Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 1166

ANNUAL REPORT
2016

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAU Lai Him *(Chairman and Managing Director)*
ZHOU Jin Hua *(Deputy Chairman)*
LIU Dong Yang
CHAU Chi Ho

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

COMPANY SECRETARY

CHAN Kam Yee

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong

STOCK CODE

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WEBSITE

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AUDITOR

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Hong Kong

LEGAL ADVISOR

Herbert Smith Freehills
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15 Queen's Road Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKS (IN ALPHABETICAL ORDER)

Bank of China Limited
China CITIC Bank Corporation Limited
DBS Bank (Hong Kong) Limited

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The Board of Directors (the "**Directors**" or "**Board**") of Solartech International Holdings Limited (the "**Company**") announces that for the year ended 30 June 2016 (the "**year under review**"), total turnover of the Group was approximately HK$740,979,000, representing a decrease of 5.3% as compared to approximately HK$782,197,000 recorded for the corresponding period last year. During the year under review, loss attributable to owners of the Company was approximately HK$274,945,000, as compared to the loss attributable to owners of the Company of approximately HK$370,292,000 for the corresponding period last year. Loss per share for the year under review was approximately HK$0.16 (Loss per share for 2014/15: HK$0.68 (restated)).

BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK$740,979,000, representing a decrease of 5.3% as compared to approximately HK$782,197,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK$175,918,000, representing a decrease of 17.3% as compared to approximately HK$212,734,000 for the same period of last year and accounted for 23.7% of the Group's total turnover. Turnover of the copper rod business was approximately HK$402,665,000, representing an increase of 26.7% as compared to approximately HK$317,903,000 for the same period of last year and accounted for 54.4% of the Group's total turnover. Turnover of the metallurgical grade bauxite trading business was approximately HK$140,761,000, representing a decrease of 33.6% as compared to approximately HK$212,123,000 for the same period of last year and accounted for 19.0% of the Group's total turnover. Turnover of the leasing business was approximately HK$19,500,000, representing an increase of 44.8% as compared to approximately HK$13,468,000 for the same period of last year and accounted for 2.6% of the Group's total turnover. Turnover of other business was approximately HK$2,135,000 (which included approximately HK$2,078,000 from the securities business) and accounted for 0.3% of the Group's total turnover, as compared to approximately HK$25,969,000 for the same period of last year.

By geographical market segments, turnover from the business in the Americas operation decreased by 14.3% from approximately HK$44,661,000 for the same period of last year to approximately HK$38,262,000, accounting for 5.2% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong operation decreased by 3.9% from approximately HK$678,807,000 for the same period of last year to approximately HK$652,288,000, accounting for 88.0% of the Group's total turnover. Turnover from the business in other Asian markets decreased by 20.0% from approximately HK$18,803,000 for the same period of last year to approximately HK$15,034,000, accounting for 2.0% of the Group's total turnover. Turnover from the business in Europe decreased by 11.3% from approximately HK$39,926,000 for the same period of last year to approximately HK$35,395,000, accounting for 4.8% of the Group's total turnover.

CHAIRMAN'S STATEMENT

Cables and Wires

The major customers of the Group's cables and wires business are primarily manufacturers of white goods appliances. During the year under review, the economy in Mainland China was weak and overseas demand was unfavorable, which was particularly serious in the manufacturing industry. The Group has been proactively monitoring the dynamics of the global market and focusing on the upcoming policies of Mainland China, thereby has carried out research and adjustments accordingly and adopted appropriate market strategies.

Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and their related products, which are primarily used in the production of electric wires or cables for household appliances, electronic products and power supply in infrastructure facilities. International copper prices witnessed a decreasing trend throughout the year under review. The 3-month London Metal Exchange copper price decreased from approximately US$5,900 at the beginning of the year under review to approximately US$4,800 at the end of the year under review. The Group adjusted its copper inventory and modified total amount of orders based on the demand of its customers and continued to utilise a substantial portion of the production capacity of its copper rod business in Dongguan to provide processing services to its customers.

Metallurgical Grade Bauxite Trading Business

Commodities for the Group's metallurgical grade bauxite trading business were mainly imported from Malaysia. Due to pollution caused by mining of bauxite to the environment, the local authority in Malaysia intended to place restriction on bauxite mining at the beginning of 2016, which had certain impact on the trading volume of the Group. The Group has been closely monitoring the development of local policies and carried out adjustment and reviewed on market layout and proportion.

Rental Income

During the year under review, rental income was approximately HK$19,500,000, representing an increase of approximately 44.8% as compared with approximately HK$13,468,000 for the same period of last year. Investment properties of the Group include a plant property in Qiaozi, Santai Industrial Zone, a residential property in Changping Town, Dongguan and the plant of Dongguan Xin Bao Precision Chemical Company Limited. The Group's property in Kowloon Bay duly changed to an investment property in the end of March 2016 and will generate rental income in the year 2016/2017.

Mining

During the year under review, as the 3-month London Metal Exchange copper price decreased from approximately US$5,900 at the beginning of the year under review to approximately US$4,800 at the end of the year under review and due to the delayed production plans and inflation, impairment of HK$193,650,000 was made to the mining right. Details of impairment loss are set out in note 18 to the consolidated financial statements in this report.

The mining right represents the right to conduct mining activities in the location of Nergui, Delgerkhangai soum, Dundgobi aimag, the State of Mongolia, for a period of 30 years, expiring on 23 November 2039. The mining operating license is issued by the Mineral Resources Authority of the State of Mongolia. It is extendable by 2 successive 20 years each. The mining right is being held by Ikh Shijir Erdene LLC which was acquired by the Company in May 2010 and has become an indirect wholly-owned subsidiary of the Company (the "**2010 Acquisition**"). The 2010 Acquisition was completed on 4 May 2010 and its details were set out in the Company's circular dated 9 April 2010 (the "**Circular**"). During the year under review, the Company engaged an independent professional firm which reviewed the technical report that was annexed to the Circular and concluded that the report was correct.

During the year under review, Mongolia was in deep economic crisis, with its currency collapsed, economy stagnated and debts piled up. According to the statistics of the State Department of the U.S., from 2011 to the first quarter of 2015, foreign direct investments in Mongolia dropped significantly by 85%. Mining resources of the Group are principally located in Mongolia. Since investment risk had increased in Mongolia, no large scale capital investment was made during the year under review. The management will closely monitor the market risks of Mongolia and make adjustments to investment strategies accordingly.

Securities Business

On 18 April 2016, the Group completed the acquisition of the entire issued share capital of Pico Zeman (see definition below). Upon completion, Pico Zeman became an indirect wholly-owned subsidiary of the Company. On 5 August 2016, the Company announced that the SFC has agreed to add Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities to the licence of Pico Zeman under section 127(1) of the SFO with effect from 25 July 2016. The approval is subject to a licensing condition that for Type 9 regulated activity, Pico Zeman shall not conduct business involving the discretionary management of any collective investment scheme (as defined under the SFO). As at the date of this report, Pico Zeman is licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO and it is also an Exchange Participant and a Direct Clearing Participant. The Group is optimistic about the market condition of the financial services market and related businesses and believes that it will benefit the Group in the long term.

Advertising Business

On 16 May 2016, the Group acquired 49% of the issued capital of Idea International Holdings Limited ("**Idea**"). Idea is engaged in provision of: (i) advertising and media services; (ii) branding and marketing services; (iii) corporate image and strategy services; and (iv) innovative strategy services. Idea is the agent of various provincial broadcasting networks in Guangdong Province and provides advertising and media related services for clients with famous brands in beverage, IT and motor industries. The Group expects that the diversified income stream will achieve a more balanced development alongside with the Group's existing business.

CHAIRMAN'S STATEMENT

PROSPECTS

The Group pays close attention to market information. The economic slowdown in the PRC, depreciation of Renminbi and downward adjustment of bulk commodity prices will affect the confidence towards the global economy. In view of this, the Group has made operational plans and will prudently monitor the worldwide economic conditions as well as in the major markets of the PRC so as to strengthen the Group's market position in the wire and cable as well as copper-rod industries.

The business of trading of metallurgical grade bauxite is faced with an uncertain operating environment. In response to changes in market conditions, the Group will research and consider the possibility of adding products to the trading business, such as metallurgical coke and coal, so as to increase the income of the Group.

The Group utilised most of the factory premises located at Changping, Dongguan city for leasing purpose, but the aging problem of the plants and increasing number of manufacturers moving out of Dongguan are expected to cause uncertainties for the leasing business in the future. In light of the rapid growth in the domestic logistics industry, the Group may grasp the opportunity to utilise the vacant lands for construction of a large logistics park.

The application for revitalisation of urban, plant and village proposal (三舊改造計劃) in Santai Industrial Zone has been submitted to relevant regulatory authorities for a long period of time. The application document proposed to change the existing use from industrial to residential and commercial which has yet been approved. In light of aging and obsolete plants and the situation of many factories relocating from Dongguan, future rental income will be affected. The management is reviewing the existing situation in order to maximise the return of its land and plant resources.

The Group is optimistic about the prospect of the securities business. Though the Hong Kong market was full of challenges and experienced continuous fluctuations in the past year, the Group anticipates that the operating environment will improve in the second half of 2016. The Group expects that the upcoming Shenzhen-Hong Kong Connect (深港通) scheme will facilitate market liquidity and bring new support for the securities market in Hong Kong. The Group believes there is good prospect in the financial services sector and will capture the opportunities arising from the Shenzhen-Hong Kong Connect.

For the advertising business, despite China's economic slowdown, the advertising and media market of the PRC continues to face abundant challenges and opportunities, especially in the advertising operation of television, websites and instant messengers where growth potentials are present. While strengthening key advantages of the television advertising business, the Group will also steadily develop new internet media and seek orders from new clients with a view to consolidate the foundation of said business operation.

The Directors expect that a balanced development will be achieved through diversified development with the existing business of the Group to increase shareholders' values. It implements the Group's mindset of progressing in stability to create room of sustainable development for the Group.

CHAIRMAN'S STATEMENT

FINAL DIVIDEND

The Board resolved not to pay any final dividend for the year ended 30 June 2016.

ANNUAL GENERAL MEETING

The 2016 Annual General Meeting of the Company (the "**2016 AGM**") will be held on Friday, 2 December 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company (the "**Shareholders**") to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Wednesday, 30 November 2016 to Friday, 2 December 2016, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the 2016 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Tuesday, 29 November 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had approximately 800 employees in Hong Kong, the People's Republic of China ("**PRC**") and overseas (30 June 2015: 900). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, mandatory provident fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the year ended 30 June 2016, the Group implemented a prudent financial management policy. As at 30 June 2016, the Group had cash and bank balances amounting to approximately HK$181 million (30 June 2015: HK$163 million) and value of net current assets was approximately HK$331 million (30 June 2015: HK$367 million). The Group's gearing ratio as at 30 June 2016 was 0.15 (30 June 2015: 0.04), being a ratio of total bank borrowings and promissory notes of approximately HK$213 million (30 June 2015: HK$68 million) to shareholders' funds of approximately HK$1,414 million (30 June 2015: HK$1,533 million).

EXCHANGE RISKS

The cash and cash equivalents of the Group are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The majority of the Group's operations are located in the PRC. The Company continues to pay regular and active attention to fluctuations in the Renminbi exchange rate and any exchange risks.

CHARGES ON GROUP ASSETS

As at 30 June 2016, the Group had pledged certain properties, plant and machinery, land use rights and investment properties with an aggregate net book value of approximately HK$305 million (30 June 2015: HK$360 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2016, the Company had issued guarantees to the extent of approximately HK$17 million (30 June 2015: HK$9.5 million) to the banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$17 million (30 June 2015: HK$9.5 million) was utilised.

Financial instruments for hedging purposes

For the year under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2016 and the changes in fair value were charged to the income statement. The net loss from the Derivative Financial Instruments for the year under review was approximately HK$5,791,000 (2014/15: HK$7,959,000).

CHANGE OF COMPANY CHINESE NAME

On 3 December 2015, the Company announced that the Directors had resolved and approved the adoption of a new Chinese name "星凱控股有限公司" by the Company to replace the Chinese name "蒙古礦業控股有限公司" with effect from 3 December 2015. The English name of the Company remains the same.

The new Chinese name is for identification purposes only and is not a secondary name of the Company. It does not form part of the Company's registered name under Bermuda law and will not appear on the certificate of incorporation issued by the Registrar of Companies of Bermuda. The change of the Chinese name does not affect any of the rights of any of the Shareholders. All existing share certificates in issue bearing the name of "Solartech International Holdings Limited" continue to be evidence of title to the shares of the Company and are valid for trading, settlement and registration purposes.

On 16 December 2015, the Company announced that the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 11 December 2015. With effect from 21 December 2015, the shares of the Company have been traded on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") under its new Chinese name "星凱控股有限公司".

With effect from 21 December 2015, the Chinese stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "蒙古礦業" to "星凱控股" to reflect the change of Chinese name while the English stock short name remains unchanged.

The Directors considered that the new Chinese name could provide the Company with a fresh identity and image which would benefit the Company's future business development and is in the interest of the Company and its Shareholders as a whole.

The details of the change of the Company Chinese name and trading arrangement following the change were set out in the announcements of the Company dated 3 December 2015 and 16 December 2015.

CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

On 31 March 2016, the Company announced that the address of the Company's head office and principal place of business in Hong Kong will be changed to Room 2601-05, 26/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong with effect from 5 April 2016.

CAPITAL STRUCTURE

First Placing of New Shares under the General Mandate

On 13 July 2015, the Company and Kingston Securities Limited ("**Kingston**"), as the placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 226,780,000 new ordinary shares of the Company at nominal value of HK$0.01 each ("**Share(s)**") to not less than six placees (who are independent professional, institutional or other investors) at the price of HK$0.17 per placing share (the "**First Placing**"), in order to raise capital for the Company and to broaden its Shareholders and capital base. The closing market price of the Shares of the Company on the Stock Exchange on 13 July 2015 was HK$0.211 per Share, which was the date on which the terms of the First Placing were fixed. The First Placing was completed on 29 July 2015. The 226,780,000 placing shares placed under the First Placing were issued under the general mandate (the "**General Mandate**") which was granted to the Directors at the special general meeting held on 9 June 2015 (the "**June 2015 SGM**"). The gross and net proceeds from the First Placing amounted to approximately HK$38.55 million and approximately HK$37.3 million, respectively. The net proceeds raised per placing share was approximately HK$0.164 per Share.

The utilisation of the net proceeds from the First Placing as at 30 June 2016 are summarised as follows:

Intended use of net proceeds from the First Placing	Actual use of net proceeds from the First Placing
– for general working capital of Hong Kong office and the PRC operations of the Group (including the administrative and operation expenses, such as, salaries and professional fees and other office expenses, etc.)	– Fully utilised as intended

The details of the First Placing were set out in the announcements of the Company dated 13 July 2015 and 29 July 2015.

Refreshment of the General Mandate to Allot and Issue Shares

On 29 July 2015, the 226,780,000 placing shares placed under the First Placing were issued under the General Mandate which was granted to the Directors at the June 2015 SGM of the Company. After the issue and allotment of the 226,780,000 placing shares, the total number of Shares in issue was increased from 1,133,912,340 Shares to 1,360,692,340 Shares. Thereafter, approximately 99.99% of the General Mandate was utilised by way of the First Placing and only 2,468 Shares were authorized to be allotted and issued under the General Mandate.

