Solartech International Holdings Limited

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

2018
ANNUAL REPORT

CONTENTS

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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Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK CODE

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WEBSITE

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Hong Kong

LEGAL ADVISOR

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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
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

FINANCIAL RESULTS

The Board announces that for the year ended 30 June 2018 (the "**year under review**"), total turnover of the Group was approximately HK$395,380,000, representing a decrease of 10.7% as compared to approximately HK$442,522,000 recorded for the corresponding period last year. During the year under review, loss attributable to owners of the Company was approximately HK$85,639,000, as compared to the loss attributable to owners of the Company of approximately HK$70,197,000 for the corresponding period last year. Loss per share for the year under review was approximately HK$0.04 (Loss per share for 2016/17: HK$0.03).

BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK$395,380,000, representing a decrease of 10.7% as compared to approximately HK$442,522,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK$196,081,000, representing an increase of 17.7% as compared to approximately HK$166,669,000 for the same period of last year and accounted for 49.6% of the Group's total turnover. Turnover of the copper rod business was approximately HK$179,408,000, representing a decrease of 17.4% as compared to approximately HK$217,272,000 for the same period of last year and accounted for 45.4% of the Group's total turnover. Turnover of the metallurgical grade bauxite trading business was Nil as compared to approximately HK$28,932,000 for the same period of last year. Turnover of the leasing business was approximately HK$11,550,000, representing a decrease of 29.3% as compared to approximately HK$16,328,000 for the same period of last year and accounted for 2.9% of the Group's total turnover. Turnover of other business was approximately HK$8,341,000 and accounted for 2.1% of the Group's total turnover, as compared to approximately HK$13,321,000 for the same period of last year.

By geographical market segments, turnover from the business in the Americas decreased by 22.1% to approximately HK$17,164,000 from approximately HK$22,035,000 for the same period of last year, accounting for 4.3% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 11.0% to approximately HK$330,755,000 from approximately HK$371,815,000 for the same period of last year, accounting for 83.6% of the Group's total turnover. Turnover from the business in Europe decreased by 4.9% to approximately HK$34,237,000 from approximately HK$36,011,000 for the same period of last year, accounting for 8.7% of the Group's total turnover. Turnover from the business in other regions increased by 4.5% to approximately HK$13,224,000 from approximately HK$12,661,000 for the same period of last year, accounting for 3.4% of the Group's total turnover.

Cables and Wires

The Group's turnover of the cables and wires business for the year under review was approximately HK$196,081,000, representing an increase of 17.7% as compared to approximately HK$166,669,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the year under review, although the macro-economic conditions in the PRC bring serious challenges to the Company's development, the operating conditions in the manufacturing industry continue to improve as a result of the depreciation of RMB. During the year under review, the Group has been proactively monitoring the development of the US-China trade war as well as the upcoming policies in Mainland China, and has carried out research and adjustments accordingly to adopt 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. During the year under review, the turnover of the copper rod business was approximately HK$179,408,000, representing a decrease of 17.4% as compared to approximately HK$217,272,000 for the same period of last year. The copper rods and copper wires 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 continued to recover during the year under review and the 3-month London Metal Exchange copper price increased from approximately US$5,900 at the beginning of the year under review to approximately US$6,600 at the end of the year under review. As an increase in copper price only allowed certain major upstream copper companies to lower their copper rod processing fees to attract clients during the year, the operating environment for the copper rod business remains poor. After considering the cost efficiency of the business, the Group redeployed resources and focused on copper wires trading during the year.

Metallurgical Grade Bauxite Trading Business

During the year under review, no turnover was recorded in the metallurgical grade bauxite trading business as commodities for this business were mainly imported from Pahang, Malaysia. The local authority in Malaysia implemented a suspension order on bauxite mining and export activities from the beginning of 2016 to the end of the year under review in order to monitor mining operations and to alleviate water pollution problems. The Group will continue to observe and closely monitor the development of the suspension order on bauxite mining.

Rental Income

Investment properties of the Group include a plant property in Qiaozi, a factory property in Shanghai Qingpu District, a residential property in Dongguan Changping Town and an industrial property in Kowloon Bay. During the year under review, rental income was approximately HK$11,550,000, representing a decrease of approximately 29.3% as compared to approximately HK$16,328,000 for the same period last year. Such decrease is mainly due to the disposal of Santai Industrial Zone at the beginning of the year under review.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. During the year under review, the State of Mongolia held a presidential election and elected a new prime minister and a new cabinet. The impact of a new Mongolian government on the economic development of Mongolia and its appeal to foreign investors going forward will remain to be seen. The Group adjusted its investment plan for Mongolia accordingly and adopted a more prudent approach. Apart from the necessary work to maintain mining rights, no large scale capital investment was made during the year under review. The Group is looking for strategic alliance partners who have experience in exploring mines to negotiate the possibility of cooperation in excavating and exploring mineral resources in Mongolia.

Securities Business

The performance of the securities business during the year under review was sluggish, with turnover of approximately HK$8,341,000, representing a decrease of approximately 37.4% as compared to approximately HK$13,321,000 for the same period of last year. As there was fierce competition in the industry with competitors lowering their brokerage fee in order to attract clients, despite the Group has also reduced its brokerage fee in line with the market to retain clients, the operating environment remains harsh. The Group will closely monitor the development of the market and make appropriate adjustments accordingly.

Advertising Business

The Group owns 49% of the issued capital of Idea International Holdings Limited ("**Idea**"). The business scope of Idea includes acting as an integrated brand marketing and advertising company based on media agency, column placement, media delivery and advertisement design and provision of advertising and media related services for clients with famous brands in beverage, IT and motor industries. During the year under review, the growth in the business of Idea remained stable. The audited net profit after tax of Idea for the financial year ended 31 December 2017 prepared under the HKFRSs reached its profit guarantee of RMB23,000,000.

PROSPECTS

During the US-China trade war, which broke out in the first half of 2018, the US continues to impose a large scale of tariffs on goods imported from the PRC to the US, which increases the tension of the trade between the PRC and the US and casts a shadow over the development of the global economy. The Group will closely monitor the impact of the trade war on the Group's business and make adjustments on our business development accordingly.

