately 6.35 years (2013: 3.75 years).

The fair values of options granted were determined using Black-Scholes Pricing Model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

	Share options granted on 26 October 2012	Share options granted on 4 June 2014
Share price at date of grant	HK\$0.395	HK\$0.221
Expected volatility *	59.08%	65.90%
Risk-free interest rate	0.240%	1.303%
Dividend yield	1%	0%
Expected life of option	2.5 years	5 years
Fair value at date of grant	HK\$0.1380	HK\$0.1194
Exercise price	HK\$0.395	HK\$0.221

\* The underlying expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No special features pertinent to the options granted were incorporated into measurement of fair value.

For the year ended 30 June 2014, the fair value of the options granted is HK\$2,938,000 in aggregate, which was recognised as equity-settled share-based payments in the consolidated income statement. The corresponding amount has been credited to the share-based payment reserve (2013: HK\$3,505,000).

At 30 June 2014, the Company had 58,400,000 (2013: 33,800,000) share options outstanding under the share option schemes, which represented approximately 1.68% (2013: 0.97%) of the Company's shares in issue at that date. All these options were exercisable at 30 June 2014 and 2013.

### 36. OPERATING LEASE COMMITMENTS

#### As Lessee

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases payable by the Group and the Company are as follows:

#### Group

	2014 HK\$'000	2013 HK\$'000
Within one year	<b>1,173</b>	3,931
In the second to fifth years	–	1,105
	<b>1,173</b>	5,036

The Group leases a number of properties under operating leases. The leases run for an initial period of two years (2013: two years), with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. As at 30 June 2014 and 2013, none of the leases include contingent rentals.

#### Company

	2014 HK\$'000	2013 HK\$'000
Within one year	<b>1,105</b>	3,840
In the second to fifth years	–	1,105
	<b>1,105</b>	4,945

The Company leases a property under operating leases. The lease runs for an initial period of two years (2013: two years). None of the leases include contingent rentals.

### 36. OPERATING LEASE COMMITMENTS (cont'd)

#### As Lessor

At 30 June 2014, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

#### Group

	2014 HK\$'000	2013 HK\$'000
Within one year	5,950	4,474
In the second to fifth years	12,796	–
	<b>18,746</b>	4,474

The Group leases its properties under operating lease arrangements which run for an initial period of one to five years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. None of the leases include contingent rentals.

#### Company

The Company does not have any operating lease arrangements as at 30 June 2014 and 2013.

### 37. CAPITAL COMMITMENTS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for:				
Available-for-sale financial assets	3,320	8,844	3,320	8,844
Reconstruction of investment properties	3,515	–	–	–
	<b>6,835</b>	8,844	<b>3,320</b>	8,844

### 38. FINANCIAL GUARANTEE CONTRACTS – COMPANY

The Company has executed guarantees amounting to HK\$238,000,000 (2013: HK\$728,000,000) with respect to bank loans to its subsidiaries and associates, which are also secured against properties under development and investment properties held by those associates and subsidiaries. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors consider that it is not probable that the repayment of the loan will be in default.

### 39. MATERIAL RELATED PARTY TRANSACTIONS

39.1 The following transactions were carried out with the related parties:

	2014 HK\$'000	2013 HK\$'000
Equipment acquired from a related company controlled by one of the substantial shareholders of the Company	895	257
Printing fees paid to a related company in which one of the directors of the Company was a common director and controlled by one of the substantial shareholders of the Company	367	277
Rental expenses paid to a related company owned by a director of a subsidiary of the Company	886	953
Rental expenses paid to a related company owned by one of the substantial shareholders of the Company	3,840	3,190
Dividend income received from a related company in which one of the directors of the Company was a common director and controlled by one of the substantial shareholders of the Company	9,380	440
	<b>15,368</b>	5,117

These transactions were conducted at pre-determined prices in accordance with terms mutually agreed between the Group and these related parties. These transactions are conducted in the normal course of business.

### 39.2 Key Management Personnel Compensation

	2014 HK\$'000	2013 HK\$'000
Short-term employee benefits	8,016	13,137

#### **40. MAJOR NON-CASH TRANSACTIONS**

During the year, no property, plant and equipment (2013: HK\$1,176,000) were acquired under finance leases.