In order to provide additional flexibility to allow the Company to grasp appropriate fund raising opportunities, the Board proposed to seek refreshment of the General Mandate (the "**Refreshment of the General Mandate**") at a special general meeting of the Company for the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of such special general meeting. The Board believed that the Refreshment of the General Mandate was in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group's future business expansion and development as well as to cater for future funding requirement of the Group. The Board considered equity financing to be an important avenue of resources to the Group since it would not create any interest paying obligations on the Group. In appropriate circumstances, the Group would also consider other financing methods such as debt financing or internal cash resources to fund its future business development.

At the special general meeting held on 30 September 2015 (the "**Sept 2015 SGM**"), the Refreshment of the General Mandate was approved by the Shareholders. Under the refreshed General Mandate (the "**Refreshed General Mandate**"), the Company was authorised to allot and issue up to 272,138,468 new Shares, being 20% of the total issued share capital of the Company as at the date of the Sept 2015 SGM.

The details of the Refreshment of the General Mandate were set out in the circular of the Company dated 11 September 2015 and the announcement of the Company dated 30 September 2015.

Second Placing of New Shares under the Refreshed General Mandate

On 9 November 2015, the Company and Kingston, as the placing agent, entered into a second placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 272,120,000 new Shares to not less than six places (who are independent professional, institutional or other investors) at the price of HK$0.17 per placing share (the "**Second Placing**"), in order to raise capital for the Company and to broaden its Shareholders and capital base. The closing market price of the Shares on the Stock Exchange was HK$0.21 per Share on 9 November 2015, which was the date on which the terms of the Second Placing were fixed. The Second Placing was completed on 23 November 2015. The 272,120,000 placing shares placed under the Second Placing were issued under the Refreshed General Mandate which was granted to the Directors at the Sept 2015 SGM. The gross and net proceeds from the Second Placing amounted to approximately HK$46.26 million and approximately HK$44.85 million, respectively. The net proceeds raised per placing share were approximately HK$0.165 per Share.

The utilisation of the net proceeds from the Second Placing as at 30 June 2016 are summarised as follows:

Intended use of net proceeds from the Second Placing	**Actual use of net proceeds from the Second Placing**
– for repayment of trust receipt loans and general working capital of the Group	As at 30 June 2016, fully utilised as intended as follows: – approximately HK$25 million for repayment of trust receipt loans; and – approximately HK$19.85 million for general working capital of Hong Kong office and the PRC operations of the Group

The details of the Second Placing were set out in the announcements of the Company dated 9 November 2015 and 23 November 2015.

Third Placing of New Shares under the Current General Mandate granted at the 2015 AGM

On 22 April 2016, the Company and Kingston, as the placing agent, entered into a third placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 326,560,000 new Shares to not less than six places (who are independent professional, institutional or other investors) at the price of HK$0.195 per placing share (the "**Third Placing**"), in order to raise capital for the Company and to broaden its Shareholders and capital base. The closing market price of the Shares on the Stock Exchange was HK$0.239 per Share on 22 April 2016, which was the date on which the terms of the Third Placing were fixed. The Third Placing was completed on 12 May 2016. The 326,560,000 placing shares placed under the Third Placing were issued under the general mandate (the "**Current General Mandate**") which was granted to the Directors at the 2015 annual general meeting (the "**2015 AGM**") which was held on 22 December 2015. The gross and net proceeds from the Third Placing amounted to approximately HK$63.7 million and approximately HK$61.8 million, respectively. The net proceeds raised per placing share were approximately HK$0.189 per Share.

The utilisation of the net proceeds from the Third Placing as at 30 June 2016 and 29 September 2016 are summarised as follows:

Intended use of net proceeds from the Third Placing	Actual use of net proceeds from the Third Placing
– Approximately HK$22 million for redemption of the promissory note (which was issued on 18 April 2016); and – Approximately HK$39.8 million for repayment of trust receipt loans and general working capital of the Group	As at 30 June 2016, – approximately HK$12 million was utilised for repayment of trust receipt loans; and – the remaining was deposited at the banks As at 29 September 2016, – approximately HK$24 million was utilised for repayment of trust receipt loans; – approximately HK$15.8 million utilised for general working capital of Hong Kong office and the PRC operations of the Group; and – the remaining was deposited at the banks

The details of the Third Placing were set out in the announcements of the Company dated 22 April 2016 and 12 May 2016.

Refreshment of the Current General Mandate to Allot and Issue Shares

On 22 April 2016, the 326,560,000 placing shares placed under the Third Placing were issued under the Current General Mandate which was granted to the Directors at the 2015 AGM of the Company. After the issue and allotment of the 326,560,000 placing shares, the total number of Shares in issue was increased from 1,632,812,340 Shares to 1,959,372,340 Shares. Thereafter, approximately 99.99% of the Current General Mandate was utilised by way of the Third Placing and only 2,468 Shares were authorized to be allotted and issued under the Current General Mandate, which was approximately 0.0001% of the entire issued share capital of the Company.

In order to provide flexibility for the Company to raise funds for its future business development and/or opportunities to be identified by the Company through equity financing, the Board proposed to seek refreshment of the Current General Mandate (the "**Refreshment of the Current General Mandate**") at a special general meeting of the Company for the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of such special general meeting. The Board believed that the Refreshment of the General Mandate was in the best interests of the Company and the Shareholders as a whole. The Board considered that equity financing (i) does not incur any interest expenses on the Group as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising and/or prospective investment opportunity as and when it arises.

At the special general meeting held on 14 July 2016 (the "**July 2016 SGM**"), the Refreshment of the Current General Mandate was approved by the Shareholders and the Company has been authorised to allot and issue up to 391,874,468 new Shares, being 20% of the total issued share capital of the Company as at the date of the July 2016 SGM.

The details of the Refreshment of the Current General Mandate were set out in the circular of the Company dated 24 June 2016 and the announcement of the Company dated 14 July 2016.

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN PICO ZEMAN SECURITIES (HK) LIMITED

On 19 October 2015, the Company announced that Chau's Industrial Investments Limited (the "**Purchaser**"), a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with the vendor. Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire from the vendor the sale shares at a total consideration of HK$72,000,000 (the "**Acquisition A**"). The sale shares represent the entire issued share capital of Pico Zeman Securities (HK) Limited ("**Pico Zeman**") which is a company incorporated in Hong Kong with limited liability.

The consideration of HK$72,000,000 (the "**Consideration A**") under the Sale and Purchase Agreement was satisfied by (i) an initial deposit and part payment of the Consideration A in the sum of HK$30,000,000 from the Purchaser to the vendor upon the signing of the Sale and Purchase Agreement; and (ii) payment of the balance through a promissory note with principal face value of HK$42,000,000 and 24 months maturity at 6% interest per annum (the "**Promissory Note A**") which was issued by the Company in favour of the vendor (or his nominee). The initial deposit of the Consideration A under the Sale and Purchase Agreement was funded by the Group's internal resources and the remaining balance thereof would be funded by the Group's internal resources and/or other means such as bank borrowing and/or equity fund raising as the Directors might deem appropriate.

Completion of the Sale and Purchase Agreement was conditional on the conditions in the Sale and Purchase Agreement being satisfied or waived by the Purchaser (as the case may be) on or before the long stop date, which was the date not exceeding nine months from the date of the Sale and Purchase Agreement or such other date(s) as might be agreed in writing by the parties thereto from time to time. In particular, the obtaining by the Purchaser of the written approval of the Securities and Futures Commission (the "**SFC**") for the Purchaser and the Company to become substantial shareholders of Pico Zeman under section 132 of the Securities and Futures Ordinance (the "**SFO**") (Cap. 571 of Laws of Hong Kong) as a result of the Acquisition A by the Purchaser of the sale shares as contemplated by the Sale and Purchase Agreement was a condition that could not be waived. The details of the conditions were set out in the announcement of the Company dated 19 October 2015.

The Group intends to use Pico Zeman as its initial platform in establishing its financial services and related businesses as Pico Zeman holds a Type 1 regulated activity (Dealing in Securities) licence issued by the SFC under the SFO and its core business comprises of securities brokerage and dealing at the time of signing the Sale and Purchase Agreement. The Group plans to develop Pico Zeman to become an integrated security house offering sales and trading, investment advisory services, discretionary account services and asset management services in due course after obtaining approval of the addition of Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities from the SFC to the licence of Pico Zeman.

Since certain of the applicable percentage ratios of the Acquisition A exceed 5% but are less than 25%, the Acquisition A constitutes a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

On 18 April 2016, the Company announced that all the conditions precedent set out in the Sale and Purchase Agreement were fulfilled and completion of the Acquisition A took place on 18 April 2016. Following completion of the Acquisition A, Pico Zeman became a wholly-owned subsidiary of the Purchaser and an indirect wholly-owned subsidiary of the Company.

The details and completion of the Acquisition A were set out in the announcements of the Company dated 19 October 2015, 20 October 2015 and 18 April 2016.

On 5 August 2016, the Company announced that the SFC has agreed to add Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities to the licence of Pico Zeman under section 127(1) of the SFO with effect from 25 July 2016. The approval is subject to a licensing condition that for Type 9 regulated activity, Pico Zeman shall not conduct business involving the discretionary management of any collective investment scheme (as defined under the SFO).

As at the date of this announcement, Pico Zeman is licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO and it is also an Exchange Participant and a Direct Clearing Participant.

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 49% ISSUED SHARE CAPITAL IN IDEA INTERNATIONAL HOLDINGS LIMITED

On 10 December 2015, the Company announced that Allied Talent Investments Limited ("**Allied Talent**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into a conditional sale and purchase agreement (the "**Agreement**") with Stylish Code Limited ("**Stylish Code**"), as the vendor, and Ms. Deng Rong, the registered legal and beneficial owner of the vendor, as the guarantor (the "**Guarantor**"). Pursuant to the Agreement, Allied Talent conditionally agreed to acquire and Stylish Code conditionally agreed to sell the sale shares, representing 49% of the issued share capital of Idea International Holdings Limited (the "**Target Company**") (the "**Acquisition B**"). The Guarantor agreed to warrant and guarantee to Allied Talent the due and punctual performance by Stylish Code of all its respective obligations under the Agreement and the transaction contemplated thereunder.

Upon completion, the Company would indirectly hold 49% of the entire equity interest in Guangzhou Yi Dian Advertising Company Limited (廣州市藝典廣告有限公司) (the English name for identification purpose only) (the "**Operating Company**") through the target group (including the Target Company, Operating Company and two other companies), which will not be treated as the subsidiaries of the Company.

The consideration of HK$130,000,000 (the "**Consideration B**") under the Agreement was satisfied by (i) an initial deposit of the Consideration B in the sum of HK$30,000,000 by cash; and (ii) payment of the balance through a promissory note with principal face value of HK$100,000,000 and 24 months maturity at 6% interest per annum (the "**Promissory Note B**") which was issued by the Company in favour of Stylish Code (or its nominee). The Company may at its discretion early redeem a part of or the whole outstanding amount under the Promissory Note B within the maturity period. The initial deposit of the Consideration B under the Agreement was funded by the Group's internal resources and the remaining balance would be funded by the Group's internal resources and/or financing through bank borrowing and/or equity fund raising as the Directors might deem appropriate.

Completion of the Agreement was conditional on the conditions being satisfied or waived by Allied Talent on or before the long stop date which was 31 March 2016 or such other date as Allied Talent and Stylish Code might agree. The details of the conditions were set out in the announcement of the Company dated 10 December 2015.

The Guarantor agreed to warrant and guarantee to Allied Talent the due and punctual performance by Stylish Code of all its respective obligations under the Agreement and the transaction contemplated thereunder.

Each of Stylish Code and the Guarantor has warranted and guaranteed to Allied Talent that the audited net profit after tax of the Operating Company for the financial years ended 31 December 2016 ("**2016 Audited Profit**") and 2017 ("**2017 Audited Profit**") shall not be less than RMB18,000,000 ("**2016 Guaranteed Profit**") and RMB23,000,000 ("**2017 Guaranteed Profit**") respectively. In the event that (i) the actual 2016 Audited Profit is less than 2016 Guaranteed Profit or (ii) the actual 2017 Audited Profit is less than 2017 Guaranteed Profit, Stylish Code and/or the Guarantor shall compensate Allied Talent three times of such shortfall by deducting the principal amount of the Promissory Note B.

For the avoidance of doubt, if the actual 2016 Audited Profit or the actual 2017 Audited Profit is a negative figure, it shall be deemed as zero. No adjustment to the Consideration B will occur if the actual 2016 Audited Profit or the actual 2017 Audited Profit is greater that the corresponding Guaranteed Profit. The actual 2016 Audited Profit and the actual 2017 Audited Profit shall be determined according to the audited financial statements of the Operating Company for the respective financial years, shall be prepared in accordance with the Hong Kong Financial Reporting Standards and reported by the auditor as agreed by Stylish Code and Allied Talent within three months after the end of the relevant financial year.

The Group has been actively exploring other new investments and business opportunities to engage in a new line of business with growth potential and broaden its source of income. The Directors consider that advertising and media related business in the PRC has shown its growth potential especially advertising through TV, websites and instant messages. The Operating Company is acting as the agent of various provincial broadcasting networks in Guangdong Province and provides advertising and media related services for clients with famous brands in beverage, IT and motor industries. The Directors are of the view that the Acquisition B provides a prime opportunity for the Group to enter into the advertising and media related business in the PRC and diversify the revenue stream of the Group. The Directors expect that the diversification of the income stream will counter balance the Group's cables and wires business, to increase the Shareholders' value and benefit the Company and the Shareholders as a whole.

On 30 March 2016, the Company announced that on 30 March 2016, Allied Talent, Stylish Code, the Company, the Target Company and the Guarantor entered into a supplemental agreement (the "**Supplemental Agreement**") to extend the long stop date to 31 May 2016 (or such other date as the Purchaser and the Vendor may agree) as additional time was required for completion of the final stage of the reorganisation of the target group, including obtaining approval and permit from the relevant authorities in the PRC.

Since certain of the applicable percentage ratios of the Acquisition B exceed 5% but are less than 25%, the Acquisition B constitutes a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

On 16 May 2016, the Company announced that all the conditions of the Acquisition B were fulfilled and completion successfully took place on 16 May 2016. Upon completion, the Company indirectly holds 49% of the entire equity interest in the Operating Company through the target group. Members of the target group will not be treated as the subsidiaries of the Company and the financial results of the target group will be recognised in the Group's financial statements using equity method.

The details and completion of the Acquisition B were set out in the announcements of the Company dated 10 December 2015, 30 March 2016 and 16 May 2016.

SIGNIFICANT INVESTMENT

Save as disclosed above, the Group did not make any other significant investment during the year under review and the Group does not have any other plans for material investments or capital assets as at the date of this announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2016.

COMPLIANCE WITH THE CODE PROVISIONS

During the year under review, the Company complied with the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Listing Rules, save and except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 which are explained below.

Code provision A.2.1

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

During the year under review, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and the chief executive officer, are necessary.

Code provision A.4.1

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

The existing independent non-executive Directors were not appointed for a specific term as required under Code provision A.4.1 but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures are in place to ensure that the non-executive Directors are subject to appropriate mechanisms to avoid holding office indefinitely.

