



**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



2016  
ANNUAL REPORT  
年報

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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

Unit A, 6/F  
9 Queen's Road Central  
Hong Kong

## COMPANY HOMEPAGE

[www.winfullgroup.hk](http://www.winfullgroup.hk)

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited  
Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## AUDITOR

BDO Limited  
*Certified Public Accountants*

## STOCK CODE

183

# CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Director(s)") (the "Board") of the 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 2016 (the "Year") and are pleased to provide an overview and update of our business developments in the financial year of 2016.

## MARKET OVERVIEW

This is the sixth year of listing on the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2 December 2010. The Hong Kong economy regained some momentum in the second half year of this financial year, improving from its sluggish performance in the first half year with inflation eased further because of moderate local cost pressure and the absence of imported inflation. The domestic demand remained the key source of the growth of economy and expanded further during the financial year while external demand was weakened. Although the residential property market rebounded slightly in the fourth quarter of this financial year after a period of consolidation since the fourth quarter of 2015, trading still remained low by historical standards. Consistent with the trading volume, the residential property prices rebounded slightly in the fourth quarter of this financial year but were still down by 10% from the peak in 2015. The lingering uncertainties associated with the US interest rate normalization, monetary policy divergence of major central banks, the geopolitical tension in various parts of the world and the "Brexit" of United Kingdom. Those unexpected events have cast a shadow on Hong Kong and global economy over the already subdued global outlook.

## FINANCIAL OVERVIEW

On 27 February 2015, the Group completed the disposal (the "Disposal") of the property assembly and brokerage business. After the Disposal, the Group continues its principal activities of property investment and trading, property development and provision of renovation services.

For the year ended 30 June 2016, the Group recorded a turnover (from continuing operations) of approximately HK\$11,607,000, representing an increase of approximately 60.4% comparing with that of approximately HK\$7,236,000 for the last financial year. The improvement in turnover was mainly attributed to the increase in turnover from those businesses of property investment and trading and provision of renovation services.

The loss attributable to shareholders of the Company (the "Shareholder(s)") for the year ended 30 June 2016 amounted to approximately HK\$41,848,000, representing an increase of approximately 44.8% as compared with the net loss attributable to Shareholders of approximately HK\$28,891,000 for the last financial year. The loss for the current financial year was mainly attributable to the decrease in other income from income and profit on disposal of available-for-sale financial assets, the fair value loss on investment properties, loss on deregistration of a subsidiary and also the recognition of equity-settled share-based payment, while the loss for the last financial year was mainly attributed to the loss from discontinued operations.

## PROSPECTS AND APPRECIATION

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. The Group continued to explore potential opportunities in areas of principal activities both in Hong Kong and overseas with a view to build a diversified and balanced portfolio and to provide steady income source to the Group. Among the existing five investment and trading properties and two property development projects held by the Group, all of them are located in Hong Kong, except for one trading property, which is situated in Cardiff, United Kingdom.

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

30 September 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Group was principally engaged in property investment and trading, property development and provision of renovation services. Before the completion of the disposal of the entire equity interests of and all obligation, liabilities and debts owing or incurred by its wholly owned subsidiary, Vastwood Limited, and its subsidiaries (the "Vastwood Group") on 27 February 2015, the principal activities of the Group were provision of property brokerage services, provision of schemes for property consolidation, assembly and redevelopment, property trading, property development and property investment.

During the financial year, the Group was engaged in two property development projects, which are located in Hong Kong. The Group also has four investment properties, which are located in Hong Kong, and one trading property, which is located in the United Kingdom.

The Hong Kong economy regained momentum in the second half year of this financial year, improving from its sluggish performance in the first half year with the inflation eased further. The domestic demand remained the key source of the growth of economy and expanded further during the financial year while external demand was weakened. Although the residential property market rebounded slightly in the fourth quarter of this financial year after a period of consolidation since the fourth quarter of 2015. Trading still remained low by historical standards. Consistent with the trading volume, the residential property prices rebounded slightly in the fourth quarter of this financial year but were still down by 10% from the peak in 2015. The lingering uncertainties associated with the US interest rate normalization, monetary policy divergence of major central banks, the geopolitical tension in various parts of the world and the "Brexit" of United Kingdom. Those unexpected events have cast a shadow on Hong Kong and global economy over the already subdued global outlook.

## FINANCIAL REVIEW

For the year ended 30 June 2016, the Group recorded a turnover (from continuing operations) of approximately HK\$11,607,000, representing an increase of approximately 60.4% comparing with that of approximately HK\$7,236,000 for the last financial year. The improvement in turnover was mainly attributed to the increase in turnover from the property investment and trading business and the renovation business.

Loss before income tax of the Group for the year ended 30 June 2016 from continuing operations was approximately HK\$40,872,000, but a profit before income tax of approximately HK\$12,513,000 was recognized for the last financial year. The loss for the current financial year was mainly attributable to the decrease in other income from interest income and profit on disposal of available-for-sale financial assets, the fair value loss on investment properties, loss on deregistration of a subsidiary and also the recognition of equity-settled share-based payment for the year under review. Thus, the loss attributable to Shareholders for the year ended 30 June 2016 amounted to approximately HK\$41,529,000, representing an increase of approximately 44.4% as compared with the loss attributable to Shareholders of approximately HK\$28,580,000 for the last financial year. The loss for the last financial year was mainly attributed to the loss from discontinued operations.

Loss on deregistration of a subsidiary of HK\$10,409,000 represents the release of translation reserve upon deregistration of Ace Decade Development Limited, a wholly-owned subsidiary incorporated in the United Kingdom for holding of a redevelopment project in central London at Nos. 119-122 Bayswater Road, London. This subsidiary became inactive since the disposal of the redevelopment project on 17 June 2014 and the application for deregistration was approved by the Registrar of Companies of the United Kingdom on 17 May 2016. Upon deregistration of this subsidiary, the cumulative amount of the exchange differences relating to this foreign operation, recognised in other comprehensive income and accumulated in the translation reserve, has been reclassified from equity to profit or loss in accordance with the policy set out in note 3.6 to the consolidated financial statements and Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

## BUSINESS OVERVIEW

### Property Development Business

During the year under review, 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 a property redevelopment project at Nos. 18-32 Junction Road, Kowloon, Hong Kong ("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 will be developed into a composite residential and commercial building.

In respect of the redevelopment project at Nos. 142-154 Carpenter Road, Kowloon, Hong Kong ("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 of the project. Further, the proceeds from the disposal can reduce the overall gearing of the Group. It can further strengthen the cash position of the Group and will allow the Group to reallocate its resources for future development.

Since there was a landmark judgment delivered by the Court of Final Appeal ("CFA") of Hong Kong in May 2013 for the definition of "House", the developments of these two projects were restricted under the relevant lease. On 25 June 2014, a new practice note for the "House" restrictions under government leases has been circulated by the Lands Administration Office of the Lands Department in regards to the landmark judgment delivered by CFA.

As updated in the announcement dated 16 December 2015, an approval letter in relation to the redevelopment of the Junction Road Property Project under lease conditions was granted by District Lands Officer/Kowloon East of the Lands Department and no land premium was mentioned. However, it is contemplated that additional commitment would be required for additional costs for reinitiating the project as a result of the suspension in construction works because of the delay in approval of the project by District Lands Officer. As further updated in the announcement dated 15 June 2016, each of the Group and its joint venture partner executed further guarantee to secure a facility for the project with an additional commitment to be borne by the Group will be approximately HK\$66 million, representing the 30% interest of the Group in the project. The occupation permit of the project has been approved on 31 May 2016 and the development work is expected to be completed in the fourth quarter of 2016.

The application regarding the redevelopment of the Carpenter Road Property Project is still subject to be reviewed by the relevant government departments. The Group and its joint venture partner continue to evaluate the possible impact of the new practice note and the CFA judgment before deciding on the actions to be taken.

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

The Group has acquired four potential commercial and industrial properties for investment purpose, which are located in Hong Kong, and a potential commercial property in Cardiff, the United Kingdom, for property trading. 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 No. 23-31C Kimberley Road, Tsim Sha Tsui, Kowloon with approximately 4,500 square feet. It is currently leased by a local style restaurant. Being benefited by steady inbound tourism and local demand, the Group believes that this property could generate stable rental income for the Group.

## Management Discussion and Analysis

**BUSINESS OVERVIEW** (cont'd)**Property Investment and Trading** (cont'd)*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 advertising signage has been reconstructed and strengthened for LED signage. The Group is looking for appropriate potential tenant for the signage.

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

This commercial property was acquired by the Group during the financial year and the transaction was completed on 30 September 2015. 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 an established Montessori kindergarten. The Group has also signed a new tenancy agreement with a church for leasing out the whole premises upon the expiry of the existing lease in October 2016.

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

Another industrial property was acquired by the Group during the financial year. The acquisition was completed on 16 November 2015. 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 over 60% of the floor area of the property has been leased.

*Atlantic House at Cardiff, United Kingdom*

The Group has acquired another freehold commercial property in the United Kingdom on 18 December 2015. The property is located at Cardiff, the United Kingdom with a total net internal 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 central in the United Kingdom. The Group believes that it is a good opportunity for acquiring the property for short term trading purpose.

During the financial year, the segment from property investment and trading business recorded a revenue of approximately HK\$8,950,000, representing 77.1% of the Group's revenue for the period. The segment is expected to provide a significant and steady income source to the Group.

**CORPORATE SOCIAL RESPONSIBILITY**

In 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 2016 organized by Standard Chartered Bank, etc. We are keen to be a good and responsible citizen and make commitments to social services. We also encourage our staff members to offer their time and care to the people in need in our community.

We aim to provide an environment at work that is respectful, challenging, rewarding and safe, with a view to reduce the staff turnover rate and work injury. During the Year, there is no staff turnover and work injury. The health of the employees is also of paramount importance to the Group. We engaged our in-house architect in the design of work environment in order to promote workplace health and safety. We also provide a comprehensive medical care package to all employees with aims at improving their health.

### **CORPORATE SOCIAL RESPONSIBILITY** (cont'd)

Every year, we engage our staff members in a variety of recreational events, e.g. company trip to Seoul and annual dinner, etc. so as to promote staff morale. We are committed to enhancing the quality of the staff, their families and the community; hence we put the objective of work life balance into practice while seeking to create a harmonious workplace and loyalty among our staff.

### **PROSPECT**

The growth of Hong Kong economy remained moderate in the financial year and the property market shows some stabilization in 2016. The Hong Kong Government (the "Government") continued to put in significant effort to manage demand and reduce the possible risks to financial stability arising from an exuberant property market. The Government also sustained its effort of raising flat supply through land sale program and other terms of land supply sources. Combining a range of land supply sources, it is estimated that housing land supply will be increased continually in the foreseeable future.

With the purpose of offering better returns to the Shareholders, the Group decided to dispose of its property assembly and brokerage business in last financial year and 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 can broaden the revenue base and benefit the Company and the Shareholders as a whole in the long run.

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. The Group will continue to explore potential property 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 2016, the Group had net current assets of approximately HK\$839,864,000 (2015: approximately HK\$953,773,000) including cash and bank balances of approximately HK\$410,936,000 (2015: approximately HK\$589,283,000).

The gearing ratio was 1.9% as at 30 June 2016 (2015: 0%). The gearing ratio is derived by dividing the total of borrowings and finance lease liabilities by total assets. The gearing ratio has increased for the financial year under review when compared to 30 June 2015 due to the new mortgage loan upon acquisition of the Atlantic House at Cardiff, the United Kingdom.

During the Year, the Group financed its operations with its own working capital and bank borrowings. As at 30 June 2016, the unsecured and secured bank borrowing of the Group was approximately HK\$29,148,000, in which approximately HK\$14,574,000 are repayable within a period of not exceeding 5 years and approximately HK\$14,574,000 are repayable beyond 5 years (2015: no bank borrowing), and there was no other borrowing (2015: no other borrowing).

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

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

### **PLEDGE OF ASSETS**

As at 30 June 2016, the property held for trading with carrying value of HK\$73,755,000 was pledged to secure bank borrowings for the Group (2015: none of the assets of the Group was pledged to secure banking facilities for the Group).