The Group has been devoting substantial effort to the restructuring of the cables and wires business over the past two years, which involved consolidating plants and acquiring automatic machinery and equipment to enhance efficiency and reduce cost. This has achieved positive results during the year under review. The cables and wires business stabilised with significant improvement in terms of sales and gross profit during the year under review. The Group will pay close attention to the changing market conditions and review consolidation proposals for the cables and wires business with the aim of strengthening its market position and enhancing its profitability in the cables and wires business.

In addition to the recent US-China trade war, as the PRC continued to implement the deleveraging policy, some corporate customers in the advertising business met capital turnover difficulties. In order to reduce operating costs, corporate customers reduced excessive spending on brand advertisement and significantly reduced their budget on advertisements. Given the fast-changing market, the rise of new media, and the de-intermediation of brands, the room for development for traditional advertisement companies is severely cramped. The Group expects that the aforementioned factors will adversely impact on the prospect of the advertising industry.

On 17 July 2017, the Group completed the acquisition of 80% of the equity interest of Lianjiang Zhou's Marble Limited (廉江市周氏石材有限公司) (the English name for identification purpose only) ("**Zhou's Marble**"). The Group is actively preparing to establish a stone industry processing and trading base on the lands in Lianjiang. Lianjiang is located in the Northern Bay Area. Such development project is one of the key projects in Lianjiang, which is expected to generate new income for the Group and diversify the business of the Group.

CHAIRMAN'S STATEMENT

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

APPRECIATION

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

On behalf of the Board

Chau Lai Him
Chairman and Managing Director

27 September 2018

EXECUTIVE DIRECTORS

Mr. CHAU Lai Him, aged 67, 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 60, 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 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 44, 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 its overall operations. 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 36, 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 more than 10 years' experience in finance and accounting. 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 61, 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 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. He 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.

Mr. LO Wai Ming, aged 66, 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 more than 30 years' 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 53, has been appointed as an independent non-executive director of the Company since November 2006. He is the general manager 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.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. CHAN Kam Yee, Shirley, aged 58, has been appointed as the company secretary of the Company since November 2007. 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. She has more than 25 years' experience in finance and accounting and more than 20 years' experience in company secretarial affairs.

SENIOR MANAGEMENT

Ms. LAM Sui Lan, Miranda, aged 49, 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. TSUI Lok Kin, aged 37, joined the group in April 2016 and is the accounting manager of Chau's Electrical Co., Ltd and is responsible for accounting and financial management. He holds a bachelor degree in Business from the Monash University, Melbourne. He is a member of the CPA Australia and has more than 10 years' experience in auditing, finance and accounting.

Mr. ZHOU Qi Qin, aged 54, 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 51, 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.

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 2018 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the Group is principally engaged in the cables and wires business, copper rod business, metallurgical grade bauxite trading business, property investment business, mining business, securities business and advertising business. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in notes 21, 22 and 23 to the Financial Statements, respectively. An analysis of the revenue from the principal activities during the year ended 30 June 2018 (the "**financial year**" or "**the year under review**") is set out in notes 6 and 7 to the Financial Statements. Further discussion and analysis of the operating activities of the Group during the financial year, and an indication of likely future developments in the Group's business, as required by Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong), can be found in the sections headed "Chairman's Statement" as set out on pages 3 to 6 of this annual report. Such discussion forms part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To the best of knowledge and belief, the Directors consider that the following are the key risks and uncertainties identified by the Group as at the date of this report.

Risk in Mining Business

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. As there are still many uncertainties in the Mongolian and the international mineral markets, apart from carrying out additional exploration work and the necessary work to maintain mining rights, no large scale capital investment was made during the year under review. The management will closely monitor the investment risks of Mongolia and make adjustments to the investment strategies accordingly.

Foreign Exchange Rate Risk

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.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates and interest rates. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest Rate Risk

For interest-sensitive investments, the Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN CHINA GLORY MANAGEMENT LIMITED

On 16 October 2016, the Company announced that on 15 October 2016, Chau's Industrial Investments Limited (a wholly-owned subsidiary of the Company) (the "**Vendor**") entered into a conditional sale and purchase agreement (the "**Sale Agreement**") with Key State Global Limited (the "**Purchaser**"), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of China Glory Management Limited (the "**Target Company**") at a cash consideration of HK$140,000,000 (the "**Disposal**").

On 24 August 2017, the Company announced that all the conditions of the Disposal had been satisfied or waived by the Purchaser and completion of the Disposal took place on 24 August 2017. Following completion of the Disposal, (i) the Vendor ceased to have any interest in the Target Company, Santai Electronics Company Limited and Dongguan Santai Electronics Company Limited (collectively, the "**Target Group**"); and (ii) all members of the Target Group ceased to be subsidiaries of the Company.

The details and completion of the Disposal were set out in the announcements of the Company dated 16 October 2016 and 24 August 2017 and were disclosed in the Company's 2017 Annual Report and in Note 31 to the consolidated financial statements of this report.

ACQUISITION OF 80% OF THE REGISTERED CAPITAL OF LIANJIANG ZHOU'S MARBLE LIMITED

On 2 March 2017, Dongguan Hua Lin Real Estate Investment Development Limited (東莞市華麟房地產投資開發有限公司) (the English name for identification purpose only) ("**Dongguan Hua Lin**"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreements (the "**Agreements**") with the shareholders of Zhou's Marble. Pursuant to the Agreements, Dongguan Hua Lin agreed to acquire 80% of the registered capital of Zhou's Marble at a consideration of RMB25,000,000 (approximately HK$28,200,000) (the "**Acquisition**"). Zhou's Marble is principally engaged in the business of processing and trading of marble related products.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition less than 5%, the Acquisition does not a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore not subject to the reporting and announcement requirements under the Listing Rules.

