



WINFULL GROUP HOLDINGS LIMITED

宏輝集團控股有限公司

(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: 00183

ANNUAL REPORT
年報 2018



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Pong Wilson Wai San (*Chairman*)
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

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9 Queen's Road Central
Hong Kong

COMPANY HOMEPAGE

www.winfullgroup.hk

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

STOCK CODE

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CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Winfull Group Holdings Limited (the "Company"), we hereby present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2018 (the "Year") and are pleased to provide our business developments in the financial year of 2018.

MARKET OVERVIEW

This is the eighth year of listing on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2 December 2010. The Hong Kong economy sustained strong momentum in the second half of this financial year, expanding by 3.5% over a year earlier. Riding on the robust global economy, external demand remaining sturdy. The market increasingly expected that US interest rates would rise faster than earlier expected. Domestic demand also expended visibly. Labour market conditions stayed favourable while inflation was still moderate. Overall investment expenditure strengthened to show sizeable growth, as building and construction activity sustained its uptrend. The residential property market remained stayed buoyant for the Year amid strong economic conditions. A still tight demand-supply balance of flats and generally low local interest rates. Trading activities remained active and flat prices continued to rise. The commercial and industrial property markets showed some pick-up for the Year. Prices and rental recorded further increase, while transactions turned active in general. For retail shop space, sale prices and rental went up slightly for the Year with the average rental yield stayed unchanged.

FINANCIAL OVERVIEW

For the Year, the Group recorded a turnover of approximately HK\$638,065,000, representing an increase of approximately 3,347% comparing with that of approximately HK\$18,512,000 for the last financial year. The improvement in turnover was mainly attributed to the increase in turnover from the property development business as a result of the disposal of its 51% equity interest in and all outstanding shareholdings' loan of Plan Link Limited, which holds a development project at Nos. 142-154 Carpenter Road, Kowloon, Hong Kong (the "Carpenter Road Property Project").

The profit attributable to shareholders of the Company (the "Shareholders") for the Year amounted to approximately HK\$145,954,000, representing an increase of approximately 1,954% as comparing with the profit attributable to Shareholders of approximately HK\$7,106,000 for the last financial year. The profit for this financial year was mainly attributed to one-off gain derived from the disposal of the two property development projects in Hong Kong.

PROSPECTS AND APPRECIATION

While the global economy sustained its strong momentum so far this Year, external uncertainties increased markedly towards the end of this financial year, as a result of the escalation of the US' trade conflicts with the Mainland and other major economies. Despite the uncertainties, we are confident that Hong Kong will remain relevant and vital in its own right and as part of the China. The Group believed that the business of property development, property investment and trading both locally and internationally can broaden the revenue base and benefit the Company and the shareholders as a whole in the long run. The Group continued to explore potential opportunities of property investment and trading and property development both in Hong Kong and the overseas with a view to have a diversified and balance portfolio and to provide steady income source to the Group. With a view to broaden the revenue base, a new segment of business for investment and trading in securities has been set up after the year end.

Finally, 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.

Pong Wilson Wai San

Chairman

Hong Kong

27 September 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group was principally engaged in property investment and trading, property development and provision of renovation services.

During the Year, the Group was engaged in two property development projects in Hong Kong. The Group has eight potential investment properties, which are commercial and industrial properties located in Hong Kong and the United Kingdom, and two trading properties, which are commercial properties in Hong Kong.

The Hong Kong economy sustained strong momentum in the second half of the Year, expanding by 3.5% over a year earlier. Global economic growth remained robust rendering strong support to the Hong Kong economy. As the US economy maintained above-trend growth with inflation hovering around the Federal Reserve's target level, the market increasingly expected that US interest rates would rise faster than earlier expected. The euro-area economy continued to expand moderately. The Mainland economy stayed on course of a medium-high growth pace.

Domestic demand growth stayed robust, buttressed by favourable labour market conditions and improved economic sentiment. Overall investment expenditure strengthened to show sizeable growth, as building and construction activity sustained its uptrend. The residential property market remained generally buoyant for the Year amid strong economic conditions. A still tight demand-supply balance of flats and generally low local interest rates. Trading activities remained active and flat prices continued to rise. For commercial and industrial property markets, most market segments show pick-up for the Year. Prices and rentals recorded further increases, while transactions turned active in general. For retail shop space, sale prices and rentals went up slightly for the Year. The average rental yield stays unchanged.

FINANCIAL REVIEW

For the Year, the Group recorded a turnover of approximately HK\$638,065,000, representing an increase of approximately 3,347% comparing with that of approximately HK\$18,512,000 for the last financial year. The improvement in turnover was mainly attributed to the increase in turnover from the property development business as a result of the disposal of its 51% equity interest and all outstanding shareholdings' loan in the Carpenter Road Property Project.

Profit before income tax of the Group for the Year was approximately HK\$255,337,000, representing an increase of approximately 3,045% comparing with that of approximately HK\$8,118,000 for the last financial year. The profit for the current Year was mainly attributable to (i) an one-off gain derived from the disposal of its 51% equity interest and all outstanding shareholders' loan in the Carpenter Road Property Project, as disclosed in the circular of the Company dated 28 September 2017; (ii) an one-off gain derived from the disposal of its 30% equity interest in and all outstanding shareholdings' loan of Apex Plan Limited, which holds a development project at Nos. 18-32 Junction Road, Kowloon, Hong Kong (the "Junction Road Property Project"), as disclosed in the circular of the Company dated 9 June 2017; (iii) an increase in fair value gain on investment properties; and (iv) the growth in business revenue from the property investment and trading business due to the acquisition of a number of new investment properties and property held for trading during the year ended 30 June 2017 and the Year. Thus, the profit attributable to Shareholders for the Year amounted to approximately HK\$145,954,000, comparing with that of approximately HK\$7,106,000 for the last financial year.

BUSINESS OVERVIEW

Property Development Business

During the Year, the Group is engaged in two property development projects, which are both located in Kowloon, Hong Kong. A shareholder's agreement with a wholly owned subsidiary of Phoenix Asia Real Estate Investment, a former customer of the Group, for establishing an associate for the Junction Road Property Project, 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 has been developed into a composite residential and commercial building. The occupation permit of the project has been approved on 31 May 2016 and the development work was completed in October 2017.

On 26 May 2017, the Group and its joint venture partners, as vendors and guarantors, entered into a formal sale and purchase agreement with an independent third party to dispose of the entire equity interest and all outstanding shareholders' loans of the Junction Road Property Project for a cash consideration of HK\$1,300,000,000. The completion of the transaction was taken place on 28 March 2018 and a gain on disposal of approximately HK\$82,798,000 was recognised by the Group for the Year. For details of the transaction, please refer to the Company's announcement dated 3 April 2017 and the Company's circular dated 9 June 2017.

In respect of the Carpenter Road Property Project, the Group has acquired all the property units of this project during the year ended 30 June 2012. It has a site area of approximately 9,100 square feet. The Group held 100% equity interests of the project. On 17 March 2014, the Company has disposed 49% equity interests in those wholly owned subsidiaries, which held the Carpenter Road Property Project, to an independent third party. The disposal represents a good opportunity for realisation of the Group's investment in the Carpenter Road Property Project whilst allows the Group to maintain its interests in the redevelopment project. Further, the proceeds from that disposal can reduce the overall gearing of the Group.

On 1 June 2017, the Group and its joint venture partners, as vendors and guarantors, entered into a provisional sale and purchase agreements with an independent third party to dispose of the entire equity interests in and all outstanding shareholders' loans of those subsidiaries holding the Carpenter Road Property Project for a cash consideration of HK\$610,000,000. The completion of the transaction was taken place on 21 September 2017 and a gain on disposal of approximately HK\$146,795,000 was recognised for the Year. For details of the transaction, please refer to the Company's announcements dated 1 June 2017 and 21 September 2017 and the circular of the transaction dated 28 September 2017.

The Group considers that both disposals represent a good opportunity for realisation of the Group's property development projects. Further, the proceeds from both disposals can further strengthen the cash position of the Group and will allow the Group to reallocate its resources for its principal activities. The Group will continue to explore the best possible property development project both in Hong Kong and overseas as well as to enhance the benefit of the Shareholders while overcoming the challenges ahead.

Property Investment and Trading

During the Year, the Group has nine potential commercial and industrial properties for investment and trading purpose, which are located in Hong Kong, and a potential commercial property in Cardiff, the UK, for investment purpose. Details of those properties are as follows:

Ground Floor Shop at Kimberley Road, Tsim Sha Tsui

This property is located at the ground floor of Wing Lee Building at Nos. 23-31C Kimberley Road, Tsim Sha Tsui, Kowloon with approximately 4,500 square feet.

BUSINESS OVERVIEW (cont'd)

Property Investment and Trading (cont'd)

Ground Floor Shop at Kimberley Road, Tsim Sha Tsui (cont'd)

On 17 July 2017, the Group, as vendor, entered into a formal sale and purchase agreement with an independent third party to dispose of the entire equity interest and all debts owing to the Group by the Central Fly Limited, which hold the property, for cash consideration of HK\$206,000,000. The completion of the transaction was taken place on 10 October 2017. The Group considers that the disposal represents a good opportunity for realisation of the Group's investment properties. Further, the proceeds from the disposal could further strengthen the cash position of the Group and allowed the Group to reallocate its resources for its principal activities. For details of the transaction, please refer to the Company's announcements dated 13 June 2017 and 26 June 2017 and the Company's circular dated 24 July 2017.

Roof of Block C of Sea View Estate, North Point

This 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 of the advertising steel frame and LED signage were completed in the third quarter of the Year. The Group is looking for appropriate potential tenant for the signage.

Retail Shop Units at Grand Scholar, No. 419K Queen's Road West

The property is located at Grand Scholar, No. 419K Queen's Road West, Hong Kong with two shops, including shops on ground floor and on lower ground 1st floor. The property has a total gross floor area of approximately 10,300 square feet and has been leased to a church for a fixed term of three years. The Group believes that the property can provide a future stable income for the Group.

Whole Floor of Kenning Industrial Building at 19 Wang Hoi Road, Kowloon Bay

The property is located at 4th Floor of Kenning Industrial Building, No. 19 Wang Hoi Road, Kowloon Bay, Hong Kong and is in proximity to the Kowloon Bay MTR station. The property has a total gross floor area of approximately 16,500 square feet and the whole floor has been leased during the Year. One of the leases, which occupied approximately 30% of the floor, has been expired in the 4th quarter of the Year and is now looking for potential tenant.

Atlantic House at Cardiff, United Kingdom

The property is located at Cardiff, the United Kingdom with a total net floor area of approximately 42,000 square feet. The property consists of two office buildings which are individually let to two tenants, including a law firm and a university. The existing gross rental yield of the property is more than 7%. Cardiff is the principal office market within Wales and one of the major regional centres in the United Kingdom. The Group believes that it was a good opportunity for holding the property for long term investment and diversification of the properties portfolio.

Whole floor of 9 Queen's Road Central

The property is located at the 6th Floor of 9 Queen's Road Central, Hong Kong and is a commercial property with gross floor area of approximately 11,371 square feet. A portion of the property is currently used by the Group as its own office, while the remaining portion has been rented out to various independent third parties for rental income. The Group believes that the property can provide a future stable income with the possibility of future long term appreciation in value.

BUSINESS OVERVIEW (cont'd)

Property Investment and Trading (cont'd)

Office units and carpark space of Universal Trade Centre at 3 Arbuthnot Road

Those 6 office units are located on 30th, 29th and 13th floors of Universal Trade Centre, No. 3 Arbuthnot Road, Central, Hong Kong. Those office units have a total gross floor area of approximately 8,000 square feet. Those office units have been leased to independent third parties.

On 15 August 2018, the Group, as vendor, entered into formal sale and purchase agreements with an independent third party to dispose of the entire equity interest and all debts owing to the Group by those two subsidiaries, which hold 2 office units on 29th floor with a total gross floor area of approximately 2,500 square feet, for cash consideration of approximately HK\$52,740,000. The completion of the transaction will take place on 19 October 2018. The Group considers that the disposal represents a good opportunity for realisation of the Group's investment properties.

Office unit of Arion Commercial Centre at 2–12 Queen's Road West

The property is located at Arion Commercial Centre at 2–12 Queen's Road West, Hong Kong and has a gross floor area of approximately 1,650 square feet. This office unit has been leased to a translation company, which is wholly owned by Mr. Pong Wilson Wai San, with the monthly rent of HK\$44,000, which was determined after arm's length negotiation with reference to the monthly rental of other similar premises in Hong Kong market and the professional valuation report.

Whole office floor of Far East Consortium Building at 121 Des Voeux Road Central

The property is a whole floor office unit located on 15th Floor of Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, which is an office building in Central district, with a gross area of approximately 7,300 square feet. About half of the property has been leased out to an independent third party.

Shops and signage at Lime Stardom Tai Kok Tsui

Two retail shops and 2 signages were acquired by the Group on 5 March 2018. The shops are located at Lime Stardom, Tai Kok Tsui with outstanding feature, such as curtain wall design and high ceiling. Hotels and shopping malls are within the proximity, together with the upcoming redevelopment and residential projects in the neighborhood. Tai Kok Tsui will definitely become one of the new focuses of the city with high growth potential. In view of this, those properties are acquired for short-term trading purpose. Both shops have been leased to independent third party with acceptable yield.

The Group is optimistic about the prospect of the Hong Kong commercial and industrial property market and considered that those properties represent a good investment opportunity and the Group will benefit from the long term appreciation of the property price in Hong Kong and the United Kingdom.

During the Year, the segment from property investment and trading business recorded a total rental income of approximately HK\$29,491,000 (2017: approximately HK\$17,536,000), including revenue of approximately HK\$28,172,000 (2017: approximately HK\$17,536,000) and rental income in other income of approximately HK\$1,319,000 (2017: Nil). This segment is expected to provide a significant and steady income source to the Group.