## Management Discussion and Analysis

**CONTINGENT LIABILITIES**

As at 30 June 2016, the Company had given guarantees of HK\$210,000,000 (2015: HK\$144,000,000) in respect of the banking facilities of the associate for the Junction Road Property Project.

**LEASE AND CONTRACTED COMMITMENTS**

The Group leases a number of properties under operating leases. The leases run for an initial period ranging from one to two years. As at 30 June 2016 and 2015, none of the leases included contingent rentals.

At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	560	2,515
In the second to fifth years	–	483
	<b>560</b>	<b>2,998</b>

**CAPITAL COMMITMENTS**

	2016 HK\$'000	2015 HK\$'000
Commitments for the acquisition for available-for-sale financial assets	<b>2,517</b>	3,626

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

During the year ended 30 June 2016, the Company issued totally 420,000,000 new shares of the Company (the "Share(s)"), the details are as follows:

- On 21 July 2015, the Company entered into the agreement to place through Cheong Lee Securities Limited up to 271,848,000 existing Shares owned by Mr. Pong Wilson Wai San ("Mr. Pong") at the placing price of HK\$0.46 per placing Share to not less than six placees who and whose beneficial owners shall be independent third parties. Subject to fulfillment of conditions of the subscription agreement between the Company and Mr. Pong, the Company intended to allot the same number of the placing Shares at the same price to Mr. Pong after the placing and apply the net proceeds as general working capital of the Group. The placing was completed on 22 July 2015 but subscription of new Shares by Mr. Pong was lapsed on 4 August 2015. Therefore, no new Shares were issued at that time. Details were set out in the announcements of the Company dated 21 July 2015, 24 July 2015 and 4 August 2015.
- 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 at the placing price HK\$0.15 per placing Share to not less than six placees who and whose beneficial owners shall be independent third parties. The allotment of new Shares was completed on 25 May 2016. The net proceeds from the placing were intended to be used as to approximately HK\$12 million towards general working capital and as to the remaining of approximately HK\$50 million towards the costs, expenses and obligations of the property development project 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 returns of the Company dated 25 May 2016.

### **FOREIGN EXCHANGE EXPOSURE**

The Group's income and expenditure during the Year were denominated in United States dollars ("US\$"), British Pound ("GBP") and HK dollars ("HK\$"), and most of the assets and liabilities as at 30 June 2016 were denominated in US\$, GBP 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 foreign exchange exposure and fluctuation of exchange rates of GBP against HK\$ could affect the Group's results of operations. During the Year, no hedging transaction or arrangement was made.

### **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 2016, the Group had 12 (2015: 10) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$10,344,000 for the Year (from continuing operations) as compared to approximately HK\$4,324,000 (from continuing operations and discontinued operations) 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 47, 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 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. Pong is the sole director and sole shareholder of Virtue Partner Group Limited, which is the substantial and controlling shareholder of the Company.

**Mr. Lee Wing Yin ("Mr. Lee")**, aged 46, 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. Mr. Lee was appointed as the executive director and chairman of iOne Holdings Limited (Stock code: 982) with effect from 18 September 2009 and 1 March 2010 respectively; and then resigned as the executive director and chairman of iOne Holdings Limited on 21 July 2014. He was also the executive director of Chanco International Group Limited (Stock code: 264), 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.

**Mr. Ngan Man Ho ("Mr. Ngan")**, aged 39, 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), 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 59, 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 currently also serves as 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.

## Directors and Senior Management

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mr. Koo Fook Sun Louis (“Mr. Koo”)**, aged 60, 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 four 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), Xingda International Holdings Limited (Stock code: 1899) and Midland Holdings Limited (Stock code: 1200).

**Mr. Lung Hung Cheuk (“Mr. Lung”)**, aged 69, 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 iOne Holdings Limited (Stock code: 982) during the period from 18 September 2009 to 21 July 2014 and the independent non-executive director of Chanco International Group Limited (Stock code: 264), during the period from 21 September 2015 to 23 December 2015. The shares of these 3 companies are listed on the Main Board of the Stock Exchange.

**Ms. Yeung Wing Yan Wendy (“Ms. Yeung”)**, aged 54, 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. She is currently a member of the Council of Lingnan University.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with all CG Code during the year ended 30 June 2016 except for the code provisions A.2.1 and A.2.7 of the CG Code.

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

Code provision A.2.7 of the CG Code specifies that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the post of Chairman has been vacant until the appointment of Mr. Pong as the Chairman with effect from 17 May 2016 and therefore no meeting of the Chairman and non-executive Directors has been held during the year ended 30 June 2016. Mr. Pong took active role in overseeing the function of the Board, and worked closely with all the Directors including the non-executive Directors.

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

## 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 2016 and expiring on 22 March 2017, while Ms. Yeung's term is commencing from 12 December 2015 and expiring on 11 December 2016.

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 2015 and expiring on 11 December 2016.

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\$480,000 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\$85,000 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 2014, 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\$67,080 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. Lai and Mr. Lung 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.

In accordance with article 86(3) of the articles of association of the Company, Directors appointed by the Board shall hold office only until the next following AGM and shall be eligible for re-election. Mr. Pong shall hold office only until the following AGM and being eligible, offer himself 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 independence. Based on such confirmations of independence, the Company considers all of the independent non-executive Directors to be independent.

The Board met 7 times as meetings and held 1 general meeting during the Year.

## Corporate Governance Report

**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
<b>Executive Directors</b>		
Pong Wilson Wai San	N/A	2/2
Lee Wing Yin	1/1	7/7
Ngan Man Ho	1/1	7/7
<b>Non-executive Director</b>		
Lai Hin Wing Henry	1/1	5/7
<b>Independent Non-executive Directors</b>		
Koo Fook Sun Louis	0/1	5/7
Lung Hung Cheuk	1/1	5/7
Yeung Wing Yan Wendy	1/1	5/7

During the year ended 30 June 2016, 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)
<b>Executive Directors</b>	
Pong Wilson Wai San	(b)
Lee Wing Yin	(a), (b), (c)
Ngan Man Ho	(b)
<b>Non-executive Director</b>	
Lai Hin Wing Henry	(a), (b)
<b>Independent Non-executive Directors</b>	
Koo Fook Sun Louis	(a), (b)
Lung Hung Cheuk	(a), (b)
Yeung Wing Yan Wendy	(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 of the corporate activities, which has been complied with the CG Code. The insurance coverage is revised on an annual basis.

**REMUNERATION COMMITTEE**

According to the Listing Rules, the Company has to set up a remuneration committee comprising a majority of independent non-executive Directors. The remuneration committee of the Company (the "Remuneration Committee") was established on 23 March 2007 with written terms of reference which were revised on 28

February 2011 and 30 March 2012 respectively. As at the date of this report, the Remuneration Committee consists of three members, of which all are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung, which schedules to meet at least once a year. The chairman of the Remuneration Committee is Mr. Lung and the quorum necessary for the transaction of business is two.

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

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss and termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.



## Corporate Governance Report

**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 meeting 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 written terms of reference which were revised on 28 February 2011 and 30 March 2012 respectively. As at the date of this report, the Nomination Committee consists of three members, of which all are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung, which schedules to meet at least once a year. The chairwoman of the Nomination Committee is Ms. Yeung and the quorum necessary for the transaction of business is two.

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

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

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

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

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

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

The Nomination Committee held 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 meeting 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\$367,000. No non-audit service was provided by the Auditor.

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

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

**AUDIT COMMITTEE**

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 23 March 2007 with written terms of reference which were revised on 28 February 2011, 30 March 2012 and 3 June 2016 respectively. During the Year, the Audit Committee was chaired by Mr. Koo and as at the date of this report, all Audit Committee members are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung.

The Audit Committee held 4 meetings during the Year and had reviewed the audited consolidated financial statements for the year ended 30 June 2015 and the unaudited consolidated financial statements for the three months ended 30 September 2015, six months ended 31 December 2015 and nine months ended 31 March 2016 respectively, with the recommendations to the Board for approval; and to review the accounting principles and policies adopted by the Group and its financial reporting functions and internal control system. During the Year, the Audit Committee met the Company's auditor 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

## Corporate Governance Report

**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 ended 30 June 2016.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

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

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

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

**CORPORATE GOVERNANCE FUNCTIONS**

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

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

**CORPORATE GOVERNANCE FUNCTIONS** (cont'd)

During the year ended 30 June 2016, 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 meeting of the Board are as follows:

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

**INTERNAL CONTROL**

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

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

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

**INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT**

The Company values communication with the Shareholders 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](mailto:inquiry@winfullgroup.hk).

## Corporate Governance Report

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

The Company uses a number of formal communications channel to account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and 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](http://www.winfullgroup.hk) which includes the latest information relating to the Group and its businesses.

# DIRECTORS' REPORT

For the year ended 30 June 2016

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2016.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Group as at 30 June 2016 are set out in the financial statements on pages 31 to 105 of this report.

## DIVIDEND

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

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 November 2016 to Thursday, 24 November 2016, 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 Friday, 18 November 2016.

## CHARITABLE DONATIONS

During the Year, the Group made charitable donation amount to HK\$25,000.

## 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 2016 HK\$'000	Year Ended 30 June 2015 HK\$'000	Year Ended 30 June 2014 HK\$'000	Year Ended 30 June 2013 HK\$'000	Year Ended 30 June 2012 HK\$'000
Revenue from continuing and discontinued operations	<b>11,607</b>	65,521	560,372	100,400	153,807
Profit/(Loss) before income tax from continuing and discontinued operations	<b>(40,872)</b>	(25,601)	44,706	(190,463)	29,850
Income tax expense	<b>(976)</b>	(3,290)	(34,255)	(4,939)	(5,631)
Profit/(Loss) after income tax	<b>(41,848)</b>	(28,891)	10,451	(195,402)	24,219
Attributable to: Owners of the Company	<b>(41,259)</b>	(28,580)	10,502	(195,402)	24,219

## Directors' Report

For the year ended 30 June 2016

**SUMMARY FINANCIAL INFORMATION** (cont'd)

## Consolidated Assets and Liabilities

	As at 30 June 2016 HK\$'000	As at 30 June 2015 HK\$'000	As at 30 June 2014 HK\$'000	As at 30 June 2013 HK\$'000	As at 30 June 2012 HK\$'000
Total assets	<b>1,540,741</b>	1,487,890	2,033,577	2,005,838	2,216,479
Total liabilities	<b>(272,858)</b>	(246,539)	(515,249)	(513,392)	(521,406)
Net assets	<b>1,267,883</b>	1,241,351	1,518,328	1,492,446	1,695,073

**PROPERTY, PLANT AND EQUIPMENT**

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

**SHARE CAPITAL**

Details of the movements in the Company's share capital during the Year are set out in note 28 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 37 to 38 of this report and in note 39 to the financial statements respectively.

**DISTRIBUTABLE RESERVES**

The Company's reserves available for distribution to Shareholders amount to HK\$1,204,844,000 (2015: HK\$1,042,828,000). 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 (including discontinued operations) made to the five largest customers of the Group accounted for approximately 97.9% (2015: 94.4%) of the Group's total revenue for the Year. Revenue made to the Group's largest customer accounted for approximately 50.0% (2015: 74.3%) 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 associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in these major customers.

**DIRECTORS**

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

**Executive Directors**

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. Lai and Mr. Lung shall retire from office as Directors by rotation at the conclusion of the AGM and, being eligible, offer themselves for re-election at the AGM.

**DIRECTORS** (cont'd)

In accordance with article 86(3) of the articles of association of the Company, Mr. Pong shall hold office only until the next following AGM and, being eligible, offer himself 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 10 to 11 of this annual report.

**DIRECTORS' INTERESTS IN CONTRACTS**

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

**DIRECTORS' SERVICE CONTRACTS**

Details of the Directors' service contracts and appointment letters are described in the "Corporate Governance Report" on page 13.