For the year ended 30 June 2013, some property, plant and equipment of HK\$419,000 were disposed of to finance lessor. In return, the obligation of finance leases of HK\$419,000 was cancelled accordingly. There was no disposal during the year.

#### **41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks which result from both its operating, investing and financing activities. The Group has various financial assets and liabilities such as trade receivables, cash and bank balances, restricted bank deposits, other receivables, trade payables and other payables, which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

##### **41.1 Interest Rate Risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Besides short-term deposits which earn interest at fixed rates, cash at banks earn interest at floating rates up to 0.4% (2013: 0.4%) per annum, based on the daily bank deposits rates for the year. Other than deposits held in banks, the Group does not have significant interest-bearing financial assets. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

As at 30 June 2014, the Group's exposure to interest rate risk on floating interest-bearing financial liabilities mainly comes from secured bank loans. The interest rates and repayment terms of the Group's borrowings are disclosed in note 29. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

If an increase or decrease of 5% in interest rate was estimated, with all other variables held constant, there would have no impact on profit for the year and retained profits (2013: Nil).

The policies to manage interest rate risk have been followed by the Group since prior year and are considered to be effective.

#### **41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

##### **41.2 Foreign Currency Risk**

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. During the year, exposures to currency exchange rates arose from the Group's bank deposits and available-for-sale financial assets (equivalent to HK\$400,540,000 (2013: HK\$152,120,000) and HK\$55,666,000 (2013: HK\$25,728,000) respectively), which were primarily denominated in RMB and GBP. Other than this, almost all of the Group's transactions were carried out in HK\$ and GBP which are the functional currencies of the Group's entities to which the transaction related.

To mitigate the impact of exchange rate fluctuations, the Group's continually assesses and monitors the exposure to foreign currency risk. During the year, management did not consider it necessary to use foreign currency forward contracts to hedge the exposure to foreign currency risk as most of the financial assets and financial liabilities denominated in currencies other than the functional currencies of the entities to which they related are short term foreign currency cash flows (due within 6 months).

As at 30 June 2014, if a depreciation of 5% in HK\$ against RMB and GBP was estimated, with all other variables held constant, profit for the year and retained profits would have increased by HK\$22,810,000 (2013: HK\$7,606,000) for the year ended 30 June 2014. An appreciation of the same percentage in HK\$ against RMB and GBP would have had the equal but opposite effect on the profit for the year and retained profits to the amount shown above, on the basis that all other variables remain constant.

The appreciation and depreciation of 5% in HK\$ exchange rate against RMB and GBP represented management's assessment of a reasonably possible change in currency exchange rate over the period until the next annual reporting date.

The policies to manage foreign currency risk have been followed by the Group since prior year and are considered to be effective.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### 41.3 Price Risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to change in market prices of listed equity securities, listed debts investments and unlisted investment funds in respect of its investments classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors. The policies to manage the price risk have been followed by the Group since prior years and are considered to be effective.

For listed equity securities, listed debts investments and unlisted investment funds in the available-for-sale financial assets category, if the quoted price for these securities increased or decreased by 5%, there would have no impact on profit for the year and retained profits (2013: no impact) and other components of equity would have increased or decreased by HK\$4,468,000 (2013: HK\$4,086,000).

For unlisted investment funds classified as financial assets at fair value through profit or loss category, if the market price had increased or decreased by 5%, profit for the year and retained profits would have increased or decreased by HK\$58,000 (2013: HK\$30,000).

The increase and decrease of 5% in market price of investment represents management's assessment of a reasonably possible change in market price of investments over the period until the next annual reporting date.

### 41.4 Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Group's bank balances are held in major financial institutions in Hong Kong and the United Kingdom, which management believes are of high credit quality.

The Group's trade and other receivables and amounts due from associates and a joint venture are actively monitored to avoid significant concentration of credit risk. Normally, the Group does not obtain collateral from customers. The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are not available.

Available-for-sale financial assets and financial assets at fair value through profit or loss represented the listed equity securities, listed debts investments and unlisted investment funds held by the well-established banks or financial institutes and are not used for hedging purpose. These are mainly entered with banks or financial institutes with sound credit rating and management does not expect any investment counterparty to fail to meet its obligations. In this regard, the Group does not expect to incur material credit losses on managing these financial assets.

The credit and investment policies have been followed by the Group since prior year and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

##### 41.5 Liquidity Risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligation associated with its financial liabilities that are settled by delivering cash or another financial asset. Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in both short and long terms.