PROSPECTS

The Hong Kong economy sustained strong year-on-year growth of over 3% for the Year and the property market showed a brisk performance for the Year. Raising flat supply through increasing land supply is Government's top policy priority in ensuring a healthy development of the property market. The Government would continue to put up sales suitable sites in the coming year to meet the annual target.

While the global economy sustained its strong momentum so far this Year, external uncertainties increased markedly toward the end of the Year, as a result of the escalation of the US' trade conflicts with the Mainland and other major economies. This could weigh on global economic sentiment as well as trade and investment activities going forward. Moreover, as the US economy maintained above-trend growth with inflation hovering around the target level, the market increasing expected that US interest rate would rise faster than earlier expected. As the monetary policy normalization in the US proceeded further, interest rates in Hong Kong will generally picked up in the near future.

With a view to broaden the revenue base, a new segment of business for investment and trading in securities has been set up after the year end. The Group will maintain a portfolio stocks and other investments products which generate high yield. The Group will take into account of the following criteria when determining whether to take up an investment and trading opportunity: (i) potential for return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

Despite the uncertainty in Hong Kong and global economy, we are confident that Hong Kong will remain relevant and vital in its own right and as part of China. With the purpose of offering better returns to the Shareholders, the Group decided to concentrate on property investment and trading, and development businesses. The Group believed that the business of property developments and property investment and trading both locally and internationally, together with new business segment of the investment and trading in securities, can broaden the revenue base and benefit the Company and the Shareholders as a whole in the long run. The Group will continue to explore potential property and securities investment and trading opportunities with a view to have a diversified and balanced portfolio and to provide steady income source to 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the Group had net current assets of approximately HK\$579,009,000 (2017: approximately HK\$531,706,000) including cash and bank balances of approximately HK\$511,508,000 (2017: approximately HK\$339,229,000).

The gearing ratio was approximately 6.0% as at 30 June 2018 (2017: approximately 4.7%). The gearing ratio is derived by dividing the total of borrowings by total assets. The gearing ratio has increased for the Year when compared to 30 June 2017 due to additional foreign currency bank loans for acquisition of available-for-sale financial assets during the Year.

During the Year, the Group financed its operations with its own working capital and bank borrowings. As at 30 June 2018, the unsecured and secured bank borrowing of the Group was approximately HK\$126,447,000 (2017: approximately HK\$104,142,000), in which approximately HK\$71,811,000 (2017: approximately HK\$45,278,000) are repayable within a period of not exceeding 5 years and approximately HK\$54,636,000 are repayable beyond 5 years (2017: approximately HK\$58,864,000), and there was no other borrowing as at 30 June 2018 (2017: Nil).

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

On 3 October 2017, Ample Cove Limited (“Ample Cove”), a wholly-owned subsidiary of the Company, entered into a co-investment documents dated 3 October 2017, pursuant to which Ample Cove would co-invest with other co-investors in Tower 2 of Shanghai Financial Street Center, Jing’an Central Business District, Shanghai, the People’s Republic of China with capital commitment of US\$4,500,000 on the part of Ample Cove.

On 21 December 2017:

- (i) August Ally Limited (“August Ally”), a wholly-owned subsidiary of the Company and Phoenix Asia Real Estate Investments VI(B), L.P. (“Phoenix Fund VI (B)”) entered into a fund subscription agreement, pursuant to which August Ally would subscribe for a limited partnership interest in Phoenix Fund VI (B) with capital commitment of US\$5,000,000; and
- (ii) Winter Cherishing Limited (“Winter Cherishing”), a wholly-owned subsidiary of the Company, entered into a co-investment agreement, pursuant to which Winter Cherishing would subscribe for a participation in Key Reward Holdings Limited with capital commitment of US\$5,000,000, subject to final allocation.

The objective of Key Reward Holdings Limited is to give third party investors the opportunity to co-invest with Phoenix Asia Real Estate Investments VI (A), L.P. and Phoenix Fund VI (B) in Tower 3 of Shanghai Financial Street Center, Jing’an Central Business District, Shanghai, the People’s Republic of China.

As the relevant percentages in aggregate of the above investments exceed 5% but all below 25%, the above investments constitutes discloseable transactions on the part of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

For details of the transactions, please refer to the Company’s announcements dated 21 December 2017 and 15 January 2018.

During the Year, those investments held by the Group are as follows:

	Cost as at 30 June 18 HK\$'000	Carrying amount as at 30 June 18 HK\$'000	Outstanding commitment as at 30 June 18 HK\$'000	Total of carrying amount and commitment as at 30 June 18 HK\$'000	Gain/(loss) in fair value during the Year HK\$'000	Gain/(loss) on disposal during the Year HK\$'000	Dividends/ interests received during the Year HK\$'000
<i>NON-CURRENT</i>							
Listed equity securities – Hong Kong	13,638	15,430	–	15,430	1,813	–	543
Listed debts investments – Hong Kong	48,943	45,831	–	45,831	(3,178)	–	1,385
Listed debts investment – outside Hong Kong	62,528	58,517	–	58,517	(4,465)	(455)	2,080
Unlisted equity investment – outside Hong Kong	52,624	53,441	83,513	136,954	–	–	–
Unlisted investment fund	77,641	74,834	84,228	159,062	825	639	324
	255,374	248,053	167,741	415,794	(5,005)	184	4,332

The total size of carrying amount and outstanding commitment for each of those investments as at 30 June 2018 represents approximately 0.10% to 1.85% of the total assets of the Group as at 30 June 2018. It is the strategy of the Group to seek any opportunistic investments to enhance the yield of the surplus cash held by the Group on medium and long-term basis.

Save for those disclosed above and 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 2018, the leasehold properties and certain investment properties with carrying amount of approximately HK\$85,848,000 and approximately HK\$542,852,000 (2017: approximately HK\$87,600,000 and approximately HK\$529,994,000) respectively and bank deposits of approximately HK\$64,599,000 (2017: approximately HK\$26,309,000) were pledged to secure bank borrowings for the Group.

CONTINGENT LIABILITIES

As at 30 June 2018, the Company has no guarantees (2017: HK\$210,000,000 in respect of the banking facilities of the associate for the Junction Road Property Project).

LEASE AND CONTRACTED COMMITMENTS

As lessee

At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	144	–
In the second to fifth years	132	–
	276	–

The Group lease a property under an operating lease. The lease runs for an initial period two years, with an option to renew the lease and renegotiated the terms at the expiry date or at date as mutually agreed between the Group and respective lessor. As at 30 June 2018, none of the lease includes contingent rental.

As lessor

At 30 June 2018, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	29,189	27,634
In the second to fifth years	26,559	47,684
Later than five years	–	10,141
	55,748	85,459

The Group leases its properties under operating lease arrangements which run for an initial period of two to fifteen years (2017: two to fifteen 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.

CAPITAL COMMITMENTS

	2018 HK\$'000	2017 HK\$'000
Contracted but not provided for:		
Available-for-sale financial assets	167,741	71,906
Investment properties	23,415	110,820
Property, plant and equipment	–	517
	191,156	183,243

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the Year were denominated in United States dollars ("US\$"), British Pound ("GBP"), Euro ("EUR"), Japanese Yen ("JPY"), and HK dollars ("HK\$"), and most of the assets and liabilities as at 30 June 2018 were denominated in US\$, GBP, EUR and JPY, and HK\$. 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 GBP, EUR and JPY foreign exchange exposure and fluctuation of exchange rates of GBP, EUR and JPY against HK\$ could affect the Group's results of operations. During the Year, foreign currency banking facilities for GBP, EUR and JPY were arranged for acquisition of properties and investments in these currencies to hedge for foreign exchange exposure.

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 13 May 2016, the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place through Sanfull Securities Limited, on a best effort basis, up to 420,000,000 placing shares of the Company at the placing price of HK\$0.15 per placing share of the Company to not less than six placees who and whose beneficial owners shall be independent third parties. The allotment of new shares of the Company was completed on 25 May 2016. The actual net proceeds from the placing were approximately HK\$62.4 million, of which HK\$50 million is intended for the costs, expenses and obligations of the property development project and the remaining HK\$12.4 million for general working capital of the Group. Details of the placing were set out in the announcement of the Company dated 15 May 2016 and the next day disclosure return of the Company dated 25 May 2016. HK\$42.1 million and HK\$12.4 million were used up as at 30 June 2018 for property development and administrative and other operating expenses of the Group, respectively.

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 2018, the Group had 13 (2017: 12) employees, including the directors of the Company (the "Director(s)"). Total staff costs (including Directors' emoluments) were approximately HK\$18,320,000 for the Year as compared to approximately HK\$10,940,000 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. Pong Wilson Wai San ("Mr. Pong"), aged 49, has been appointed as the chairman of the Company (the "Chairman") and an executive Director with effect from 17 May 2016. Mr. Pong was a Director of the Company during the period from 23 March 2007 to 12 December 2011 and a consultant of the Group during the period from 12 December 2011 to 16 May 2016. Mr. Pong is also a director of various subsidiaries of the Company. Mr. Pong is the sole director and sole shareholder of Virtue Partner Group Limited, which is the substantial and controlling shareholder of the Company. Mr. Pong is responsible for the overall strategic planning and investment strategy of the Group. He holds a bachelor degree in Applied Science from the University of British Columbia. He held various positions in a number of charity organizations in Hong Kong and had held various senior management positions with various local and international securities houses and a multinational company.

Mr. Lee Wing Yin ("Mr. Lee"), aged 48, was appointed as the authorised representative and company secretary of the Company (the "Company Secretary") on 23 March 2007, an executive Director 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. He was the executive director of Chanco International Group Limited (Stock code: 264), which is currently known as Ascent International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange, during the period from 21 September 2015 to 23 December 2015.

Mr. Ngan Man Ho ("Mr. Ngan"), aged 41, 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 over 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. He was also the executive director of Chanco International Group Limited (Stock code: 264), which is currently known as Ascent International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange, during the period from 21 September 2015 to 23 December 2015.

NON-EXECUTIVE DIRECTOR

Mr. Lai Hin Wing Henry ("Mr. Lai"), aged 61, was appointed as an independent non-executive Director on 23 March 2007 and re-designated as a non-executive Director on 12 December 2011. Mr. Lai is a partner, co-chairman 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. He was an independent non-executive director of Birmingham International Holdings Limited (Stock code: 2309), a company whose shares are listed on the Main Board of the Stock Exchange, from the period from 9 March 2015 to 15 October 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Koo Fook Sun Louis ("Mr. Koo"), aged 62, was appointed as an independent non-executive Director 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 three companies whose shares are 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) and Xingda International Holdings Limited (Stock code: 1899). He was an independent non-executive director of Midland Holdings Limited (Stock code: 1200), a company whose shares are listed on the Main Board of the Stock Exchange, during the period from 24 September 2004 to 28 June 2017.

Mr. Lung Hung Cheuk ("Mr. Lung"), aged 71, was appointed as an independent non-executive Director 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). He was the independent non-executive director of Chanco International Group Limited (Stock code: 264), which is currently known as Ascent International Holdings Limited, during the period from 21 September 2015 to 23 December 2015. The shares of these 2 companies are listed on the Main Board of the Stock Exchange.

Ms. Yeung Wing Yan Wendy ("Ms. Yeung"), aged 56, was appointed as an independent non-executive Director 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 laws (Human Rights) of the Faculty of Law from the University of Hong Kong, 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. Ms. Yeung is a practising barrister in Hong Kong. She has over 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.

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") to the Listing Rules. The Company has complied with all CG Code during the Year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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. During the Year, the roles of the chairman and chief executive officer of the Company are separate and exercised by Mr. Pong Wilson Wai San and Mr. Lee Wing Yin, respectively.

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

Pong Wilson Wai San (*Chairman*)
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.

Each of the Directors' biographical information is set out on pages 13 to 14 of this 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.

BOARD OF DIRECTORS AND BOARD MEETING

(cont'd)

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. 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 2018 and expiring on 22 March 2019, while Ms. Yeung's term is commencing from 12 December 2017 and expiring on 11 December 2018.

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 2017 and expiring on 11 December 2018.

Mr. Pong, the executive Director, has entered into a service agreement with the Company for an initial term of 36 months commencing from 17 May 2016, or terminated by not less than three months' notice in writing served by either party at any time thereafter. Mr. Pong is entitled to Director's emolument of HK\$504,000 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. Lee, the executive Director, has entered into a service agreement with the Company for a term of 36 months commencing from 1 June 2016, 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\$100,000 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 2017, 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\$74,000 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. Lung and Ms. Yeung 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.

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/her independence. Based on such confirmations of independence, the Company considers all of the independent non-executive Directors to be independent.

The Board met 5 times as meetings and held 1 general meeting during the Year.

BOARD OF DIRECTORS AND BOARD MEETING

(cont'd)

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
Executive Directors		
Pong Wilson Wai San	1/1	5/5
Lee Wing Yin	1/1	5/5
Ngan Man Ho	1/1	5/5
Non-executive Director		
Lai Hin Wing Henry	1/1	4/5
Independent Non-executive Directors		
Koo Fook Sun Louis	0/1	4/5
Lung Hung Cheuk	1/1	4/5
Yeung Wing Yan Wendy	1/1	4/5

During the Year, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

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.

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

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)
Executive Directors	
Pong Wilson Wai San	(a), (b)
Lee Wing Yin	(a), (b), (c)
Ngan Man Ho	(a), (b)
Non-executive Director	
Lai Hin Wing Henry	(a), (b), (c)
Independent Non-executive Directors	
Koo Fook Sun Louis	(a), (b)
Lung Hung Cheuk	(b)
Yeung Wing Yan Wendy	(a), (b)

Notes:

- (a) Corporate governance
- (b) Regulatory
- (c) 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 the latest written terms of reference adopted on 30 March

2012. 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.

The latest 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 or termination of their office or appointment, and make recommendations to the Board on the remuneration of non-executive Directors.