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 2016, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Number of Shares		Approximate percentage of shareholding
	Personal interest	Total	
Pong Wilson Wai San	60,000,000	60,000,000	1.91%
		(Note 1)	
	7,328,000	7,328,000	0.23%
Lee Wing Yin	936,794,000	936,794,000	29.85%
		(Note 3)	
	29,180,000	29,180,000	0.93%
Ngan Man Ho		(Note 1)	
	248,000	248,000	0.01%
	5,180,000	5,180,000	0.17%
Lai Hin Wing Henry		(Note 1)	
	1,000,000	1,000,000	0.03%
		(Note 2)	
Koo Fook Sun Louis	1,000,000	1,000,000	0.03%
		(Note 2)	
	1,000,000	1,000,000	0.03%
Lung Hung Cheuk		(Note 2)	
	1,000,000	1,000,000	0.03%
		(Note 2)	
Yeung Wing Yan Wendy	1,000,000	1,000,000	0.03%
		(Note 2)	
		(Note 2)	



## Directors' Report

For the year ended 30 June 2016

**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 26 October 2012, 3 June 2014 and 17 May 2016 under the share option scheme adopted on 1 November 2011.
2. These Shares represent the share options granted by the Company on 26 October 2012 under the share option scheme adopted on 1 November 2011.
3. 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 of the Company.

Save as disclosed above, as at 30 June 2016, 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 2016, 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity in which Shares are held	Number of Shares	Approximate percentage of shareholding
Pong Wilson Wai San (Note 1)	Beneficial owner	67,328,000	2.15%
	Interested in controlled corporation	936,794,000	29.85%
Tung Ching Yee Helena (Note 2)	Family interest	1,004,122,000	31.99%
Virtue Partner Group Limited (Note 1)	Beneficial owner	936,794,000	29.85%

Notes:

1. 936,794,000 Shares are beneficially owned by Virtue Partner Group Limited, a company wholly owned by Mr. Pong, and therefore Mr. Pong is deemed to be interested in these Shares under the SFO. 67,328,000 Shares are personally owned by Mr. Pong, of which 11,000,000, 22,600,000 and 26,400,000 Shares represent the share options granted to him by the Company under the New Scheme on 26 October 2012, 3 June 2014 and 17 May 2016 respectively.
2. Ms. Tung Ching Yee Helena is the wife of Mr. Pong and is accordingly deemed to be interested in the Shares beneficially owned by Mr. Pong in his own capacity and through his controlled corporation, Virtue Partner Group Limited, under the SFO.

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

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

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

**SHARE OPTION SCHEME**

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

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

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

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

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

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

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

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

As at the date of this annual report, the outstanding number of options available for issue under the New Scheme is 241,090,000 Shares, representing 7.68% of the issued share capital of the Company.

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

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

**(e) Timing for Exercising Option**

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

## Directors' Report

For the year ended 30 June 2016

**SHARE OPTION SCHEME** (cont'd)**(f) Payment of Acceptance of Option**

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

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

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

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

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

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

**(i) Duration of New Scheme**

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

**(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 ended 30 June 2016 under the share option schemes are as follows:

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Exercise Period	Number of share options					
				Balance as at 01.07.2015	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 30.06.2016
<b>Directors</b>									
Pong Wilson Wai San	9/7/2010 (Note 2)	0.59	9/7/2010 – 8/7/2015	8,400,000	-	-	8,400,000	-	-
	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	11,000,000	-	-	-	-	11,000,000
	3/6/2014 (Note 3)	0.221	3/6/2014 – 2/6/2024	22,600,000	-	-	-	-	22,600,000
	17/5/2016 (Note 4)	0.189	17/5/2016 – 16/5/2026	-	26,400,000	-	-	-	26,400,000
Lee Wing Yin	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
	3/6/2014 (Note 3)	0.221	3/6/2014 – 2/6/2024	1,000,000	-	-	-	-	1,000,000
	17/5/2016 (Note 4)	0.189	17/5/2016 – 16/5/2026	-	27,180,000	-	-	-	27,180,000
Ngan Man Ho	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
	3/6/2014 (Note 3)	0.221	3/6/2014 – 2/6/2024	1,000,000	-	-	-	-	1,000,000
	17/5/2016 (Note 4)	0.189	17/5/2016 – 16/5/2026	-	3,180,000	-	-	-	3,180,000
Lai Hin Wing Henry	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
Koo Fook Sun Louis	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
Yeung Wing Yan Wendy	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
Lung Hung Cheuk	26/10/2012 (Note 1)	0.395	26/10/2012 – 25/10/2017	1,000,000	-	-	-	-	1,000,000
Total				50,000,000	56,760,000	-	8,400,000	-	98,360,000

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

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

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

Note 4: The closing price of the Shares immediately before 17 May 2016, on which those options were granted, was HK\$0.189.

Information on the accounting policy and the value of options granted is provided in notes 3 and 32 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.

## Directors' Report

For the year ended 30 June 2016

## 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 18 to the financial statements.

## CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 12 to 20. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

## MANAGEMENT CONTRACTS

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

## PUBLIC FLOAT

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

## DIRECTORS' INTERESTS IN COMPETING INTERESTS

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

## CONTINUING CONNECTED TRANSACTION

On 30 September 2016, the Board approved the renewal of the tenancy agreement of the Company (the "Tenancy Agreement") with Flexwood Limited ("Flexwood") as landlord, which were signed on 30 September 2016, pursuant to which the Company will continue to rent the existing premises owned by Flexwood for a term of two years commencing from 15 October 2016 with the monthly rent of HK\$140,000. The Directors consider that

it is in the commercial interest of the Company if the Company continues to rent the existing office premises as it is not easy to identify other appropriate premises and the Company will bear unnecessary relocation costs and expenses if the Company has to move to other premises. Flexwood is a property holding company wholly and beneficially owned by Mr. Pong, an executive Director and substantial shareholder of the Company. Accordingly, Flexwood is a connected person to the Company as defined under the Listing Rules and the transaction under the Tenancy Agreement constitutes continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The details of the above continuing connected transaction were set out in the Company's announcement dated 30 September 2016.

The Directors, including the independent non-executive Directors, have reviewed the said continuing connected transaction and considered that the transaction under the Tenancy Agreement has been entered into in the ordinary and usual course of business of the Company and the terms of the Tenancy Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## CONNECTED TRANSACTION

Save as disclosed above, there were no significant connected party transactions entered into by the Group for the year ended 30 June 2016.

## PRE-EMPTIVE RIGHTS

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

## AUDITOR

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

FOR AND ON BEHALF OF THE BOARD

**Pong Wilson Wai San**

*Chairman*

Hong Kong

30 September 2016

# INDEPENDENT AUDITOR'S REPORT



Tel: +852 2218 8288  
Fax: +852 2815 2239  
www.bdo.com.hk

電話：+852 2218 8288  
傳真：+852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港  
干諾道中111號  
永安中心25樓

## To the shareholders of Winfull Group Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Winfull Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 105, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

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

## Independent Auditor's Report

**OPINION**

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

**BDO Limited**

*Certified Public Accountants*

**Au Yiu Kwan**

Practising Certificate Number P05018

Hong Kong, 30 September 2016

# CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000 (Re-presented)
<b>Continuing operations</b>			
Revenue	6	11,607	7,236
Cost of sales		(7,571)	(1,255)
<b>Gross profit</b>			
		4,036	5,981
Other income	7	10,734	25,732
Selling and distribution expenses		–	(220)
Administrative expenses and other operating expenses		(28,024)	(22,192)
Fair value (loss)/gain on investment properties	17	(16,858)	3,800
Loss on deregistration of a subsidiary	30(a)	(10,409)	–
Finance costs	9	(351)	(588)
<b>(Loss)/Profit before income tax</b>			
	8	(40,872)	12,513
Income tax (expense)/credit	10	(976)	121
<b>(Loss)/Profit for the year from continuing operations</b>			
		(41,848)	12,634
<b>Discontinued operations</b>			
<b>Loss for the year from discontinued operations</b>			
	11	–	(41,525)
<b>Loss for the year</b>			
		(41,848)	(28,891)
<b>(Loss)/Profit for the year attributable to:</b>			
Owners of the Company			
(Loss)/Profit for the year from continuing operations		(41,259)	12,945
Loss for the year from discontinued operations		–	(41,525)
Loss for the year attributable to owners of the Company			
		(41,259)	(28,580)
Non-controlling interests			
Loss for the year from continuing operations		(589)	(311)
Loss for the year from discontinued operations		–	–
Loss for the year attributable to non-controlling interests			
		(589)	(311)
		(41,848)	(28,891)
<b>Losses per share from continuing and discontinued operations</b>			
Basic and diluted	13	HK(1.43) cents	(Re-presented) HK(0.84) cent
<b>(Losses)/Earnings per share for (loss)/profit from continuing operations</b>			
Basic and diluted	13	HK(1.43) cents	HK0.38 cent
<b>Losses per share for losses from discontinued operations</b>			
Basic and diluted	13	N/A	HK(1.23) cents



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016 HK\$'000	2015 HK\$'000
<b>Loss for the year</b>	<b>(41,848)</b>	(28,891)
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Net fair value (loss)/gain on available-for-sale financial assets	<b>(6,200)</b>	4,111
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	<b>1,055</b>	–
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	<b>1,610</b>	(11,367)
Exchange differences arising on translation of foreign operations	<b>(6,569)</b>	(10,223)
Release of exchange reserve upon deregistration of a subsidiary	<b>10,409</b>	–
<b>Other comprehensive income for the year, net of tax</b>	<b>305</b>	(17,479)
<b>Total comprehensive income for the year</b>	<b>(41,543)</b>	(46,370)
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the Company	<b>(40,954)</b>	(46,059)
Non-controlling interests	<b>(589)</b>	(311)
	<b>(41,543)</b>	(46,370)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	1,157	1,915
Investment properties	17	408,852	228,800
Interests in associates	19	–	–
Interests in joint ventures	20	–	–
Available-for-sale financial assets	21	44,982	57,188
		<b>454,991</b>	287,903
<b>Current assets</b>			
Amounts due from associates	19	86,914	125,613
Amounts due from a joint venture	20	20	20
Available-for-sale financial assets	21	5,982	–
Properties held for trading	22	105,157	32,450
Properties under development	23	444,775	444,705
Trade receivables	24	3,384	1,011
Prepayments, deposits and other receivables		1,758	5,279
Financial assets at fair value through profit or loss	25	26,824	1,626
Cash and bank balances	26	410,936	589,283
		<b>1,085,750</b>	1,199,987
<b>Current liabilities</b>			
Accrued expenses and other payables		7,642	4,444
Borrowings	27	2,915	–
Amounts due to non-controlling shareholders	31	234,813	234,122
Provision for income tax		516	7,648
		<b>245,886</b>	246,214
<b>Net current assets</b>		<b>839,864</b>	953,773
<b>Total assets less current liabilities</b>		<b>1,294,855</b>	1,241,676
<b>Non-current liabilities</b>			
Borrowings	27	26,233	–
Deferred tax liabilities	29	739	325
		<b>26,972</b>	325
<b>Net assets</b>		<b>1,267,883</b>	1,241,351

Consolidated Statement of Financial Position  
As at 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>EQUITY</b>			
Share capital	28	<b>31,385</b>	27,185
Reserves		<b>1,237,644</b>	1,214,723
<b>Equity attributable to owners of the Company</b>		<b>1,269,029</b>	1,241,908
<b>Non-controlling interests</b>		<b>(1,146)</b>	(557)
<b>Total equity</b>		<b>1,267,883</b>	1,241,351

**Lee Wing Yin**  
Director

**Ngan Man Ho**  
Director

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>			
(Loss)/Profit before income tax from continuing operations		<b>(40,872)</b>	12,513
Profit before income tax from discontinued operations	11	–	16,277
		<b>(40,872)</b>	28,790
Adjustments for:			
Interest income		<b>(6,024)</b>	(13,654)
Dividend income	7	<b>(571)</b>	(613)
Depreciation	16	<b>815</b>	5,272
Write-down of properties held for trading to its net realisable value	8	<b>4,575</b>	–
Loss on deregistration of a subsidiary	8	<b>10,409</b>	–
Fair value loss/(gain) on investment properties	8	<b>16,858</b>	(3,800)
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	8	<b>1,055</b>	–
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	8	<b>1,610</b>	(11,367)
Equity-settled share-based payments	14	<b>5,790</b>	–
Interest expenses		<b>351</b>	1,389
Operating (loss)/profit before working capital changes		<b>(6,004)</b>	6,017
Increase in properties held for trading		<b>(77,282)</b>	(8,450)
Increase in properties under development		<b>(70)</b>	(261)
Increase in trade receivables		<b>(2,373)</b>	(31,503)
Decrease in prepayments, deposits and other receivables		<b>3,521</b>	5,774
Increase in accrued expenses and other payables		<b>3,198</b>	8,449
Purchases of financial assets at fair value through profit or loss		<b>(26,824)</b>	(254)
Proceeds from disposals of financial assets at fair value through profit or loss		<b>1,626</b>	–
Cash used in operations		<b>(104,208)</b>	(20,228)
Interest received		<b>6,024</b>	13,654
Interest paid		<b>(351)</b>	(1,389)
Income tax paid		<b>(7,694)</b>	(25,874)
<i>Net cash used in operating activities</i>		<b>(106,229)</b>	(33,837)