The following tables detail the remaining contractual maturities at each of the reporting dates of the financial liabilities, which are based on the earliest date the Group and the Company may be required to pay. Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

At the reporting date, the Group's undiscounted cash flows under financial liabilities that have contractual maturities are summarised below:

	Contractual undiscounted cash flow				
	Carrying amounts HK\$'000	Total HK\$'000	Within 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
<b>30 June 2014</b>					
Other payables	124,913	124,913	124,913	–	–
Finance lease liabilities	1,836	1,836	432	1,404	–
Borrowings	130,752	130,752	130,752	–	–
Amount due to non-controlling shareholder	218,603	218,603	218,603	–	–
	<b>476,104</b>	<b>476,104</b>	<b>474,700</b>	<b>1,404</b>	<b>–</b>
Financial guarantee issued: Maximum amount guaranteed	–	144,000	144,000	–	–

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

##### 41.5 Liquidity Risk (cont'd)

	Contractual undiscounted cash flow				
	Carrying amounts HK\$'000	Total HK\$'000	Within 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
<b>30 June 2013</b>					
Other payables	130,895	130,895	130,895	–	–
Finance lease liabilities	2,220	2,220	384	1,836	–
Borrowings	370,015	380,857	140,710	240,147	–
	503,130	513,972	271,989	241,983	–
Financial guarantee issued:					
Maximum amount guaranteed	–	144,000	144,000	–	–

At the reporting date, the Company's undiscounted cash flows under financial liabilities that have contractual maturities are summarised below:

	Contractual undiscounted cash flow				
	Carrying amounts HK\$'000	Total HK\$'000	Within 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
<b>30 June 2014</b>					
Other payables	1,366	1,366	1,366	–	–
Amounts due to subsidiaries	207,599	207,599	207,599	–	–
	208,965	208,965	208,965	–	–
Financial guarantee issued:					
Maximum amount guaranteed	–	230,432	230,432	–	–
<b>30 June 2013</b>					
Other payables	116	116	116	–	–
Amounts due to subsidiaries	182,672	182,672	182,672	–	–
	182,788	182,788	182,788	–	–
Financial guarantee issued:					
Maximum amount guaranteed	–	468,135	468,135	–	–

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

##### 41.5 Liquidity Risk (cont'd)

The following table summaries the maturity analysis of bank borrowings which are subject to repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Contractual undiscounted cash flow				
	Carrying amounts HK\$'000	Total HK\$'000	Within 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
<b>30 June 2014</b>	<b>130,752</b>	<b>147,581</b>	<b>8,195</b>	<b>60,504</b>	<b>78,882</b>
30 June 2013	136,015	165,116	8,840	71,415	84,861

##### 41.6 Categories of Financial Assets and Financial Liabilities

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loans and receivables:				
Trade receivables	<b>16,054</b>	58,673	–	–
Other receivables	<b>14,835</b>	10,164	<b>1,613</b>	1,861
Amounts due from subsidiaries	–	–	<b>777,901</b>	1,191,578
Amounts due from associates	<b>104,142</b>	72,415	–	–
Amount due from a joint venture	<b>4,526</b>	4,631	–	–
Cash and bank balances	<b>734,053</b>	242,013	<b>684,862</b>	203,195
Restricted bank deposits	<b>111,022</b>	112,095	–	–
Available-for-sale financial assets	<b>100,753</b>	90,676	<b>100,753</b>	90,676
Financial assets at fair value through profit or loss	<b>1,372</b>	607	<b>1,372</b>	607
	<b>1,086,757</b>	591,274	<b>1,566,501</b>	1,487,917

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

##### 41.6 Categories of Financial Assets and Financial Liabilities (cont'd)

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Financial liabilities measured at amortised cost:				
Other payables	<b>124,913</b>	130,895	<b>1,366</b>	116
Finance lease liabilities	<b>1,836</b>	2,220	–	–
Borrowings	<b>130,752</b>	370,015	–	–
Amount due to non-controlling shareholder	<b>218,603</b>	–	–	–
Amounts due to subsidiaries	–	–	<b>207,599</b>	182,672
	<b>476,104</b>	503,130	<b>208,965</b>	182,788