Code provision A.4.3

Under Code provision A.4.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company.

Mr. Chung Kam Kwong has served as an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung retired from office by rotation at the 2013 annual general meeting (the "**2013 AGM**") and offered himself for re-election at the 2013 AGM. An ordinary resolution was passed at the 2013 AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company. Mr. Chung will retire from office by rotation at the 2016 AGM and offer himself for re-election.

Mr. Lo Wai Ming has been an independent non-executive Director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the 2014 annual general meeting (the "**2014 AGM**") and offered himself for re-election at the 2014 AGM. An ordinary resolution was passed at the 2014 AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive Director of the Company.

Mr. Lo Chao Ming has been an independent non-executive Director of the Company for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming retired from office by rotation at the 2015 AGM and offered himself for re-election at the 2015 AGM. An ordinary resolution was passed at the 2015 AGM to approve the appointment of Mr. Lo Chao Ming as an independent non-executive Director of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive Directors of the Company. Pursuant to the amendments to the Code relating to the financial reporting system, risk management and internal control systems which would apply to accounting periods beginning on or after 1 January 2016, the new terms of reference (the "**New Terms of Reference**") for the Audit Committee has been approved and the New Terms of Reference are applicable to the Company's accounting periods beginning on or after 1 January 2016 in substitution for and to the exclusion of all the existing terms of reference for the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year under review.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") comprises the three independent non-executive Directors. It has adopted terms of reference which are in line with the Code provisions. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of executive Directors and senior management and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") comprises Mr. Chau Lai Him and the three independent non-executive Directors. It has adopted terms of reference which are in line with the Code provisions. The duties of the Nomination Committee include reviewing the composition of the Board at least annually, identifying and recommending suitable board members, monitoring the implementation of the board diversity policy, assessing independence of independent non-executive Directors and making recommendations on appointments and re-appointments of Directors.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all of the Directors, each of the Directors confirmed that he had complied with the required standards set out in the Model Code throughout the year under review.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, the Shareholders, staff and management for their continuous dedication, commitment and support in the past year.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2016

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAU Lai Him, aged 65, is the chairman and managing director of the Company and the founder of the Group. Mr. Chau has been appointed as an executive director of the Company since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 30 years' experience in the cable and wire industry and extensive experience in the mining industry.

Mr. ZHOU Jin Hua, aged 58, is the deputy chairman of the Company and the general manager of the Group's Dongguan manufacturing facilities. Mr. Zhou has been appointed as an executive director of the Company since November 1996. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 30 years' experience in the manufacturing of cable and wire products.

Mr. LIU Dong Yang, aged 42, has been appointed as an executive director since January 2010. Mr. Liu is the general manager of Shanghai Chau's Electrical Company Limited and is responsible for the financial matters for the trading and manufacturing operations in PRC. He holds a college diploma in international finance from Hunan Finance and Economics College and a bachelor degree in business administration from the distance education college of Renmin University of China. He has more than 20 years' experience in finance and accounting.

Mr. CHAU Chi Ho, aged 34, has been appointed as an executive director since April 2015. He is the finance manager of Chau's Electrical Company Limited. He is responsible for accounting and financial management of the subsidiaries of the Group in Hong Kong and Dongguan. He holds a bachelor's degree in Business Administration from the California State Polytechnic University Pomona, United States and has extensive experience in auditing, finance and accounting experience. He is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Kam Kwong, aged 59, has been appointed as an independent non-executive director of the Company since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a supervisory council member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics, major in Accounting, from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management and is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LO Wai Ming, Paulus, aged 64, has been appointed as an independent non-executive director of the Company since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has over 30 years' extensive experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a fellow of the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 51, has been appointed as an independent non-executive director of the Company since November 2006. He is the general manger of Sunf Pu Technology Co., Ltd, a company incorporated in Taiwan, Republic of China. He has more than 25 years' experience in the cable and wire industry.

COMPANY SECRETARY

Ms. CHAN Kam Yee, *Shirley*, aged 56, has been appointed as the company secretary of the Company since November 2007. She has more than 25 years' experience in finance and accounting and more than 20 years' experience in company secretarial affairs. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Ms. LAM Sui Lan, Miranda, aged 47, rejoined the group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 20 years' experience in sales and marketing in the field of cable and wire products.

Mr. ZHOU Qi Qin, aged 52, joined the group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's Electrical Co., Ltd ("**Dongguan Qiaozi**"). He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 25 years' experience in manufacturing management.

Mr. YUEN Hoi Cheung, aged 49, joined the group in March 1985 and is the operations manager of Dongguan Hua Yi Brass Products Co., Ltd ("**Dongguan Hua Yi**"). He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 30 years' experience in operations management.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 30 June 2016 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and joint ventures are set out in notes 22, 23 and 24, to the Financial Statements, respectively.

RESULTS

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 40 and 41 of this report.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2016.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 30 June 2016 are set out in note 33 to the Financial Statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 128 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of additions and other movements during the year ended 30 June 2016 in the property, plant and equipment of the Group are set out in note 15 to the Financial Statements.

SHARE CAPITAL

Details of changes in the share capital of the Company during the year ended 30 June 2016 are set out in note 36 to the Financial Statements.

RESERVES

The Company's distributable reserve at 30 June 2016 was Nil (30 June 2015: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2016 are set out in the consolidated statement of changes in equity on pages 44 and 45 of this report.

CONNECTED TRANSACTIONS

During the year ended 30 June 2016, related party transactions which do not constitute connected transaction under the Listing Rules was nil as disclosed in note 44 to the Financial Statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 June 2016.

CONTINGENT LIABILITIES

There was no significant contingent liability as at 30 June 2016.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the period and up to the date of this report were:

Executive Directors:

Mr. Chau Lai Him *(Chairman and Managing Director)*
Mr. Zhou Jin Hua *(Deputy Chairman)*
Mr. Liu Dong Yang
Mr. Buyan-Otgon Narmandakh (Passed away on 9 May 2016)
Mr. Chau Chi Ho

Independent non-executive Directors:

Mr. Chung Kam Kwong
Mr. Lo Wai Ming
Mr. Lo Chao Ming

Messrs. Zhou Jin Hua, Liu Dong Yang and Chung Kam Kwong will retire by rotation from office as Directors at the forthcoming annual general meeting and Messrs. Zhou Jin Hua, Liu Dong Yang and Chung Kam Kwong, being eligible, will offer themselves for re-election pursuant to Bye-law 87 of the Bye-laws of the Company.

Independent non-executive Directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of Directors and senior management of the Group are set out on pages 20 to 21 to this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, none of the Directors and the chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any of the Directors and chief executives of the Company, as at 30 June 2016, there were no persons who had a notifiable interest or short position in the Shares or underlying Shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

SHARE OPTIONS

Pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company conditionally adopted the share option scheme (the "**Share Option Scheme**"). The details of the Share Option Scheme are set out in the circular to the Shareholders of the Company dated 24 October 2012.

The total number of Shares which may be issued upon exercise of all the options to subscribe for Shares pursuant to the Share Option Scheme under the existing scheme mandate limit (the "**Scheme Mandate Limit**") must not exceed 113,391,234 which represented 10% of the issued share capital as at 9 June 2015. The Scheme Mandate Limit was refreshed by the approval of the shareholders of the Company (the "**Refreshment of Scheme Mandate Limit**") at the special general meeting on 9 June 2015. The details of the Refreshment of the Scheme Mandate Limit were set out in a circular of the Company dated 22 May 2015.

During the year ended 30 June 2016, no share options were granted, exercised, lapsed, cancelled or outstanding under the Share Option Scheme.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" of this report, at no time during the year ended 30 June 2016 were rights to acquire benefits by means of acquisition of shares or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2016 or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2016, the five largest customers of the Group together accounted for approximately 38.7% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 83.3% of the Group's total purchases, with the largest customer accounted for approximately 11.0% of the Group's total turnover and the largest supplier accounted for approximately 27.5% of the Group's total purchases during the year.

At no time during the year ended 30 June 2016 did any of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or five largest suppliers.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results and individual performance.

The Company has adopted the Share Option Scheme to provide incentive to eligible persons, including Directors of the Company and eligible employees of the Group, for their contribution and continuing efforts to the Group.

RETIREMENT SCHEME

Particulars of the Group's retirement scheme are set out in note 43 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities during the year ended 30 June 2016.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Directors are satisfied that the Company has maintained the prescribed minimum public float under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 52 of the Financial Statements.

AUDITOR

A resolution will be submitted to the 2016 Annual General Meeting to re-appoint Messrs. BDO Limited as auditors of the Company.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE CODE PROVISIONS

Throughout the financial year ended 30 June 2016, the Company complied with the Code except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 which are explained below.

Code Provision A.2.1

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

During the year ended 30 June 2016, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and the chief executive officer, are necessary.

Code Provision A.4.1

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

The existing independent non-executive Directors were not appointed for a specific term as required under Code provision A.4.1 but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures are in place to ensure that the non-executive Directors are subject to appropriate mechanisms to avoid holding office indefinitely.

Code Provision A.4.3

Under Code provision A.4.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders of the Company (the "**Shareholders**").

Mr. Chung Kam Kwong has served as an independent non-executive Director for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung retired from office by rotation at the annual general meeting of the Company held on 28 November 2013 (the "**2013 AGM**") and offered himself for re-election at the 2013 AGM. An ordinary resolution was passed at the 2013 AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive Director. Mr. Chung will retire from office by rotation at the 2016 AGM and offer himself for re-election.

Mr. Lo Wai Ming has been an independent non-executive Director for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the annual general meeting of the Company held on 19 November 2014 (the "**2014 AGM**") and offered himself for re-election at the 2014 AGM. An ordinary resolution was passed at the 2014 AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive Director.

Mr. Lo Chao Ming has been an independent non-executive Director for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming retired from office by rotation at the annual general meeting of the Company held on 22 December 2015 (the "**2015 AGM**") and offered himself for re-election at the 2015 AGM. An ordinary resolution was passed at the 2015 AGM to approve the appointment of Mr. Lo Chao Ming as an independent non-executive Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the year ended 30 June 2016, complied with the required standards set out therein.

BOARD OF DIRECTORS

The Board is entrusted with the overall responsibility of managing the Company's business and affairs and the ultimate responsibility of the day-to-day management of the Company which is delegated to the Chairman/Managing Director and the management.

On 10 May 2016, the Board announced with deepest regret that Mr. Buyan-Otgon Narmandakh ("**Mr. Buyan-Otgon**"), an executive director of the Company, passed away on 9 May 2016. The Board thanked the late Mr. Buyan-Otgon for his invaluable contribution to the Company during his tenure of office and expressed sincere condolences to his family. The Board currently comprises a total of seven Directors, with four executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Zhou Jin Hua (Deputy Chairman), Liu Dong Yang and Chau Chi Ho and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Mr. Chau Chi Ho is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship among members of the Board. More details of the Directors are disclosed on page 20 of this annual report. The Board has published and maintained on its website and on the Stock Exchange's website an updated list of the Directors identifying their role and function. The Board met regularly throughout the year ended 30 June 2016. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the company secretary of the Company (the "**Company Secretary**") to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

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

The roles of Chairman and Managing Director are not separate and the explanation in connection with such deviation from Code provision A.2.1 is set out in the section headed "Compliance with the Code Provisions" of this report. The Chairman is responsible for providing leadership to the Board, effective running of the Board, ensuring all appropriate issues are discussed by the Board in a timely manner and formulating business strategies. The Chairman has ensured that all Directors are properly briefed on issues arising at Board meetings and all Directors receive adequate, complete and reliable information.

The independent non-executive Directors were not appointed for a specific term and explanation in connection with such deviation from Code provision A.4.3 is set out in the section headed "Compliance with the Code Provisions" of this report.

During the year ended 30 June 2016, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board; one of the independent non-executive Directors is required to possess appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Each of Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming served as an independent non-executive Director for more than nine years and explanation in connection with such deviation from Code provision A.4.3 is set out in the section headed "Compliance with the Code Provisions" of this report.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

Appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group has been arranged by the Group.

BOARD OPERATION

During the year ended 30 June 2016, the Board held 15 Board meetings. The attendance records of each member of the Board at Board meetings, audit committee meetings, nomination committee meetings, remuneration committee meetings and the 2015 AGM are set out below:

	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	Board meetings	2015 AGM
Executive Directors					
Chau Lai Him	–	1	–	15	1
Zhou Jin Hua	–	–	–	15	1
Liu Dong Yang	–	–	–	12	–
Buyan-Otgon Narmandakh	–	–	–	10	–
Chau Chi Ho	–	–	–	15	1
Independent non-executive Directors					
Chung Kam Kwong	3	1	1	14	1
Lo Wai Ming	3	1	1	14	1
Lo Chao Ming	3	1	1	12	–

During the year ended 30 June 2016, the Company also held one special general meeting (the "**SGM**"). The SGM was held on 30 September 2015 and two Directors were present.

In place of physical meetings, the Board and Board committees also circulate written resolutions for approval by the relevant members of the Board and Board committees except for matters where a substantial shareholder or a Director has a conflict of interest which the Board has determined to be material in compliance with Code Provision A.1.7.

The Board having considered the attendance records of the Directors is satisfied that each Director spends sufficient time performing his responsibilities.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Under Code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

During the year ended 30 June 2016, all Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities (including but not limited to, the ESG Guide (see definition below)). Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") currently comprises three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming and the chairman of the Remuneration Committee is Mr. Chung Kam Kwong. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and the making of recommendations to the Board in connection with the remuneration of the non-executive Directors. The Remuneration Committee should consider factors such as the salaries paid by comparable companies, employment conditions elsewhere in the Group and the desirability of performance-based remuneration. A copy of the terms of reference of the Remuneration Committee is available from the Company's website and the Stock Exchange's website. The Remuneration Committee shall meet at least once a year.

During the year ended 30 June 2016, the Remuneration Committee held one meeting and all committee members were present at the meeting. The Remuneration Committee has reviewed the remuneration packages of all executive Directors and senior management, assessed performance of executive Directors and senior management and made recommendations to the Board in connection with the remuneration of the non-executive Directors. Details of the emoluments of the Directors are set out in note 9 to the Financial Statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") currently comprises one executive Director, Mr. Chau Lai Him, and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. The chairman of the Nomination Committee is Mr. Chau Lai Him. The role and function of the Nomination Committee is to review the structure, size and composition of the Board, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with due regard to the board diversity policy, identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors, in particular the Chairman/Managing Director and monitor the implementation of the board diversity policy and review such policy, as appropriate, to ensure its effectiveness. The Nomination Committee has established a specific written committee charter which deals clearly with its authority and duties. A copy of the terms of reference of the Nomination Committee is available from the Company's website and the Stock Exchange's website. The Nomination Committee shall meet at least once a year.

During the year ended 30 June 2016, the Nomination Committee held one meeting and all committee members were present at the meeting. The Nomination Committee has determined the policy for the nomination of Directors, the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and senior management.

Pursuant to the Bye-laws of the Company, any Director appointed to fill a casual vacancy of the Board shall hold office only until the next following general meeting of the Company and any Director appointed as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Bye-laws. The Bye-laws also allow for removal of a Director by an ordinary resolution.

The Board recommended the re-appointment of the Directors standing for re-election at the 2016 AGM. The Company's circular to be despatched to the Shareholders will contain detailed information of the Directors standing for re-election.