Completion of the Acquisition took place on 17 July 2017. Following the completion of the Acquisition, Zhou's Marble became a direct subsidiary of Dongguan Hua Lin and an indirect non-wholly subsidiary of the Company.

The details and completion of the Acquisition were disclosed in the Company's 2017 Annual Report.

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 report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving.

We have completed our Environmental, Social and Governance ("**ESG**") report which contains our ESG information in 2017/2018 and the requirements under the Environmental, Social and Governance Reporting Guide of the Listing Rules. The ESG report for the year under review is set out on pages 33 to 41 of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationships with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners or bank enterprises.

RESULTS

The results of the Group for the year ended 30 June 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 49 and 50 of this report.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2018.

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 134 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of additions and other movements during the year ended 30 June 2018 in the property, plant and equipment of the Group are set out in note 15 to the Financial Statements.

DIRECTOR'S REPORT

SHARE CAPITAL AND SHARE OPTION SCHEME

During the year ended 30 June 2018, 13,800,000 share options were exercised and 13,800,000 new ordinary shares of par value of HK$0.01 each were issued at the exercise price of HK$0.355 per share. The proceed of HK$4,899,000 was utilised for general working capital of Hong Kong office. Save as the above, no new ordinary shares were issued during the year ended 30 June 2018.

Details of changes in the share capital of the Company during the year ended 30 June 2018 are set out in (a) the paragraph headed "Capital Structure" and (b) note 36 to the Financial Statements.

Pursuant to an 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 a circular to the shareholders of the Company dated 24 October 2012. A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme	The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible persons thereunder for their contributions and continuing efforts to promote the interests of the Group and to enable the Group to recruit and retain high calibre employees.
Participants	The participants of the Share Option Scheme ("**Participants**") include (a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the foregoing persons.
Total number of securities available for issue under the Share Option Scheme	235,223,234 Shares (The maximum number of Shares subject to the Existing Scheme Mandate Limit under the Share Option Scheme is 235,223,234, which was approved by an ordinary resolution of the Shareholders at the special general meeting of the Company held on 8 December 2017), representing 9.95% of the issued shares as at the date of this report).
Maximum entitlement of each Participant	No Option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

Period within which the securities must be taken up under an Option	10 years commencing from the date on which the offer in relation to such Option is accepted or otherwise determined and notified by the Board to the Grantee.
The minimum period, if any, for which an option must be held before it can be exercised	The Board has discretion to set a minimum period for which a Share Option has to be held before the exercise of the subscription rights attaching thereto.
The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK$1.00 is to be paid by each Grantee as consideration for the grant of Share Option within 28 days from the date of offer.
Basis of determining the exercise price	The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine but the subscription price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.
Remaining life of the Share Option Scheme	The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional.

The following table shows details of the movements in the Company's share options during the year under review:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK$ Note (1)	Number of Share Options: Outstanding at 1 July 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 30 June 2018
Directors									
Chau Lai Him	7 October 2016	14 October 2016 to 6 October 2018	0.355	18,580,000	–	–	–	–	18,580,000
Zhou Jin Hua	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	–	–	–	–	17,000,000
Liu Dong Yang	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	–	–	–	–	17,000,000
Chau Chi Ho	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	–	–	–	–	17,000,000
Chung Kam Kwong	7 October 2016	14 October 2016 to 6 October 2018	0.355	1,000,000	–	(1,000,000)	–	–	–
Lo Wai Ming	7 October 2016	14 October 2016 to 6 October 2018	0.355	1,000,000	–	(1,000,000)	–	–	–
Lo Chao Ming	7 October 2016	14 October 2016 to 6 October 2018	0.355	1,000,000	–	(1,000,000)	–	–	–
Employees	7 October 2016	14 October 2016 to 6 October 2018	0.355	7,300,000	–	(7,300,000)	–	–	–
Others	7 October 2016	14 October 2016 to 6 October 2018	0.355	33,500,000	–	(3,500,000)	–	(15,000,000)	15,000,000
				113,380,000	–	(13,800,000)	–	(15,000,000)	84,580,000

Notes:

(1) The closing price per share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant was HK$0.350 and the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the Date of Grant was HK$0.355.

(2) the weighted average closing price of the shares immediately before the dates on which the share options were exercised was HK$0.815 per share.

The Company has not granted any additional share options or adopted any share option scheme during the year ended 30 June 2018.

RESERVES

The Company's distributable reserve as at 30 June 2018 was Nil (30 June 2017: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2018 are set out in the consolidated statement of changes in equity on pages 53 and 54 of this report.

RELATED PARTY TRANSACTIONS

During the year ended 30 June 2018, 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 2018.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 30 June 2018, the Group implemented a prudent financial management policy. As at 30 June 2018, the Group had cash and bank balances amounting to approximately HK$87 million (30 June 2017: HK$62 million) and value of net current assets was approximately HK$247 million (30 June 2017: HK$309 million). The Group's gearing ratio as at 30 June 2018 was 0.09 (30 June 2017: 0.08), being a ratio of total borrowings of approximately HK$126 million (30 June 2017: HK$122 million) to shareholders' funds of approximately HK$1,409 million (30 June 2017: HK$1,478 million).

CHARGES ON GROUP ASSETS

As at 30 June 2018, the Group had pledged investment properties with an aggregate net book value of approximately HK$168 million (30 June 2017: HK$274 million) and bank deposit of HK$12 million (30 June 2017: Nil) to secure general banking facilities granted to the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 30 June 2018 are set out in note 33 to the Financial Statements.

CONTINGENT LIABILITIES

As at 30 June 2018, the Company had issued guarantees to the extent of approximately HK$10 million (30 June 2017: Nil) to a Hong Kong licensed money lender (who is an independent third party of the Company) to secure a loan of approximately HK$10 million (30 June 2017: Nil) granted to its subsidiary.

Save as disclosed above, as at 30 June 2018, the Company had not issued guarantees to banks to secure general banking facilities granted to its subsidiaries (30 June 2017: Nil) and there was no significant contingent liability.