REMUNERATION COMMITTEE *(cont'd)*

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 meetings of the Remuneration Committee are as follows:

Members	Attendance
Lung Hung Cheuk <i>(Committee Chairman)</i>	2/2
Koo Fook Sun Louis	2/2
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 the latest written terms of reference adopted on 30 March 2012. 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 latest 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.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- (A) at least one-third of the members of the Board shall be independent non-executive directors;
- (B) at least three of the members of the Board shall be independent non-executive Directors; and
- (C) at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives under Board Diversity Policy for the Year.

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 2 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 review the Board Diversity Policy. Details of the attendance of the meetings of the Nomination Committee are as follows:

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

AUDITOR'S REMUNERATION

The Company has appointed BDO Limited as the auditor of the Company (the "Auditor"). The Board is authorised in the AGM to determine the remuneration of the Auditor. During the Year, the Auditor performed the work of statutory audit for the Year and the remuneration of the Auditor for the Year is approximately HK\$480,000. No non-audit service was provided by the Auditor.

The latest 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 control, risk management and internal control systems of the Group and provide advice and comment on the Company's draft annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports to Directors.

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 Company (the "Audit Committee") was established on 2 May 2002 with the latest written terms of reference adopted on 3 June 2016. 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.

The Audit Committee held 4 meetings during the Year and had reviewed the audited consolidated financial statements for the year ended 30 June 2017 and the unaudited consolidated financial statements for the three months ended 30 September 2017, six months ended 31 December 2017 and nine months ended 31 March 2018 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 risk management and internal control systems. During the Year, the Audit Committee met the Company's auditor three times. Details of the attendance of the meetings of the Audit Committee are as follows:

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

AUDIT COMMITTEE *(cont'd)*

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 statements for the Year.

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 has 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;
- 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, the Board held 2 meetings to review the policies and practices of the Company relating to the CG Code. Details of the attendance of the related meetings of the Board are as follows:

	Attendance
Executive Directors	
Pong Wilson Wai San	2/2
Lee Wing Yin	2/2
Ngan Man Ho	2/2
Non-executive Director	
Lai Hin Wing Henry	2/2
Independent Non-executive Directors	
Koo Fook Sun Louis	2/2
Lung Hung Cheuk	2/2
Yeung Wing Yan Wendy	2/2

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems of the Group and reviewing its effectiveness through the Audit Committee by evaluating and determining the nature and extent of the risks which is willing to take in achieving the Group's strategic objectives. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems. The risk management and internal control systems are designed to provide reasonable assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

The Board, through the Audit Committee, conducts a review of the effectiveness of the Group's risk management and internal control systems by requiring all management to carry out self-risk assessment process using a common risk management framework. It covers all material controls, including financial, operational and compliance controls, on an annual basis. It also considers the adequacy of resources and staff qualifications and experience of the Group's accounting and financial reporting function.

Under the enterprise risk management framework, policies and procedures are in place to identify, assess, manage, control and report risks. Such risks include strategic, operational (administrative system, project and lease management, contract and construction management, information technology security), market, reporting, compliance risks. Exposure to these risks is continuously monitored by the Board through the Audit Committee.

The internal control system includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The internal control system has been designed to safeguard the Group's assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for producing reliable financial information, and to ensure compliance with applicable laws, regulations and industry standard.

The Group does not have an internal audit function. During the Year, the Board has reviewed the effectiveness of the internal control system of the Group and there were no major issues but areas for improvement have been identified by the Audit Committee and appropriate measures taken. In addition, the Board is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The situation will be reviewed from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

After the review on the risk management and internal control systems, the management provided an action plan so as to mitigate those identified deficiencies in a timely manner. All internal control findings would be followed up closely to ensure that the action plan is implemented accordingly.

During the Year, the Board was satisfied with the Group's risk management and internal control processes are adequate to meet the need of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group risk management and internal control systems are inadequate. Moreover, the existing risk management and internal control systems are effective and adequate, and will continue to be reviewed, added on or updated to provide for change in the operating environment.

The Company has adopted an policy setting out guidelines to the directors, officers and all relevant employees of the Group to ensure inside information of the Company is to be disseminated to the public in a timely manner in accordance with the applicable laws and regulations, including but not limited to the Listing Rules and the Inside Information Provisions in Part XIVA of Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong).

Director(s), officer(s) or employee(s) who become aware of any non-public price-sensitive information having been divulged, that may fall into the category of inside information as defined in the policy, should immediately report to the chief executive officer/company secretary of the Company.

The Company must disclose inside information (unless falling within one of the safe harbours under Part XIVA of SFO) to the public as soon as reasonably practicable in accordance with the requirements of the Listing Rules and Part XIVA of SFO. The Board, officers and/or employees of the Company shall take reasonable precautions for preserving the confidentiality of inside information before publication of the relevant announcement (if applicable). All inside information must be treated strictly confidential. Disclosure must be made in a manner that provides the public with an equal, timely and effective access to the information, such as through the electronic publication system operated by the Stock Exchange.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit and loss for the year. In preparing the financial statements, the Directors have adopted all applicable Hong Kong Financial Reporting Standards in all material respects, selected appropriate accounting policies and then applied them consistently, made judgements and estimates that are fair and reasonable. The Directors use the going concern basis in preparing the financial statements unless this is inappropriate.

The Company recognises that a clear, balanced and timely presentation of financial report is crucial in maintaining the confidence of stakeholders. Reasonable disclosure of Company's financial position and prospects are provided in the report. Annual and interim results are published within three and two months after the end of the relevant financial periods respectively.

A statement of the Company's external auditor about its reporting responsibilities is included in the Independent Auditor's Report on pages 41 to 44 of this report.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company values communication with 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 principal place of business at Unit A, 6/F., 9 Queen's Road Central, Hong Kong;
2. By telephone at telephone number (852) 3183 0727;
3. By fax at fax number (852) 2111 9303; or
4. By email at inquiry@winfullgroup.hk.

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

The Company uses a number of formal communication channels 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 exchange views with the Board; (iii) updated and key information of the Group available on the websites 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 circulars, 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 articles 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 A, 6/F., 9 Queen's Road Central, 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 www.winfullgroup.hk which includes the latest information relating to the Group and its businesses.

DIRECTORS' REPORT

For the year ended 30 June 2018

The Directors present the annual report and the audited consolidated financial statements of the Group for the Year.

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 17 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 2018 are set out in the financial statements on pages 45 to 116 of this report.

DIVIDEND

The Board has recommended the payment of a final dividend of HK0.18 cents per share of the Company (the "Share") for the Year (2017: nil), subject to the approval of the Shareholders at the forthcoming annual general meeting. Such proposed dividend will be payable on or around 3 January 2019 to the Shareholders whose names appear on the register of members of the Company at close of business on 6 December 2018. The final dividend for the Year is HK0.18 cents per Share (2017: nil), which will absorb approximately HK\$10 million as at the date of this report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 27 November 2018 to Friday, 30 November 2018, 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 Monday, 26 November 2018.

The register of members of the Company will be closed from Friday, 7 December 2018 to Tuesday, 11 December 2018 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the final dividend, all transfers 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 no later than 4:30 p.m. on Thursday, 6 December 2018.

CHARITABLE DONATIONS

During the Year, the Group made charitable donation amount to HK\$1,543,000 (2017: HK\$236,000).

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 2018 HK\$'000	Year Ended 30 June 2017 HK\$'000	Year Ended 30 June 2016 HK\$'000	Year Ended 30 June 2015 HK\$'000	Year Ended 30 June 2014 HK\$'000
Revenue from continuing and discontinued operations	638,065	18,512	11,607	65,521	560,372
Profit/(Loss) before income tax from continuing and discontinued operations	255,337	8,118	(40,872)	(25,601)	44,706
Income tax expense	(45,004)	(1,320)	(976)	(3,290)	(34,255)
Profit/(Loss) after income tax	210,333	6,798	(41,848)	(28,891)	10,451
Attributable to: Owners of the Company	145,954	7,106	(41,259)	(28,580)	10,502

SUMMARY FINANCIAL INFORMATION (cont'd)

Consolidated Assets and Liabilities

	As at 30 June 2018 HK\$'000	As at 30 June 2017 HK\$'000	As at 30 June 2016 HK\$'000	As at 30 June 2015 HK\$'000	As at 30 June 2014 HK\$'000
Total assets	2,117,149	2,231,302	1,540,741	1,487,890	2,033,577
Total liabilities	(211,170)	(463,516)	(272,858)	(246,539)	(515,249)
Net assets	1,905,979	1,767,786	1,267,883	1,241,351	1,518,328

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 15 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 51 to 52 of this report and in note 42 to the financial statements respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to Shareholders amount to approximately HK\$1,655,160,000 (2017: approximately HK\$1,659,530,000). 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, 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, revenue made to the five largest customers of the Group accounted for approximately 97.4% (2017: approximately 76.1%) of the Group's total revenue for the Year. Revenue made to the Group's largest customer accounted for approximately 95.6% (2017: approximately 31.4%) of the Group's total revenue 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 close associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in these major customers.

DIRECTORS

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

Executive Directors

Pong Wilson Wai San (*Chairman*)
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, Mr. Lung and Ms. Yeung shall retire from office as Directors by rotation at 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 13 to 14 of this report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, 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 16.

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 2018, 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 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	Capacity/ Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Total	Approximate percentage of the total issued shares of the Company
Pong Wilson Wai San	Beneficial owner	7,328,000	49,000,000 (Note 1)	56,328,000	1.02%
	Interest of a controlled corporation	3,346,419,668 (Note 2)	–	3,346,419,668	60.32%
Lee Wing Yin	Beneficial owner	107,500,000	28,180,000 (Note 1)	135,680,000	2.45%
Ngan Man Ho	Beneficial owner	248,000	4,180,000 (Note 1)	4,428,000	0.08%

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

Notes:

1. These Shares represent the share options granted by the Company on 3 June 2014 and 17 May 2016 under the share option scheme adopted on 1 November 2011.

2. These 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.

All the interests disclosed above represent long position in the Shares.

Interest in the associated corporation

Name of Director	Name of the associated corporation	Capacity/Nature of interests	Number of ordinary share(s) held	Approximate percentage of the total issued shares of the associated corporation
Pong Wilson Wai San	Virtue Partner Group Limited	Beneficial Owner	1 share	100%

Save as disclosed above, as at 30 June 2018, 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 2018, 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 position 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 Shares 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:

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (cont'd)

Name of Shareholders	Capacity in which Shares are held	Number of Shares	Approximate percentage of shareholding
Tung Ching Yee Helena (Note 1)	Family interest	3,402,747,668	61.33%
Virtue Partner Group Limited	Beneficial owner	3,346,419,668 (Note 2)	60.32%

Notes:

- 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.
- 3,346,419,668 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.

All the interests disclosed above represent long position in Shares.

Save as disclosed above, as at 30 June 2018, 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 issued Shares 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 on 1 November 2011 (the "Adoption Date") by the Shareholders (the "Scheme"). The following is a summary of principal terms of the Scheme adopted by the Shareholders passed as an ordinary resolution on 1 November 2011. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Scheme

The purpose of the 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 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 Scheme.

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

The maximum number of Shares available for issue under the share options which may be granted under the 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 Scheme or any other share option schemes of the Company), unless Shareholders' approval has been obtained.

As at the date of this report, the outstanding number of options available for issue under the Scheme is 241,090,000 Shares, representing approximately 4.35% of the issued Shares.

(d) The Maximum Entitlement of Each Participant Under the 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 Scheme, in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue.

SHARE OPTION SCHEME *(cont'd)*

(e) Timing for Exercising Option

An option may be exercised in accordance with the terms of the 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 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 Scheme

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

(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 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).

SHARE OPTION SCHEME (cont'd)

Details of the share options movements during the Year under the Scheme 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 30.06.2018
				Balance as at 01.07.2017	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	
Directors									
Pong Wilson Wai San	26/10/2012	0.395	26/10/2012 – 25/10/2017	11,000,000	-	-	-	11,000,000	-
	3/6/2014	0.221	3/6/2014 – 2/6/2024	22,600,000	-	-	-	-	22,600,000
	17/5/2016	0.189	17/5/2016 – 16/5/2026	26,400,000	-	-	-	-	26,400,000
Lee Wing Yin	26/10/2012	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	1,000,000	-
	3/6/2014	0.221	3/6/2014 – 2/6/2024	1,000,000	-	-	-	-	1,000,000
	17/5/2016	0.189	17/5/2016 – 16/5/2026	27,180,000	-	-	-	-	27,180,000
Ngan Man Ho	26/10/2012	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	1,000,000	-
	3/6/2014	0.221	3/6/2014 – 2/6/2024	1,000,000	-	-	-	-	1,000,000
	17/5/2016	0.189	17/5/2016 – 16/5/2026	3,180,000	-	-	-	-	3,180,000
Lai Hin Wing Henry	26/10/2012	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	1,000,000	-
Koo Fook Sun Louis	26/10/2012	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	1,000,000	-
Yeung Wing Yan Wendy	26/10/2012	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	1,000,000	-
Lung Hung Cheuk	26/10/2012	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	1,000,000	-
Total				98,360,000	-	-	-	17,000,000	81,360,000

SHARE OPTION SCHEME *(cont'd)*

Information on the accounting policy and the value of options granted is provided in notes 3 and 34 to the financial statements.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executives' interests and short position 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

Save as disclosed above, 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 17 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 15 to 24. 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 shares 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 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.

RELATED PARTY/CONNECTED TRANSACTIONS

The Directors consider that those material related party transactions disclosed in note 39 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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 itself for re-appointment. A resolution for the re-appointment of BDO Limited as the auditor of the Company is to be proposed at the AGM.