AUDITOR'S REMUNERATION

During the year ended 30 June 2016, the remunerations paid and payable to the auditor of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services were HK$1,488,000 and HK$370,000 respectively.

AUDIT COMMITTEE

At least one of the members of the audit committee of the Company (the "**Audit Committee**") has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company. The Board expects the members of the Audit Committee to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the Audit Committee in order to comply with the requirement of the Code.

Pursuant to the amendments to the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 of the Listing Rules relating to the financial reporting system, risk management and internal control systems which would apply to accounting periods beginning on or after 1 January 2016, the new terms of reference (the "**New Terms of Reference**") for the Audit Committee has been approved and the New Terms of Reference are applicable to the Company's accounting periods beginning on or after 1 January 2016 in substitution for and to the exclusion of all the existing terms of reference for the Audit Committee.

The Audit Committee of the Company currently comprises three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming, and the chairman of the Audit Committee is Mr. Chung Kam Kwong. The primary duties of the Audit Committee include the reviewing of the Group's financial reporting system, the nature and scope of audit review as well as the effectiveness of the system of internal control and risk management. The Audit Committee is also responsible for making recommendations in relation to the appointment, reappointment and removal of the external auditor, and the reviewing and monitoring of the independence and objectivity of the external auditor. In addition, the Audit Committee discusses matters raised by the external auditor and regulatory bodies to ensure that appropriate recommendations are implemented. A copy of the New Terms of Reference of the Audit Committee is available from the Company's website and the Stock Exchange's website. The Audit Committee shall meet at least twice a year.

During the year ended 30 June 2016, the Audit Committee held 3 meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management and the external auditor, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 30 June 2016 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 30 June 2016.

SUMMARY OF THE BOARD DIVERSITY POLICY

On 28 August 2013, the Board adopted a board diversity policy (the "**Policy**") in compliance with Code provision A.5.6, which came into effect on 1 September 2013.

The Policy aims to set out the approach to achieve diversity on the Board and does not apply to diversity in relation to the employees of the Company, nor the board and the employees of any subsidiary of the Company. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, differences in the talents, skills, regional and industry experience, background, gender, age and other qualities of the members of the Board, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

SHARE INTERESTS OF SENIOR MANAGEMENT

As at 30 June 2016, none of the senior management of the Company (whose biographical details are disclosed on page 21 of this annual report) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INVESTOR RELATIONS

The Company maintains a website at www.1166hk.com where information and updates on the Company's business developments and operations, list of directors, and their role and function, constitutional documents, terms of reference of the Board and its committees, procedures for nomination of directors for election, Shareholders' rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the year ended 30 June 2016.

COMPANY SECRETARY

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

The Company Secretary reports to the Chairman and the Managing Director, plays an essential role in the relationship between the Company and its Shareholders, and assists the Board in discharging its obligations to Shareholders pursuant to the Listing Rules.

During the year ended 30 June 2016, Ms. Chan has attended relevant professional seminars to update her skills and knowledge and has complied with the Listing Rules to take no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. These include interim and annual reports, announcements and circulars.

The general meetings of the Company are primary forum for communication between the Shareholders and the Board. The Group encourages its Shareholders to attend and participate in general meetings to ensure a high level of accountability and to keep Shareholders informed of the Group's strategy and goals. The Chairman of the Board, other Board members and the chairman of all the Board committees, or in their absence, other members of the respective committees, are available to answer any questions from the Shareholders.

PROCEDURES BY WHICH SHAREHOLDERS MAY CONVENE A SPECIAL GENERAL MEETING

Pursuant to the Bye-Laws of the Company, Shareholders 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 Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS AND DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their written requests, proposals, enquiries and concerns to the Company for the attention of Chairman of the Board or the Company Secretary whose contact details are:

Solartech International Holdings Limited
Room 2601-05, 26/F., China Resources Building,
26 Harbour Road, Wanchai,
Hong Kong
E-mail: enquiry@solartechhk.com
Tel no.: (852) 2796 1628
Fax no.: (852) 2799 9835

A copy of the Shareholders' communication policy of the Company is available from the Company's website.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll.

SYSTEM OF INTERNAL CONTROLS

The Board ensures the maintenance of sound and effective internal controls to safeguard the Shareholders' investment and the assets of the Company. It has been an important duty of the Directors to conduct a review of the effectiveness of the system of internal controls of the Group annually or at anytime necessary. The review covers all material controls, including financial, operational and compliance controls, and risk management functions, and takes into account the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board has reached the conclusion that the Group's internal control system was in place and effective.

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

In January 2016, the Stock Exchange amended the Environmental, Social and Governance ("**ESG**") Reporting Guide (the "**ESG Guide**" or the "**Guide**") set out in Appendix 27 to the Listing Rules.

The amendments to the ESG Guide and related Listing Rules will come into effect in two phases.

The Listing Rule amendments and the upgrade of the general disclosures in the Guide from recommended to "comply or explain", as well as the revised recommended disclosures, will be effective for the Company's financial year commencing on or after 1 January 2016.

The upgrade of the KPIs in the "Environmental" Subject Area of the Guide from recommended to "comply or explain" will be effective for the Company's financial year commencing on or after 1 January 2017.

GENERAL

The Directors acknowledge their responsibility in preparing the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Company and in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 30 June 2016, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 38 and 39 of this annual report.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2016

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF SOLARTECH INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Solartech International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 40 to 126, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other 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 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 Section 90 of the Bermuda Companies Act 1981, 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 judgment, 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the 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

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 29 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	**2016 HK$'000**	2015 HK$'000
Turnover	6 and 7	**740,979**	782,197
Cost of sales		**(691,306)**	(746,471)
Gross profit		**49,673**	35,726
Interest income		**2,704**	1,917
Other income and gains	12	**3,482**	6,847
General and administrative expenses		**(134,717)**	(109,582)
Selling and distribution expenses		**(15,241)**	(22,520)
Finance costs	10	**(11,459)**	(11,001)
Change in fair value of derivative financial instruments	29	**(5,791)**	(7,959)
Change in fair value of investment properties, net	16	**48,008**	20,037
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	28	**(8,191)**	(10,671)
Change in fair value of profit guarantee	46	**(90)**	–
Impairment loss for doubtful debts, net	26	**(3,336)**	(24,298)
Impairment loss on intangible assets and exploration and evaluation assets	18 and 19	**(193,650)**	(198,987)
Gain on bargain purchase of a subsidiary	47	**–**	278
Share of results of associates		**(18)**	–
Share of results of joint ventures		**(3,394)**	(46,091)
Loss before taxation	8	**(272,020)**	(366,304)
Taxation	11	**(4,981)**	(3,095)
Loss for the year		**(277,001)**	(369,399)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Surplus on transfer from prepaid lease payments for land and property, plant and equipment to investment properties, net of deferred tax		**6,181**	58,122
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**4,544**	(10,158)
Other comprehensive income for the year		**10,725**	47,964
Total comprehensive income for the year		**(266,276)**	(321,435)
Loss attributable to:			
Owners of the Company		**(274,945)**	(370,292)
Non-controlling interests		**(2,056)**	893
		(277,001)	(369,399)

	Note	**2016 HK$'000**	2015 HK$'000
Total comprehensive income attributable to:			
Owners of the Company		**(263,528)**	(322,338)
Non-controlling interests		**(2,748)**	903
		(266,276)	(321,435)
Loss per share:	14		(Restated)
– Basic and diluted (HK$)		**(0.16)**	(0.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**124,540**	146,563
Investment properties	16	**348,856**	313,828
Prepaid lease payments for land	17	**53,701**	60,308
Intangible assets	18	**539,948**	675,668
Prepayments for acquisition of property, plant and equipment	20	**20,075**	–
Other assets	21	**13,700**	–
Interests in associates	23	**110,472**	–
Interests in joint ventures	24	**35,346**	38,644
Total non-current assets		**1,246,638**	1,235,011
Current assets			
Inventories	25	**58,298**	45,089
Debtors, other loans and receivables, deposits and prepayments	26	**193,781**	271,108
Bills receivable	27	**9,579**	6,937
Financial assets at fair value through profit or loss	28	**79,577**	48,032
Prepaid lease payments for land	17	**1,758**	2,040
Derivative financial assets	29	**–**	11
Pledged deposits and bank balances	30, 31	**–**	362
Bank balances held on behalf of brokerage clients	31	**17,995**	–
Bank balances and cash	31	**181,247**	162,463
Total current assets		**542,235**	536,042
Current liabilities			
Creditors, other advances and accrued charges	32	**93,703**	100,855
Taxation		**470**	316
Borrowings	33	**116,288**	67,747
Derivative financial liabilities	29	**435**	153
Total current liabilities		**210,896**	169,071
Net current assets		**331,339**	366,971
Total assets less current liabilities		**1,577,977**	1,601,982

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Promissory notes	34	**96,900**	–
Deferred tax liabilities	35	**58,087**	57,439
Total non-current liabilities		**154,987**	57,439
Total net assets		**1,422,990**	1,544,543
EQUITY			
Capital and reserves			
Share capital	36	**19,594**	11,339
Reserves		**1,394,450**	1,521,510
Equity attributable to owners of the Company		**1,414,044**	1,532,849
Non-controlling interests	39	**8,946**	11,694
Total equity		**1,422,990**	1,544,543

The consolidated financial statements on pages 40 to 126 were approved and authorised for issue by the Board of Directors on 29 September 2016 and are signed on its behalf by:

CHAU LAI HIM
DIRECTOR

ZHOU JIN HUA
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Share capital HK$'000 (Note 36)	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000 (Note 15)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2014	18,899	1,394,932	612,360	(10,246)	4,866	–	(349,533)	1,671,278	2,331	1,673,609
Loss for the year	–	–	–	–	–	–	(370,292)	(370,292)	893	(369,399)
Other comprehensive income	–	–	–	(10,168)	–	58,122	–	47,954	10	47,964
Total comprehensive income for the year	–	–	–	(10,168)	–	58,122	(370,292)	(322,338)	903	(321,435)
Deemed acquisition of a subsidiary	–	–	–	–	–	–	–	–	10,107	10,107
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(189)	(189)	(1,647)	(1,836)
Capital reorganisation during the year	(17,009)	–	–	–	–	–	17,009	–	–	–
Shares issued under open offer	9,449	174,649	–	–	–	–	–	184,098	–	184,098
At 30 June 2015	11,339	1,569,581	612,360	(20,414)	4,866	58,122	(703,005)	1,532,849	11,694	1,544,543

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Share capital HK$'000 (Note 36)	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000 (Note 15)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2015	11,339	1,569,581	612,360	(20,414)	4,866	58,122	(703,005)	1,532,849	11,694	1,544,543
Loss for the year	-	-	-	-	-	-	(274,945)	(274,945)	(2,056)	(277,001)
Other comprehensive income	-	-	-	5,236	-	6,181	-	11,417	(692)	10,725
Total comprehensive income for the year	-	-	-	5,236	-	6,181	(274,945)	(263,528)	(2,748)	(266,276)
Placements of new shares	8,255	136,468	-	-	-	-	-	144,723	-	144,723
At 30 June 2016	19,594	1,706,049	612,360	(15,178)	4,866	64,303	(977,950)	1,414,044	8,946	1,422,990

Note:

The contributed surplus represented (i) the net balance after setting off accumulated losses of the Company from reduced share capital and cancelled share premium of the Company where applicable in accordance with the Company's capital reorganisations in September 2002 and November 2012; and (ii) the credit arising from the capital reduction in accordance with the Company's capital reorganisation in July 2009.

The exchange reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations and hedges of net investment in foreign operations.

The statutory reserve fund of the Group represents reserve required by the relevant People's Republic of China (the "**PRC**") laws applicable to the Company's PRC subsidiaries and share of statutory reserve fund of joint ventures.

The property revaluation reserve represents the gains arising on the revaluation of properties (other than investment properties) on the date of transfer from property, plant and equipment and prepaid lease payments for land to investment properties.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Loss before taxation	**(272,020)**	(366,304)
Adjustments for:		
Interest income	**(2,704)**	(1,917)
Finance costs	**11,459**	11,001
Change in fair value of derivative financial instruments	**5,791**	7,959
Change in fair value of investment properties, net	**(48,008)**	(20,037)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	**8,191**	10,671
Impairment loss for doubtful debts, net	**3,336**	24,298
Impairment loss on intangible assets and exploration and evaluation assets	**193,650**	198,987
Change in fair value of profit guarantee	**90**	–
Share of results of joint ventures	**3,394**	46,091
Share of results of associates	**18**	–
Depreciation of property, plant and equipment	**19,026**	25,138
Provision made for inventories	**888**	2,476
Charge of prepaid lease payments for land	**1,886**	2,377
Gain on bargain purchase of a subsidiary	**–**	(278)
Loss on disposal of property, plant and equipment	**1,640**	106
Operating loss before working capital changes	**(73,363)**	(59,432)
(Increase)/decrease in inventories	**(13,097)**	40,360
Decrease/(increase) in debtors, other loans and receivables, deposits and prepayments	**87,959**	(91,603)
Increase in bills receivable	**(2,642)**	(4,692)
Decrease in bank balances held on behalf of brokerage clients	**2,611**	–
Purchases of financial assets at fair value through profit or loss	**(39,736)**	(8,517)
Decrease in creditors, other advances and accrued charges	**(26,305)**	(5,483)
Decrease in bills payable	**–**	(74,351)
Decrease in derivative financial instruments	**(5,498)**	(7,039)
Cash used in operations	**(70,071)**	(210,757)
Taxation paid	**(1,450)**	(836)
Net cash used in operating activities	**(71,521)**	(211,593)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	HK$'000	HK$'000
Investing activities		
Interest received	**2,704**	1,917
Purchases of property, plant and equipment	**(7,550)**	(30,771)
Proceeds from disposal of property, plant and equipment	**291**	13
Increase in prepayments for acquisition of property, plant and equipment	**(20,075)**	–
Net cash inflows from deemed acquisition of a subsidiary	**–**	21,195
Net cash outflows from acquisition of a subsidiary	**(23,730)**	–
Net cash outflows from acquisition of associates	**(30,000)**	–
Decrease in pledged deposits and bank balances	**362**	47,191
Net cash (used in)/generated from investing activities	**(77,998)**	39,545
Financing activities		
Interest paid on borrowings	**(7,573)**	(10,998)
Interest paid on finance leases	**–**	(3)
Net proceeds from issue of new shares	**144,723**	184,098
Redemption on promissory notes	**(40,000)**	–
Interest paid on promissory notes	**(32)**	–
Acquisition of additional interest in a subsidiary	**–**	(1,836)
Increase in other loans	**9,928**	–
New borrowings raised	**188,189**	98,979
Repayment of obligations under finance leases	**–**	(146)
Repayment of borrowings	**(132,381)**	(204,238)
Net cash generated from financing activities	**162,854**	65,856
Net increase/(decrease) in cash and cash equivalents	**13,335**	(106,192)
Cash and cash equivalents at beginning of the year	**162,463**	268,497
Effect of foreign exchange rate changes	**5,449**	158
Cash and cash equivalents at end of the year	**181,247**	162,463
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**181,247**	162,463

1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, trading of metallurgical grade bauxite, investment properties, trading of securities, provision of financing and management service and holding of mining right and exploration and evaluation assets. Its associates are engaged in advertising and media services, branding and marketing services, corporate image and strategy services and innovating strategy services in the PRC. Its joint ventures are engaged in holding of mining permits. Further details are set out in Notes 22, 23 and 24.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New/revised HKFRSs that have been issued but are not yet effective and not early adopted

HKFRSs (Amendments)	Annual Improvement 2012 – 2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 7	Disclosure Initiative[2]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[3]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 16	Leases[4]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 On 6 January 2015, the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") issued "Effective Date of Amendments to HKFRS 10 and HKAS 28", following the International Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in Sale or Contribution of Assets between an Investor and its Associate or Joint Venture that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

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.