##### 41.7 Fair Value

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

##### 41.8 Fair Value Measurements Recognised in the Statement of Financial Position

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

##### 41.8 Fair Value Measurements Recognised in the Statement of Financial Position (cont'd)

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

###### Group and Company

	Notes	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>30 June 2014</b>					
Assets:					
Available-for-sale financial assets					
– Listed equity securities	(a)	18,333	–	–	18,333
– Listed debts investments	(b)	55,666	–	–	55,666
– Unlisted investment funds	(c)	15,365	–	–	15,365
Financial assets at fair value through profit or loss					
– Unlisted investment funds	(c)	1,372	–	–	1,372
Total and net fair values		90,736	–	–	90,736

	Notes	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
30 June 2013					
Assets:					
Available-for-sale financial assets					
– Listed equity securities	(a)	33,658	–	–	33,658
– Listed debts investments	(b)	25,728	–	–	25,728
– Unlisted investment funds	(c)	22,325	–	–	22,325
Financial assets at fair value through profit or loss					
– Unlisted investment funds	(c)	607	–	–	607
Total and net fair values		82,318	–	–	82,318

#### **41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

##### **41.8 Fair Value Measurements Recognised in the Statement of Financial Position** (cont'd)

There have been no significant transfers between levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

(a) *Listed Equity Securities*

The listed equity securities are denominated in HK\$. Fair values have been determined by reference to their quoted bid prices at the reporting date.

(b) *Listed Debts Investments*

The listed debts investments are denominated in RMB. Fair values have been determined by reference to their quoted bid prices at the reporting date.

(c) *Unlisted Investments Funds*

The unlisted investment funds are denominated in US\$. Fair values have been determined by reference to their quotations in active markets at the reporting date and have been translated using the spot foreign currency rate at the end of the reporting period where appropriate.

#### **42. CAPITAL RISK MANAGEMENT**

The Group's capital management objectives are:

- (a) to ensure the Group's ability to continue as a going concern;
- (b) to provide an adequate return to shareholders;
- (c) to support the Group's sustainable growth; and
- (d) to provide capital for the purpose of potential mergers and acquisitions.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (represented by total liabilities less current and deferred tax liabilities as shown in the statement of financial position) less cash and bank balances. Total capital is calculated as equity, as shown in the statement of financial position, plus net debts. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

#### 42. CAPITAL RISK MANAGEMENT (cont'd)

	2014 HK\$'000	2013 HK\$'000
Total borrowings	<b>478,833</b>	509,663
Less: cash and bank balances	<b>(734,053)</b>	(242,013)
Net (equity)/debts	<b>(255,220)</b>	267,650
Total capital	<b>1,518,328</b>	1,760,096
Gearing ratio	<b>N/A</b>	0.15

#### 43. LITIGATION

There was a litigation claim relating to labour dispute made against the Group. This claim concerned the former employee of the Group who made claim on account of alleged bonuses due in relation to the property assembly projects undertaken by the Group during their course of employment. The Labour Tribunal judged that the Group is liable to pay HK\$4,100,000 to the former employee. Accordingly, the provision for legal claim of HK\$4,100,000 has been provided in the financial statements for the year ended 30 June 2013. The Group appealed against the decision to the High Court. After the reporting date, by the judgment of Court of First Instance, the case was remitted to the Labour Tribunal for retrial in December 2014.

#### 44. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 30 June 2014 were approved and authorised for issue by the board of directors on 23 September 2014.

# MAJOR PROPERTIES UNDER DEVELOPMENT AS AT 30 JUNE 2014

<b>Location</b>	<b>Approximate site area/ gross floor area (sq. ft.)</b>	<b>Interest attributable to the Group</b>	<b>Existing use</b>	<b>Project status</b>
Nos. 142 – 154 Carpenter Road, Kowloon City, Kowloon	9,100/ 82,000	51%	Residential	Under development planning

# MAJOR INVESTMENT PROPERTIES AS AT 30 JUNE 2014

<b>Location</b>	<b>Approximate gross floor area (sq. ft.)</b>	<b>Interest attributable to the Group</b>	<b>Land use</b>	<b>Lease term</b>
Portion No. 4, Flat No. 23 and Shop Nos. 23A, 23B on Ground Floor and No. 23 on Mezzanine Floor, Wing Lee Building of Nos. 27, 29, 31, 31A, 31B and 31C Kimberley Road, Kowloon	3,340	100%	Commercial	Medium-term lease



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