EVENTS AFTER REPORTING PERIOD

On 13 July 2018, Alpha Easy Limited ("Alpha Easy"), a wholly-owned subsidiary of the Company as vendor, Ms. Hon Ching Lan as purchaser and the Company as Alpha Easy's guarantor entered into:

- (i) the provisional agreement for sale and purchase in relation to the entire issued share capital of Enviro Global Limited, a wholly-owned subsidiary of the Company, and all debts owing to the Alpha Easy by Enviro Global Limited at a consideration of HK\$19,070,500; and
- (ii) the provisional agreement for sale and purchase in relation to the entire issued share capital of Sonic Returns Limited, a wholly-owned subsidiary of the Company, and all debts owing to the Alpha Easy by Sonic Returns Limited at a consideration of HK\$33,669,000.

As the relevant percentages in aggregate of the above transactions exceed 5% but all below 25%, the above investments constitutes discloseable transactions on the part of the Company under Chapter 14 of the Listing Rules.

For details of the transactions, please refer to the Company's announcement dated 13 July 2018.

FOR AND ON BEHALF OF THE BOARD

Pong Wilson Wai San

Chairman

Hong Kong
27 September 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has compiled an Environmental, Social and Governance (the “ESG”) Report (the “ESG” Report) for a second consecutive year. This ESG Report provides a detailed account of the sustainability performance, policies and strategies of the Company and the Group during the Year.

1. REPORTING STANDARD AND SCOPE

The Group’s ESG Report has been prepared in accordance with the ESG Reporting Guide (the “ESG Guide”) set out in Appendix 27 to the Listing Rules. An index is included at the end of this report to demonstrate compliance with the ESG Guide.

This ESG Report provides an overview of our sustainability vision and related performance and initiatives in our operations, responding to our stakeholders’ interests in the environmental, social and corporate governance aspects of the Group. The scope of the report covers properties owned and operated by the Group in Hong Kong and the United Kingdom and the property development operation. This report also describes detailed key performance indicators (the “KPIs”) progress towards our targets in the past year in accordance with the ESG Guide. The Group is committed to a reasonable standard of corporate social responsibility and strictly complies with relevant laws and regulations reporting.

Materiality Assessment

In line with the reporting principles of the ESG Guide, a materiality assessment was conducted to identify material sustainability issues for the Company in the Year. This process follows three steps:

Step 1: Identification

- ESG disclosures of five peer companies in the property industry were reviewed to identify the material issues common in the industry.

Step 2: Prioritisation

- The material aspects which were identified through peer benchmarking were consolidated, creating a list of relevant material ESG issues to be brought forward for validation.

Step 3: Validation

- the findings were prioritise from the first two steps and then confirmed a list of material ESG issues and the relevant Aspects and KPIs for disclosure in this report.

2. CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an essential part of our vision as the Company is dedicated to good corporate governance practices, promoting economic and social values for the community and minimising our impact on the environment. Our Group aims to contribute to the community and the wellbeing of the environment by continuing to enhance environmental awareness, deliver training for our employees, and engage in various charitable initiatives to serve the community.

An effective governance structure is essential to address sustainability issues and manage ESG-related issues. The senior management assists the Board in reviewing the polices and overseeing the issues with respect to sustainability issues.

The Group has dedicated itself to take up its corporate social responsibility for the communities where it is present. It strives to repay society by participating in charitable sponsorship and supported various local charitable activities. The Group also encourages our staff members to offer their time and care to the people in need in our community.

3. OUR ENVIRONMENT

3.1 Introduction

While there are no significant environmental impacts associated with the nature of our business, we recognise our responsibility to contribute to a greener future. We are committed to optimising energy efficiency and conserving natural resources at our office and properties. To effectively monitor and manage our environmental performance, the Group has introduced internal policies on environmental protection. The environmental policies allow us to identify and manage the environmental issues associated with our operations emphasising three main environmentally friendly practices in the office including paper usage reduction, water resource management and energy saving.

3.2 Energy Consumption and Emissions

The Group constantly seeks opportunities to reduce energy consumption and greenhouse gas emissions throughout our business operations in properties and signage. We have taken a systematic approach to managing our energy use and carbon footprint. For instance, we have replaced low energy consumption lighting in office with energy efficient lighting systems. Most of our office equipment is labelled with Grade 1 Energy Labels which contributes to saving energy throughout the year. In addition, the indoor temperature is maintained at 25°C in order to avoid excessive use of energy. The roof-top signage has been pre-set to switch off from 11pm to 7am and the brightness is also set to a normal level to saving energy. These energy-saving measures contribute to managing the carbon footprint of our daily business operations.

3.3 Waste and Resource Management

The Company has implemented measures regarding waste management in order to responsibly managing our use of resources. For instance, we encourage our staff to adopt the use of electronic communication and documents instead of paper forms in their day to day operations. To further reduce paper usage, environmental initiatives such as double-sided printing are encouraged for all staff in our office. For water savings, reminders to switch off the tap after use are placed in the pantry and washrooms and inspections are performed regularly for water pipes and taps to prevent leakage. With this systematic approach of waste and resource management, the Company aims to inspire environmental awareness to promote a more sustainable business and operating practices.

3.4 Cultivating Environmental Awareness

To facilitate sustainable growth, we aspire to foster a green culture within the Group. We have implemented internal environmental policies for our offices and properties. The policies stipulate practical guidance for staff on energy conservation, waste reduction and resource recycling. For instance, the practical guidelines include recommendations such as purchasing office equipment certified with energy efficient labels, replacing lighting basins with energy efficient lightings, and reducing the use of excessive printing. In addition, we have plans to install recycling bins in our office premises to further reduce waste. We believe the policies will serve as the cornerstone to foster behavioral change within the Group.

4. OUR PEOPLE

4.1 Introduction

Employees are the core of the Company's business and the Group is fully committed to providing a safe and caring work environment with a variety of on-the-job training and development opportunities.

4.2 Caring Company

The Group continues to take positive action to ensure equal opportunity in the conduct of employment activities: recruitment, hiring, compensation, training and promotion for all persons, regardless of race, religion, gender, family status, age or any other basis prohibited by law. Recruitment of child or force labour is strictly prohibited to protect human rights.

With our remuneration policy, employees are rewarded with fair and competitive remuneration packages and benefits in accordance with qualifications, performance and market salary trends. Annual performance appraisals are conducted to reward staff for past accomplishments, identify promotions and salary increments. In addition to pay mechanism, we provide our employees with a variety of others benefits to ensure their welfare. During the Year, there were no non-compliance cases relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and the relevant legislation, including the Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong) and the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

4.3 Occupational Health and Safety

One of the Group's top priorities is to provide a healthy and safe working environment for our employees. To demonstrate our commitment, safety guidelines are established to safeguard employees from any occupational hazards which are in compliance with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong). Safety arrangements in cases of emergency such as during typhoons and rainstorm warnings are stated in the safety guidelines to ensure that all staff are aware of emergency procedures. With our staff following the safety guidelines, we are glad to announce that there were no work-related fatalities or lost days due to work injury during the Year.

4.4 Training and Development

The Company encourages and arranges training and development opportunities in order to further improve work performance and enhance career development within the Group. These external training opportunities include various training courses and seminars where our employees can advance their skills and knowledge and develop their career.

4.5 Business Ethics

We are committed to maintaining high levels of moral standards and integrity in our business operations. The Group's Employee Handbook states the requirements of professional conduct that all staff are required to follow at all times in accordance with Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong), Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong) and Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong).

4. OUR PEOPLE *(cont'd)*

4.5 Business Ethics *(cont'd)*

The Group has an established whistle-blowing policy for all employees to ensure that management is well aware of the situation where employees have concerns regarding corruption or bribery. When a case regarding corruption or bribery is encountered, an employee may present the case to the management directly and all information will be treated in strict confidence. This procedure allows employees and management to work together to resolve any issues and prevent further misconduct.

During the Year, there were no non-compliance with laws and regulations relevant to bribery, extortion, fraud and money laundering.

5. OUR VALUE CHAIN

5.1 Supply Chain Management

Sustainability is one of the factors that the Company considers when choosing our supply chain partners since their sustainability performance is closely related to our business operations. As part of our policy, our suppliers and vendors will need to undergo our approval process and we will conduct evaluation on a regular basis. We are constantly improving our performance by integrating corporate social responsibility practices into the process of supply chain management. Related risks which may affect our operations are being well-managed through this systematic approach.

5.2 Responsible Services

The Company is committed to providing quality services by complying with both national and international standards. The Group has a comprehensive quality assurance process which includes the monitoring of supplier performance, quality control, employee training and development, and corrective and preventive actions. In addition, we comply with the Group's privacy policy which is developed in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) ensuring that all personal data are handled in strict confidence.

Any complaints from customers are handled and investigated in a thorough and efficient manner. During the Year, there were no complaint cases relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

6. OUR COMMUNITY

The Company is dedicated to contributing and giving back to the community through our engagement activities and community-based programmes. The Group has a strong will in serving the underserved community. During the Year, we supported various local charitable activities, such as donation to a charity walk of the Community Chest for helping those in need and sponsor staff to participate in Hong Kong Marathon 2018 organized by Standard Chartered Bank, etc. We are keen to be a good and responsible citizen and make commitments to social services. The Group also encourage our staff members to offer their time and care to the people in need in our community. We engage our management, employees and members of our community to make a positive impact through charitable sponsorships, donations and volunteering services.

7. KPI DATA TABLE

KPI	Unit	The Year			
A. Environmental					
A1.2	Greenhouse gas emissions in total and intensity				
	Scope 1 emission	Tonnes of CO ₂ e	0		
	Scope 2 emission	Tonnes of CO ₂ e	104.90		
	Scope 3 emission	Tonnes of CO ₂ e	12.47		
	– in total	Tonnes of CO ₂ e	117.37		
	– by intensity	Tonnes of CO ₂ e/FTE	3.67		
A2.1	Energy consumption by type				
	Direct Energy Consumption				
	– in total	'000 kWh	0		
	– by intensity	'000 kWh/FTE			
	Indirect Energy Consumption				
	– in total	'000 kWh	132.76		
	– by intensity	'000 kWh/FTE	4.15		
	Total Energy Consumption				
	– in total	'000 kWh	132.76		
	– by intensity	'000 kWh/FTE	4.15		
A2.2	Water Consumption in total and intensity				
	Water Consumption				
	– in total	m ³	139		
	– by intensity	m ³ /FTE	4.34		
B. Social					
B1.1	Total workforce by employment type and gender		Male	Female	
	Full-time	No. of people	10	3	
	Part-time	No. of people	0	0	
	Total workforce by employment type and age group		Under 30	30-50	Above 50
	Full-time	No. of people	1	7	5
	Part-time	No. of people	0	0	0
B1.2	Employee turnover rate by gender		Male	Female	
		%	10	0	
	Employee turnover rate by age group		Under 30	30-50	Above 50
		%	67	0	0
B2.1	Number and rate of work-related fatalities				
	– By number	No. of people	0		
	– By rate	%	0		
B2.2	Lost days due to work injury				
	– Staff	Days	0		
B6.2	Number of products and service related complaints received				
	No. of complaints		0		
B7.1	Number of concluded cases regarding corrupt practices brought against the company				
	No. of cases		0		

8. ESG REPORTING GUIDE CONTENT INDEX

Aspect	KPI	Description	Section/Remarks
A. Environmental			
A1 Emissions	A1	General Disclosure	3
	A1.1	The types of emissions and respective emissions data.	The Group's operations do not have a significant impact on the environment from air emissions. Please refer to Section 3 for the Group's approach on air pollution control.
	A1.2	Greenhouse gas emissions in total and intensity	7
	A1.3	Total hazardous waste produced and intensity	Not material to the Company.
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	The Group's operations do not have a significant impact on the environment from production of non-hazardous waste. Please refer to Section 3 for the Group's approach on waste management.
	A1.5	Description of measures to mitigate emissions and results achieved	3
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	3
A2 Use of Resources	A2	General Disclosure	3
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	7
	A2.2	Water consumption in total and intensity	7
	A2.3	Description of energy use efficiency initiatives and results achieved	3
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results	3
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable to the Company.
A3 The Environment and Natural Resources	A3	General Disclosure	3
	A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	3

Aspect	KPI	Description	Section/Remarks
B. Social			
Employment and Labour Practices			
B1 Employment	B1	General Disclosure	4
B2 Health and Safety	B2	General Disclosure	4
	B2.1	Number and rate of work-related fatalities	7
	B2.2	Lost days due to work injury	7
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	4
B3 Development and Training	B3	General Disclosure	4
B4 Labour Standards	B4	General Disclosure	We abide by relevant employment ordinances and statutory requirements. No relevant cases of non-compliance were recorded.
Operating Practices			
B5 Supply Chain Management	B5	General Disclosure	5
B6 Product Responsibility	B6	General Disclosure	5
	B6.2	Number of products and service related complaints received and how they are dealt with	7
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	5
B7 Anti-corruption	B7	General Disclosure	4
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	7
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	7
Community			
B8 Community Investment	B8	General Disclosure	6
	B8.1	Focus areas of contribution	6

INDEPENDENT AUDITOR'S REPORT



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To the shareholders of Winfull Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Winfull Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 45 to 116, which comprise the consolidated statement of financial position as at 30 June 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (cont'd)

Valuation of investment properties

Refer to note 16 and the Group's critical accounting estimates and judgements in relation to valuation of investment properties set out in note 4 to the consolidated financial statements

The carrying value of the Group's investment properties as at 30 June 2018 was HK\$998,852,000. Investment properties are measured at cost on acquisition, and thereafter are carried at fair value, with any changes therein recognised in profit or loss. During the year ended 30 June 2018, the Group recognised a fair value gain of HK\$23,268,000 on its investment properties.

Fair values on investment properties are determined using direct comparison approach, in which the comparable properties with similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. To assist management in this judgement area, the Group uses professionally qualified independent valuers for the property valuation exercise.