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.

HKFRS 9 (2014) – Financial Instruments

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

HKFRS 9 (2014) – Financial Instruments (continued)

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

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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 FVTPL should provide the disclosures related to investment entities as required by HKFRS 12.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

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 HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

HKFRS 16 – Leases (continued)

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

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of preparation of financial statements

These financial statements have been prepared under the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values, as explained in the accounting policies set out below.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and basis of consolidation (continued)

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 the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the 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 such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("**CGUs**") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and not reversed in subsequent periods.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. 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, interests 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.

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 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangements; or
- Joint operations: where the Group has both the rights to assets and obligation for the liabilities of the joint arrangement.

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

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

The Group accounts for its interests in joint ventures using the equity method.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses incurred in bringing the inventories to their present location and condition, is assigned to inventories by the method most appropriate to the particular class of inventories, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Buildings are depreciated over the shorter of the term of the lease or fifty years using the straight-line method.

Leasehold improvements are depreciated over the shorter of the remaining term of the lease or at 10% per annum using the straight-line method.

Depreciation is charged to write off the cost of property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Equipment, furniture and fixtures	20% – 30%
Plant and machinery	6.67% – 20%
Motor vehicles	20% – 30%

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties 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.

Prepaid lease payments for land

Prepaid lease payments for land are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments for land are amortised on a straight-line basis over the respective terms of the land use rights.

Mining right

Mining right is stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Amortisation of mining right is calculated to write off the cost less accumulated impairment losses and reserves of the mines on the unit-of-production method.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are classified as mining right, and mineral properties under property, plant and equipment where appropriate. These assets are assessed for impairment annually and before reclassification.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life on the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets excluding goodwill and exploration and evaluation assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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 reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

Income taxes

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

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests 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.

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 in which case the taxes are also recognised directly in equity.

Leases

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

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.

Assets held under finance leases are capitalised at their fair values at the inception of the leases or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the consolidated statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included as profit or loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in HK$ using exchange rates prevailing at the end of reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve within equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

The Group's non-derivative financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Promissory notes

Promissory notes are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense respectively over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments through the expected life of the financial asset/liability respectively, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of share options has been recognised in profit or loss as share-based payments.

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

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of returns, discounts and other similar allowances and excludes value-added tax or other sales related taxes.

(i) Sales of goods are recognised on transfer of risk and rewards of ownership which is at the time of delivery and title has been passed to customer.

(ii) Interest income from a financial asset is accrued on a time-apportioned basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iii) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

(iv) Revenue from provision of services is recognised when the services have been rendered.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees.

Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligations once the contributions have been made.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 service to the Group's or the Group's parent.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimation and assumptions concerning the future in the application of the Group's accounting policies. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may 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.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the end of each reporting period.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis or reducing balance method over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Reserve estimates and amortisation of mining right

Reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process and the determination of appropriate amortisation method of mining right may require complex and difficult geological judgments and calculations to interpret the data as well as consideration of the production plan.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

The Group is subject to income taxes in various jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of property, plant and equipment

In determining whether an item of property, plant and equipment is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset or a CGU can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimated impairment of trade and loan receivables

The Group makes allowance for impairment of trade and loan receivables based on an estimate of the recoverability of these receivables. Allowances are applied to receivables where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and loan receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and allowance for impairment losses in the period in which such estimate had been changed.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of mining right and exploration and evaluation assets

The Group's mining right and exploration and evaluation assets are assessed annually to determine for any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. The assessment requires the use of estimates and assumptions such as long-term selling prices, discount rates, future capital requirements and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

During the year, the Group engaged an independent professional firm which reviewed the underlying technical report (the "**Technical Report**") in relation to the Group's mining right and concluded that method adopted by the Technical Report is appropriate and resulting values outlined in the Technical Report are fair and accurate.

Estimated recoverable amount of CGUs with goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the recoverable amounts of the cash-generating units to which the goodwill has been allocated. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from the CGU and an appropriate discount.

Had the parameters for the projected future cash flows of the CGUs of the goodwill and the discount rates been different, the estimated recoverable amount of goodwill would have been significantly different and further impairment may arise.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

The Group's major financial instruments include trade debtors, other loans and receivables, deposits, bills receivable, pledged deposits, bank balances and cash, financial assets at fair value through profit or loss, derivative financial assets and liabilities, trade creditors, bills payable, promissory notes and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

Most of the Group's assets and liabilities are denominated in HK$, United States dollars ("**U.S. Dollars**") and Renminbi ("**RMB**"), which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

The Group has no significant concentration of credit with exposure spread over a number of counterparties and customers.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 26.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is mainly exposed to cash flow interest rate risk which relates primarily to the Group's floating-rate bank borrowings and the details of borrowings are disclosed in Note 33. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

At 30 June 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and the accumulated losses by approximately HK$1,163,000 (2015: HK$677,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2015.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. 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 and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
2016				
Borrowings	**116,288**	**119,280**	**119,280**	**–**
Promissory notes	**96,900**	**105,900**	**–**	**105,900**
Creditors, other advances and accrued charges	**93,703**	**93,703**	**93,703**	**–**
	306,891	**318,883**	**212,983**	**105,900**
Derivative financial liabilities	**435**	**435**	**435**	**–**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
2015				
Borrowings	67,747	70,001	70,001	–
Creditors, other advances and accrued charges	100,855	100,855	100,855	–
	168,602	170,856	170,856	–
Derivative financial liabilities	153	153	153	–

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper futures contracts to hedge against the fluctuations of copper price. Details of the copper futures contracts outstanding at the end of reporting period are set out in Note 29.

At 30 June 2016, it is estimated that a general increase/decrease of 10% in copper futures contract price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by approximately HK$1,149,000 (2015: HK$1,747,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper futures contract price had occurred at the end of reporting period and had been applied to the exposure to copper futures contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper futures contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2015.

Equity price risk

The Group is exposed to equity price changes arising from financial assets at fair value through profit or loss held for trading purpose.

The Group's listed investments are listed on the Stock Exchange. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index of the Stock Exchange and other industry indicators, as well as the Group's liquidity needs.

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2016, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by HK$7,958,000 (2015: HK$4,803,000).

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions; and

- the fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials according to professional valuation report, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

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

HKFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1 – Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value (continued)

At 30 June 2016, the Group's derivatives are measured at fair value. During the year, there is no significant transfer between Level 1 and Level 2.

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Profit guarantee	**–**	**–**	**13,500**	**13,500**
Financial assets at fair value through profit or loss	**79,577**	**–**	**–**	**79,577**
	79,577	**–**	**13,500**	**93,077**
Liabilities				
Copper futures contracts	**435**	**–**	**–**	**435**

	2015			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Copper futures contracts	11	–	–	11
Financial assets at fair value through profit or loss	48,032	–	–	48,032
	48,043	–	–	48,043
Liabilities				
Copper futures contracts	153	–	–	153

6. TURNOVER

Turnover, which is also the revenue, represents the amounts received and receivable for goods sold and provision of services to outside customers, net of returns and discounts and sales related taxes during the year.

7. SEGMENTAL INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's reportable segments are as follows:

(i) manufacture and trading of cables and wires;

(ii) manufacture and trading of copper rods;

(iii) trading of metallurgical grade bauxite; and

(iv) investment properties.

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2015 and 2016 and for the years then ended for the purpose of segment reporting.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before taxation. The adjusted profit/loss before taxation is measured consistently with the Group's profit/loss before taxation except that interest income as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2016

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	175,918	402,665	140,761	19,500	2,135	740,979	–	740,979
Inter-segment revenue	–	29,222	–	–	23,679	52,901	(52,901)	–
Reportable segment revenue	175,918	431,887	140,761	19,500	25,814	793,880	(52,901)	740,979
Reportable segment profit/(loss)	6,132	(43,435)	1,176	23,625	(40,948)	(53,450)	2,247	(51,203)
Finance costs	(3,057)	(4,424)	(304)	–	(284)	(8,069)	496	(7,573)
Change in fair value of derivative financial instruments	–	(4,466)	–	–	(1,325)	(5,791)	–	(5,791)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	–	–	–	–	(8,191)	(8,191)	–	(8,191)
Change in fair value of investment properties, net	34,375	–	–	13,633	–	48,008	–	48,008
Change in fair value of profit guarantee	–	–	–	–	(90)	(90)	–	(90)
Reversal of impairment loss/(impairment loss) for doubtful debts, net	539	(3,875)	–	–	–	(3,336)	–	(3,336)
Depreciation of property, plant and equipment								
– allocated	(8,265)	(6,280)	(114)	(3,990)	(129)	(18,778)	–	(18,778)
– unallocated								(248)
								(19,026)
Taxation	457	369	(625)	(5,182)	–	(4,981)	–	(4,981)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2015

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	212,734	317,903	212,123	13,468	25,969	782,197	–	782,197
Inter-segment revenue	–	32,950	–	–	28,559	61,509	(61,509)	–
Reportable segment revenue	212,734	350,853	212,123	13,468	54,528	843,706	(61,509)	782,197
Reportable segment (loss)/profit	(44,533)	(46,128)	8,429	24,941	(27,328)	(84,619)	–	(84,619)
Finance costs	(3,552)	(5,483)	(3,439)	–	(305)	(12,779)	1,778	(11,001)
Change in fair value of derivative financial instruments	–	(983)	–	–	(6,976)	(7,959)	–	(7,959)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	–	–	–	–	(10,671)	(10,671)	–	(10,671)
Change in fair value of investment properties, net	–	–	–	20,037	–	20,037	–	20,037
Impairment loss for doubtful debts, net	(549)	(23,749)	–	–	–	(24,298)	–	(24,298)
Depreciation of property, plant and equipment								
– allocated	(9,793)	(6,471)	(253)	(3,814)	(4,475)	(24,806)	–	(24,806)
– unallocated								(332)
								(25,138)
Taxation	216	1,143	(803)	(3,651)	–	(3,095)	–	(3,095)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

As at 30 June 2016

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	**231,270**	**218,626**	**76,325**	**354,905**	**315,075**	**1,196,201**
Additions to non-current assets	**7,201**	**121**	**–**	**215**	**13**	**7,550**
Reportable segment liabilities	**75,355**	**88,047**	**18,031**	**6,466**	**21,120**	**209,019**

As at 30 June 2015

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade Bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	184,632	207,141	63,302	395,246	100,779	951,100
Additions to non-current assets	3,878	7,404	154	19,333	2	30,771
Reportable segment liabilities	82,732	36,448	1,760	40,851	6,075	167,866

7. SEGMENTAL INFORMATION (continued)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	For the year ended 30 June	
	2016	2015
	HK$'000	HK$'000
Loss before taxation		
Reportable segment loss	**(51,203)**	(84,619)
Impairment loss on intangible assets and exploration and evaluation assets	**(193,650)**	(198,987)
Share of results of joint ventures	**(3,394)**	(46,091)
Unallocated finance costs	**(3,886)**	–
Unallocated corporate expenses	**(19,887)**	(36,607)
Consolidated loss before taxation	**(272,020)**	(366,304)

	30 June 2016	30 June 2015
	HK$'000	HK$'000
Assets		
Reportable segment assets	**1,196,201**	951,100
Mining right	**481,748**	675,668
Interests in joint ventures	**35,346**	38,644
Unallocated bank balances and cash	**63,441**	89,584
Unallocated corporate assets	**12,137**	16,057
Consolidated total assets	**1,788,873**	1,771,053

	30 June 2016	30 June 2015
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	**209,019**	167,866
Promissory notes	**96,900**	–
Taxation	**470**	316
Deferred tax liabilities	**58,087**	57,439
Unallocated corporate liabilities	**1,407**	889
Consolidated total liabilities	**365,883**	226,510

7. SEGMENTAL INFORMATION (continued)

(c) Geographical information

The Group's operations and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets (the "**Specified non-current assets**") are located in Hong Kong, the PRC, Americas, Europe and other Asian regions.

The following table provides an analysis of the Group's sales and the Specified non-current assets by geographical areas from continuing operations, irrespective of the origin of the goods:

	2016	2015
	HK$'000	HK$'000
PRC	**634,954**	659,196
Americas	**38,262**	44,661
Europe	**35,395**	39,926
Hong Kong	**17,334**	19,611
Other Asian regions	**15,034**	18,803
	740,979	782,197

	Specified non-current assets	
	30 June 2016	30 June 2015
	HK$'000	HK$'000
PRC	**560,283**	277,659
Hong Kong	**139,038**	242,463
Mongolia	**533,617**	714,889
	1,232,938	1,235,011

The revenue information above is based on the location of customers.

7. SEGMENTAL INFORMATION (continued)

(d) Information about major customers

During the year, no customer with whom the transactions exceed 10% of the Group's manufacture and trading of cables and wires segment, trading of metallurgical grade bauxite segment, and investment properties segment; whereas one customer contributed revenue of HK$81,139,000 to the Group's manufacture and trading of copper rods segment.

During the prior year, no customer with whom the transactions exceed 10% of the Group's manufacture and trading of cables and wires segment, manufacture and trading of copper rods segment, and investment properties segment; whereas one customer contributed revenue of HK$184,981,000 to the Group's trading of metallurgical grade bauxite segment.

8. LOSS BEFORE TAXATION

	2016	2015
	HK$'000	HK$'000
It is arrived at after charging:		
Auditor's remuneration	**1,858**	1,490
Depreciation of property, plant and equipment	**19,026**	25,138
Cost of inventories (Note)	**691,306**	746,471
Provision made for inventories	**888**	2,476
Charge of prepaid lease payments for land	**1,886**	2,377
Operating lease rentals in respect of rented premises	**5,946**	1,754
Loss on disposal of property, plant and equipment	**1,640**	106
Exchange differences, net	**30,834**	7,134
Wages, salaries and retirement benefit scheme contributions including directors' remuneration (Note 9)	**39,516**	44,377

Note:

Cost of inventories includes HK$14,152,000 (2015: HK$22,425,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above. Cost of inventories also includes provision made for inventories of HK$888,000 (2015: HK$2,476,000).

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the remuneration of the directors and the five highest paid individuals for the year were as follows:

Name of director	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Mr. Chau Lai Him	**–**	–	**6,312**	5,962	**18**	18	**6,330**	5,980
Mr. Zhou Jin Hua	**–**	–	**1,415**	1,420	**17**	18	**1,432**	1,438
Mr. Liu Dong Yang	**264**	264	**261**	212	**73**	64	**598**	540
Mr. Buyan-Otgon Narmandakh	**120**	140	**–**	–	**–**	–	**120**	140
Mr. Chau Chi Ho	**–**	–	**600**	450	**18**	18	**618**	468
Mr. Chung Kam Kwong	**336**	324	**–**	–	**–**	–	**336**	324
Mr. Lo Wai Ming	**216**	204	**–**	–	**–**	–	**216**	204
Mr. Lo Chao Ming	**84**	84	**–**	–	**–**	–	**84**	84
Total	**1,020**	1,016	**8,588**	8,044	**126**	118	**9,734**	9,178

There was no share option granted to any director of the Company in the current and prior years.