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 2018 and the changes in fair value were charged to the income statement. The net gain from the Derivative Financial Instruments for the year under review was approximately HK$738,000 (2016/17: net gain of HK$1,506,000).

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 2018.

CAPITAL STRUCTURE

Placing of New Shares under the Refreshed General Mandate granted at the Special General Meeting on 14 July 2016

On 9 November 2016, 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 391,860,000 new ordinary shares of the Company at nominal value of HK$0.01 each ("**Shares**") to not less than six placees (who are independent professional, institutional or other investors) at the price of HK$0.30 per placing share (the "**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 of Hong Kong Limited (the "**Stock Exchange**") was HK$0.365 per share on 9 November 2016, which was the date on which the terms of the Placing were fixed. The Placing was completed on 25 November 2016. The 391,860,000 placing shares placed under the Placing were issued under the refreshed general mandate, which was granted to the Directors 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 special general meeting held on 14 July 2016. The gross and net proceeds from the Placing amounted to approximately HK$117.56 million and approximately HK$114.4 million, respectively. The net proceeds raised per placing share were approximately HK$0.292 per Share.

The utilisation of the net proceeds from the Placing as at 30 June 2018 are summarised as follows:

Intended use of net proceeds from the Placing	Actual use of net proceeds from the Placing as at 30 June 2018
– Approximately HK$35 million for redemption of the promissory note (which was issued on 16 May 2016);	– Approximately HK$35 million was utilised for redemption the promissory note (which was issued on 16 May 2016);
– Approximately HK$34 million for repayment of bank loans and trust receipt loans; and	– Approximately HK$22 million was utilised for repayment of bank loans and approximately HK$12 million was utilised for repayment of trust receipt loans; and
– Approximately HK$45.4 million for general working capital of the Group.	– Approximately HK$45.4 million was utilised for general working capital of Hong Kong office and the PRC operations of the Group.

The details of the Placing were set out in the announcements of the Company dated 9 November 2016 and 25 November 2016 and were disclosed in the Company's 2017 Annual Report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this Annual Report.

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.

DIRECTOR'S REPORT

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. 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 Lo Chao Ming will retire by rotation from office as Directors at the forthcoming annual general meeting and Messrs. Zhou Jin Hua, Liu Dong Yang and Lo Chao Ming, 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive Directors have confirmed that they are independent.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of Directors and senior management of the Group are set out on pages 7 to 8 to this report.

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

As at 30 June 2018, the interest of the Directors and their associates in the Shares, underlying shares or debentures of the Company or any of the Company's 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 of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") are as follows:

Name of Director	Capacity	Number of Shares and underlying Shares held in long position	Percentage of the issued share capital of the Company
Chau Lai Him	Beneficial owner	18,580,000 (Note 3)	0.79%
Zhou Jin Hua	Beneficial owner	17,000,000 (Note 3)	0.72%
Liu Dong Yang	Beneficial owner	17,000,000 (Note 3)	0.72%
Chau Chi Ho	Beneficial owner	17,000,000 (Note 3)	0.72%
Lo Wai Ming	Beneficial owner	400,000	0.02%
Lo Chao Ming	Beneficial owner	300,000	0.01%

Note:

(3) Long position in the underlying shares of the Company under share options granted pursuant to the Share Option Scheme.

Other than as disclosed above, as at 30 June 2018, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the 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.

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

So far as is known to the Directors and chief executives of the Company, as at 30 June 2018, there were no persons (other than the Directors or the chief executive of the Company) 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.

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 2018 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.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 30 June 2018, none of our Directors had any interest in a business which competes, either directly or indirectly, with the business of the Company or the Group.

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 2018 or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 June 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2018, the five largest customers of the Group together accounted for approximately 50.5% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 81.4% of the Group's total purchases, with the largest customer accounted for approximately 21.8% of the Group's total turnover and the largest supplier accounted for approximately 36.2% of the Group's total purchases during the year.

At no time during the year ended 30 June 2018 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.

PERMITTED INDEMNITY

Pursuant to the Bye-laws of the Company and subject to relevant provisions therein, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur in or sustain by the execution of his/her duty as a director of the Company or otherwise in relation thereto. The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENT POLICY

As at 30 June 2018, the Group had approximately 500 employees in Hong Kong, the People's Republic of China ("**PRC**") and overseas (30 June 2017: 600). 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.

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.

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

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.

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.

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of the Company (the "**2018 AGM**") will be held on Friday, 7 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining eligibility of shareholders of the Company to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Wednesday, 5 December 2018 to Friday, 7 December 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify as shareholders of the Company to attend and vote at the 2018 AGM, all share transfer documents 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, 4 December 2018.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period.

AUDITOR

A resolution will be submitted to the 2018 Annual General Meeting to re-appoint Messrs. BDO Limited as auditors of the Company.

On behalf of the Board

Chau Lai Him
Chairman

27 September 2018

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 2018, the Company complied with the code provisions of 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 roles 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 2018, Mr. Chau Lai Him ("**Mr. Chau**") 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 the 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 for 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 meetings 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 been 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 Kam Kwong retired from office by rotation at the 2016 annual general meeting of the Company held on 2 December 2016 (the "**2016 AGM**") and offered himself for re-election at the 2016 AGM. An ordinary resolution was passed at the 2016 AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company.

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 2017 annual general meeting of the Company held on 8 December 2017 (the "**2017 AGM**") and offered himself for re-election at the 2017 AGM. An ordinary resolution was passed at the 2017 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 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 of the Company. Mr. Lo Chao Ming will retire from office by rotation at the 2018 AGM and offer himself for re-election.

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 2018, 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 for the day-to-day management of the Company, which is delegated to the Chairman/Managing Director and the management.