Consolidated Statement of Cash Flows  
For the year ended 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from investing activities of continuing and discontinued operations</b>			
Dividend received		571	613
(Increase)/Decrease in short-term deposits with an original maturity of more than 3 months		(71,342)	169,144
Increase in restricted bank deposits		–	(5,861)
Purchases of property, plant and equipment		(57)	(26)
Purchases of investment properties		(196,910)	–
Purchases of available-for-sale financial assets		(28,689)	(1,466)
Net cash outflow from disposal of subsidiaries, an associate and a joint venture	30(b)	–	(23,115)
Proceeds from disposals of available-for-sale financial assets		28,713	49,142
Expenses paid for disposal of interests in subsidiaries, an associate and a joint venture		–	(3,723)
Repayment from/(Advance to) associates		38,699	(25,849)
Repayment from a joint venture		–	240
<i>Net cash (used in)/generated from investing activities</i>		<b>(229,015)</b>	159,099
<b>Cash flows from financing activities of continuing and discontinued operations</b>			
New bank borrowings raised		29,148	–
Repayments of borrowings		–	(87,732)
Proceeds from issue of shares		62,285	–
Advances from non-controlling shareholders		691	–
Capital element of finance lease liabilities paid		–	(288)
<i>Net cash generated from/(used in) financing activities</i>		<b>92,124</b>	(88,020)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(243,120)</b>	37,242
<b>Cash and cash equivalents at beginning of year</b>		<b>467,220</b>	442,846
<b>Effect of foreign exchange rate change</b>		<b>(6,569)</b>	(12,868)
<b>Cash and cash equivalents at end of year</b>		<b>217,531</b>	467,220
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	26	18,597	145,210
Short-term deposits		198,934	322,010
		<b>217,531</b>	467,220

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Equity attributable to owners of the Company									
	Share capital HK\$'000	Share premium account HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Revaluation reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2014	34,785	1,274,759	6,159	9,241	8,490	2,997	181,956	1,518,387	(59)	1,518,328
Repurchase and cancellation of shares	(7,600)	(224,200)	-	-	-	-	-	(231,800)	-	(231,800)
Disposal of interests in a subsidiary that does not result in loss of control (note 30(b)(ii))	-	-	-	-	-	1,399	-	1,399	(187)	1,212
Expenses directly attributable to the disposal of interests in a subsidiary that does not result in loss of control (note 30(b)(ii))	-	-	-	-	-	(19)	-	(19)	-	(19)
Lapse of share options	-	-	-	(1,159)	-	-	1,159	-	-	-
<b>Transactions with owners</b>	<b>(7,600)</b>	<b>(224,200)</b>	<b>-</b>	<b>(1,159)</b>	<b>-</b>	<b>1,380</b>	<b>1,159</b>	<b>(230,420)</b>	<b>(187)</b>	<b>(230,607)</b>
Loss for the year	-	-	-	-	-	-	(28,580)	(28,580)	(311)	(28,891)
Other comprehensive income:										
Net fair value gain on available-for-sale financial assets (note 21)	-	-	-	-	4,111	-	-	4,111	-	4,111
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	-	-	-	-	(11,367)	-	-	(11,367)	-	(11,367)
Exchange differences arising on translation of foreign operations	-	-	(10,223)	-	-	-	-	(10,223)	-	(10,223)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(10,223)</b>	<b>-</b>	<b>(7,256)</b>	<b>-</b>	<b>(28,580)</b>	<b>(46,059)</b>	<b>(311)</b>	<b>(46,370)</b>
<b>At 30 June 2015</b>	<b>27,185</b>	<b>1,050,559</b>	<b>(4,064)</b>	<b>8,082</b>	<b>1,234</b>	<b>4,377</b>	<b>154,535</b>	<b>1,241,908</b>	<b>(557)</b>	<b>1,241,351</b>

Consolidated Statement of Changes in Equity  
For the year ended 30 June 2016

	Equity attributable to owners of the Company									
	Share capital	Share premium account	Translation reserve	Share-based payment reserve	Revaluation reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2015	27,185	1,050,559	(4,064)	8,082	1,234	4,377	154,535	1,241,908	(557)	1,241,351
Shares issued upon placing (notes 28)	4,200	58,800	-	-	-	-	-	63,000	-	63,000
Share issue expense	-	(715)	-	-	-	-	-	(715)	-	(715)
Equity-settled share-based payments (note 32)	-	-	-	5,790	-	-	-	5,790	-	5,790
Lapse of share options	-	-	-	(2,798)	-	-	2,798	-	-	-
<b>Transactions with owners</b>	<b>4,200</b>	<b>58,085</b>	<b>-</b>	<b>2,992</b>	<b>-</b>	<b>-</b>	<b>2,798</b>	<b>68,075</b>	<b>-</b>	<b>68,075</b>
Loss for the year	-	-	-	-	-	-	(41,259)	(41,259)	(589)	(41,848)
Other comprehensive income:										
Net fair value loss on available-for-sale financial assets (note 21)	-	-	-	-	(6,200)	-	-	(6,200)	-	(6,200)
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	-	-	-	-	1,055	-	-	1,055	-	1,055
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	-	-	-	-	1,610	-	-	1,610	-	1,610
Exchange differences arising on translation of foreign operations	-	-	(6,569)	-	-	-	-	(6,569)	-	(6,569)
Release of exchange reserve upon deregistration of a subsidiary (note 30(a))	-	-	10,409	-	-	-	-	10,409	-	10,409
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>3,840</b>	<b>-</b>	<b>(3,535)</b>	<b>-</b>	<b>(41,259)</b>	<b>(40,954)</b>	<b>(589)</b>	<b>(41,543)</b>
<b>At 30 June 2016</b>	<b>31,385</b>	<b>1,108,644</b>	<b>(224)</b>	<b>11,074</b>	<b>(2,301)</b>	<b>4,377</b>	<b>116,074</b>	<b>1,269,029</b>	<b>(1,146)</b>	<b>1,267,883</b>

Note:

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 2016

## 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 18. 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 31 to 105 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.

The comparative figures of fair value change on investment properties and other income have been reclassified to conform with the current year's presentation.

## 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 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

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

#### *Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 24 Related Party Disclosures. HKAS 24 Related Party Disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.



## Notes to the Financial Statements

For the year ended 30 June 2016

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but is available for early adoption

**HKFRSs (Amendments) – Annual Improvements 2012-2014 Cycle**

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

**Amendments to HKAS 1 – Disclosure Initiative**

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

## 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)

#### *Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

#### *Amendments to HKAS 27 – Equity Method in Separate Financial Statements*

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

#### *Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

#### *Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception*

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss ("FVTPL") should provide the disclosures related to investment entities as required by HKFRS 12.

#### *Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations*

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

#### *HKFRS 9 (2014) – Financial Instruments*

HKFRS 9 (2014) 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 FVTPL.

Notes to the Financial Statements  
For the year ended 30 June 2016

## 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 (2014) – Financial Instruments (cont'd)*

HKFRS 9 (2014) 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 the financial statements.

HKFRS 9 (2014) 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 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### *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

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.

## 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, 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 consolidated 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 not 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

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's financial statements.

### 2.3 Amendments to the Listing Rules

The Company has adopted the amendments to the Listing Rules relating to the disclosures of financial information with refer to the Hong Kong Companies Ordinance, Cap. 622, in this financial year.

The directors of the Company consider that there is no impact on the Group's financial position or performance, however the amendments impact on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

## Notes to the Financial Statements

For the year ended 30 June 2016

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.1 Basis of preparation**

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

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

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

**3.2 Basis of consolidation**

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

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest 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.

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)*

#### 3.3 Subsidiaries

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

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

#### 3.4 Associates

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

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying 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.

#### 3.5 Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

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

Notes to the Financial Statements  
For the year ended 30 June 2016

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

#### 3.5 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 the equity method – see note 3.4).

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

#### 3.6 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)**3.7 Property, plant and equipment**

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

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

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

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

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

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

**3.8 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.

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.



## Notes to the Financial Statements

For the year ended 30 June 2016

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**3.9 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.

**3.10 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*

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.

**3.11 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.

**3.12 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)

#### 3.13 Financial assets

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

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

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

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

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

##### (i) *Loans and receivables*

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

##### (ii) *Financial assets at fair value through profit or loss*

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

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

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

## Notes to the Financial Statements

For the year ended 30 June 2016

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**3.13 Financial assets** (cont'd)*(ii) Financial assets at fair value through profit or loss (cont'd)*

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.19.

*(iii) Available-for-sale financial assets*

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

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

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

*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.

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

#### 3.13 Financial assets (cont'd)

##### *Impairment of financial assets (cont'd)*

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

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

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

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

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

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

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

## Notes to the Financial Statements

For the year ended 30 June 2016

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**3.13 Financial assets** (cont'd)*Impairment of financial assets (cont'd)*

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.

**3.14 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.

**3.15 Financial liabilities**

The Group's financial liabilities include trade and other payables, borrowings and amount 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.

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

#### 3.17 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.

#### 3.18 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.

#### 3.19 Revenue recognition

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

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

Trading of property and sale of properties under development are recognised 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 and lease management services income are recognised when the services are rendered; and

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

## Notes to the Financial Statements

For the year ended 30 June 2016

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**3.20 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.

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.

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

#### 3.20 Income tax (cont'd)

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.

#### 3.21 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.

#### 3.22 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.



## Notes to the Financial Statements

For the year ended 30 June 2016

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**3.22 Share-based employee compensation** (cont'd)

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.

**3.23 Segment reporting**

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

The Group has identified the following reportable segments:

Property Assembly and Brokerage Business:	Provision of property brokerage services; provision of schemes for property consolidation, assembly and redevelopment; and property trading for assembly project purpose (This has been discontinued in 2015)
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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(cont'd)***3.23 Segment reporting** *(cont'd)*

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.

**3.24 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.

## Notes to the Financial Statements

For the year ended 30 June 2016

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**3.24 Related parties** (cont'd)

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.

**3.25 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.

**3.26 Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

- post-tax profit or loss of the discontinued operation; and
- post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

#### 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 and properties held for trading

Net realisable value of properties under development and properties held for trading 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 and properties held for trading 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.

Notes to the Financial Statements  
For the year ended 30 June 2016

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

##### 4.6 Valuation of share options

For the share options granted to the directors of the Company, the fair value of the options granted was determined by applying an option pricing model. The directors exercise their judgment in selecting an appropriate valuation technique for the share options granted by the Group.

Valuation technique, namely Black-Scholes valuation model, which is commonly used by market practitioners, has been applied for estimating the fair values of share options granted to the directors of the Company. The estimation of fair values of the share options are derived after taking into account the input parameters. Significant estimates and assumptions made by management included the estimated life of share options granted based on exercise restrictions and behavioural considerations; the volatility of share price which was determined by reference to historical data and weighted average share prices and exercise prices of the share options granted. Details of the inputs and parameters are set out in note 32.

#### 5. SEGMENT INFORMATION

The executive directors have identified the Group's three (2015: four) product and service lines as operating segments as further described in note 3.23. 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 (2015: Nil).