There was no arrangement under which a director waived or agreed to waive any remuneration, and neither incentive payment nor compensation for loss of office was paid to a director during the current and prior years.

The five highest paid individuals of the Group include two (2015: two) directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2015: three) non-director individuals were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits	**2,453**	2,407
Contributions to retirement benefit schemes	**148**	229
	2,601	2,636

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Remuneration of these individuals was within the following bands:

	Number of individuals	
	2016	2015
HK$Nil – HK$1,000,000	**2**	1
HK$1,000,001 – HK$1,500,000	**1**	2

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

	Number of individuals	
	2016	2015
HK$Nil – HK$1,000,000	**8**	10
HK$1,000,001 – HK$1,500,000	**3**	3

10. FINANCE COSTS

	2016	2015
	HK$'000	HK$'000
Interest on borrowings wholly repayable within five years	**7,573**	10,998
Imputed interest on promissory notes	**3,886**	–
Interest on finance leases	**–**	3
	11,459	11,001

11. TAXATION

	2016	2015
	HK$'000	HK$'000
Hong Kong profits tax:		
Current year	**–**	–
Taxation in other jurisdictions:		
Current year	**1,233**	1,034
Under/(over)-provision in respect of prior years	**371**	(17)
	1,604	1,017
Deferred taxation (Note 35)	**3,377**	2,078
Taxation for the year	**4,981**	3,095

11. TAXATION (continued)

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in Hong Kong during the current and prior years.

Taxation in other countries and jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the years ended 30 June 2015 and 2016.

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

	2016 **HK$'000**	2015 HK$'000
Loss before taxation	**(272,020)**	(366,304)
Tax at the PRC income tax rate of 25% (2015: 25%)	**(68,005)**	(91,576)
Tax effect of expenses not deductible for tax purpose	**83,379**	79,590
Tax effect of income not taxable for tax purpose	**(10,587)**	(4,482)
Tax effect of tax losses not recognised	**279**	8,752
Utilisation of deductible temporary differences previously not recognised	**(631)**	–
Utilisation of tax losses previously not recognised	**(820)**	(875)
Under/(over)-provision in respect of prior years	**371**	(17)
Effect of different tax rates of the Company's subsidiaries operating outside the PRC	**141**	180
Tax effect on share of results of associates	**5**	–
Tax effect on share of results of joint ventures	**849**	11,523
Taxation for the year	**4,981**	3,095

12. OTHER INCOME AND GAINS

	2016 **HK$'000**	2015 HK$'000
Commission income	**–**	4,157
Rental income	**957**	1,306
Others	**2,525**	1,384
	3,482	6,847

13. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2015 and 2016.

14. LOSS PER SHARE

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

Loss

	2016 **HK$'000**	2015 HK$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(274,945)**	(370,292)

Number of shares

	2016	(Restated) 2015
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,735,257,775**	546,520,680

During the years ended 30 June 2015 and 2016, the Company did not have any dilutive potential ordinary shares.

The comparative figures for the basic loss per share for the year ended 30 June 2015 are restated to take into account the effect of the bonus element embedded in the placements of new shares during the year retrospectively as if they had taken place since the beginning of the respective comparative period.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
COST:						
At 1 July 2014	260,485	27,538	60,400	404,578	30,950	783,951
Currency realignment	41	21	58	245	13	378
Additions	18,902	–	281	11,266	322	30,771
Deemed acquisition of a subsidiary (Note 47)	–	–	8	–	807	815
Revaluation	77,410	–	–	–	–	77,410
Transferred to investment properties (Note 16)	(130,250)	–	–	–	–	(130,250)
Elimination of accumulated depreciation	(137,202)	–	–	–	–	(137,202)
Disposals	–	–	–	(115,367)	(1,197)	(116,564)
At 30 June 2015 and 1 July 2015	89,386	27,559	60,747	300,722	30,895	509,309
Currency realignment	(5,766)	(1,576)	(3,506)	(16,616)	(1,184)	(28,648)
Additions	–	1,166	64	5,801	519	7,550
Business combination (Note 48)	–	–	604	–	–	604
Written off	–	–	(1,583)	–	–	(1,583)
Revaluation	6,181	–	–	–	–	6,181
Transferred to investment properties (Note 16)	(7,190)	–	–	–	–	(7,190)
Elimination of accumulated depreciation	(520)	–	–	–	–	(520)
Disposals	–	(3,225)	(3,661)	–	(643)	(7,529)
At 30 June 2016	**82,091**	**23,924**	**52,665**	**289,907**	**29,587**	**478,174**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2014	171,844	17,082	48,405	334,090	19,567	590,988
Currency realignment	22	13	43	183	6	267
Provided for the year	8,691	1,083	2,592	10,036	2,736	25,138
Elimination on revaluation	(137,202)	–	–	–	–	(137,202)
Eliminated on disposals	–	–	–	(115,367)	(1,078)	(116,445)
At 30 June 2015 and 1 July 2015	43,355	18,178	51,040	228,942	21,231	362,746
Currency realignment	(2,972)	(1,076)	(2,969)	(12,555)	(865)	(20,437)
Provided for the year	4,903	999	1,828	9,093	2,203	19,026
Written off	–	–	(1,583)	–	–	(1,583)
Elimination on revaluation	(520)	–	–	–	–	(520)
Eliminated on disposals	–	(2,123)	(3,084)	–	(391)	(5,598)
At 30 June 2016	**44,766**	**15,978**	**45,232**	**225,480**	**22,178**	**353,634**
NET CARRYING AMOUNT:						
At 30 June 2016	**37,325**	**7,946**	**7,433**	**64,427**	**7,409**	**124,540**
At 30 June 2015	46,031	9,381	9,707	71,780	9,664	146,563

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group has pledged buildings with aggregate net carrying amount as at 30 June 2016 of HK$3,598,000 (2015: HK$42,531,000) to secure banking facilities granted to the Group (Note 30).

During the year, the use of certain previously self-used premises of the buildings of the Group was changed and the management decided to lease out the premises for rental income. Accordingly the carrying amounts of (i) buildings of HK$7,190,000 (2015: HK$130,250,000) (after revaluation upon the transfer); and (ii) related prepaid lease payments for land of HK$1,035,000 (2015: HK$27,519,000) as at the date of transfer were transferred to investment properties of the Group and a surplus on transfer from property, plant and equipment to investment properties, net of deferred taxation, of HK$6,181,000 (2015: HK$58,122,000) is credited to property revaluation reserve.

16. INVESTMENT PROPERTIES

	Notes	**2016** **HK$'000**	2015 HK$'000
Fair value:			
At beginning of year		**313,828**	135,941
Transferred from property, plant and equipment	15	**7,190**	130,250
Transferred from prepaid lease payments for land	17	**1,035**	27,519
Fair value gains, net		**48,008**	20,037
Currency realignment		**(21,205)**	81
At end of year		**348,856**	313,828

The Group's investment properties were valued at 30 June 2016 by Peak Vision Appraisals Limited ("**Peak Vision**") and LCH (Asia-Pacific) Surveyors Limited ("**LCH**"), which are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties, including the industrial buildings and the residential buildings, was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies using the investment approach. For the portion of the properties which are currently vacant, direct comparison approach is used by making reference to comparable sales evidence as available in the relevant market. These valuations gave rise to net fair value gains of HK$48,008,000 (2015: HK$20,037,000) during the year.

The fair value of the investment properties is a Level 3 recurring fair value measurement.

16. INVESTMENT PROPERTIES (continued)

For the significant unobservable inputs used under the investment approach, term yield ranging from 7.75% to 9% (2015: 7.75% to 8%), reversionary yield ranging from 8.25% to 9% (2015: 8.25% to 10%) and average market unit rent per month ranging from RMB4.0 to RMB16.8 (2015: RMB4.0 to RMB16.8) per square metre are adopted for the industrial buildings whereas term yield of 4.75% (2015: 4.75%), reversionary yield of 5% (2015: 5%) and average market unit rent per month ranging from RMB17.7 to RMB26.6 (2015: RMB17.7 to RMB29.6) per square metre are adopted for the residential buildings.

Under the direct comparison approach, significant inputs include price per square feet of HK$4,740 after adjusted for discount of 14% specific to the location of the Group's industrial buildings located in Hong Kong compared to recent sales on the comparable transactions, whereas significant inputs of the Group's industrial buildings in the PRC include price per square metre of RMB2,395 after adjusted for discount of 14% specific to the location of the Group's industrial buildings located in the PRC compared to recent sales on the comparable transactions.

The fair value measurement of investment properties is negatively correlated to the term yield and reversionary yield and positively correlated to average market unit rent per month under the investment approach, and is positively correlated to the prices per square feet and square metre where appropriate and a favourable adjustment on the comparable transactions under the direct comparison approach.

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

Fair value adjustments of investment properties are recognised in profit or loss. All the gains recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

There was no transfer between Levels 1, 2 and 3 during the year.

The Group has pledged investment properties with aggregate net carrying amount as at 30 June 2016 of HK$300,895,000 (2015: HK$257,136,000) to secure banking facilities granted to the Group (Note 30).

As at 30 June 2016, the Group was in the process of obtaining the relevant title documents of certain investment properties with aggregate carrying amount of HK$161,055,000 (2015: HK$177,916,000).

17. PREPAID LEASE PAYMENTS FOR LAND

	Note	2016 HK$'000	2015 HK$'000
Carrying amount:			
At beginning of year		**62,348**	92,169
Charged to the profit or loss for the year		**(1,886)**	(2,377)
Transferred to investment properties	16	**(1,035)**	(27,519)
Currency realignment		**(3,968)**	75
At end of year		**55,459**	62,348

The Group's carrying amount of the prepaid lease payments for land is analysed as follows:

	2016 HK$'000	2015 HK$'000
Leasehold land situated in the PRC	**55,161**	60,980
Leasehold land situated in Hong Kong	**298**	1,368
	55,459	62,348
Analysed for reporting purposes as:		
Non-current	**53,701**	60,308
Current	**1,758**	2,040
	55,459	62,348

The Group has pledged prepaid lease payments for land with aggregate carrying amount as at 30 June 2016 of HK$1,001,000 (2015: HK$60,135,000) to secure banking facilities granted to the Group (Note 30).

18. INTANGIBLE ASSETS

	Mining right HK$'000	Trading right HK$'000	Goodwill HK$'000	Total HK$'000
COST:				
At 1 July 2014	1,168,933	–	–	1,168,933
Currency realignment	(44)	–	–	(44)
At 30 June 2015 and 1 July 2015	1,168,889	–	–	1,168,889
Business combination (Note 48)	–	630	57,570	58,200
Currency realignment	(276)	–	–	(276)
At 30 June 2016	**1,168,613**	**630**	**57,570**	**1,226,813**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
At 1 July 2014	312,773	–	–	312,773
Additional impairment loss	180,449	–	–	180,449
Currency realignment	(1)	–	–	(1)
At 30 June 2015 and 1 July 2015	493,221	–	–	493,221
Additional impairment loss	193,650	–	–	193,650
Currency realignment	(6)	–	–	(6)
At 30 June 2016	**686,865**	**–**	**–**	**686,865**
NET CARRYING AMOUNT:				
At 30 June 2016	**481,748**	**630**	**57,570**	**539,948**
At 30 June 2015	675,668	–	–	675,668

18. INTANGIBLE ASSETS (continued)

Mining right

The mining right represents the right to conduct mining activities in the location of Nergui, Delgerkhangai soum, Dundgobi aimag, the State of Mongolia, for a period of 30 years, expiring on 23 November 2039. The mining operating license is issued by the Mineral Resources Authority of the State of Mongolia. It is extendable by 2 successive 20 years each.

The mining right is subject to impairment review whenever there are indications that the mining right's carrying amount may not be recoverable.

In performing the impairment testing for the year, the directors of the Company have engaged Peak Vision in determining the recoverable amount of the mining right. Given the current development status of mining right, management has determined that recoverable amount of the mining right on a fair-value-less-costs-of-disposal ("**FVLCOD**") basis. The calculation has incorporated assumptions that a typical market participant would use in estimating mining right's fair value, which adopted cash flow projection for a period of 9 years which is estimated to be the entire period of mining activities, discounted by the post-tax discount rate of 21.95%. In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debts of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the commodity market are taken as reference.

The fair value of the mining right is a Level 3 non-recurring fair value measurement.

As at 30 June 2016, the carrying amount of the mining right was HK$675,398,000, which was higher than the recoverable amount of HK$481,748,000 based on the above assessment, resulting in an impairment loss of HK$193,650,000 (2015: HK$180,449,000). The impairment loss is primarily due to the delay in the mining plan and hence a corresponding decrease in future cash inflows as well as the adverse change in expected selling price of copper according to the prevailing market conditions, which are attributed to the reduction in the recoverable amount of the mining right, further details of which are set out in Note 4.

18. INTANGIBLE ASSETS (continued)

Trading right and goodwill

Trading right confers a right to the Group to trade securities and options contracts on or through the Stock Exchange such that the Group can conduct the business of securities brokerage.

Trading right is considered by the directors of the Group as having indefinite useful life because there is no foreseeable limit on the period over which the trading right is expected to generate cash flows to the Group. Trading right is not amortised until its useful life is determined to be finite. Instead, it is tested for impairment annually and whenever there is an indication that it may be impaired. For such purposes, trading right is allocated to the businesses of securities brokerage, placing and underwriting services and margin financing as one CGU (the "**Securities CGU**"). For the purposes of impairment testing, goodwill arising from the related business combination is also allocated to the Securities CGU.

The recoverable amount of the Securities CGU has been determined from FVLCOD calculations based on cash flow projections from formally approved budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated weighted average growth rate of 3%, which does not exceed the long-term growth rate for the relevant industry.

Post-tax discount rate	15.61%
Growth rate within the three-year period	3%

The discount rate reflects specific risks relating to the Securities CGU. The growth rate within the three-year period have been based on past experience.

19. EXPLORATION AND EVALUATION ASSETS

	2016 **HK$'000**	2015 HK$'000
Exploration permits		
Cost:		
At beginning of year	**–**	18,538
Impairment loss	**–**	(18,538)
At end of year (Note)	**–**	–

Note:

The amount represented exploration permits in the locations of Uguujit of Orkhontuul soum in Selenge province and Undur of Bugat soum in Gobi-Altai province, the State of Mongolia. These exploration permits were granted for an initial period of 3 years with the extended expiry in 2016. In the prior year, the exploration and evaluation works had been completed and management considered that the levels of mineral reserves in respective locations of the exploration permits were low. In the opinion of the directors of the Company, it was not cost effective for the Group to carry out mining activities in the respective locations. In this regard, full impairment loss on these exploration permits of HK$18,538,000 was recognised in profit or loss in prior year.

20. PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 30 June 2016, the prepayment amounts represented prepayments made for acquisition of items of property, plant and equipment.