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 7 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 2018. 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 systems are reserved by the Board and the decisions relating to such matters 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 the Chairman and the 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 2018, 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 2018, the Board held 18 Board meetings. The attendance records of each member of the Board at Board meetings and the attendance records of the respective members of the Board at the audit committee meetings, nomination committee meetings, remuneration committee meetings and the 2017 AGM are set out below:

	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	Board meetings	2017 AGM
Executive Directors					
Chau Lai Him	–	1	–	18	1
Zhou Jin Hua	–	–	–	18	1
Liu Dong Yang	–	–	–	6	–
Chau Chi Ho	–	–	–	18	1
Independent non-executive Directors					
Chung Kam Kwong	2	1	1	5	1
Lo Wai Ming	2	1	1	5	1
Lo Chao Ming	2	1	1	5	–

During the year ended 30 June 2018, the Company did not hold any special general meeting.

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 2018, 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. 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.

	Attended Seminars or Briefing/Read Materials
Executive Directors	
Chau Lai Him	✓
Zhou Jin Hua	✓
Liu Dong Yang	✓
Chau Chi Ho	✓
Independent non-executive Directors	
Chung Kam Kwong	✓
Lo Wai Ming	✓
Lo Chao Ming	✓

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 2018, 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 2018, 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 2018 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 2018, 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$1,800,000 and HK$240,000 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.

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, re-appointment 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 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 2018, the Audit Committee held 2 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, risk management 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 2018 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 2018.

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.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(e) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(f) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 30 June 2018, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

SHARE INTERESTS OF SENIOR MANAGEMENT

On 7 October 2016, the Company resolved to grant share options (the "**Options**") to subscribe for a total of 113,380,000 shares to 7 directors of the Company and certain eligible persons under the Share Option Scheme.

Among the 113,380,000 Options granted as referred to the above, 7,300,000 Options were granted to certain members of the senior management of the Company and they had exercised 7,300,000 Options during the year ended 30 June 2018.

Save for the Options granted, as at 30 June 2018, none of the senior management of the Company (whose biographical details are disclosed on page 8 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 2018.

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 2018, 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board ensures the maintenance of sound and effective risk management and 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 risk management and internal control systems of the Group annually or at any time 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 Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and the extent of risks for achieving the Group's strategic objectives and has the overall responsibilities for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Company also has an internal audit function to assist the Audit Committee and the senior management to carry out analysis and independent appraisal of the adequacy and effectiveness of the systems periodically.

The Group engaged external independent internal control auditor to assess the design, implementation and monitoring of the risk management and internal control systems. The internal control auditor adopted a risk-based approach and independently reviewed and tested the controls over various selected business segments and evaluated their adequacy, effectiveness and compliance on an annual or ad hoc basis. Findings and recommendations are reported to the Audit Committee. In addition, progress on audit recommendations implementation will be followed up on a regular basis and discussed with the Audit Committee.

The Board should at least annually conduct a review on the existing implemented systems and procedures, including control measures of financial, operational and compliance and risk management functions of the Group, and take into account the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting.

For the year ended 30 June 2018, the Board, through the Audit Committee and the internal control auditor, conducted an annual review of the effectiveness of the Group's risk management and internal control systems. The Board considered the risk management and internal control systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, are effective and adequate.

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Company has prepared its Environmental, Social and Governance Report ("**ESG Report**") for the year ended 30 June 2018 in accordance with the Environmental, Social and Governance ("**ESG**") Reporting Guide (the "**ESG Guide**" or the "**Guide**") as set out in Appendix 27 to the Listing Rules.

The ESG Report of the Company for the year ended 30 June 2018 is set out on pages 33 to 41 of this annual report.

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 2018, 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 42 to 48 of this annual report.

On behalf of the Board

Chau Lai Him
Chairman

27 September 2018

OVERVIEW

In accordance with the requirements of The Stock Exchange of Hong Kong Limited ("**HKEx**"), listed companies are required to provide an Environmental, Social and Governance Report ("**ESG Report**"). This is our second ESG Report and is compiled in accordance with the guidelines laid down in Appendix 27 – Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") of the rules governing the listing of securities on the Main Board of the HKEx, for the period from 1 July 2017 to 30 June 2018 (the "**Reporting Period**").

CORPORATE VISIONS AND GOALS AND ESG MANAGEMENT

Corporate Vision and Goal

It is our visions and targets to maximize returns to its shareholders, to create sustainable development for the society and environment, and to provide and maintain a healthy and safe working environment for employees.

ESG Management Policy and Approach

This ESG Report mainly covers data and activities of our businesses for the year ending 30 June 2018 (the Reporting Period). The Group's visions and goals, and the ESG management policy and approach can be summarized in the following statements. There is no significant change of the Group's position in ESG matters since the issuance of our first ESG report.

1. The Group is committed to be successful in all our businesses, bringing returns to our investors and supporters, providing a healthy and safe working environment to our employees and helping to provide sustainable developments of the local communities and the Group.

2. The Board from time to time approves and updates strategies and policies which are incorporated with the related environmental and social issues contained in the ESG Reporting Guide. The Board has assigned each subsidiary to implement ESG policies in accordance with the respective operations and activities. Through their normal and routine channels, all subsidiaries report directly to the Group's Managing Director, who has the overall responsibility to ensure that the Board's approved strategies and polices are implemented. The subsidiaries are responsible for exploring and developing Key Performance Indicators ("**KPIs**") where appropriate and necessary in accordance with the Group's policies and goals.

3. It is the duty of the Group's Managing Director and the management team to examine and address all the environmental and social issues detailed in the aspects and areas in the ESG Reporting Guide.

The Group has a number of different businesses with diversified natures including electric cable manufacturing and trading, trading of copper waste, copper scrap and wire recycling, financial and securities trading, and property investment. Due to the various natures and scope, each business of the Group has different impact on the environment in terms of use of resources and emissions. For the purpose of this ESG Report, only activities and operations of two of the subsidiaries are considered to have materiality and significance:

(i) Manufacturing of electric cable; and

(ii) Copper scrap and wire recycling in which copper scraps and wires are converted into merchandisable grade raw copper. This business however was suspended during the Reporting Period.

Overall, the Group takes an active role in ensuring a sustainable and environmentally-friendly productions and operations by employing various measures which are compliant with relevant laws, operating practices and standards. The Group continues to uphold our established environmental protection and management system. The adoption and application of the Quality Management System (ISO 9001:2000) which the Group has certified since 2003 have proven to be effective in ESG management.