	2016			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	–	8,950	2,657	11,607
Reportable segment profit/(loss)	(11,115)	(10,604)	198	(21,521)
Bank interest income	–	1	–	1
Depreciation	–	392	3	395
Fair value loss on investment properties	–	16,858	–	16,858
Write-down of properties held for trading to its net realisable value	–	4,575	–	4,575
Loss on deregistration of a subsidiary	10,409	–	–	10,409
Reportable segment assets	531,807	529,016	1,159	1,061,982
Additions to investment properties	–	196,910	–	196,910
Reportable segment liabilities	218,960	52,439	322	271,721

Notes to the Financial Statements  
For the year ended 30 June 2016

## 5. SEGMENT INFORMATION (cont'd)

	2015					
	Property Development Business HK\$'000 (Re-presented)	Continuing Operations Property Investment and Trading Business HK\$'000 (Re-presented)	Renovation Business HK\$'000 (Re-presented)	Total HK\$'000 (Re-presented)	Discontinued operations Property Assembly and Brokerage Business HK\$'000 (Re-presented)	Total HK\$'000 (Re-presented)
Reportable segment revenue:						
From external customers	–	5,862	1,374	7,236	58,285	65,521
Reportable segment profit/(loss)	(941)	8,209	107	7,375	(38,114)	(30,739)
Bank interest income	–	1	–	1	231	232
Depreciation	–	392	19	411	4,155	4,566
Fair value gain on investment properties	–	3,800	–	3,800	–	3,800
Reportable segment assets	578,535	266,969	1,503	847,007	–	847,007
Additions to non-current assets during the year	–	3,800	–	3,800	26	3,826
Reportable segment liabilities	226,503	2,922	883	230,308	–	230,308

Certain comparative figures in segment information for the year ended 30 June 2015 have been re-presented. Previously, the segments of “Property Development Business – Hong Kong” and “Property Development Business – United Kingdom” were reported as the two separate segments. For the year ended 30 June 2016, they were reported under the single segment of “Property Development Business” as a result of the change in information reported internally for the purposes of resources allocation and assessment of business performance. Comparative figures have been re-presented accordingly.

## Notes to the Financial Statements

For the year ended 30 June 2016

**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:

	2016 HK\$'000	2015 HK\$'000 (Re-presented)
<b>Revenue</b>		
Reportable segment revenue	11,607	65,521
Consolidated revenue	11,607	65,521
<b>Profit before income tax and discontinued operations</b>		
Reportable segment loss	(21,521)	(30,739)
Reportable segment loss – discontinued operations	–	38,114
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	(1,610)	11,367
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	(1,055)	–
Interest income	6,023	13,422
Dividend income	571	613
Exchange loss, net	(7,720)	(6,826)
Equity-settled share-based payments	(5,790)	–
Corporate salaries and allowances	(4,554)	(4,025)
Depreciation on corporate property, plant and equipment	(420)	(706)
Corporate rent and rates	(2,965)	(5,503)
Unallocated corporate income	650	–
Unallocated corporate expenses	(2,481)	(3,204)
Consolidated (loss)/profit before income tax from continuing operations	(40,872)	12,513
<b>Assets</b>		
Reportable segment assets – continuing operations	1,061,982	847,007
Reportable segment assets – discontinued operations	–	–
Available-for-sale financial assets	50,964	57,188
Financial assets at fair value through profit or loss	26,824	1,626
Corporate cash and bank balances	399,907	577,271
Amounts due from a joint venture	20	20
Other corporate assets	1,044	4,778
Consolidated total assets	1,540,741	1,487,890
<b>Liabilities</b>		
Reportable segment liabilities – continuing operations	271,721	230,308
Reportable segment liabilities – discontinued operations	–	–
Other corporate liabilities	1,137	16,231
Consolidated total liabilities	272,858	246,539

Notes to the Financial Statements  
For the year ended 30 June 2016

## 5. SEGMENT INFORMATION *(cont'd)*

The Group's revenue from external customers are all derived from Hong Kong. Non-current assets are located in Hong Kong. The geographical location of customers is based on the location at which the services were provided and the goods were delivered. The geographical location of non-current assets is based on the physical location of the assets.

During the year, there was neither revenue from external customers attributable to the Cayman Islands (domicile) (2015: Nil) nor non-current assets were located in the Cayman Islands (2015: Nil). The country of domicile is the country where the Company was incorporated.

Revenue from the major customers is as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A (note i)	5,807	–
Customer B (note ii)	2,416	–
Customer C (note i)	2,260	–
Customer D (note iii)	–	53,790
	<b>10,483</b>	53,790

Notes:

- (i) derived from the Property Investment and Trading Business.
- (ii) derived from the Renovation Business.
- (iii) derived from the Property Assembly and Brokerage Business.



## Notes to the Financial Statements

For the year ended 30 June 2016

**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:

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
Rental income from investment properties	8,950	5,862
Renovation service income	2,657	1,374
	<b>11,607</b>	7,236
<b>Discontinued operations</b>		
Commission income	–	56,656
Lease management services income	–	1,629
	–	58,285
	<b>11,607</b>	65,521

**7. OTHER INCOME**

	2016 HK\$'000	2015 HK\$'000 (Re-presented)
<b>Continuing operations</b>		
Interest income	6,024	13,423
Dividend income	571	613
Rental income from properties held for trading and properties under development	3,481	287
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	–	11,367
Sundry income	658	42
	<b>10,734</b>	25,732

Notes to the Financial Statements  
For the year ended 30 June 2016

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

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
(Loss)/Profit before income tax is arrived at after charging/(crediting) the following:		
Auditor's remuneration – current year provision	367	516
Cost of inventories recognised as expense, including:		
Write-down of properties held for trading to its net realisable value	4,575	–
Depreciation	815	1,117
Employee costs (note 14)	10,344	4,324
Exchange losses, net	7,720	6,826
Fair value loss/(gain) on investment properties (note 17)	16,858	(3,800)
Loss on deregistration of a subsidiary (note 30(a))	10,409	–
Minimum lease payments under operating lease rentals for land and buildings	3,448	5,856
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets (note 7)	1,610	(11,367)
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	1,055	–

## 9. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
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	351	588

## Notes to the Financial Statements

For the year ended 30 June 2016

**10. INCOME TAX EXPENSE/(CREDIT)**

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 years ended 30 June 2016 and 2015. 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:

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
<b>Current tax – Overseas</b>		
Provision for the year	562	–
Over-provision in respect of prior years	–	(81)
	562	(81)
<b>Deferred tax</b> (note 29)	414	(40)
<b>Total income tax expense/(credit)</b>	976	(121)

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

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
(Loss)/Profit before income tax	(40,872)	12,513
Notional tax on profit or loss before income tax, calculated at the rates applicable to profits/loss in the countries concerned	(6,758)	2,055
Tax effect of non-deductible expenses	6,774	1,251
Tax effect of non-taxable revenue	(835)	(4,208)
Tax effect of temporary difference not recognised	145	87
Tax effect of unused tax losses not recognised	1,650	775
Over provision in prior years	–	(81)
Income tax expense/(credit)	976	(121)

**11. DISCONTINUED OPERATIONS****2015**

On 11 December 2014, the Company entered into the conditional sale and purchase agreement with Richfield (Holdings) Limited ("RHL") (which was incorporated in the Republic of Marshall Islands with limited liability and a substantial shareholder of the Company, Mr. Au Wing Wah, is the sole beneficial shareholder of RHL), pursuant to which (i) the Company conditionally agreed to sell and RHL conditionally agreed to purchase the entire share issued share capital of Vastwood Limited (together with its subsidiaries collectively referred to as the "Vastwood Group") and all obligations, liabilities and debts owing or incurred by the Vastwood Group to the Group on or at any time prior to the completion of the disposal (the "Sale Loan"); and (ii) the Company conditionally agreed to repurchase and RHL conditionally agreed to sell 760,000,000 shares of the Company. As a result, the disposal was completed on 27 February 2015, the date on which the control of the Vastwood Group passed to the acquirer. The consideration for the disposal was settled by RHL by 760,000,000 shares of the Company at completion date.

As a result of the disposal, the Company effectively disposed of (i) 100% interest in the Vastwood Group, (ii) 49% interest in Brilliant Icon Limited ("Brilliant Icon"), (iii) an associate (i.e. 20% interest in Corporate Icon Limited ("Corporate Icon"); and (iv) a joint venture (i.e. 10% interest in Cosmo Reach Limited ("Cosmo Reach")).

The Vastwood Group was principally engaged in provision of property brokerage services, provision of schemes for property consolidation, assembly and redevelopment business. As the Vastwood Group represented separate component of the Group's businesses, the operations and cash flows of which could be clearly distinguished from the rest of the Group and which represented separate major line of businesses, the Group presented, in its financial statements, the operations of the disposal group as discontinued operations in accordance with HKFRS 5.

The results and cash flows from provision of property brokerage services, provision of schemes for property consolidation, assembly and redevelopment businesses included in the consolidated financial statements are as follows:

	HK\$'000
Revenue	58,285
Cost of sales	(16,999)
Other income	903
Selling and distribution expenses	(2,990)
Administrative expenses and other operating expenses	(22,121)
Finance costs	(801)
Profit before income tax	16,277
Loss on disposal of subsidiaries, an associate and a joint venture (note 30(b))	(54,391)
Income tax expense	(3,411)
Loss for the year from discontinued operations	(41,525)

## Notes to the Financial Statements

For the year ended 30 June 2016

**11. DISCONTINUED OPERATIONS** (cont'd)

2015 (cont'd)

	HK\$'000
Net cash used in operating activities	(776)
Net cash used in investing activities	(5,677)
Net cash used in financing activities	(1,588)
<b>Net cash outflows</b>	<b>(8,041)</b>

The carrying amounts of the assets and liabilities of the Vastwood Group at the date of disposal are disclosed in note 30(b) to the financial statements.

A loss of HK\$54,391,000 arose on the disposal of the Vastwood Group, its associate and its joint venture and a gain on HK\$1,380,000 arose on the disposal of 49% interest in Brilliant Icon, being the proceeds of disposal less the carrying amount of the Vastwood Group's, its associate's, its joint venture's and 49% interest in Brilliant Icon's net assets and attributable goodwill, which was recognised in profit or loss and in other reserve respectively, details of which are set out in note 30(b). No tax charge or credit arose from the disposal.

**2016**

No discontinued operations were recognised during the year.

**12. DIVIDENDS**

The directors do not recommend the payment of final dividend for the year ended 30 June 2016 (2015: Nil).

Notes to the Financial Statements  
For the year ended 30 June 2016

### 13. (LOSSES)/EARNINGS PER SHARE

#### (a) From continuing and discontinued operations

The calculations of basic and diluted (losses)/earnings per share from continuing and discontinued operations are based on the following data:

	2016 HK\$'000	2015 HK\$'000
Loss for the year, attributable to owners of the Company	<b>(41,259)</b>	(28,580)

  

Number of shares	'000	'000 (Re-presented)
Weighted average number of ordinary shares for the purpose of basic (losses)/earnings per share	<b>2,882,281</b>	3,386,745
Effect of dilutive potential ordinary shares in respect of the Company's share option scheme	<b>7,755</b>	7,540
Weighted average number of shares for the purpose of diluted (losses)/earnings per share	<b>2,890,036</b>	3,394,285

For the year ended 30 June 2015, the weighted average number of ordinary shares in issue was re-presented, after adjusting for the bonus elements in the shares issued under the placing (note 28).

#### (b) From continuing operations

The calculations of basic and diluted (losses)/earnings per share from continuing operations attributable to the owners of the Company are based on the following data:

	2016 HK\$'000	2015 HK\$'000
(Loss)/Profit for the year from continuing operations	<b>(41,259)</b>	12,945

The denominators used are the same as those detailed above for both basic and diluted (losses)/earnings per share from continuing and discontinued operations.

#### (c) From discontinued operations

The calculation of basic and diluted losses per share from discontinued operations attributable to the owners of the Company is based on the following data:

	2016 HK\$'000	2015 HK\$'000
Loss for the year from discontinued operations	<b>N/A</b>	(41,525)

The denominators used are the same as those detailed above for both basic and diluted (losses)/earnings per share from continuing and discontinued operations.