We identified valuation of investment properties as a key audit matter because of its potential significance to the consolidated financial statements as a whole, combined with management's estimations required in determining fair values.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our procedures on the valuation of investment properties included:

- Assessing the competency and capabilities of the independent valuers taking into account of their experience and qualifications;
- Conducting in-depth discussions with management and the independent valuers about the key assumptions and the industry norms and assessing the valuation methodology;
- Assessing the methodologies used and the appropriateness of the key assumptions used by the independent valuers and management in arriving at the fair value of investment properties; and
- Checking, on a sample basis, the accuracy and relevance of the data provided by the independent valuers and management.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number P05018

Hong Kong, 27 September 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	6	638,065	18,512
Cost of sales		(464,260)	(1,868)
Gross profit		173,805	16,644
Other income	7	15,329	5,643
Administrative expenses and other operating expenses		(30,921)	(22,445)
Fair value gain on investment properties	16	23,268	9,077
Gain on disposal of an associate	26	82,798	–
Loss on disposal of a subsidiary	33	(6,821)	–
Finance costs	9	(2,121)	(801)
Profit before income tax	8	255,337	8,118
Income tax expense	10	(45,004)	(1,320)
Profit for the year		210,333	6,798
Profit for the year attributable to:			
Owners of the Company		145,954	7,106
Non-controlling interests		64,379	(308)
		210,333	6,798
Earnings per share	12		
Basic and diluted		HK2.63 cents	HK0.21 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018 HK\$'000	2017 HK\$'000
Profit for the year	210,333	6,798
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net fair value (loss)/gain on available-for-sale financial assets	(5,005)	9,936
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	(184)	(865)
Exchange differences arising on translation of foreign operations	(41)	315
Release of non-controlling interests upon disposal of properties under development	(63,913)	–
Other comprehensive income for the year, net of tax	(69,143)	9,386
Total comprehensive income for the year	141,190	16,184
Total comprehensive income for the year attributable to:		
Owners of the Company	140,724	16,492
Non-controlling interests	466	(308)
	141,190	16,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	87,563	89,109
Investment properties	16	998,852	1,067,594
Interests in associates	18	–	–
Available-for-sale financial assets	20	248,053	80,360
Deposits for acquisition of property, plant and equipment		13,023	–
Deposits for acquisition of investment properties		9,785	25,419
		1,357,276	1,262,482
Current assets			
Amounts due from associates	18	–	–
Amounts due from a joint venture	19	–	11
Properties held for trading	21	175,883	46,379
Properties under development	22	–	450,192
Trade receivables	23	2,706	3,048
Prepayments, deposits and other receivables		5,177	3,253
Cash and bank balances	24	511,508	339,229
Pledged bank deposits	25	64,599	26,309
		759,873	868,421
Assets of a disposal group classified as held for sale	26	–	100,399
		759,873	968,820
Current liabilities			
Accrued expenses, other payables and deposits received	27	33,281	116,633
Borrowings	28	106,139	81,378
Amounts due to non-controlling shareholders	29	16,009	237,748
Provision for income tax		25,435	1,355
		180,864	437,114
Net current assets		579,009	531,706
Total assets less current liabilities		1,936,285	1,794,188
Non-current liabilities			
Borrowings	28	20,308	22,764
Deferred tax liabilities	30	9,998	3,638
		30,306	26,402
Net assets		1,905,979	1,767,786

Consolidated statement of financial position
As at 30 June 2018

	Notes	2018 HK\$'000	2017 HK\$'000
EQUITY			
Share capital	31	55,481	55,481
Reserves		1,851,486	1,713,759
Equity attributable to owners of the Company		1,906,967	1,769,240
Non-controlling interests		(988)	(1,454)
Total equity		1,905,979	1,767,786

On behalf of the directors

Pong Wilson Wai San
Director

Lee Wing Yin
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Profit before income tax		255,337	8,118
Adjustments for:			
Interest income	7	(10,973)	(4,247)
Dividend income	7	(310)	(498)
Depreciation	8	2,134	379
Fair value gain on investment properties	8	(23,268)	(9,077)
Gain on disposal of properties under development		(146,795)	–
Gain on disposal of an associate	26	(82,798)	–
Loss on disposal of a subsidiary	33	6,821	–
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	7	(184)	(865)
Amounts due from a joint venture written off		11	–
Property, plant and equipment written off	15	128	–
Trade receivable written off		781	–
Interest expenses	9	2,121	801
Operating gain/(loss) before working capital changes		3,005	(5,389)
Increase in properties held for trading		(4,449)	(13,418)
Increase in properties under development		(96)	(5,417)
(Increase)/Decrease in trade receivables		(473)	420
Increase in prepayments, deposits and other receivables		(1,683)	(1,319)
Increase in accrued expenses, other payables and deposits received		19,935	105,574
Proceeds from disposals of properties under development		531,752	–
Proceeds from disposals of financial assets at fair value through profit or loss		–	26,824
Cash generated from operations		547,991	107,275
Interest received		10,973	4,247
Interest paid		(2,121)	(801)
Income tax paid		(1,049)	(1,023)
<i>Net cash generated from operating activities</i>		555,794	109,698

Consolidated statement of cash flows
For the year ended 30 June 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Cash flows from investing activities			
Dividend received		310	498
Payment for deposits for acquisition of property, plant and equipment		(13,023)	–
Decrease in/(Payment for) deposits for acquisition of investment properties		–	(25,419)
(Increase)/Decrease in short-term deposits with an original maturity of more than 3 months		(48,637)	32,312
Increase in pledged bank deposits		(38,290)	(26,309)
Purchases of property, plant and equipment		(588)	(731)
Purchases of investment properties		(102,137)	(130,069)
Purchases of available-for-sale financial assets		(196,937)	(31,874)
Proceeds from disposals of available-for-sale financial assets		24,239	12,414
Disposal of an associate		322,226	–
Disposal of subsidiary	33	201,590	–
Advance to associates		(178,029)	(13,485)
Repayment from a joint venture		–	9
Acquisition of subsidiary, net of cash acquired	32	(125,000)	10,622
<i>Net cash used in investing activities</i>		(154,276)	(172,032)
Cash flows from financing activities			
New bank borrowings raised		31,907	23,276
Repayments of borrowings		(11,817)	(3,587)
(Repayments to)/Advances from non-controlling shareholders		(298,408)	2,935
<i>Net cash (used in)/generated from financing activities</i>		(278,318)	22,624
Net increase/(decrease) in cash and cash equivalents		123,200	(39,710)
Cash and cash equivalents at beginning of year		178,136	217,531
Effect of foreign exchange rate change		955	315
Cash and cash equivalents at end of year		302,291	178,136
Analysis of balances of cash and cash equivalents			
Cash and bank balances	24	45,714	44,225
Short-term deposits		256,577	133,911
		302,291	178,136

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium account	Translation reserve	Share-based payment reserve	Revaluation reserve	Other reserve	Retained profits	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
At 1 July 2016	31,385	1,108,644	(224)	11,074	(2,301)	4,377	116,074	1,269,029	(1,146)	1,267,883
Acquisition of a subsidiary (note 32(a))	24,096	459,623	-	-	-	-	-	483,719	-	483,719
Transactions with owners	24,096	459,623	-	-	-	-	-	483,719	-	483,719
Profit for the year	-	-	-	-	-	-	7,106	7,106	(308)	6,798
Other comprehensive income:										
Net fair value gain on available-for-sale financial assets (note 20)	-	-	-	-	9,936	-	-	9,936	-	9,936
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets (note 7)	-	-	-	-	(865)	-	-	(865)	-	(865)
Exchange differences arising on translation of foreign operations	-	-	315	-	-	-	-	315	-	315
Total comprehensive income for the year	-	-	315	-	9,071	-	7,106	16,492	(308)	16,184
At 30 June 2017	55,481	1,568,267	91	11,074	6,770	4,377	123,180	1,769,240	(1,454)	1,767,786

Consolidated statement of changes in equity
For the year ended 30 June 2018

	Equity attributable to owners of the Company										
	Share capital	Share premium account	Translation reserve	Share-based payment reserve	Revaluation reserve	Other reserve	Proposed final dividend	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 2017	55,481	1,568,267	91	11,074	6,770	4,377	-	123,180	1,769,240	(1,454)	1,767,786
Lapse of share options	-	-	-	(2,346)	-	-	-	2,346	-	-	-
Release of other reserve upon disposal of properties under development	-	-	-	-	-	(2,997)	-	-	(2,997)	-	(2,997)
Transactions with owners	-	-	-	(2,346)	-	(2,997)	-	2,346	(2,997)	-	(2,997)
Profit for the year	-	-	-	-	-	-	-	145,954	145,954	64,379	210,333
Other comprehensive income:											
Net fair value losses on available-for-sale financial assets (note 20)	-	-	-	-	(5,005)	-	-	-	(5,005)	-	(5,005)
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets (note 7)	-	-	-	-	(184)	-	-	-	(184)	-	(184)
Exchange differences arising on translation of foreign operations	-	-	(41)	-	-	-	-	-	(41)	-	(41)
Release of non-controlling interests upon disposal of properties under development	-	-	-	-	-	-	-	-	-	(63,913)	(63,913)
Total comprehensive income for the year	-	-	(41)	-	(5,189)	-	-	145,954	140,724	466	141,190
2018 proposed final dividend	-	-	-	-	-	-	10,000	(10,000)	-	-	-
At 30 June 2018	55,481	1,568,267	50	8,728	1,581	1,380	10,000	261,480	1,906,967	(988)	1,905,979

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. GENERAL INFORMATION

Winfull 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 A, 6/F, 9 Queen's Road Central, Hong Kong. The Company's issued shares have been listed on 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 17. During the year, the Group was principally engaged in the property investment and trading, property development and provision of renovation services. There were no significant changes in the Group's operation during the year.

The consolidated financial statements on pages 45 to 116 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 "Listing Rules").

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 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 37.

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

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

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

2.1 Adoption of new and amended HKFRSs (cont'd)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards ¹
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
HKFRS 16	Leases ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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)

Those new/revised HKFRSs that might have material impact on the Group's financial statements are set out below:

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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.

Based on the Group's financial instruments and risk management policies as at 30 June 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

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 9 – Financial Instruments (cont'd)

Classification and measurement:

- Listed equity securities and listed debt investments classified as available-for-sale financial assets in note 20, are currently measured at FVTOCI, which qualified for designation as measured at FVTOCI under HKFRS 9. Accordingly, these financial assets will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9. Changes in fair value for listed equity securities will be recognised in other comprehensive income and are not reclassified to profit or loss. While changes in fair value for listed debts investments will be recognised in other comprehensive income and reclassified to profit or loss on derecognition;
- Unlisted equity securities and unlisted investment funds classified as available-for-sale financial assets in note 20, are currently measured at cost less impairment, which are held for trading and therefore would be subsequently measured at fair value with fair value gains or losses to be recognised in other comprehensive income and are not reclassified to profit or loss under HKFRS 9.
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group. However, management expects the effect would not be significant.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

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 (cont'd)

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of amendments to HKFRS 15 will not have a material impact on the Group's results of operations and financial position.

Amendments to HKAS 40 – Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The directors of the Company anticipate that the application of amendments to HKAS 40 will not have a material impact on the Group's results of operations and financial position.

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company anticipate that the application of the Interpretation will not have a material impact on the Group's results of operations and financial position.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The directors of the Company anticipate that the application of amendments to HKFRS 9 will not have a material impact on the Group's results of operations and financial position.

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 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company do not anticipate that the application of HKFRS 16 will have a material impact on the Group's results of operations and financial position.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

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 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.

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.

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

3.1 Basis of preparation *(cont'd)*

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.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Acquisition of businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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

3.2 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.

3.3 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 amounts 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.

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.

3.4 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.

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

3.4 Joint arrangements *(cont'd)*

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 equity method – see note 3.3).

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.

3.5 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 disposed of, 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)

3.6 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	2% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	10% 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.

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.

3.7 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- investments in subsidiaries, associates and joint ventures

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

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

3.7 Impairment of assets (other than financial assets) (cont'd)

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

3.8 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.

3.9 Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3.10 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.

3.11 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)

3.12 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) *Available-for-sale financial assets*

These 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)

3.12 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 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)

3.12 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 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.

3.13 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)*

3.14 Financial liabilities

The Group's financial liabilities include trade and other payables, rental deposits received, borrowings and amounts due to non-controlling shareholders.

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.

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

3.15 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.

3.16 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)

3.17 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. Capitalisation of borrowing costs suspends when the Group suspends active development of a qualifying asset.

3.18 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:

Trading of property and sale of properties under development are recognised when the significant risks and rewards of ownership of the properties are transferred to the buyers;

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 are recognised when the services are rendered; and

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

3.19 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.

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.

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

3.19 Income tax *(cont'd)*

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)

3.20 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 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.

3.21 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 values are appraised at the grant date and exclude 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)

3.22 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 Development Business:	Property development
Property Investment and Trading Business:	Investment in properties and property trading for profit-making purpose
Renovation Business	Provision of renovation services

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 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 a joint venture, 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)*

3.23 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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

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)*

3.24 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.

3.25 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

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 Net realisable value of properties under development

Net realisable value of 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 under development are accounted for at the lower of cost and net realisable value.

4.2 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.

4.3 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.

4.4 Taxation

The Group is subject to various taxes in Hong Kong and 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.

4.5 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 three product and service lines as operating segments as further described in note 3.22. 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 (2017: Nil).