21. OTHER ASSETS

	2016	2015
	HK$'000	HK$'000
Deposits and prepaid fees in relation to business of securities brokerage	**200**	–
Profit guarantee (Note 46)	**13,500**	–
	13,700	–

22. PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries as at 30 June 2016 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or establishment/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Group	Principal activities
Aberdeen Investments Limited	Samoa	1 share of US$1	100%	Property holding
Chau's Electrical (BVI) Company Limited	British Virgin Islands/PRC	1 share of US$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK$1,000 ordinary HK$500,000 non-voting deferred (Note (a))	100%	Manufacture and trading of cable and wire products and property holding

22. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation or establishment/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Group	Principal activities
Chau's Industrial Investments Limited	British Virgin Islands	US$1,000	100%	Investment holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.#	PRC	US$18,025,000 (2015: US$14,925,000)	100%	Manufacture and trading of copper products and trading of metallurgical grade bauxite
東莞三泰電器有限公司 Dongguan Santai Electrical Appliances Co., Ltd.#	PRC	HK$64,000,000	100%	Property holding
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd.#	PRC	HK$6,810,000	100%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.*	PRC	HK$65,000,000	90%	Property holding
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks
Great Measure Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Hua Yi Copper Products Company Limited	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products and trading of metallurgical grade bauxite
Ikh Shijir Erdene LLC	The State of Mongolia	US$100,000	100%	Mining business (not yet commenced)
Santai Electronics Limited	Hong Kong	HK$2	100%	Investment holding

22. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation or establishment/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Group	Principal activities
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd.#	PRC	US$2,500,000	100%	Manufacture and trading of cable and wire products
Sun Progress Limited	British Virgin Islands	US$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding
東莞市韵鑫高分子科技有限公司 Dongguan Yunxin Polymer Technology Co., Ltd. ("**Dongguan Yunxin**")#	PRC	RMB3,000,000	100%	Manufacture and trading of plastic products
河南盛祥實業有限公司* Henan Shengxiang Industry Co., Ltd. ("**Henan Shengxiang**")	PRC	RMB16,200,000	51%	Trading of metallurgical grade bauxite
Pico Zeman Securities (HK) Ltd	Hong Kong	HK$25,000,000	100%	Trading of securities
Grand Star Finance Ltd	Hong Kong	HK$50,000	100%	Provision of financing and management services

Wholly-owned foreign enterprise
* Equity joint venture

22. PRINCIPAL SUBSIDIARIES (continued)

Notes:

(a) The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up.

(b) Except for Chau's Industrial Investments Limited and Great Measure Investments Limited, all the subsidiaries are indirectly held by the Company.

None of the subsidiaries issued any debt security at the end of reporting period.

23. INTERESTS IN ASSOCIATES

	2016	2015
	HK$'000	HK$'000
Share of net assets	**26,444**	–
Goodwill (Note 46)	**84,028**	–
	110,472	–

Particulars of the Group's associates are as follows:

Name of company	**Place of incorporation/ establishment and operation**	**Proportion of effective interest held by the Group**	**Principal activities**
Idea International Holdings Ltd.	Cayman Islands	49% (direct)	Investment holding
Idea Advertising Holdings Ltd.	British Virgin Islands	49% (indirect)	Investment holding
Idea Advertising Hong Kong Company Ltd.	Hong Kong	49% (indirect)	Investment holding
廣州市藝典廣告有限公司	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services

The financial statements of the above companies are not audited by BDO Limited or any of its member firms.

23. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in relation to the associates is presented below:

	2016 HK$'000
At 30 June	
Total non-current assets	41,086
Total current assets	44,315
Total current liabilities	21,192
Total non-current liabilities	10,242
Net assets	53,967
Proportion of effective interest held by the Group	49%
Share of net assets	26,444
Revenue	2,244
Loss from operations	(37)
Other comprehensive income	–
Loss and total comprehensive income for the period	(37)

24. INTERESTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Shares of net assets	35,346	38,644

Particulars of the Group's joint ventures are as follows:–

Name of company	Place of establishment/ incorporation and operation	Proportion of effective interest held by the Group	Principal activities
Venture Max Limited	British Virgin Islands	10% (direct)	Investment holding
Mongolian Copper Mining LLC	Mongolia	10% (indirect)	Mining business (not yet commenced)

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

The financial statements of the above companies are not audited by BDO Limited or any of its member firms.

24. INTERESTS IN JOINT VENTURES (continued)

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

	2016	2015
	HK$'000	HK$'000
At 30 June		
Total non-current assets	**367,490**	401,272
Cash and cash equivalents	**2,306**	1,370
Other current assets	**3,266**	2,331
Total current assets	**5,572**	3,701
Current financial liabilities	**(6,700)**	(4,739)
Other current liabilities	**(26)**	(25)
Total current liabilities	**(6,726)**	(4,764)
Total non-current liabilities	**(12,872)**	(13,766)
Net assets	**353,464**	386,443
Reconciliation to the Group's interests in joint ventures:		
Proportion of effective interest held by the Group	**10%**	10%
Share of net assets	**35,346**	38,644
Other income	**1**	3
Impairment loss on mining right	**(33,782)**	(459,443)
Exploration expenses	**(45)**	(978)
Other expenses	**(118)**	(487)
Loss and total comprehensive income for the year	**(33,944)**	(460,905)

25. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**14,174**	22,460
Work in progress	**1,808**	217
Finished goods	**42,316**	22,412
	58,298	45,089

During the year, the Group has carried out regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. As a result, inventories of HK$888,000 (2015: HK$2,476,000) have been fully written down and recognised in profit or loss for the year.

26. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 30 June 2016, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$56,096,000 (2015: HK$97,344,000).

(i) The Group allows an average credit period of 30 to 60 days (2015: 30 to 60 days) to its trade customers.

(ii) The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Within 30 days	**47,075**	63,145
31 – 60 days	**3,705**	5,542
61 – 90 days	**1,031**	1,036
Over 90 days	**4,285**	27,621
	56,096	97,344

26. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(iii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	2016 **HK$'000**	2015 HK$'000
At beginning of year	**23,420**	3,099
Impairment loss recognised	**–**	20,471
Reversal of allowance for doubtful debts	**(539)**	(38)
Uncollectible amounts written off	**(13,996)**	(101)
Currency realignment	**(605)**	(11)
At end of year	**8,280**	23,420

As at 30 June 2016, the Group's trade debtors of HK$8,280,000 (2015: HK$23,420,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

(iv) The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**49,301**	66,508
Past due and not impaired	**6,795**	30,836
	56,096	97,344

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

26. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(v) As at 30 June 2016, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$4,926,000 (2015: HK$5,016,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

(vi) Impairment on other receivables

The movements in the allowance for other receivables during the year are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of year	3,865	–
Impairment loss recognised	3,875	3,865
Currency realignment	(263)	–
At end of year	7,477	3,865

27. BILLS RECEIVABLE

As at 30 June 2015 and 2016, all bills receivable aged within 90 days.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Equity securities held for trading and listed in Hong Kong	79,577	48,032

The fair values of the equity securities are determined based on the quoted market prices. During the year, a gain on change in fair value of HK$3,113,000 (2015: a loss on change in fair value of HK$1,154,000) and a net loss on disposal of HK$11,304,000 (2015: HK$9,517,000) were recognised in profit or loss.

29. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative not qualified for hedging

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Copper futures contracts	**–**	**435**	11	153

The major terms of the outstanding copper futures contracts of the Group which had not been designated as hedging instruments were as follows:

	As at 30 June 2016	As at 30 June 2015
Quantities (in tonnes)	**270**	345
Average price per tonne	**US$5,374**	US$6,607
Delivery period	**From July 2016 to August 2016**	From July 2015 to August 2015
Fair value loss of copper futures contracts recognised as current liabilities (in HK$'000)	**(435)**	(142)

The above derivatives are measured at fair values at the end of each reporting period and are with financial institutions. The fair values of copper futures contracts are determined based on the quoted market prices at the end of reporting periods. The net loss on change in fair value of derivative financial instruments of HK$5,791,000 (2015: HK$7,959,000) has been recognised in profit or loss during the year.

30. PLEDGE OF ASSETS

As at 30 June 2016, save as disclosed elsewhere in these financial statements, the Group has pledged the following assets to secure general banking facilities granted to the Group. The carrying amounts of these assets are analysed as follows:

	Notes	**2016** **HK$'000**	2015 HK$'000
Property, plant and equipment	15	**3,598**	42,531
Investment properties	16	**300,895**	257,136
Prepaid lease payments for land	17	**1,001**	60,135
Pledged deposits and bank balances		**–**	362
		305,494	360,164

31. BANK BALANCES AND CASH (INCLUDING THE PLEDGED BALANCES) AND BANK BALANCES HELD ON BEHALF OF BROKERAGE CLIENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2016 **HK$'000**	2015 HK$'000
Bank balances and cash, pledged deposits and bank balances held on behalf of brokerage clients were denominated in the following currencies:		
RMB	**77,362**	19,383
HK$	**94,768**	122,696
U.S. Dollars	**26,246**	20,083
EURO	**262**	286
Mongolian Tughrik	**604**	377
	199,242	162,825

31. BANK BALANCES AND CASH (INCLUDING THE PLEDGED BALANCES) AND BANK BALANCES HELD ON BEHALF OF BROKERAGE CLIENTS (continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

In respect of the Group's business of securities brokerage, the Group maintains segregated trust accounts and bank time deposits with authorised institutions to hold clients' monies. The Group has classified clients' monies separately under current assets in the consolidated statement of financial position and has recognised the corresponding trade creditors of HK$16,271,000 to respective clients as included in the trade creditors in Note 32 on the ground that it is liable for any loss or misappropriation of clients' monies and does not have a currently enforceable right to offset those payables with the deposits placed.

32. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

As at 30 June 2016, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$52,822,000 (2015: HK$73,708,000).

The aging analysis of trade creditors, based on invoice date or the date of recognition, is as follows:

	2016 **HK$'000**	2015 HK$'000
Current or within 30 days	**35,533**	28,613
31 – 60 days	**2,984**	6,836
61 – 90 days	**1,339**	2,462
Over 90 days	**12,966**	35,797
	52,822	73,708

Included in the balances are an advance in the amount of HK$1,168,000 (2015: HK$Nil) from the non-controlling equity owner of a subsidiary and a loan of HK$8,760,000 (2015: HK$Nil) from an independent third party, which are unsecured, interest-free and have no fixed terms of repayment.

33. BORROWINGS

	2016 **HK$'000**	2015 HK$'000
Borrowings repayable within one year and are analysed as follows:		
Bank loans, secured	**99,273**	43,772
Trust receipt loans, secured	**17,015**	23,975
	116,288	67,747

The average effective interest rates of the bank borrowings range from 5.12% to 6.35% (2015: 5.46% to 7.72%) per annum.

Over 85% of the Group's bank borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

As at 30 June 2016, the Group had available undrawn committed borrowing facilities in the amount of HK$64,521,000 (2015: HK$173,195,000) in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 30. Certain borrowings are also secured by the corporate guarantees of the Company and its certain subsidiaries.

34. PROMISSORY NOTES

During the year, the Company issued promissory notes with principal amounts of HK$42,000,000 and HK$100,000,000 as part of the considerations to acquire 100% equity interest of Pico Zeman Securities (HK) Limited ("**PICO**") and 49% equity interest of Idea International Holdings Limited ("**IDEA**") respectively. The promissory notes are unsecured, bear interest at 6% per annum and matured at the second anniversary from the respective dates of issue, i.e. April and May 2018. Further details are set out in Notes 46 and 48.

The promissory notes were initially recognised at their fair values at the dates of issue and subsequently measured at amortised cost using the effective interest method.

34. PROMISSORY NOTES (continued)

The movements of the promissory notes during the year are as follows:

	HK$'000
At the respective dates of issue (Notes 46 and 48)	133,046
Imputed interest on promissory notes	3,886
Redemption on promissory notes	(40,000)
Interest paid	(32)
At 30 June 2016	96,900

As at the respective dates of issue of the promissory notes, the aggregate fair value of the promissory notes was estimated at HK$133,046,000 based on professional valuations conducted by Peak Vision using discounted cash flows method with discount rates ranging from 9.05% to 10.19%.

35. DEFERRED TAX

The following is the major deferred tax liabilities recognised by the Group and their movements:

	Investment properties	Accelerated tax depreciation	Properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2014	17,921	12,099	5,936	35,956
Currency realignment	13	11	(20)	4
Charge to other comprehensive income	–	–	19,401	19,401
Charge/(credit) to profit or loss for the year (Note 11)	3,651	(1,084)	(489)	2,078
At 30 June 2015	21,585	11,026	24,828	57,439
Currency realignment	(607)	(495)	(1,627)	(2,729)
Charge/(credit) to profit or loss for the year (Note 11)	5,182	(1,388)	(417)	3,377
At 30 June 2016	**26,160**	**9,143**	**22,784**	**58,087**

35. DEFERRED TAX (continued)

As at 30 June 2016, the Group has unused tax losses of HK$173,206,950 (2015: HK$168,656,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

As at 30 June 2015 and 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with interests in subsidiaries in the PRC for which deferred tax liabilities have not been recognised is in total amount of approximately HK$Nil (2015: HK$267,000).

36. SHARE CAPITAL

	Number of shares		**Share capital**	
	2016	2015	**2016**	2015
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each:				
Authorised (Note (i))	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning of the year	**1,133,912**	1,889,854	**11,339**	18,899
Capital reorganisation (Note (i))	**–**	(1,700,869)	**–**	(17,009)
Placements of new shares (Note (ii))	**825,460**	–	**8,255**	–
Open offer of new shares (Note (iii))	**–**	944,927	**–**	9,449
At end of the year	**1,959,372**	1,133,912	**19,594**	11,339

36. SHARE CAPITAL (continued)

Notes:

(i) In the prior year, pursuant to a resolution passed at the special general meeting of the Company held on 1 April 2015, a capital reorganisation was effected such that the authorised share capital of the Company remained at HK$500,000,000 being represented by 50,000,000,000 shares. The capital reorganisation involved (i) a share consolidation pursuant to which every ten existing issued and unissued shares of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.1 each (the "**Share Consolidation**"); (ii) a share reduction pursuant to which the existing issued share capital of the Company, after the Share Consolidation, was reduced by a cancellation of (a) the paid-up capital of the Company to the extent of HK$0.09 on each of the issued consolidated shares such that the nominal value of each issued consolidated share was reduced from HK$0.10 to HK$0.01 and (b) any fractional consolidated share in the issued capital of the Company arising from the Share Consolidation (the "**Capital Reduction**"); (iii) immediately following the Share Consolidation and the Capital Reduction, each of the authorised but unissued consolidated shares of HK$0.10 each was sub-divided into ten adjusted shares of HK$0.01 each; and (iv) the credit arising from the Capital Reduction of approximately HK$17,009,000 was transferred to the contributed surplus account of the Company. Further details are set out in the Company's circular and announcement dated 9 March 2015 and 6 February 2015, respectively.

The transfer of credit arising from the Capital Reduction of HK$17,009,000 was then immediately offset the accumulated losses of the Company.

(ii) During the year, an aggregate number of 825,460,000 new ordinary shares of par value of HK$0.01 each were issued at subscription prices ranging from HK$0.17 to HK$0.195 each to the then independent third parties of the Company at aggregate proceeds of approximately HK$144,723,000, net of issuing expenses directly related to respective placements, of which HK$8,255,000 was credited to share capital and the remaining balance of HK$136,468,000 was credited to the share premium account.