Notes to the Financial Statements  
For the year ended 30 June 2016

#### 14. EMPLOYEE COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
Salaries, allowances and benefits in kind	4,456	4,202
Equity-settled share-based payments (note 32)	5,790	–
Pension costs – defined contribution plans	98	122
	<b>10,344</b>	<b>4,324</b>

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

##### (a) Directors' emoluments

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

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity-settled share-based payments HK\$'000	Pension cost – defined contribution plans HK\$'000	Total HK\$'000
<b>Year ended 30 June 2016</b>					
<b>Executive directors</b>					
Mr. Pong Wilson Wai San (Appointed on 17 May 2016)	717	–	2,693	–	3,410
Mr. Lee Wing Yin	936	–	2,773	18	3,727
Mr. Ngan Man Ho	854	–	324	18	1,196
<b>Non-executive director</b>					
Mr. Lai Hin Wing Henry	121	–	–	–	121
<b>Independent non-executive directors</b>					
Mr. Koo Fook Sun Louis	121	–	–	–	121
Mr. Lung Hung Cheuk	121	–	–	–	121
Ms. Yeung Wing Yan Wendy	121	–	–	–	121
	<b>2,991</b>	<b>–</b>	<b>5,790</b>	<b>36</b>	<b>8,817</b>

Notes to the Financial Statements  
For the year ended 30 June 2016

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

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

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity-settled share-based payments HK\$'000	Pension cost – defined contribution plans HK\$'000	Total HK\$'000
<b>Year ended 30 June 2015</b>					
<b>Executive directors</b>					
Mr. Lee Wing Yin	902	–	–	18	920
Mr. Ngan Man Ho	821	–	–	18	839
<b>Non-executive director</b>					
Mr. Lai Hin Wing Henry	110	–	–	–	110
<b>Independent non-executive directors</b>					
Mr. Koo Fook Sun Louis	110	–	–	–	110
Mr. Lung Hung Cheuk	110	–	–	–	110
Ms. Yeung Wing Yan Wendy	110	–	–	–	110
	2,163	–	–	36	2,199

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

### (b) Five highest paid individuals

Of the five individuals whose emoluments were the highest in the Group for the year ended 30 June 2016, three (2015: two) are directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the two (2015: three) individuals for the years ended 30 June 2016 and 2015 are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefits in kind	720	7,488
Pension costs – defined contribution plans	34	36
	754	7,524



## Notes to the Financial Statements

For the year ended 30 June 2016

**15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS** (cont'd)**(b) Five highest paid individuals** (cont'd)

Their emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
Nil to HK\$1,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$4,000,001 to HK\$4,000,000	–	1

During the years ended 30 June 2016 and 2015, 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 (2015: Nil).

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

	Number of individuals	
	2016	2015
Emolument bands		
HK\$4,000,001 to HK\$4,500,000	–	1

Notes to the Financial Statements  
For the year ended 30 June 2016

## 16. 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 2014					
Cost	129,816	10,380	5,679	11,148	157,023
Accumulated depreciation	(10,169)	(7,583)	(1,875)	(8,907)	(28,534)
<b>Net carrying amount</b>	<b>119,647</b>	<b>2,797</b>	<b>3,804</b>	<b>2,241</b>	<b>128,489</b>
Year ended 30 June 2015					
Opening net book amount	119,647	2,797	3,804	2,241	128,489
Additions	–	16	–	10	26
Disposal of subsidiaries (note 30(b)(i))	(117,612)	(1,861)	(1,414)	(441)	(121,328)
Depreciation	(2,035)	(926)	(887)	(1,424)	(5,272)
<b>Closing net book amount</b>	<b>–</b>	<b>26</b>	<b>1,503</b>	<b>386</b>	<b>1,915</b>
At 30 June 2015 and 1 July 2015					
Cost	–	391	1,961	2,668	5,020
Accumulated depreciation	–	(365)	(458)	(2,282)	(3,105)
<b>Net carrying amount</b>	<b>–</b>	<b>26</b>	<b>1,503</b>	<b>386</b>	<b>1,915</b>
<b>Year ended 30 June 2016</b>					
Opening net book amount	–	26	1,503	386	1,915
Additions	–	57	–	–	57
Depreciation	–	(38)	(391)	(386)	(815)
<b>Closing net book amount</b>	<b>–</b>	<b>45</b>	<b>1,112</b>	<b>–</b>	<b>1,157</b>
<b>At 30 June 2016</b>					
Cost	–	448	1,961	2,668	5,077
Accumulated depreciation	–	(403)	(849)	(2,668)	(3,920)
<b>Net carrying amount</b>	<b>–</b>	<b>45</b>	<b>1,112</b>	<b>–</b>	<b>1,157</b>

Notes to the Financial Statements  
For the year ended 30 June 2016

## 17. INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
<b>Fair value:</b>		
At the beginning of the year	228,800	249,000
Additions	196,910	–
Fair value (loss)/gain	(16,858)	3,800
Transfer	–	(24,000)
At the end of the year	<b>408,852</b>	228,800

Analysis of carrying amount of investment properties is as follows:

	2016 HK\$'000	2015 HK\$'000
In Hong Kong		
– 10 to 50 years (medium leases)	301,059	228,800
– Over 50 years (long leases)	107,793	–
	<b>408,852</b>	228,800

The fair value of the Group's investment properties at 30 June 2016 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 2016 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.

Significant unobservable inputs	Range
Quality of properties	–25% to 15% (2015: –15% to 15%)

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.

Notes to the Financial Statements  
For the year ended 30 June 2016

## 18. 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 2016 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		
			2016	2015	2016	2015	
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	-	Property investment
Formal Focus Limited #	BVI	Ordinary, US\$1	-	-	100	-	Property investment
Central Fly Limited	BVI	Ordinary, US\$1	-	-	100	100	Property investment
Brilliant Icon Limited	BVI	Ordinary, US\$100	-	-	51	51	Property trading
Next Excel Limited #	BVI	Ordinary, US\$1	-	-	100	-	Property trading
High Bond Limited	BVI	Ordinary, US\$1	-	-	51	51	Property development
Virtus Architects Limited	HK	Ordinary, HK\$1	-	-	100	100	Provision of renovation services
August Ally Limited	BVI	Ordinary, US\$1	-	-	100	100	Investment holding

# newly incorporated during the year

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

	2016 HK\$'000	2015 HK\$'000
<b>Non-current</b>		
Share of net assets	–	–
<b>Current</b>		
Due from associates	<b>86,914</b>	125,613

As at 30 June 2016 and 2015, amounts due from associates are unsecured, interest-free and repayable on demand.

During the year ended 30 June 2015, the Group disposed of its interest in one of its associates (i.e. Corporate Icon), details of which are set out in note 30(b).

Particulars of associates as at 30 June 2016 are as follows:

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

All associates adopt their financial year end dates on 31 December.

Notes to the Financial Statements  
For the year ended 30 June 2016

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

The aggregated amounts of financial information as extracted from the financial statements of associates for the year ended 30 June 2016 are as follows:

	2016 HK\$'000	2015 HK\$'000
Current assets	919,694	795,626
Non-current assets	2,332	1,063
Current liabilities	945,228	813,417
Revenue	–	–
Loss for the year	(6,474)	(5,146)

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

	2016 HK\$'000	2015 HK\$'000
Unrecognised share of loss of associates for the year	1,942	1,544
Accumulated unrecognised share of losses of associates	6,961	5,019

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

	2016 HK\$'000	2015 HK\$'000
<b>Non-current</b>		
Share of net assets	–	–
<b>Current</b>		
Due from a joint venture	20	20

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

Notes to the Financial Statements  
For the year ended 30 June 2016

## 20. INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM A JOINT VENTURE (cont'd)

Particulars of the joint ventures as at 30 June 2016 are as follows:

Name of joint ventures	Particular of issued and paid up shares	Place of incorporation and operations	Form of business structure	Percentage of ownership interests/ voting rights/ profit share	Principal activities
Clear Partner Limited	100 ordinary shares of US\$1 each	BVI	Incorporated	50%	Property development
WG Venture Limited *	1 ordinary share of HK\$1	HK	Incorporated	50%	Property development

\* This company is wholly owned by Clear Partner Limited.

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

	2016 HK\$'000	2015 HK\$'000
Non-current assets	–	–
Current assets	17	25
Current liabilities	39	39
Included in the above amounts are:		
Current financial liabilities (excluding trade and other payables)	39	39
Revenue	–	–
Loss for the year	(8)	(15)

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

	2016 HK\$'000	2015 HK\$'000
Unrecognised share of loss of joint ventures for the year	4	8
Accumulated unrecognised share of losses of joint ventures	12	8

During the year ended 30 June 2015, the Group disposed of its interest in one of its joint ventures (i.e. Cosmo Reach), details of which are set out in note 30(b).

Notes to the Financial Statements  
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## 21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK\$'000	2015 HK\$'000
<b>Non-current</b>		
Listed equity securities – Hong Kong	11,789	15,635
Listed debts investments – Hong Kong	–	25,346
Listed debts investments – outside Hong Kong	–	5,053
Unlisted investment funds	33,193	11,154
	44,982	57,188
<b>Current</b>		
Unlisted investment funds (Reclassified from non-current portion during the year)	5,982	–
	50,964	57,188

  

	2016 HK\$'000	2015 HK\$'000
Net carrying amount at beginning of the year	57,188	100,753
Additions	28,689	1,466
Disposals	(28,713)	(49,142)
Changes in fair value (debited)/credited to revaluation reserve in equity	(6,200)	4,111
Net carrying amount at end of the year	50,964	57,188

Listed equity securities, listed debts investments and unlisted investment funds with carrying amounts of HK\$11,789,000 (2015: HK\$15,635,000), nil (2015: HK\$30,399,000) and HK\$19,909,000 (2015: nil) respectively are stated at fair value. The fair values have been determined directly by reference to published price and quotations in active markets.

Unlisted investment funds with a carrying amount of HK\$19,266,000 (2015: HK\$11,154,000) are measured at cost less impairment losses as the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The directors of the Company are of the opinion that the fair value cannot be measured reliably.

As at 30 June 2016, 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 2016, an impairment of HK\$1,055,000 (2015: Nil) on these investments was recognised in profit or loss in accordance with the policy set out in note 3.13. As at 30 June 2016, the fair value of individual impaired available-for-sale equity securities was HK\$2,145,000 (2015: Nil).



Notes to the Financial Statements  
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## 22. PROPERTIES HELD FOR TRADING

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

	2016 HK\$'000	2015 HK\$'000
In Hong Kong – 10 to 50 years (medium leases)	31,402	32,450
In United Kingdom – Freehold	73,755	–
	<b>105,157</b>	32,450

On 6 June 2014, 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.

As at 30 June 2016, the Group’s properties held for trading with net carrying amount of HK\$73,755,000 (2015: Nil) were pledged to secure bank loans of HK\$29,148,000 (2015: Nil) (Note 27).

## 23. PROPERTIES UNDER DEVELOPMENT

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

	2016 HK\$'000	2015 HK\$'000
At cost:		
At the beginning of the year	444,705	444,444
Additions	70	261
At the end of the year	<b>444,775</b>	444,705

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

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## 24. 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 2016 and 30 June 2015 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 2016 and 30 June 2015 was past due nor impaired.

As at 30 June 2016, there was no amount denominated in a currency other than the functional currency of the entity to which they relate (2015: 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.

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

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

## 26. CASH AND BANK BALANCES

	2016 HK\$'000	2015 HK\$'000
Cash and bank balances	18,597	145,210
Short-term deposits	392,339	444,073
Total cash and bank balances as stated in the consolidated statement of financial position	410,936	589,283
Short-term deposits with an original maturity of more than three months	(193,405)	(122,063)
Cash and cash equivalents for the presentation of the consolidated statement of cash flows	217,531	467,220

## Notes to the Financial Statements

For the year ended 30 June 2016

**26. CASH AND BANK BALANCES** (cont'd)

Cash at banks earn interest at rates up to 0.4% (2014: 0.4%) per annum based on the daily bank deposits rates. Short-term deposits earn interest at rates of 0.60% to 1.26% (2015: 0.01% to 4.30%) per annum and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in cash and bank balances of the Group is an aggregate amount of HK\$2,000 (2015: HK\$126,201,000) 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.