	2018			Total HK\$'000
	Property Development Business HK\$'000	Property Investment and Trading Business HK\$'000	Renovation Business HK\$'000	
Reportable segment revenue:				
From external customers	609,893	28,172	–	638,065
Reportable segment profit/(loss)	229,412	32,110	(19)	261,503
Bank interest income	–	32	–	32
Depreciation	–	2,114	8	2,122
Fair value gain on investment properties	–	23,268	–	23,268
Gain on disposal of an associate	82,798	–	–	82,798
Loss on disposal of a subsidiary	–	(6,821)	–	(6,821)
Reportable segment assets	90	1,302,176	856	1,303,122
Additions to non-current assets	–	117,771	–	117,771
Reportable segment liabilities	44,378	117,037	16	161,431
	2017			
	Property Development Business HK\$'000	Property Investment and Trading Business HK\$'000	Renovation Business HK\$'000	Total HK\$'000
Reportable segment revenue:				
From external customers	–	17,536	976	18,512
Reportable segment profit/(loss)	(489)	23,157	7	22,675
Bank interest income	–	14	–	14
Depreciation	–	359	8	367
Fair value gain on investment properties	–	9,077	–	9,077
Reportable segment assets	554,478	1,253,423	867	1,808,768
Additions to non-current assets	–	665,800	–	665,800
Reportable segment liabilities	326,765	112,634	23	439,422

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:

	2018 HK\$'000	2017 HK\$'000
Revenue		
Reportable segment revenue	638,065	18,512
Consolidated revenue	638,065	18,512
Profit before income tax		
Reportable segment profit	261,503	22,675
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	184	865
Interest income	10,941	4,233
Dividend income	310	498
Exchange gain/(loss), net	329	(1,422)
Corporate salaries and allowances	(10,360)	(10,940)
Corporate professional fees	(4,128)	(3,826)
Depreciation on corporate property, plant and equipment	(12)	(12)
Corporate rent and rates	–	(1,695)
Unallocated corporate income	556	–
Unallocated corporate expenses	(3,986)	(2,258)
Consolidated profit before income tax	255,337	8,118
Assets		
Reportable segment assets	1,303,122	1,808,768
Property, plant and equipment	2	13
Available-for-sale financial assets	248,053	80,360
Deposits for acquisition of property, plant and equipment	13,023	–
Corporate cash and bank balances	484,326	315,114
Pledged bank deposits	64,599	26,309
Amounts due from a joint venture	–	11
Interest receivables	3,977	712
Other corporate assets	47	15
Consolidated total assets	2,117,149	2,231,302
Liabilities		
Reportable segment liabilities	161,431	439,422
Corporate bank borrowings	49,425	23,276
Other corporate liabilities	314	818
Consolidated total liabilities	211,170	463,516

5. SEGMENT INFORMATION (cont'd)

The Group's reportable segment revenue from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customer		Non-current assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	632,632	18,512	1,267,343	1,262,482
United Kingdom	5,433	–	81,852	–
Japan	–	–	8,081	–
	638,065	18,512	1,357,276	1,262,482

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) (2017: Nil) nor non-current assets were located in the Cayman Islands (2017: Nil). The country of domicile is the country where the Company was incorporated.

Revenue from the major customers is as follows:

	2018 HK\$'000	2017 HK\$'000
Customer A (note i)	–	5,808
Customer B (note i)	–	2,768
Customer C (note i)	–	2,493
Customer D (note ii)	609,893	–
	609,893	11,069

Notes:

- (i) derived from the Property Investment and Trading 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:

	2018 HK\$'000	2017 HK\$'000
Sale of properties under development	609,893	–
Rental income from investment properties	28,172	17,536
Renovation service income	–	976
	638,065	18,512

7. OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Interest income	10,973	4,247
Dividend income	310	498
Exchange gain, net	329	–
Rental income from properties held for trading	1,319	–
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	184	865
Sundry income	2,214	33
	15,329	5,643

8. PROFIT BEFORE INCOME TAX

	2018 HK\$'000	2017 HK\$'000
Profit before income tax is arrived at after charging/(crediting) the following:		
Auditor's remuneration	480	450
Cost of inventories recognised as expense, including:		
Cost of properties sold	463,098	–
Depreciation (note 15)	2,134	379
Employee costs (note 13)	18,320	10,940
Exchange (gain)/losses, net	(329)	1,422
Fair value gain on investment properties (note 16)	(23,268)	(9,077)
Gain on disposal of an associate (note 26)	(82,798)	–
Loss on disposal of a subsidiary (note 33)	6,821	–
Minimum lease payments under operating lease rentals for land and buildings	–	2,210

9. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interests on bank loans which include those with a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements	2,121	801

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year. No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for the year ended 30 June 2017. 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:

	2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong		
Provision for the year	37,100	–
Under-provision in respect of prior years	19	562
	37,119	562
Current tax – Overseas		
Provision for the year	786	758
	37,905	1,320
Deferred tax charge (note 30)	7,099	–
Total income tax expense	45,004	1,320

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 HK\$'000	2017 HK\$'000
Profit before income tax	255,337	8,118
Notional tax on profit or loss before income tax, calculated at the rates applicable to profits in the countries concerned	42,395	1,687
Tax effect of non-deductible expenses	3,451	2,049
Tax effect of non-taxable revenue	(8,127)	(4,428)
Tax effect of temporary difference not recognised	6,793	37
Tax effect of unused tax losses not recognised	473	1,413
Under-provision in prior years	19	562
Income tax expense	45,004	1,320

11. DIVIDENDS

At a meeting held on 27 September 2018, the directors recommended a final dividend of HK0.18 cents per ordinary share. Those proposed dividends are not reflected as a dividend payable in these financial statements, but reflected as an appropriation of retained earnings for the year ended 30 June 2018.

12. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the following data:

	2018 HK\$'000	2017 HK\$'000
Profit for the year, attributable to owners of the Company	145,954	7,106
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,548,126	3,395,967
Effect of dilutive potential ordinary shares in respect of the Company's share option scheme	–	107
Weighted average number of shares for the purpose of diluted earnings per share	5,548,126	3,396,074

For the year ended 30 June 2018, diluted earnings per share attributable to owners of the Company are the same as basic loss per share as the impact of the exercise of share options was anti-dilutive.

13. EMPLOYEE COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	10,243	10,823
Staff bonus	7,960	–
Pension costs – defined contribution plans	117	117
	18,320	10,940

14. 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	Staff bonus HK\$'000	Equity- settled share-based payments HK\$'000	Pension cost – defined contribution plans HK\$'000	Total HK\$'000
Year ended 30 June 2018						
Executive directors						
Mr. Pong Wai San Wilson	5,904	–	7,960	–	18	13,882
Mr. Lee Wing Yin	1,140	–	–	–	18	1,158
Mr. Ngan Man Ho	864	–	–	–	18	882
Non-executive director						
Mr. Lai Hin Wing Henry	121	–	–	–	–	121
Independent non-executive directors						
Mr. Koo Fook Sun Louis	121	–	–	–	–	121
Mr. Lung Hung Cheuk	121	–	–	–	–	121
Ms. Yeung Wing Yan Wendy	121	–	–	–	–	121
	8,392	–	7,960	–	54	16,406

14. 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	Staff bonus HK\$'000	Equity- settled share-based payments HK\$'000	Pension cost – defined contribution plans HK\$'000	Total HK\$'000
Year ended 30 June 2017						
Executive directors						
Mr. Pong Wai San Wilson	6,720	–	–	–	18	6,738
Mr. Lee Wing Yin	1,135	–	–	–	18	1,153
Mr. Ngan Man Ho	902	–	–	–	18	920
Non-executive director						
Mr. Lai Hin Wing Henry	121	–	–	–	–	121
Independent non-executive directors						
Mr. Koo Fook Sun Louis	121	–	–	–	–	121
Mr. Lung Hung Cheuk	121	–	–	–	–	121
Ms. Yeung Wing Yan Wendy	121	–	–	–	–	121
	9,241	–	–	–	54	9,295

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

(b) Five highest paid individuals

Of the five individuals whose emoluments were the highest in the Group for the year ended 30 June 2018, three (2017: three) are directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the two (2017: two) individuals for the years ended 30 June 2018 and 2017 are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	779	656
Pension costs – defined contribution plans	32	30
	811	686

14. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (cont'd)

(b) **Five highest paid individuals** (cont'd)

Their emoluments fell within the following band:

	Number of individuals	
	2018	2017
Emolument band Nil to HK\$1,000,000	2	2

During the years ended 30 June 2018 and 2017, no emoluments were paid by the Group to 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 (2017: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 July 2016					
Cost	-	448	1,961	2,668	5,077
Accumulated depreciation	-	(403)	(849)	(2,668)	(3,920)
Net carrying amount	-	45	1,112	-	1,157
Year ended 30 June 2017					
Opening net book amount	-	45	1,112	-	1,157
Additions	-	-	731	-	731
Acquisition of a subsidiary (note 32(a))	87,600	-	-	-	87,600
Depreciation	-	(19)	(360)	-	(379)
Closing net book amount	87,600	26	1,483	-	89,109
At 30 June 2017 and 1 July 2017					
Cost	87,600	448	2,692	2,668	93,408
Accumulated depreciation	-	(422)	(1,209)	(2,668)	(4,299)
Net carrying amount	87,600	26	1,483	-	89,109
Year ended 30 June 2018					
Opening net book amount	87,600	26	1,483	-	89,109
Additions	-	-	588	-	588
Acquisition of assets and liabilities through acquisition of a subsidiary (note 32(b))	-	-	-	128	128
Written off	-	-	-	(128)	(128)
Depreciation	(1,752)	(19)	(363)	-	(2,134)
Closing net book amount	85,848	7	1,708	-	87,563
At 30 June 2018					
Cost	87,600	448	3,280	2,668	93,996
Accumulated depreciation	(1,752)	(441)	(1,572)	(2,668)	(6,433)
Net carrying amount	85,848	7	1,708	-	87,563

As at 30 June 2018, the Group's leasehold properties and investment properties (note 16) with net carrying amount of HK\$85,848,000 (2017: HK\$87,600,000) and HK\$542,852,000 (2017: HK\$529,994,000) respectively were pledged to secure bank loans of HK\$77,022,000 (2017: HK\$80,866,000) (note 28).

16. INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
Fair value:		
At the beginning of the year	1,067,594	408,852
Additions	117,771	130,069
Transferred from properties held for trading	–	72,002
Acquisition of a subsidiary (note 32(a))	–	447,400
Disposals of a subsidiary (note 33)	(211,000)	–
Change in fair value	23,268	9,077
Exchange difference	1,219	194
At the end of the year	998,852	1,067,594

Analysis of carrying amount of investment properties is as follows:

	2018 HK\$'000	2017 HK\$'000
In Hong Kong		
– 10 to 50 years (medium leases)	88,200	292,400
– Over 50 years (long leases)	828,800	696,800
	917,000	989,200
In United Kingdom		
– Freehold	81,852	78,394
	998,852	1,067,594

The fair value of the Group's investment properties at 30 June 2018 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 2018 are determined using direct comparison approach. 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.

16. INVESTMENT PROPERTIES (cont'd)

Significant unobservable inputs	Range
Quality of properties	-30% to 20% (2017: -40% to 40%)

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

17. SUBSIDIARIES

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 2018 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		
			2018	2017	2018	2017	
World Fair Global Limited	British Virgin Islands ("BVI")	Ordinary, United States dollars ("US\$") 1	100	100	-	-	Investment holding
Alpha Easy Limited	BVI	Ordinary, US\$1	100	100	-	-	Investment holding
Achiever Connect Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Baronesa Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Central Fly Limited (note a)	BVI	Ordinary, US\$1	-	-	-	100	Property investment
Celestial Tower Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Costal Talent Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Double Achiever Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Enviro Global Limited (note c)	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Flexwood Limited ("Flexwood")	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Formal Focus Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Just Central Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Monilea Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Sonic Returns Limited (note c)	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Brilliant Icon Limited	BVI	Ordinary, US\$100	-	-	51	51	Property trading
Clear Access Global Limited	BVI	Ordinary, US\$1	-	-	100	100	Property trading
Next Excel Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Plan Link Limited ("Plan Link") (note b)	BVI	Ordinary, US\$100	-	-	-	51	Investment holding
High Bond Limited (note b)	BVI	Ordinary, US\$1	-	-	-	51	Property development
Record Champion Limited *	BVI	Ordinary, US\$1	-	-	100	-	Property trading
Virtus Architects Limited	HK	Ordinary, HK\$1	-	-	100	100	Provision of renovation services

* newly acquired during the year (note 32(b))

17. SUBSIDIARIES (cont'd)

Notes:

- (a) On 13 June 2017, the Group entered into a sale and purchase agreement to dispose of the entire equity of this subsidiary at a consideration of HK\$206 million. The transaction was completed on 10 October 2017.
- (b) On 1 June 2017, the Group, another shareholder of Plan Link (the "Plan Link Partner", together with the Group collectively referred as to the "Plan Link Vendors") and the purchaser (the "Plan Link Purchaser") entered into the provisional sale and purchase agreement, pursuant to which the Plan Link Vendors conditionally agreed to sell and the Plan Link Purchaser conditionally agreed to purchase the entire interests and all the outstanding shareholders' loan of Plan Link, in which the Group and the Plan Link Partner holds 51% and 49% equity interests respectively, at a cash consideration of HK\$610 million in total. Plan Link is engaged in the redevelopment project at 142-154 Carpenter Road, Kowloon, Hong Kong solely. The disposal of Plan Link was completed on 21 September 2017.
- (c) Pursuant to the sales and purchase agreements entered into with individual third parties, after the end of reporting period, these subsidiaries will be disposed of to an individual third party in the next twelve months (note 43).

18. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Non-current		
Share of net assets	-	-
Transferred to assets of a disposal group classified as held for sale (note 26)	-	-
	-	-
Current		
Due from associates	178,029	100,399
Transferred to assets of a disposal group classified as held for sale (note 26)	(178,029)	(100,399)
	-	-

As at 30 June 2018 and 2017, amounts due from associates were unsecured, interest-free and repayable on demand.

18. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (cont'd)

Certain associates were disposed of during the year (note 26). Particulars of associate as at 30 June 2018 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
Gora Holdings Limited	10 ordinary shares of US\$1 each (2017: 10 ordinary share)	BVI	Incorporated	30%	Investment holding

The associate adopts its financial year end dates on 31 December.