(iii) In the prior year, 944,926,950 new ordinary shares of par value of HK$0.01 each were issued at subscription price of HK$0.20 per offer share on the basis of five offer shares for every one existing share at aggregate proceeds of HK$184,098,000, net of issuing expenses directly related to the open offer of HK$4,887,000, of which approximately HK$9,449,000 was credited to share capital and the remaining balance of approximately HK$174,649,000 was credited to the share premium account. Further details are set out in the Company's prospectus and circular dated 16 April 2015 and 9 March 2015, respectively.

All the new shares issued above rank pari passu in all respects with the existing shares.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Interests in subsidiaries	**763,079**	1,457,646
Total non-current assets	**763,079**	1,457,646
Current assets		
Deposits and prepayments	**3,092**	333
Bank balances and cash	**61,930**	71,338
Total current assets	**65,022**	71,671
Current liabilities		
Other advances and accrued charges	**1,119**	762
Total current liabilities	**1,119**	762
Net current assets	**63,903**	70,909
Total assets less current liabilities	**826,982**	1,528,555
Non-current liabilities		
Promissory notes	**96,900**	–
Total non-current liabilities	**96,900**	–
Total net assets	**730,082**	1,528,555
EQUITY		
Capital and reserves		
Share capital	**19,594**	11,339
Reserves	**710,488**	1,517,216
Total equity	**730,082**	1,528,555

38. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2014	1,394,932	763,907	(725,961)	1,432,878
Loss and total comprehensive income for the year	–	–	(107,320)	(107,320)
Capital reorganisation during the year	–	–	17,009	17,009
Shares issued under open offer	174,649	–	–	174,649
At 30 June 2015 and 1 July 2015	1,569,581	763,907	(816,272)	1,517,216
Loss and total comprehensive income for the year	–	–	(943,196)	(943,196)
Placements of new shares	136,468	–	–	136,468
At 30 June 2016	**1,706,049**	**763,907**	**(1,759,468)**	**710,488**

39. NON-CONTROLLING INTERESTS

Henan Shengxiang, a 51%-owned subsidiary of the Company, has material non-controlling interests ("**NCI**"). The NCI of all other subsidiaries that are not wholly owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Henan Shengxiang, before intra-group eliminations, is presented below:

	2016 **HK$'000**	2015 HK$'000
STATEMENT OF FINANCIAL POSITION		
Current assets	**38,630**	41,585
Non-current assets	**558**	715
Current liabilities	**(20,718)**	(19,456)
Net assets	**18,470**	22,844
Accumulated NCI	**9,050**	11,194
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	**59,797**	184,981
(Loss)/profit and total comprehensive income for the year	**(2,963)**	2,198
(Loss)/profit allocated to NCI	**(1,452)**	1,077
Cash flows generated from/(used in) operating activities	**12,433**	(24,747)
Cash flows generated from investing activities	**13**	–
Cash flows used in financing activities	**(14,444)**	(6,265)
Net cash outflows	**(1,998)**	(31,012)

40. CAPITAL COMMITMENTS

	2016 HK$'000	2015 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	**2,905**	222

41. LEASE COMMITMENTS

As lessor

The Group has entered into property leases on its investment properties, with leases negotiated for terms ranging for one to ten years.

At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**10,832**	14,842
In the second to fifth year inclusive	**38,418**	39,898
Beyond the fifth year	**31,877**	28,077
	81,127	82,817

As lessee

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

	2016 HK$'000	2015 HK$'000
Within one year	**8,071**	–
In the second to fifth year inclusive	**12,724**	–
	20,795	–

Leases were negotiated for an average term of two years and rentals were fixed for such term.

42. SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a new share option scheme (the "**Scheme**") for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries of associated companies or such persons who from time to time are determined by the board of directors (the "**Board**") at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "**Participants**"), to strive for future developments and expansion of the Group. The Scheme will end on 17 December 2022.

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 113,391,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of special general meeting on 9 June 2015.

During the years ended 30 June 2015 and 2016, no equity-settled share-based payment was recognised in profit or loss.

As at 30 June 2015 and 2016, no outstanding share option was issued.

43. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

Pursuant to the PRC government regulations, the Group is required to contribute to a central pension scheme in respect of certain of the Group's employees in the PRC based on a certain percentage of the salaries of those employees and there is no forfeited contribution under the central pension scheme.

The retirement benefits cost charged to profit or loss represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of HK$3,993,000 (2015: HK$3,421,000).

44. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group did not enter other material transactions with related companies.

Compensation of key management personnel of the Group

Members of key management personnel of the Group during the year comprised only of the directors whose remuneration is set out in Note 9.

45. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes borrowings and promissory notes disclosed in Notes 33 and 34 respectively, bank balances and cash disclosed in Note 31 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through new share issues as well as the issue of new debts or redemption of existing debts.

The gearing ratio at the end of reporting period was as follows:

	2016 **HK$'000**	2015 HK$'000
Debts	**213,188**	67,747
Bank balances and cash	**(199,242)**	(162,825)
Net debts	**13,946**	(95,078)
Equity	**1,414,044**	1,532,849
Net debts to equity ratio	**1.0%**	N/A

46. ACQUISITION OF ASSOCIATES

During the year, the Group completed the acquisition of 49% equity interests in IDEA and its subsidiaries (collectively the "**Idea Group**") at an aggregate nominal consideration of HK$130,000,000 which was satisfied by (i) the initial payment of HK$30,000,000 in cash; and (ii) issue of a promissory note of HK$100,000,000 in favour of the vendor by the Company upon the date of completion of acquisition.

Pursuant to the sale and purchase agreement, the consideration would be adjusted if the audited net profit after tax of the operating company within the Idea Group for the years ended 31 December 2016 and 2017 is less than RMB18,000,000 and RMB23,000,000 (the "**Profit Guarantee**") respectively. The consideration would be reduced by three times of the shortfall between the actual profit for the respective years and the Profit Guarantee. On the completion date, the fair value of the Profit Guarantee is determined with reference to the professional valuation conducted by Peak Vision at HK$13,590,000. Subsequent to the initial recognition, the Profit Guarantee is measured at fair value. As at 30 June 2016, the fair value of the Profit Guarantee was measured at fair value of HK$13,500,000 with reference to professional valuation conducted by Peak Vision and accordingly a loss on change in fair value of HK$90,000 was recognised in profit or loss for the year.

The fair values of the consideration and identifiable assets and liabilities of the Idea Group attributable to the Group, as at the completion date of the acquisition, are as below:

	HK$'000
Fair value of consideration:	
Cash paid	30,000
Promissory note issued (Note 34)	94,080
	124,080
The Profit Guarantee	(13,590)
Fair value of identifiable assets and liabilities of the Idea Group attributable to the Group	(26,462)
Goodwill (Note 23)	84,028

Further details are set out in the Company's announcements dated 10 December 2015, 30 March 2016 and 16 May 2016.

47. DEEMED ACQUISITION OF A SUBSIDIARY

During the prior year, the Group, through an indirect wholly-owned subsidiary, entered into an agreement with two independent parties to inject RMB8,200,000 (equivalent to approximately HK$10,303,000) into Henan Shengxiang and since then it was 51%-owned by the Group. The principal activity of Henan Shengxiang is trading of metallurgical grade bauxite. The deemed acquisition was made with the aim to broaden the Group's revenue stream and generate better return for shareholders.

The fair values of identifiable assets and liabilities of Henan Shengxiang as at the date of deemed acquisition were:

	Note	HK$'000
Property, plant and equipment	15	815
Inventories		2,601
Debtors, other loans and receivables, deposits and prepayments		10,075
Bank balances and cash		31,498
Creditors, other advances and accrued charges		(18,036)
Borrowings		(6,265)
Non-controlling interests		(10,107)
		10,581
Cash consideration		(10,303)
Gain on bargain purchase		278
Net cash inflow arising on acquisition:		
Cash consideration paid		(10,303)
Bank balances and cash acquired		31,498
		21,195

The gain on bargain purchase was resulted from a discount given by the then sole equity owner of Henan Shengxiang for an immediate capital to expand the business of Henan Shengxiang.

The Group has elected to measure the non-controlling interest in Henan Shengxiang at the proportionate share of the identifiable net assets of Henan Shengxiang at the acquisition date.

The revenue and results of Henan Shengxiang from the date of deemed acquisition to 30 June 2015 are set out in Note 39. If the acquisition had occurred on 1 July 2014, the Group's revenue and loss would have been HK$782,727,000 and HK$369,231,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2014, nor is it intended to be a projection of future performance.

48. BUSINESS COMBINATION

During the year, the Group completed the acquisition of 100% equity interest of PICO, a company which is principally engaged in the business of securities brokerage in Hong Kong. It is currently licensed to carry on Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). The acquisition was made with the aims to expand the Group's business into financial services sector and related businesses.

The fair values of consideration and identifiable assets and liabilities of PICO as at the date of acquisition are as follows:

	Notes	HK$'000
Property, plant and equipment	15	604
Other intangible assets	18	630
Other assets		200
Debtors, other loans and receivables, deposits and prepayments		3,969
Bank balances held on behalf of brokerage clients		20,606
Bank balances and cash		6,270
Creditors, other advances and accrued charges		(20,883)
Total identifiable net assets		11,396
Goodwill	18	57,570
Consideration		68,966
Satisfied by:		
Cash		30,000
Promissory note issued	34	38,966
Consideration		68,966

Notes:

(a) Pursuant to the acquisition and subscription agreement, the acquisition involved an aggregate nominal consideration of HK$72,000,000 which was satisfied by (i) the initial payment of HK$30,000,000 in cash; and (ii) issue of a promissory note of HK$42,000,000 in favour of the vendor by the Company upon the date of completion of acquisition.

(b) The fair value of debtors, other loans and receivables, deposits and prepayments approximated the gross carrying amount of these amounts as disclosed above. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

(c) Goodwill arose from the acquisition of PICO, which comprised the acquired workforce and PICO's potential businesses upon its obtaining licenses of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. The Group plans to use PICO as its initial platform in establishing its financial services and related businesses.

48. BUSINESS COMBINATION (continued)

Notes: (continued)

(d) Since the date of acquisition, PICO has contributed HK$2,078,000 and loss of HK$1,228,000 to Group's revenue and results, respectively. If the acquisition had occurred on 1 July 2015, the Group's revenue and loss would have been HK$761,252,000 and HK$278,657,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2015, nor is it intended to be a projection of future performance.

(e) The acquisition-related costs of HK$1,420,000 have been expensed and are included in general and administrative expenses.

Further details are set out in the Company's announcements dated 19 October 2015, 20 October 2015 and 18 April 2016.

49. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the year ended 30 June 2015, the Group acquired further 49% equity interest in Dongguan Yunxin at a consideration of RMB1,470,000 which was satisfied by payment of cash, pursuant to which Dongguan Yunxin became a wholly-owned subsidiary of the Group. The difference of approximately RMB151,000 (equivalent to HK$189,000) between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest has been debited to accumulated losses.

50. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2015 and 2016 may be categorised as follows:

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost		
– Debtors, other loans and receivables and deposits	**193,781**	271,108
– Bills receivable	**9,579**	6,937
– Bank balances and cash	**199,242**	162,825
Financial assets at fair value through profit or loss at fair value		
– Equity investments	**79,577**	48,032
– Derivative financial assets	**–**	11
– Profit guarantee	**13,500**	–
Financial liabilities		
Financial liabilities at amortised cost		
– Creditors, other advances and accrued charges	**93,703**	100,855
– Borrowings	**116,288**	67,747
– Promissory notes	**96,900**	–
Derivative financial liabilities at fair value		
– Derivative financial liabilities	**435**	153

51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that:

– are offset in the Group's consolidated statement of financial position; or

– are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("**HKSCC**"), the Group has a legally enforceable right to set off the money obligation receivables and payables with HKSCC on the same settlement date and the Group intends to set off on a net basis.

(a) Financial assets subject to offsetting, enforceable master netting arrangement or similar arrangements

As at 30 June 2016

Type of financial assets	Gross amount of recognised financial assets HK$'000	Gross amount of recognised financial liabilities offset in the statement of financial position HK$'000	Net amount of financial assets presented in the statement of financial position HK$'000	Related amounts not offset in the statement of financial position: Collateral received HK$'000	Related amounts not offset in the statement of financial position: Financial instruments HK$'000	Net amount HK$'000
Trade receivables due from clearing houses	252,848	(252,493)	355	-	-	-

There was no offsetting for the balances as at 30 June 2015.

51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangement or similar arrangements

As at 30 June 2016

Type of financial liabilities	Gross amount of recognised financial liabilities HK$'000	Gross amount of recognised financial assets offset in the statement of financial position HK$'000	Net amount of financial liabilities presented in the statement of financial position HK$'000	Related amounts not offset in the statement of financial position		Net amount HK$'000
				Collateral received HK$'000	Financial instruments HK$'000	
Trade payables due to clearing houses	252,493	(252,493)	-	-	-	-

There was no offsetting for the balances as at 30 June 2015.

52. EVENT AFTER REPORTING PERIOD

With effect from 25 July 2016, Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO have been added to the licence of Pico, further details of which are set out in the Company's announcement dated 5 August 2016.

PARTICULARS OF PROPERTIES

Properties held for investment	Type	Lease term
Flat A, B, C, D, E, F, G, H, I, J, K & L on each of 11th Floor and 15th Floor, Ping On Court, Peace Plaza, Shangzhong Yuan Road, Changping Town, Dongguan City, Guangdong Province, the PRC	Residential	Medium
An industrial complex located at Qiao Zi Road, Qiao Zi Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land known as Lot No. 1924130100054 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Qiaozi Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Butian, Tangjiao District, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
Workshop 7 on 2nd Floor and Car Park No. L5 on 1st Floor Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong	Industrial	Medium

FINANCIAL SUMMARY

RESULTS

The Group

	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
Turnover	**740,979**	782,197	813,073*	601,611	612,863
Loss before taxation	**(272,020)**	(366,304)	(37,590)	(413,177)	(91,840)
Taxation	**(4,981)**	(3,095)	(125)	(1,894)	(14,292)
Loss for the year	**(277,001)**	(369,399)	(37,715)	(415,071)	(106,132)
Loss attributable to:					
Owners of the Company	**(274,945)**	(370,292)	(37,709)	(415,071)	(106,132)
Non-controlling interests	**(2,056)**	893	(6)	–	–
	(277,001)	(369,399)	(37,715)	(415,071)	(106,132)

ASSETS AND LIABILITIES

	At 30 June 2016 HK$'000	At 30 June 2015 HK$'000	At 30 June 2014 HK$'000	At 30 June 2013 HK$'000	At 30 June 2012 HK$'000
Total assets	**1,788,873**	1,771,053	2,030,718	1,840,678	2,220,516
Total liabilities	**(365,883)**	(226,510)	(357,109)	(345,857)	(325,727)
	1,422,990	1,544,543	1,673,609	1,494,821	1,894,789
Attributable to:					
Owners of the Company	**1,414,044**	1,532,849	1,671,278	1,494,321	1,894,289
Non-controlling interests	**8,946**	11,694	2,331	500	500
	1,422,990	1,544,543	1,673,609	1,494,821	1,894,789

* represented