A. ENVIRONMENTAL ASPECT

A1: Emissions

The Group advocates the importance of sustainable development in relation to our on-ongoing business operations and has employed various measures. All of our staff are made aware of their respective roles and responsibilities in conserving energy and natural resources.

The Group had been issued with Pollutant Discharge Licence of Guangdong Province (Licence No. 4419602016000053) which was subsequently renewed after its expiry on 10 November 2017. Meanwhile, the Group also actively assumes social responsibilities to reduce pollution through installation of new production equipment.

During the Reporting Period, the Group was not subject to any confirmed cases for breaching environmental legislations in relation to emissions and waste discharges or other environmental issues that could have adverse impact on the local environment.

Greenhouse Gas Emissions

Indirect emission through the use of electricity for our production remains to be the main source of gas emissions. During the Reporting Period, the Group's gas emissions mainly came from the electric cable manufacturing business in which greenhouse gas, namely carbon dioxide (CO_2), was generated from the use of electrically powered plastic extruding and injection machines.

For copper scrap and wire recycling business, the gases emissions are mainly nitrogen oxides (NO_x), sulphur oxides (SO_x) and carbon dioxide (CO_2). They are captured and treated in capsulated collecting system before being discharged through an exhaust stack of 20m in height. As the copper scrap and wire recycling business was not in operation during the Reporting Period, there was no direct emission of nitrogen oxides (NO_x), sulphur oxides (SO_x) and carbon dioxide (CO_2) during the Reporting Period. Emission data and the relevant KPIs will be re-examined upon resumption of the copper scrap and wire recycling business.

As a result of the energy saving measures implemented and the suspension of the copper scrap and wire recycling business, there was a substantial reduction in the emissions during the Reporting Period compared with last year. For the year ended 30 June 2018, electricity consumption from the electric cable manufacturing amounted to 5,230,150 kwh (2017: 5,378,800 kwh). The indirect greenhouse gas – CO_2 emission generated in the Reporting Period was 5,214 tonnes, which was 149 tonnes or 2.8% less than last year. The improvement would be even higher if we take into account of our 15.5% increase in turnover of the factory business operation from HK$211.7 million in 2017 to HK$244.6 million in 2018. Such improvement demonstrates our preliminary success on our energy saving policies and measures implemented.

As a result of the energy saving measures implemented and the suspension of the copper scrap and wire recycling business, there was a substantial reduction in the emissions during the Reporting Period compared with last year. The emission quantities generated from the factories operations during the Reporting Period are tabulated below:

Direct emission (as a result of gas consumption)

(i) Sulphur oxides (SO_x) – 0 tonnes

(ii) Nitrogen oxides (NO_x) – 0 tonnes

(iii) Carbon dioxide (CO_2) – 0 tonnes

Indirect emission (as a result of electricity consumption)

(iv) Carbon dioxide (CO_2) – 5,214 tonnes

The Group will continue to ensure that the electricity consumption of the production plants is under stringent control. KPIs formulated previously have been effective and will continue to be reviewed and updated in various production meetings.

Water Consumption

Cooling water used in our manufacturing processes is the main source of the Group's waste water. By adopting a close circulating system, most of the cooling water will be reused with minimal wastage. Water is also used for general purposes in employees' dormitories, canteens and offices. Our employees are constantly reminded to use water efficiently and to avoid unnecessary wastage.

Town supply is the only viable water source available to the Group as far as our production processes and household uses are concerned. All waste water discharge is connected to the municipal systems with proper authorization.

Water is mainly consumed by our electric cable manufacturing operation. During the Reporting Period, a total of 85,751 m^3 of water was consumed, representing an increase of 13,563 m^3 or 18.7% over the last year. Such increase was in line with the increase in the overall turnover of the Group.

Hazardous Wastes

The amount of hazardous wastes generated from our manufacturing operations is insignificant and poses no material impact to the environment. Consideration is given to recycle and reuse in the various processes and stages of production.

Bits and ends of the copper wires have a very strong resale value in the market. Unused or used copper cable wastes generated as a result of the manufacturing processes are stored up for resale. Plastic wastes will be decomposed into granules in the production areas for further processing or resale depending on grade and quality.

During the Reporting Period, the Group did not have any violation related to hazardous wastes issues.

Non-hazardous Wastes

Non-hazardous wastes are generated from both production operations and non-production operations. Non-hazardous wastes generated from the production processes are mainly packaging materials – wood and paper used in our manufacturing operations. An insignificant amount of non-hazardous materials are also generated from non-production areas such as supporting offices, dormitories and canteens.

The Group supports all measures adopt the 3-R principle – to reduce, reuse and recycle. Procedures are in place for properly sorting out and storing the unused materials for resale or reuse. All employees are constantly reminded to adopt the 3-R principle in their handling and using the resources.

During the Reporting Period, only an insignificant amount of non-hazardous wastes were generated and were all collected and disposed of by external waste collectors.

A2: Use of Resources

Policy on Efficient Use of Energy

The Group has guidelines and instructions on the efficient use of resources for office administration, factory production and general living of our employees.

To save energy which also saves costs, the Group has invested in installing energy saving tools such as LED lights and controlling meters. The Group has promulgated rules and encouraged employees to use resources efficiently and environmentally friendly:

- Lights and equipment must be turned off if not in use; and
- Encouraging the use of natural ventilation instead of air-conditioning whenever the conditions allow.

The office and factory supervisors have been assigned to be responsible for maintaining the working environment temperature at a pre-determined degree, and turning off the heating and unused tools when not in use.

For water, the main consumption comes from the living uses of the resident workers. The Group again requests the employees to use resources smartly and be responsible. Inspectors have been assigned to ensure there is no unwarranted uses and waste. Also as a means to monitor, special meters have been installed to record the water usage pattern. The Group is also exploring the possibility of installing solar panel systems for providing hot water for living uses.