The aggregated amounts of financial information as extracted from the financial statements of associate for the year ended 30 June 2018 are as follows:

	2018 HK\$'000	2017 HK\$'000
Current assets	–	333
Non-current assets	–	–
Current liabilities	380	380
Revenue	–	–
Loss for the year	–	(8)

The Group has discontinued the recognition of its share of losses of associate because the share of losses of the associate had exceeded the Group's interests in it. The amounts of unrecognised share of the associate, extracted from the financial statements of associate, both for the year ended 30 June 2018 and 2017 and cumulatively, are as follows:

	2018 HK\$'000	2017 HK\$'000
Unrecognised share of loss of associate for the year	–	(3)
Accumulated unrecognised share of losses of associate	(14)	(14)

19. INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM A JOINT VENTURE

	2018 HK\$'000	2017 HK\$'000
Non-current		
Share of net assets	–	–
Current		
Due from a joint venture	–	11

All joint ventures were deregistered during the year.

Amounts due from a joint venture are unsecured, interest-free and repayable on demand.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK\$'000	2017 HK\$'000
Non-current		
Listed equity securities – Hong Kong	15,430	13,535
Listed debts investments – Hong Kong	45,831	2,243
Listed debts investments – outside Hong Kong	58,517	–
Unlisted equity securities – outside Hong Kong	53,441	3,049
Unlisted investment funds	74,834	61,533
	248,053	80,360

	2018 HK\$'000	2017 HK\$'000
Net carrying amount at beginning of the year	80,360	50,964
Additions	196,937	31,874
Disposals	(24,239)	(12,414)
Changes in fair value (debited)/credited to revaluation reserve in equity	(5,005)	9,936
Net carrying amount at end of the year	248,053	80,360

Listed equity securities, listed debts investments and unlisted investment funds with carrying amounts of HK\$15,430,000 (2017: HK\$13,535,000), HK\$104,348,000 (2017: HK\$2,243,000) and HK\$30,804,000 (2017: HK\$30,370,000) respectively are stated at fair value. The fair values have been determined directly by reference to published price and quotations in active markets.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

Unlisted equity securities and unlisted investment funds with carrying amounts of HK\$61,155,000 (2017: HK\$3,049,000) and HK\$36,316,000 (2017: HK\$31,163,000) respectively 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 2018, 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 2018, no impairment (2017: Nil) on these investments was recognised in profit or loss in accordance with the policy set out in note 3.12. As at 30 June 2018, the fair value of individual impaired available-for-sale equity securities was HK\$2,635,000 (2017: HK\$2,635,000).

21. PROPERTIES HELD FOR TRADING

	2018 HK\$'000	2017 HK\$'000
In Hong Kong		
– 10 to 50 years (medium leases)	160,906	31,402
– Over 50 years (long leases)	14,977	14,977
	175,883	46,379

In prior years, the board of directors of one of its subsidiaries resolved that there was a change of intention on one of the properties held for trading from “properties held for trading” to “investment properties” for the long term investment and this property is held for capital appreciation, rather than held for trading in its ordinary course of business. This property shall be transferred to investment properties when there is a change in use, evidenced by commencement of an operating lease to another party in accordance with HKAS 40.

22. PROPERTIES UNDER DEVELOPMENT

Properties under development are all held under medium leases and located in Hong Kong.

	2018 HK\$'000	2017 HK\$'000
At cost:		
At the beginning of the year	450,192	444,775
Additions	96	5,417
Disposal	(450,288)	–
At the end of the year	–	450,192

23. TRADE RECEIVABLES

The Group generally allowed a credit period of 1 month to its trade customers.

Based on the invoice dates, all trade receivables as at 30 June 2018 and 30 June 2017 were aged within 90 days.

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, no trade receivables as at 30 June 2018 and 30 June 2017 was past due nor impaired.

As at 30 June 2018, there was no amount denominated in a currency other than the functional currency of the entity to which they relate (2017: Nil).

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

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.

24. CASH AND BANK BALANCES

	2018 HK\$'000	2017 HK\$'000
Cash and bank balances	45,714	44,225
Short-term deposits	465,794	295,004
Total cash and bank balances as stated in the consolidated statement of financial position	511,508	339,229
Short-term deposits with an original maturity of more than three months	(209,217)	(161,093)
Cash and cash equivalents for the presentation of the consolidated statement of cash flows	302,291	178,136

Cash at banks earn interest at rates up to 0.9% (2017: 0.4%) per annum based on the daily bank deposits rates. Short-term deposits earn interest at rates of 0.40% to 2.80% (2017: 0.40% to 1.93%) per annum and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in cash and bank balances is an aggregate amount of HK\$50,000 (2017: HK\$50,000) 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.

25. PLEDGED BANK DEPOSITS

These bank deposits were pledged to secure bank loans of HK\$64,599,000 (2017: HK\$23,276,000) (note 28).

26. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In May 2017, the Group, the associate partner (the "Associate Partner", together with the Group collectively referred to as the "Vendors") and the purchaser (the "Purchaser") entered into the formal sale and purchase agreement (the "Agreement") with the Purchaser, pursuant to which the Purchaser had conditionally agreed to acquire and the Vendors had conditionally agreed to sell the sale shares and the sale loan of Apex Plan Limited ("Apex Plan") in which the Group and the Associate Partner hold 30% and 70% equity interest respectively. As a result, share of net assets of associates and amount due from associates were presented as assets of a disposal group classified as held for sale in accordance with Hong Kong Financial Reporting Standard 5. The disposal group was engaged in the business of property redevelopment project at 18-32 Junction Road, Hong Kong.

	2018 HK\$'000	2017 HK\$'000
At 1 July	100,399	–
Transfer from share of net assets (note 18)	–	–
Transfer from amounts due from associates (note 18)	178,029	100,399
Disposals	(278,428)	–
At 30 June	–	100,399

On 28 March 2018, the Group disposed of all of its 30% equity interest in Apex Plan at a cash consideration of approximately HK\$385,562,000, resulting in a gain on disposal of approximately HK\$82,798,000. The disposal was completed on 28 March 2018.

	2018 HK\$'000
Sales consideration received for 30% ownership interest	385,562
Carrying value of 30% ownership interest	–
Assignment of debt – Amounts due from associates	(278,428)
Transaction costs	(24,336)
Gain on disposal of an associate	82,798

Upon completion of the disposal, Apex Plan ceased to be classified as an associate.

27. ACCRUED EXPENSES, OTHER PAYABLES AND DEPOSITS RECEIVED

	2018 HK\$'000	2017 HK\$'000
Accrued expenses and other payables	25,084	7,437
Rental deposits received	6,488	6,820
Rental receipt in advance	1,709	1,156
Deposits received for disposal of a subsidiary (note 17(b))	–	62,220
Deposits received for disposal of an associate (note 26)	–	39,000
	33,281	116,633

28. BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Current		
Bank loans, secured	106,139	81,378
Non-current		
Bank loans, secured	20,308	22,764
	126,447	104,142

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:

	2018 HK\$'000	2017 HK\$'000
Within one year or on demand	53,859	27,635
In the second year	4,455	4,379
In the third to fifth years, inclusive	13,497	13,264
Beyond five years	54,636	58,864
	126,447	104,142

All bank loans as at 30 June 2018 were secured by guarantees by the Company and the pledge of leasehold properties (note 15) with net carrying amount of HK\$85,848,000 (2017: HK\$87,600,000), certain investment properties (note 16) with net carrying amount of HK\$542,852,000 (2017: HK\$529,994,000) and pledged bank deposits (note 25) of HK\$64,599,000 (2017: HK\$26,309,000).

During the year, the effective interest rates of the Group's borrowings were ranged 0.60% to 3.02% per annum (2017: 0.60% to 3.09%).

29. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

Amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.

30. DEFERRED TAX

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

	Revaluation of properties HK\$'000	Accelerated tax allowances HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 July 2016	–	2,069	(1,330)	739
Acquisition of a subsidiary (note 32(a))	–	2,899	–	2,899
At 30 June 2017 and 1 July 2017	–	4,968	(1,330)	3,638
Disposal of a subsidiary (note 33)	–	(2,068)	1,329	(739)
Charge to profit or loss	7,099	–	–	7,099
At 30 June 2018	7,099	2,900	(1)	9,998

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:

	2018 HK\$'000	2017 HK\$'000
Deferred tax assets	–	–
Deferred tax liabilities	2,899	3,638
	2,899	3,638

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

	2018 HK\$'000	2017 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	10,272	9,209
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purpose	74	74
	10,346	9,283

No provision for deferred taxation has been recognised in respect of the tax losses of HK\$62,738,000 (2017: HK\$61,344,000) 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.

31. SHARE CAPITAL

	2018		2017	
	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	5,548,126	55,481	3,138,500	31,385
Acquisition of subsidiary (note 32(a))	–	–	2,409,626	24,096
At the end of the year	5,548,126	55,481	5,548,126	55,481

32. ACQUISITION OF SUBSIDIARIES

- (a) On 23 May 2017, the Group completed the acquisition of 100% equity interests of Flexwood. The principal activity of Flexwood is property investment. The consideration for the 100% equity interests in Flexwood was satisfied by allotting and issuing 2,409,625,668 shares of the Company. The underlying set of assets acquired was not integrated in forming a business to generate revenue. As such, the directors are of the opinion that the acquisition of 100% equity interests in Flexwood was a purchase of net assets which did not constitute a business combination for accounting purpose.

	Fair value HK\$'000
Property, plant and equipment (note 15)	87,600
Investment properties (note 16)	447,400
Cash and bank balances	10,622
Trade receivables	84
Deposits	176
Accrued expenses, other payables and rental deposits received	(3,417)
Borrowings	(55,305)
Provision for income tax	(542)
Deferred tax liabilities (note 30)	(2,899)
Net assets acquired	483,719
Satisfied by 2,409,625,668 Shares:	
Share capital (note 31)	24,096
Share premium	459,623
Total equity raised by assets acquisition	483,719

32. ACQUISITION OF SUBSIDIARIES (cont'd)

- (b) On 5 March 2018, the Group completed the acquisition of 100% equity interest of Record Champion Limited from a third party at a consideration of HK\$125,000,000. Record Champion Limited held certain properties for trading purpose and the directors of the Company considered that this acquisition does not meet the definition of a business in Hong Kong Financial Reporting Standard 3 (revised) "Business Combinations" at the date of acquisition. Accordingly, the acquisition has been accounted for as a purchase of net asset which did not constitute a business combination for accounting purpose.

	Fair value HK\$'000
Property, plant and equipment (note 15)	128
Properties held for trading	125,055
Prepayment, deposits and other receivables	241
Accruals, deposits received and other payables	(424)
Former shareholder's loan	(87,401)
	37,599
Assignment of shareholder's loan	87,401
Net assets acquired	125,000
Total cash consideration	125,000
Net cash outflow arising from the acquisition	
Purchase consideration settled in cash	125,000

33. DISPOSAL OF INTERESTS IN SUBSIDIARIES

As referred to note 17(a), on 10 October 2017, the Group disposed of its entire interests in Central Fly Limited which is engaged in property investment business in Hong Kong. Net assets of Central Fly Limited at the date of disposal were as follows:

	10 October 2017 HK\$'000
Investment properties (note 16)	211,000
Other payables	(1,831)
Shareholder's loan	(192,032)
Provision of taxation	(20)
Deferred tax liabilities (note 30)	(739)
	16,378
Assignment of shareholder's loan and other payables	193,863
Cost incurred for the disposal	2,580
Loss on disposal of subsidiary	(6,821)
Total consideration satisfied by cash	206,000
Net cash inflow arising on disposal:	
Cash consideration	206,000
Cash consideration received as a deposit in prior year	(1,830)
Cost incurred for the disposal	(2,580)
	201,590

34. SHARE-BASED PAYMENTS

The Company adopted a 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 2011 Share Option Scheme are set out as follows:

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.

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.

34. 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 2018:

Name or category of grantees	At 1 July 2017	Number of share options		At 30 June 2018	Date of grant of share options	Exercise Period (note a)	Exercise price (HK\$) (note b)
		Lapsed during the year	Granted during the year				
Directors							
Pong Wai San Wilson	11,000,000	(11,000,000)	-	-	26 October 2012	Period 1	0.395
	22,600,000	-	-	22,600,000	3 June 2014	Period 2	0.221
	26,400,000	-	-	26,400,000	17 May 2016	Period 3	0.189
Lee Wing Yin	1,000,000	(1,000,000)	-	-	26 October 2012	Period 1	0.395
	1,000,000	-	-	1,000,000	3 June 2014	Period 2	0.221
	27,180,000	-	-	27,180,000	17 May 2016	Period 3	0.189
Ngan Man Ho	1,000,000	(1,000,000)	-	-	26 October 2012	Period 1	0.395
	1,000,000	-	-	1,000,000	3 June 2014	Period 2	0.221
	3,180,000	-	-	3,180,000	17 May 2016	Period 3	0.189
Koo Fook Sun Louis	1,000,000	(1,000,000)	-	-	26 October 2012	Period 1	0.395
Lung Hung Cheuk	1,000,000	(1,000,000)	-	-	26 October 2012	Period 1	0.395
Yeung Wing Yan Wendy	1,000,000	(1,000,000)	-	-	26 October 2012	Period 1	0.395
Lai Hin Wing, Henry	1,000,000	(1,000,000)	-	-	26 October 2012	Period 1	0.395
	98,360,000	(17,000,000)	-	81,360,000			

34. SHARE-BASED PAYMENTS (cont'd)

The following shows the outstanding position of share options granted under the share option schemes as at 30 June 2017:

Name or category of grantees	At 1 July 2016	Number of share options		At 30 June 2017	Date of grant of share options	Exercise Period (note a)	Exercise price (HK\$) (note b)
		Lapsed during the year	Granted during the year				
Directors							
Pong Wai San Wilson	11,000,000	-	-	11,000,000	26 October 2012	Period 1	0.395
	22,600,000	-	-	22,600,000	3 June 2014	Period 2	0.221
	26,400,000	-	-	26,400,000	17 May 2016	Period 3	0.189
Lee Wing Yin	1,000,000	-	-	1,000,000	26 October 2012	Period 1	0.395
	1,000,000	-	-	1,000,000	3 June 2014	Period 2	0.221
	27,180,000	-	-	27,180,000	17 May 2016	Period 3	0.189
Ngan Man Ho	1,000,000	-	-	1,000,000	26 October 2012	Period 1	0.395
	1,000,000	-	-	1,000,000	3 June 2014	Period 2	0.221
	3,180,000	-	-	3,180,000	17 May 2016	Period 3	0.189
Koo Fook Sun Louis	1,000,000	-	-	1,000,000	26 October 2012	Period 1	0.395
Lung Hung Cheuk	1,000,000	-	-	1,000,000	26 October 2012	Period 1	0.395
Yeung Wing Yan Wendy	1,000,000	-	-	1,000,000	26 October 2012	Period 1	0.395
Lai Hin Wing, Henry	1,000,000	-	-	1,000,000	26 October 2012	Period 1	0.395
	98,360,000	-	-	98,360,000			

34. SHARE-BASED PAYMENTS (cont'd)

Notes:

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

Period 1: 26 October 2012 to 25 October 2017

Period 2: 3 June 2014 to 2 June 2024

Period 3: 17 May 2016 to 16 May 2026

- (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 options are set out below:

	2018 HK\$	2017 HK\$
At beginning of the year	0.233	0.233
Lapsed during the year	0.395	–
Granted during the year	–	–
At end of the year	0.199	0.233

- (d) The weighted average remaining contractual life of the share options outstanding at 30 June 2018 was approximately 7.29 years (2017: 6.91 years).