**27. BORROWINGS**

	2016 HK\$'000	2015 HK\$'000
Current		
Bank loans, secured	2,915	–
Non-current		
Bank loans, secured	26,233	–
	<b>29,148</b>	–

Notes to the Financial Statements  
For the year ended 30 June 2016

**27. BORROWINGS** (cont'd)

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:

	2016 HK\$'000	2015 HK\$'000
Within one year or on demand	2,915	–
In the second year	2,915	–
In the third to fifth years, inclusive	8,744	–
Beyond five years	14,574	–
	<b>29,148</b>	–

All bank loans as at 30 June 2016 were secured by guarantees by the Company and the pledge of certain properties held for trading (note 22) with net carrying amounts of HK\$73,755,000.

During the year, the effective interest rates of the Group's borrowings were ranged 3.02% to 3.09% per annum (2015: Nil).

**28. SHARE CAPITAL**

	2016		2015	
	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	2,718,500	27,185	3,478,500	34,785
Placing of new shares	420,000	4,200	–	–
Cancellation of the repurchased shares on 2 March 2015	–	–	(760,000)	(7,600)
At the end of the year	<b>3,138,500</b>	<b>31,385</b>	2,718,500	27,185

On 25 May 2016, pursuant to a placing agreement between the Company and a placing agent dated 13 May 2016, the Company issued an aggregate of 420,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.15 per share to the independent parties. Details of the share placing were set out in the Company's announcement dated 13 May 2016.

Notes to the Financial Statements  
For the year ended 30 June 2016

## 29. DEFERRED TAX

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

	Accelerated tax allowances HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 July 2014	1,241	(876)	365
Charged/(Credited) to profit or loss (note 10)	414	(454)	(40)
At 30 June 2015 and 1 July 2015	1,655	(1,330)	325
Charged to profit or loss (note 10)	414	–	414
<b>At 30 June 2016</b>	<b>2,069</b>	<b>(1,330)</b>	<b>739</b>

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

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	–	–
Deferred tax liabilities	739	325
	739	325

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

	2016 HK\$'000	2015 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	3,596	2,961
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purpose	78	19
	3,674	2,980

No provision for deferred taxation has been recognised in respect of the tax losses of HK\$29,184,000 (2015: HK\$17,948,000) 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.

**30. DEREGISTRATION OF A SUBSIDIARY/DISPOSAL OF INTERESTS IN SUBSIDIARIES, AN ASSOCIATE AND A JOINT VENTURE****(a) 2016**

On 17 May 2016, the Group deregistered Ace Decade Development Limited, a wholly-owned subsidiary in United Kingdom, which was inactive.

	2016 HK\$'000
Release of translation reserve upon deregistration of a subsidiary	10,409
Loss on deregistration	10,409

Upon deregistration of this subsidiary, the cumulative amount of the exchange differences relating to this foreign operation, recognised in other comprehensive income and accumulated in the translation reserve, has been reclassified from equity to profit or loss in accordance with the policy set out in note 3.6 and HKAS 21.

**(b) 2015**

As referred to in note 11, on 27 February 2015, the Company completed the disposal of the Vastwood Group which was engaged in the Property, Assembly and Brokerage Business.

As a result of the disposal, the Company effectively disposed of (i) 100% interest in the Vastwood Group, (ii) 49% interest in Brilliant Icon, (iii) an associate (i.e. 20% interest in Corporate Icon) and (iv) a joint venture (i.e. 10% interest in Cosmo Reach).

The consideration was settled by 760,000,000 shares of the Company and the fair value of sale proceed was HK\$231,800,000, being the market price of 760,000,000 shares of the Company at the disposal date. The total consideration of HK\$231.8 million and the total transaction costs of HK\$3.7 million were allocated between the disposals of (i) 100% interest in the Vastwood Group, (ii) 49% interest in Brilliant Icon, (iii) 20% interest in Corporate Icon and (iv) 10% interest in Cosmo Reach, based on the respective net asset/liability values of the Vastwood Group, Brilliant Icon, Corporate Icon and Cosmo Reach disposed of as at 27 February 2015, after taking into consideration the amount of the sale loan as at 27 February 2015 and the fair values of the properties held by the respective companies as at 27 February 2015, as follows:

	2015	
	Consideration HK\$'000	Transaction costs HK\$'000
(a) The Vastwood Group (excluding Brilliant Icon, Corporate Icon and Cosmo Reach)	228,809	3,676
(b) Brilliant Icon	1,212	19
(c) Corporate Icon	827	13
(d) Cosmo Reach	952	15
	231,800	3,723

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For the year ended 30 June 2016

**30. DEREGISTRATION OF A SUBSIDIARY/DISPOSAL OF INTERESTS IN SUBSIDIARIES, AN ASSOCIATE AND A JOINT VENTURE** (cont'd)**(b) 2015** (cont'd)*(i) Disposal of 100% interest in the Vastwood Group (excluding Brilliant Icon, Corporate Icon and Cosmo Reach)*

The net assets of the Vastwood Group (excluding Brilliant Icon, Corporate Icon and Cosmo Reach) at the date of disposal were as follows:

	2015 HK\$'000
Net assets disposed of:	
Property, plant and equipment (note 16)	121,328
Properties held for trading	50,122
Goodwill	73,000
Trade receivables	46,546
Prepayments, deposits and other receivables	4,390
Cash and bank balances	23,115
Restricted bank deposits	116,883
Amount due from a fellow subsidiary	15,520
Amount due from associates	4,378
Amount due from a joint venture	4,266
Accrued expenses and other payables	(131,647)
Borrowings	(43,020)
Finance lease liabilities	(1,548)
Provision for income tax	(3,215)
	280,118
Transaction costs	3,676
Loss on disposal of subsidiaries included in loss for the year from discontinued operations in the consolidated income statement	(54,985)
Fair value of the consideration, as above	228,809

The analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2015 HK\$'000
Cash and bank balances disposed of	23,115
Net cash outflow on disposal	23,115

**30. DEREGISTRATION OF A SUBSIDIARY/DISPOSAL OF INTERESTS IN SUBSIDIARIES, AN ASSOCIATE AND A JOINT VENTURE (cont'd)****(b) 2015 (cont'd)***(ii) Disposal of 49% interest in Brilliant Icon*

Upon completion, the Group holds 51% interest in Brilliant Icon and is able to exercise control on Brilliant Icon. The difference of HK\$1,380,000 between the proportionate share of the carrying amount of its net liabilities and the consideration received for the disposal had been credited to the Group's other reserve during the year ended 30 June 2015.

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

	2015 HK\$'000
Consideration received for 49% ownership interest, as above	1,212
Net liabilities attributable to 49% ownership interest	187
	1,399
Transaction costs	(19)
Increase in equity attributable to owners of the Company (included in other reserve)	1,380

*(iii) Disposal of 20% interest in Corporate Icon*

The transaction had been accounted for as disposal of an associate were:

	2015 HK\$'000
Consideration received for 20% ownership interest	827
Net assets attributable to 20% ownership interest	(517)
Transaction costs	(13)
Gain on disposal of an associate included in loss for the year from discontinued operations in the consolidated income statement	297



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### 30. DEREGISTRATION OF A SUBSIDIARY/DISPOSAL OF INTERESTS IN SUBSIDIARIES, AN ASSOCIATE AND A JOINT VENTURE (cont'd)

#### (b) 2015 (cont'd)

##### (iv) Disposal of 10% interest in Cosmo Reach

The transaction had been accounted for as disposal of a joint venture were:

	2015 HK\$'000
Consideration received for 10% ownership interest	952
Net assets attributable to 10% ownership interest	(640)
Transaction costs	(15)
Gain on disposal of a joint venture included in loss for the year from discontinued operations in the consolidated income statement	297

In total, loss on disposal of subsidiaries, an associate and a joint venture of HK\$54,391,000 was recognised in loss for the year from discontinued operations in the consolidated income statement for the year ended 30 June 2015.

### 31. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

### 32. 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.

**32. SHARE-BASED PAYMENTS** (cont'd)

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

**2011 Share option scheme**

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

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

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.

## Notes to the Financial Statements

For the year ended 30 June 2016

**32. 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 2016:

Name or category of grantees	At 1 July 2015	Number of share options		At 30 June 2016	Date of grant of share options	Exercise Period (note a)	Exercise price (HK\$) (note b)
		Lapsed during the year	Granted during the year				
<b>Directors</b>							
Pong Wilson Wai San (note c)	8,400,000	(8,400,000)	–	–	9 July 2010	Period 1	0.59
	11,000,000	–	–	11,000,000	26 October 2012	Period 2	0.395
	22,600,000	–	–	22,600,000	3 June 2014	Period 3	0.221
	–	–	26,400,000	26,400,000	17 May 2016	Period 4	0.189
Lee Wing Yin	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
	1,000,000	–	–	1,000,000	3 June 2014	Period 3	0.221
	–	–	27,180,000	27,180,000	17 May 2016	Period 4	0.189
Ngan Man Ho	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
	1,000,000	–	–	1,000,000	3 June 2014	Period 3	0.221
	–	–	3,180,000	3,180,000	17 May 2016	Period 4	0.189
Koo Fook Sun Louis	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
Lung Hung Cheuk	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
Yeung Wing Yan Wendy	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
Lai Hin Wing, Henry	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
	50,000,000	(8,400,000)	56,760,000	98,360,000			

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

The following shows the outstanding position of share options granted under the share option schemes as at 30 June 2015:

Name or category of grantees	At 1 July 2014	Number of share options		At 30 June 2015	Date of grant of share options	Exercise Period (note a)	Exercise price (HK\$) (note b)
		Forfeited during the year	Granted during the year				
<b>Directors</b>							
Lee Wing Yin	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
	1,000,000	–	–	1,000,000	3 June 2014	Period 3	0.221
Ngan Man Ho	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
	1,000,000	–	–	1,000,000	3 June 2014	Period 3	0.221
Koo Fook Sun Louis	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
Lung Hung Cheuk	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
Yeung Wing Yan Wendy	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
Lai Hin Wing, Henry	1,000,000	–	–	1,000,000	26 October 2012	Period 2	0.395
	8,000,000	–	–	8,000,000			
<b>Director of subsidiaries and the substantial shareholder</b>							
Au Wing Wah	8,400,000	(8,400,000)	–	–	26 October 2012	Period 2	0.395
<b>Consultant of the Company and the substantial shareholder</b>							
Pong Wilson Wai San (note c)	8,400,000	–	–	8,400,000	9 July 2010	Period 1	0.59
	11,000,000	–	–	11,000,000	26 October 2012	Period 2	0.395
	22,600,000	–	–	22,600,000	3 June 2014	Period 3	0.221
	42,000,000	–	–	42,000,000			
	58,400,000	(8,400,000)	–	50,000,000			

Notes:

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

Period 1: 9 July 2010 to 8 July 2015

Period 2: 26 October 2012 to 25 October 2017

Period 3: 3 June 2014 to 2 June 2024

Period 4: 17 May 2016 to 16 May 2026

## Notes to the Financial Statements

For the year ended 30 June 2016

**32. SHARE-BASED PAYMENTS** (cont'd)

Notes: (cont'd)

- (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) Mr. Pong Wilson Wai San was appointed as executive director on 17 May 2016.
- (d) The weighted average exercise prices of share options are set out below:

	2016 HK\$	2015 HK\$
At beginning of the year	0.342	0.350
Lapsed/Forfeited during the year	0.590	0.395
Granted during the year	0.189	–
At end of the year	0.233	0.342

- (e) The weighted average remaining contractual life of the share options outstanding at 30 June 2016 was approximately 7.91 years (2015: 5.19 years).

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

	Share options granted on 17 May 2016
Share price at date of grant	HK\$0.189
Expected volatility *	64.145%
Risk-free interest rate	0.990%
Dividend yield	0%
Expected life of option	5 years
Fair value at date of grant	HK\$0.102
Exercise price	HK\$0.189

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

For the year ended 30 June 2016, the fair value of the options granted was HK\$5,790,000 in aggregate, which was recognised as equity-settled share-based payments in the consolidated income statement. The corresponding amount has been credited to the share-based payment reserve.

For the year ended 30 June 2015, no share options were granted.