For packaging paper and plastic raw materials, the Group has required the use of recycled papers and plastic wraps. Any scraps will be collected and sold as scrap materials to recycling and recoverable resources operators.

In our offices and factories, the Group has further encouraged the office staff and factory workers to reduce paper consumption as much as possible through use of electronic tools such as emails, messages and USB storage to replace paper files, sketches and letters; to print paper on both sides, and to use only recycled paper.

The Group also out-sources its transport and logistic operations to logistic operation companies so as to avoid inefficient fuel consumptions by the Group.

A3: Environment and Natural Resources

Same as last year, during the Reporting Period, fresh water and electricity for normal production operation were the only key elements which were considered to have an impact on the natural resource environment as far as the Group's business operations were concerned. Though not having a written policy, the Group supports all measures to reduce, reuse and recycle as far as possible and practicable as laid down in our Employee Handbook. The Group will continue to explore alternative means to accomplish our goals of conserving natural resources and protecting the environment.

B SOCIAL ASPECT

B1: Employment

The Group treasures and regards our employees as valuable assets for our sustained development and growth. It is our policy to strictly comply with all the relevant statutory requirements in the "Labor Law of PRC" and the "Hong Kong Employment Ordinance". The Human Resources Department is responsible for the employment and the relevant policies including but not limited to, appointment, termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissals, health, general safety and other benefits and welfares. Details of which are clearly laid out in our Employee Handbook.

The Group is committed to providing employees with equal opportunity on recruitment, promotion, compensation and benefits as specified in the relevant statutory provisions. To ensure a fair and rational human resources structure, the Group has established job qualifications and requirements specific to each job position in the local offices. They are taken as criteria for recruitment, promotion and transfer. The recruitment and decision making processes involve both the relevant operational levels and the Human Resources Department. All employments are entered into a proper and standard contract between the Group and the employees as required by law. Employment of child labor and forced labor is expressly and totally forbidden.

In accordance with the requirements of the national laws of PRC and local laws of Hong Kong, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays.

The Group has a stable workforce. For the year ended 30 June 2018, the Group had a total number of 469 employees, with one more female employee than last year. All of our employees were on full time basis comprising 204 male and 265 female employees. 38,157, 217, 51 and 6 of our employees were aged below 30, 31 to 40, 41 – 50, 51 to 60 and over 60 respectively. The low employee turnover rate has evidenced that our employment policies and measures are fair and reasonable.

No labor disputes were recorded both internally and externally during the Reporting Period, same as last year. During the Reporting Period, the Group was not aware of any incidents of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

B2: Health and Safety

Given the nature of operation of the Group and being a responsible employer, the Group considers health and safety of employees our primary concern. The Safety Office is responsible for the work safety and has composed a Safety Manual which contains the relevant safety codes, regulations and standards applicable to the factory operation. Specific safety rules, instructions and procedures for safe operation of plants and process operations and employee safety are detailed in our Employee Handbook.

All employees are required to strictly observe the health and safety policies, instructions and guidance and to follow the same at work and to place safety as their priority over production. Managers and supervisors are charged with the responsibility of ensuring that safety policies, rules and practices are observed. The Group has also taken out the required insurance for all employees in accordance with the statutory requirements of their employment locations.

The Group has equipped its factory operations with all the required safety equipment and facilities. There was no adverse comment by the law enforcing authorities during their inspections and no prosecution case was reported during the Reporting period, same as last year.

In-house rules require all injuries or accidents to be promptly reported and properly dealt with in accordance with the national or local laws. In parallel remedial or compensatory actions arising from safety and health issues or work injuries are required to be taken immediately where necessary as stipulated by the in-house rules. The Group did not have any record on any claim disputes on compensation or work related injury investigation by the government officials in the Reporting Period, same as last year.

During the Reporting Period, same as last year, there were no serious injuries, disastrous events or incidents of non-compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards which could have significant impact on the production operations or businesses of the Group. During the Reporting Period, only one minor injury case was recorded in our electric cable manufacturing business. Such a low accidental injury rate shows that our safety and health policies and measures have been effective.

B3: Development and Training

Employees are encouraged to engage in self-development by taking external training programs and seminars.

During the Reporting Period, a total of 368 (2017: 557) employees representing 78.6% of our total work force were trained in various programs, of those employees, 206 (2017: 280) were male and 266 (2017: 277) were female employees of all levels.

New programs will be introduced to cater for the latest development of our operations.

B4: Labor Standards

The Group adopts the statutory requirements and standards applicable to our business operations to be our minimum labor standard on labor protection and welfare. The Group is committed to ensuring its full compliance and all management and supervisory levels are made aware of this.

Banning the employment of child labor, illegal workers and forced labor is achieved through the recruitment and employment process at source by the Human Resources Department. All job applicants are required to submit their credentials such as academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment. Such information is kept as the employee's personal file for record and future reference and government inspection.

The Head of the Human Resources Department and his Department are charged with the duty of overseeing its compliance. Heads of the business companies are also responsible for ensuring that all labor protection and welfare obligations of their operations are complied with and any breaches of statutory compliance are brought to the attention of the senior levels.

During the Reporting period, same as last year, no case of any child labor or forced labor employment was reported or detected.

B5: Supply Chain Management

The Group has a very detailed supply and purchase management system adopting different approval authorities at different hierarchy levels of the management team. The Purchase Manager, Finance Director and Chief Executive Officer form the execution and supervision purchase chain at different monetary levels. Each level is accountable to the one above on their monetary limits they are authorized to purchase. Purchasers are required not to place an order when the authorization cannot meet its designated level. The approving level is required to ensure that requests for purchase are in order before authorizing.

All purchases of the Group in principle follow the established prevalent trade practice and industry norms under which 3 tenderers or more will be invited for tender depending on various factors like contract value, amount involved, any other technicality and time constraints. All purchase transactions are subject to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks. All capital expenditure purchases have to be authorized and approved by the Hong Kong Headquarter.

Fit for purpose, timeliness, quantity and quality are the major selection criteria for both local and overseas suppliers. Carbon footprint and engagement with the local community will also be considered in our selection process.