For the year ended 30 June 2018 and 2017, no share options were granted.

At 30 June 2018, the Company had 81,360,000 (2017: 98,360,000) share options outstanding under the share option schemes, which represented approximately 1.47% (2017: 1.77%) of the Company's shares in issue at that date. All these options were exercisable at 30 June 2018 and 2017.

35. OPERATING LEASE COMMITMENTS

As lessee

At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	144	–
In the second to fifth years	132	–
	276	–

The Group lease a property under an operating lease. The lease runs for an initial period two years, with an option to renew the lease and renegotiated the terms at the expiry date or at date as mutually agreed between the Group and respective lessor. As at 30 June 2018, none of the lease includes contingent rental.

35. OPERATING LEASE COMMITMENTS *(cont'd)*

As lessor

At 30 June 2018, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	29,189	27,634
In the second to fifth years	26,559	47,684
Later than five years	–	10,141
	55,748	85,459

The Group leases its properties under operating lease arrangements which run for an initial period of two to fifteen years (2017: two to fifteen 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.

36. CAPITAL COMMITMENTS

	2018 HK\$'000	2017 HK\$'000
Contracted but not provided for:		
Available-for-sale financial assets	167,741	71,906
Investment properties	23,415	110,820
Property, plant and equipment	–	517
	191,156	183,243

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings (note 28) HK\$'000	Amounts due to non-controlling shareholders (note 29) HK\$'000
At 1 July 2017	104,142	237,748
Changes from cash flow:		
New bank borrowings raised	31,907	–
Repayments of borrowings	(11,817)	–
Interest paid	2,121	
Repayment to non-controlling shareholders	–	(221,739)
Total changes from financing cash flows:	126,353	16,009
Exchange adjustments	2,215	–
Other changes:		
Interest expenses	(2,121)	–
At 30 June 2018	126,447	16,009

38. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantee amounting to HK\$47,660,000 with respect to bank loans to its subsidiaries and the guarantee is secured against investment properties by those subsidiaries (2017: guarantee amounting to HK\$210,000,000 with respect to bank loans to its associates and the guarantee is secured against properties under development held by those associates). 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:

	2018 HK\$'000	2017 HK\$'000
Rental expenses paid to a related company owned by one of the substantial shareholders of the Company	–	1,504
Professional fees paid to a related company in which one director of the Company is a partner	1,117	–
	1,117	1,504
Rental income on investment properties, received from a related company owned by one of the substantial shareholders of the Company	506	–

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

	2018 HK\$'000	2017 HK\$'000
Short-term employee benefits	16,406	9,295

40. 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 amount due from a joint venture, trade receivables, cash and bank balances, other receivables, other payables, borrowings and amount due to non-controlling shareholders, 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.

40.1 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 0.9% (2017: 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.

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

40.1 Interest rate risk *(cont'd)*

As at 30 June 2018, the Group's exposure to interest rate risk on floating interest-bearing financial liabilities mainly came from secured bank loans. The interest rates and repayment terms of the Group's borrowings are disclosed in note 28. 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, profit for the year and retained profits would have decreased or increased by approximately HK\$89,000 (2017: HK\$33,000).

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

40.2 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\$5,491,000 (2017: HK\$3,571,000) and HK\$46,969,000 (2017: HK\$20,888,000) respectively), which were primarily denominated in RMB, EURO dollars ("EURO") and British Pounds ("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).

For the US\$ foreign exchange exposure, the directors believe the exposure is small as the exchange rate of US\$ to HK\$ is comparatively stable.

As at 30 June 2018, if a depreciation of 5% in HK\$ against RMB, EURO and GBP was estimated, with all other variables held constant, profit for the year and retained profits would have increased by HK\$2,623,000 (2017: HK\$1,223,000) for the year ended 30 June 2018. An appreciation of the same percentage in HK\$ against RMB, EURO 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, EURO 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.

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

40.3 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 (2017: no impact) and other components of equity would have increased or decreased by HK\$7,529,000 (2017: HK\$2,307,000).

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.

40.4 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 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 represented the listed equity securities, listed debt investments, unlisted equity 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 Group is also exposed to the credit risk of the contingent liabilities in relation to the financial guarantee contracts granted to its subsidiaries as detailed in note 38 to the financial statements.

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.

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

40.5 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 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:

	Carrying amounts HK\$'000	Contractual undiscounted cash flow			
		Total HK\$'000	Within 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
30 June 2018					
Accrued expense, other payables and rental deposits received	31,572	31,572	31,572	-	-
Borrowings	126,447	137,802	117,495	11,604	8,703
Amounts due to non-controlling shareholders	16,009	16,009	16,009	-	-
	174,028	185,383	165,076	11,604	8,703
Financial guarantee issued:					
Maximum amount guaranteed	-	-	-	-	-

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

40.5 Liquidity risk (cont'd)

	Carrying amounts HK\$'000	Contractual undiscounted cash flow			
		Total HK\$'000	Within 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
30 June 2017					
Accrued expense, other payables and rental deposits received	14,257	14,257	14,257	–	–
Borrowings	104,142	107,726	82,120	13,492	12,114
Amounts due to non-controlling shareholders	237,748	237,748	237,748	–	–
	356,147	359,731	334,125	13,492	12,114
Financial guarantee issued:					
Maximum amount guaranteed	–	210,000	210,000	–	–

The table that follows summarises the maturity analysis of those term loans with repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the “on demand” time band in the above maturity analysis. 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 term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	Carrying amounts HK\$'000	Contractual undiscounted cash flow			
		Total HK\$'000	Within 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
Term loans subject to repayment on demand clause based on scheduled repayments:					
30 June 2018	49,425	114,594	51,692	9,067	53,835
30 June 2017	78,532	145,965	27,053	15,328	103,584

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

40.6 Categories of financial assets and financial liabilities

	2018 HK\$'000	2017 HK\$'000
Loans and receivables:		
Trade receivables	2,706	3,048
Other receivables	4,868	3,064
Amounts due from associates (under assets of a disposal group classified as held for sale)	–	100,399
Amounts due from a joint venture	–	11
Cash and bank balances	511,508	339,229
Pledged bank deposits	64,599	26,309
Available-for-sale financial assets	248,053	80,360
	831,734	552,420

	2018 HK\$'000	2017 HK\$'000
Financial liabilities measured at amortised cost:		
Accrued expenses, other payables and rental deposits received	31,572	14,257
Borrowings	126,447	104,142
Amounts due to non-controlling shareholders	16,009	237,748
	174,028	356,147

40.7 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.

40.8 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).

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

40.8 Fair value measurements recognised in the statement of financial position (cont'd)

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.

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

	Notes	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
30 June 2018					
Assets:					
Available-for-sale financial assets					
– Listed equity securities	(a)	15,430	–	–	15,430
– Listed debts investments	(a)	104,348	–	–	104,348
– Unlisted investment funds	(b)	–	30,804	–	30,804
Total and net fair values		119,778	30,804	–	150,582
30 June 2017					
Assets:					
Available-for-sale financial assets					
– Listed equity securities	(a)	13,535	–	–	13,535
– Listed debts investments	(a)	2,243	–	–	2,243
– Unlisted investment funds	(b)	–	30,370	–	30,370
Total and net fair values		15,778	30,370	–	46,148

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 and listed debts investments*

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

(b) *Unlisted investments funds*

The unlisted investment funds are denominated in US\$ and EURO. Fair values of unlisted investment funds included in Level 2 have been determined based on observable market prices which are sourced from broker quotes as provided by financial institutions. Most significant inputs are observable market data including quoted market prices.

41. 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.

	2018 HK\$'000	2017 HK\$'000
Total borrowings	175,737	458,523
Less: cash and bank balances and pledged bank deposits	(576,107)	(365,538)
(Net cash)/Net debt	(400,370)	92,985
Total capital	1,905,979	1,767,786
Gearing ratio	N/A	5%

42. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	–	–
Property, plant and equipment	13,025	13
Available-for-sale financial assets	25,923	27,664
	38,948	27,677
Current assets		
Prepayments, deposits and other receivables	1,843	95
Amounts due from subsidiaries	1,381,115	1,552,340
Cash and bank balances	415,604	149,328
	1,798,562	1,701,763
Current liabilities		
Accrued expenses and other payables	251	772
Amounts due to subsidiaries	102,731	–
	102,982	772
Net current assets	1,695,580	1,700,991
Total assets less current liabilities	1,734,528	1,728,668
Net assets	1,734,528	1,728,668
EQUITY		
Share capital	55,481	55,481
Reserves	1,679,047	1,673,187
Total equity	1,734,528	1,728,668

On behalf of the directors

Pong Wilson Wai San
Director

Lee Wing Yin
Director

42. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 (cont'd)

Movements of the reserves of the Company are as follows:

	Share premium account HK\$'000	Share-based payment reserve HK\$'000	Revaluation reserve HK\$'000	Proposed final dividend HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 30 June 2016	1,108,644	11,074	(497)	–	96,200	1,215,421
Acquisition of subsidiary (note 32(a))	459,623	–	–	–	–	459,623
Transactions with owners	459,623	–	–	–	–	459,623
Loss for the year	–	–	–	–	(4,937)	(4,937)
Other comprehensive income:						
Net fair value gain on available-for-sale financial assets	–	–	3,526	–	–	3,526
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	–	–	(446)	–	–	(446)
Total comprehensive income for the year	–	–	3,080	–	(4,937)	(1,857)
At 30 June 2017 and 1 July 2017	1,568,267	11,074	2,583	–	91,263	1,673,187
Lapse of share options	–	(2,346)	–	–	2,346	–
Transactions with owners	–	(2,346)	–	–	2,346	–
Profit for the year	–	–	–	–	3,284	3,284
Other comprehensive income:						
Net fair value gain on available-for-sale financial assets	–	–	2,576	–	–	2,576
Total comprehensive income for the year	–	–	2,576	–	3,284	5,860
2018 proposed final dividend	–	–	–	10,000	(10,000)	–
At 30 June 2018	1,568,267	8,728	5,159	10,000	86,893	1,679,047

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.

43. EVENTS AFTER THE REPORTING DATE

On 15 August 2018, the Group entered into formal sale and purchase agreements to dispose of the entire issued share capital of two subsidiaries of the Group, namely Enviro Global Limited and Sonic Returns Limited for a consideration of HK\$19,070,500 and HK\$33,669,000, respectively to an independent third party.

44. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 30 June 2018 were approved and authorised for issue by the board of directors on 27 September 2018.

MAJOR PROPERTIES HELD FOR TRADING AS AT 30 JUNE 2018

Location	Gross floor area (sq. ft.)	Interest attributable to the Group	Existing use
Shops 1 and 2 on Ground Floor and External Signage Area A and C, Lime Stardom, No. 18 Fir Street and Nos. 3 and 19 Larch Street, Kowloon, Hong Kong	4,877	100%	Shops

MAJOR INVESTMENT PROPERTIES AS AT 30 JUNE 2018

Location	Interest attributable to the Group	Use	Lease term
Roof of Block C Sea View Estate 8 Watson Road Hong Kong	51%	Commercial	Medium-term lease
Shop 2 on Ground Floor and Shop 3 on Lower Ground 1 Floor Open Side Yard, Signage Areas II and III Grand Scholar 419K Queen's Road West Hong Kong	100%	Commercial	Long-term lease
4th Floor, Kenning Industrial Building 19 Wang Hoi Road, Kowloon, Hong Kong	100%	Industrial	Medium-term lease
6th Floor, 9 Queen's Road Central Hong Kong	100%	Commercial	Long-term lease
Car Park No. 6 on 2nd Floor, Office Nos. 1-3 on 30th Floor, Office Nos. 1-2 on 29th Floor and Office No. 5 on 13th Floor, Universal Trade Centre, No. 3 Arbuthnot Road, Hong Kong	100%	Commercial	Long-term lease
Atlantic House, Tyndall Street Cardiff, CF10 4PP United Kingdom	100%	Commercial	Freehold
15th Floor, Far East Consortium Building No. 121 Des Voeux Road Central, Hong Kong	100%	Commercial	Long-term lease



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