At 30 June 2016, the Company had 98,360,000 (2015: 50,000,000) share options outstanding under the share option schemes, which represented approximately 3.13% (2015: 1.84%) of the Company's shares in issue at that date. All these options were exercisable at 30 June 2016 and 2015.

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### 33. OPERATING LEASE COMMITMENTS

#### As lessee

At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases payable by the Group and the Company are as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	560	2,515
In the second to fifth years	–	483
	<b>560</b>	2,998

The Group leases a number of properties under operating leases. The leases run for an initial period ranging from one to two years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. As at 30 June 2016 and 2015, none of the leases include contingent rentals.

#### As lessor

At 30 June 2016, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	15,600	5,576
In the second to fifth years	25,570	7,202
Later than five years	14,604	–
	<b>55,774</b>	12,778

The Group leases its properties under operating lease arrangements which run for an initial period of two to fifteen years (2015: two 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.

### 34. COMMITMENTS ON INVESTMENTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK\$'000	2015 HK\$'000
Commitments for the acquisition of available-for-sale financial assets	2,517	3,626

This is the amount based on the contract in 2011 entered into by the Group in the previous years. The balance shall be made before 2017.

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For the year ended 30 June 2016

**35. FINANCIAL GUARANTEE CONTRACTS**

The Company has executed guarantee amounting to HK\$210,000,000 (2015: HK\$144,000,000) 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.

**36. MATERIAL RELATED PARTY TRANSACTIONS**

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

	2016 HK\$'000	2015 HK\$'000
Equipment acquired from a related company controlled by one of the substantial shareholders of the Company	–	81
Renovation service income received from a related company controlled by one of the substantial shareholders of the Company	<b>2,417</b>	338
Renovation service income received from a closely family member of one of the substantial shareholders of the Company	–	999
Rental expenses paid to a related company owned by a director of a subsidiary of the Company	–	521
Rental expenses paid to a related company owned by one of the substantial shareholders of the Company	<b>1,680</b>	3,660
	<b>4,097</b>	5,599

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.

**36.2 Key management personnel compensation**

	2016 HK\$'000	2015 HK\$'000
Short-term employee benefits	<b>8,817</b>	6,592

### 37. 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 associates and a joint venture, trade receivables, cash and bank balances, other receivables, trade payables, 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.

#### 37.1 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Besides short-term deposits which earn interest at fixed rates, cash at banks earn interest at floating rates up to 0.4% (2015: 0.4%) per annum, based on the daily bank deposits rates for the year. Other than deposits held in banks, the Group does not have significant interest-bearing financial assets. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

As at 30 June 2016, 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 27. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

If an increase or decrease of 5% in interest rate was estimated, with all other variables held constant, there would have no impact on loss for the year and retained profits (2015: Nil).

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

#### 37.2 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\$3,404,000 (2015: HK\$134,210,000) and nil (2015: HK\$30,399,000) respectively), which were primarily denominated in RMB and GBP. Other than this, almost all of the Group's transactions were carried out in HK\$ and GBP which are the functional currencies of the Group's entities to which the transaction related.

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

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



## Notes to the Financial Statements

For the year ended 30 June 2016

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(cont'd)***37.2 Foreign currency risk** *(cont'd)*

As at 30 June 2016, if a depreciation of 5% in HK\$ against RMB and GBP was estimated, with all other variables held constant, profit for the year and retained profits would have increased by HK\$170,000 (2015: HK\$8,230,000) for the year ended 30 June 2016. An appreciation of the same percentage in HK\$ against RMB and GBP would have had the equal but opposite effect on the profit for the year and retained profits to the amount shown above, on the basis that all other variables remain constant.

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

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

**37.3 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 (2015: no impact) and other components of equity would have increased or decreased by HK\$1,585,000 (2015: HK\$2,302,000).

For unlisted investment funds classified as financial assets at fair value through profit or loss category, if the market price had increased or decreased by 5%, profit for the year and retained profits would have increased or decreased by HK\$1,120,000 (2015: HK\$69,000).

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.

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

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

The Group is also exposed to the credit risk of the contingent liabilities in relation to the financial guarantee contracts granted to its associates as detailed in note 35 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.

#### 37.5 Liquidity risk

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

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

Notes to the Financial Statements  
For the year ended 30 June 2016

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

#### 37.5 Liquidity risk (cont'd)

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

	Contractual undiscounted cash flow				
	Carrying amounts HK\$'000	Total HK\$'000	Within 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
<b>30 June 2016</b>					
Other payables	7,328	7,328	7,328	–	–
Borrowings	29,148	33,672	3,768	14,173	15,731
Amounts due to non-controlling shareholders	234,813	234,813	234,813	–	–
	<b>271,289</b>	<b>275,813</b>	<b>245,909</b>	<b>14,173</b>	<b>15,731</b>
Financial guarantee issued: Maximum amount guaranteed	–	210,000	210,000	–	–
	Contractual undiscounted cash flow				
	Carrying amounts HK\$'000	Total HK\$'000	Within 1 year or on demand HK\$'000	In 2 to 5 years HK\$'000	Over 5 years HK\$'000
<b>30 June 2015</b>					
Other payables	3,410	3,410	3,410	–	–
Amounts due to non-controlling shareholders	234,122	234,122	234,122	–	–
	237,532	237,532	237,532	–	–
Financial guarantee issued: Maximum amount guaranteed	–	144,000	144,000	–	–

Notes to the Financial Statements  
For the year ended 30 June 2016

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

#### 37.6 Categories of financial assets and financial liabilities

	2016 HK\$'000	2015 HK\$'000
Loans and receivables:		
Trade receivables	3,384	1,011
Other receivables	1,392	5,175
Amounts due from associates	86,914	125,613
Amounts due from a joint venture	20	20
Cash and bank balances	410,936	589,283
Available-for-sale financial assets:	50,964	57,188
Financial assets at fair value through profit or loss:	26,824	1,626
	<b>580,434</b>	779,916

	2016 HK\$'000	2015 HK\$'000
Financial liabilities measured at amortised cost:		
Other payables	7,328	3,410
Borrowings	29,148	–
Amounts due to non-controlling shareholders	234,813	234,122
	<b>271,289</b>	237,532

#### 37.7 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.

## Notes to the Financial Statements

For the year ended 30 June 2016

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)**37.8 Fair value measurements recognised in the statement of financial position**

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

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

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

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
<b>30 June 2016</b>					
Assets:					
Available-for-sale financial assets					
– Listed equity securities	(a)	11,789	–	–	11,789
– Unlisted investment funds	(c)	–	19,909	–	19,909
Financial assets at fair value through profit or loss					
– Unlisted investment funds	(c)	–	26,824	–	26,824
Total and net fair values		11,789	46,733	–	58,522

Notes to the Financial Statements  
For the year ended 30 June 2016

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

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

	Notes	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>30 June 2015</b>					
Assets:					
Available-for-sale financial assets					
– Listed equity securities	(a)	15,635	–	–	15,635
– Listed debts investments	(b)	30,399	–	–	30,399
Financial assets at fair value through profit or loss					
– Unlisted investment funds	(c)	1,626	–	–	1,626
Total and net fair values		47,660	–	–	47,660

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

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

*(a) Listed equity securities*

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

*(b) Listed debts investments*

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

*(c) Unlisted investments funds*

The unlisted investment funds are denominated in US\$. Fair values of unlisted investment funds included in Level 1 have been determined by reference to their quotations in active markets at the reporting date and have been translated using the spot foreign currency rate at the end of the reporting period where appropriate. 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.

## Notes to the Financial Statements

For the year ended 30 June 2016

**38. 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.

	2016 HK\$'000	2015 HK\$'000
Total borrowings	271,603	238,566
Less: cash and bank balances	(410,936)	(589,283)
Net cash	(139,333)	(350,717)
Total capital	1,267,883	1,241,351
Gearing ratio	N/A	N/A

Notes to the Financial Statements  
For the year ended 30 June 2016

### 39. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	–	–
Property, plant and equipment	25	411
Available-for-sale financial assets	17,603	57,188
	<b>17,628</b>	57,599
<b>Current assets</b>		
Prepayments, deposits and other receivables	804	4,332
Amounts due from subsidiaries	956,054	551,561
Financial assets at fair value through profit or loss	26,824	1,626
Cash and bank balances	246,616	464,583
	<b>1,230,298</b>	1,022,102
<b>Current liabilities</b>		
Accrued expenses and other payables	1,120	372
	<b>1,120</b>	372
<b>Net current assets</b>	<b>1,229,178</b>	1,021,730
<b>Total assets less current liabilities</b>	<b>1,246,806</b>	1,079,329
<b>Net assets</b>	<b>1,246,806</b>	1,079,329
<b>EQUITY</b>		
Share capital	31,385	27,185
Reserves	1,215,421	1,052,144
<b>Total equity</b>	<b>1,246,806</b>	1,079,329



Notes to the Financial Statements  
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### 39. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016 (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	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2014	1,274,759	9,241	8,490	31,481	1,323,971
Repurchase and cancellation of shares	(224,200)	–	–	–	(224,200)
Lapse of share options	–	(1,159)	–	1,159	–
Transactions with owners	(224,200)	(1,159)	–	1,159	(224,200)
Loss for the year	–	–	–	(40,371)	(40,371)
Other comprehensive income:					
Net fair value gain on available-for-sale financial assets	–	–	4,111	–	4,111
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	–	–	(11,367)	–	(11,367)
Total comprehensive income for the year	–	–	(7,256)	(40,371)	(47,627)
At 30 June 2015 and 1 July 2015	1,050,559	8,082	1,234	(7,731)	1,052,144
Shares issued upon placing (note 28)	<b>58,800</b>	–	–	–	<b>58,800</b>
Share issue expense	<b>(715)</b>	–	–	–	<b>(715)</b>
Equity-settled share-based payments (note 32)	–	<b>5,790</b>	–	–	<b>5,790</b>
Lapse of share options	–	<b>(2,798)</b>	–	<b>2,798</b>	–
Transactions with owners	<b>58,085</b>	<b>2,992</b>	–	<b>2,798</b>	<b>63,875</b>
Profit for the year	–	–	–	<b>101,133</b>	<b>101,133</b>
Other comprehensive income:					
Net fair value loss on available-for-sale financial assets	–	–	<b>(5,869)</b>	–	<b>(5,869)</b>
Reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets	–	–	<b>1,055</b>	–	<b>1,055</b>
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	–	–	<b>3,083</b>	–	<b>3,083</b>
<b>Total comprehensive income for the year</b>	–	–	<b>(1,731)</b>	<b>101,133</b>	<b>99,402</b>
<b>At 30 June 2016</b>	<b>1,108,644</b>	<b>11,074</b>	<b>(497)</b>	<b>96,200</b>	<b>1,215,421</b>

**39. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016** *(cont'd)*

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

**40. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements for the year ended 30 June 2016 were approved and authorised for issue by the board of directors on 30 September 2016.

## MAJOR PROPERTIES UNDER DEVELOPMENT AS AT 30 JUNE 2016

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

## MAJOR PROPERTIES HELD FOR TRADING AS AT 30 JUNE 2016

Location	Approximate net internal floor area (sq. ft.)	Interest attributable to the Group	Existing use	Lease term
Atlantic House, Tyndall Street Cardiff, CF10 4PP United Kingdom	42,000	100%	Commercial	Freehold

# MAJOR INVESTMENT PROPERTIES AS AT 30 JUNE 2016

Location	Interest attributable to the Group	Use	Lease term
Portion No. 4, Flat No. 23 and Shop Nos. 23A, 23B on Ground Floor and No. 23 on Mezzanine Floor, Wing Lee Building of Nos. 27, 29, 31, 31A, 31B and 31C Kimberley Road, Kowloon	100%	Commercial	Medium-term lease
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



**WINFULL GROUP**  
**HOLDINGS LIMITED**  
宏輝集團控股有限公司

Unit A, 6<sup>th</sup> Floor, 9 Queen's Road Central, Hong Kong

香港中環皇后大道中9號6樓A室

Tel 電話: (852) 3183 0727 Fax 傳真: (852) 2111 9303

Email 電郵: [inquiry@winfullgroup.hk](mailto:inquiry@winfullgroup.hk)

[www.winfullgroup.hk](http://www.winfullgroup.hk)