During the Reporting Period, owing to the special nature of our raw materials - copper sheets and wires, the Group had about 15% and 34% supplies, in terms of number of total suppliers and the total value of supplies, sourced from overseas respectively. The figures are substantially lower when compared to last year due to the availability of competitive products in China.

B6: Product Responsibilities

Product Quality

We are committed to providing high quality end products as we believe that the quality and consistency of our products are critical to our ability to retain our customers and to expand market shares. The Quality Management System (ISO 9001: 2000) which the group has been certified since 2003 ensures that our product meets with recognized quality standards. The Group is also committed to investing in plant and equipment for high end production technology and quality to maintain our competitive edge. We also foster close relationships with our business peers to keep abreast of the latest product development and knowledge.

Handling of Complaints

Policies and procedures are in place to ensure that all customer complaints or concerns are addressed to at the appropriate levels in a timely manner. In our sales contracts, there are clear clauses specifying our responsibilities under quality issues. The Sales Department is responsible for handling all sales complaint issues. Standing arrangements are also in place for an independent third party to adjudicate on any unresolved disputes between the Sales Department and the client. Consequential remedial actions will be taken promptly and in a responsible manner.

Intellectual Property Right

The Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operating status and financial positions, commercial terms of contracts, general background information, etc. These types of information are extremely sensitive and important, and by law, have to be cautiously safeguarded and protected. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures. Our employees have been trained to handle the sensitive information during the course of business with due care. The Group has incorporated the Confidential Clause into the Staff Handbook and Employment Contract, under which all employees are obligated to follow.

The Group received no complaint on any breach of privacy or leakage of information during the Reporting Period.

Privacy

The Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operation status and financial positions, commercial terms of contracts, general background information, etc. These types of information are extremely sensitive and important, and by law, have to be cautiously safeguarded and protected. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures.

The Group fully abides by the Personal and Private Data Ordinance. Our employees have been trained to handle the sensitive information during the course of business with due care. The Group has incorporated the Confidential Clause into the Staff Handbook and Employment Contract, under which all employees are obligated to follow.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters.

B7: Anti-corruption

The Group is well aware of the importance of honesty, integrity and fairness in our business operations and has therefore put in place an anti-corruption policy. All employees are required to declare any conflicts of interests in the execution of their roles and duties. Through the establishment of these rules and regulations, the Group encourages all employees to discharge their duties with integrity and comply with the relevant laws and regulations.

Transactions in large monetary sums are processed through bank transactions which require authorized signatories of the appropriate levels depending on the amount involved. Checks and balances have been installed in the Group for money transaction activities and are considered effective and adequate.

Same as last year, the Group recorded no bribery nor corruption charges during the Reporting Period.

B8: Community Investment

The Group fully understands our social obligations and the need for re-contributing to the society. Through the day-to-day contact with various local government officials and industry leaders, the Group continues to explore and examine what and how the Group can contribute more and in a better way to the local community and society.

INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of Solartech International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

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 49 to 132, which comprise the consolidated statement of financial position as at 30 June 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment of intangible asset – mining right

Refer to Note 18 to the consolidated financial statements.

Key Audit Matter

As at 30 June 2018, the carrying value of the Group's mining right included in intangible assets, before impairment, amounted to HK$566,027,000. There was a further delay in the Group's mining plan in the current year which indicates there may be a need for a write-down of the carrying amount of the Group's mining right.

Following a detailed impairment review of the Group's cash-generating unit related to the mining right (the "**Mining CGU**"), management has estimated that an additional impairment loss on mining right of HK$12,601,000 for the year ended 30 June 2018.

This conclusion was based on a fair-value-less-costs-of-disposal basis that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Evaluating and checking the composition of the Group's future cash flow forecast in the Mining CGU, and the process by it was drawn up, including testing the underlying fair-value-less-costs-of-disposal calculation and comparing it to the latest production plan and approved budget;

(ii) Checking the key assumptions included in the calculations, comparing the current year actual results with last year's forecast; and

(iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the calculation.

Impairment of interests in associates and interests in joint ventures

Refer to Note 22 and Note 23 in the consolidated financial statements.

Key Audit Matter

As at 30 June 2018, the carrying value of the Group's interests in associates and interests in joint ventures, before impairment, amounted to HK$121,830,000 and HK$32,791,000 respectively. The Group is exposed to risk of impairment of its equity accounted associates and joint ventures.

Following a detailed impairment review of the Group's cash-generating units ("**CGUs**") related to the associates and joint ventures, the recoverable amounts exceeding the carrying amounts of the respective CGU. Accordingly, management has concluded that an impairment loss on interests in associates of HK$42,519,000 while no impairment in respect of the Group's interests in joint ventures is necessary.

This conclusion was based on value-in-use basis that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the models.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Evaluating the reasonableness of management's assumptions and estimates used in determining the recoverable amounts of the CGUs related to the associates and joint ventures. We have benchmarked these assumptions against external data and assessed them based on our knowledge of the Group and the industry;

(ii) Checking the key assumptions included in the calculations, comparing the current year actual results with last year's forecasts; and

(iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the calculations.

Impairment assessment of property, plant and equipment

Refer to Note 15 in the consolidated financial statements.

Key Audit Matter

As at 30 June 2018, the carrying value of the Group's property, plant and equipment, before impairment assessment, amounted to HK$80,318,000. The Group sustained a loss for the current year and accordingly management considered that there were indicators of impairment of the Group's property, plant and equipment.

Following a detailed impairment review of the Group's CGUs, management has estimated that no impairment loss in respect of the Group's property, plant and equipment is necessary.

This conclusion was based on a value-in-use and/or fair-value-less-costs-of-disposal models, where appropriate, that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Evaluating and checking the composition of the Group's future cash flow forecasts in CGUs, and the posses by which they were drawn up, including testing the underlying value-in-use and/or fair-value-less-costs-of-disposal calculations and comparing them to the latest approved budgets;

(ii) Checking the key assumptions including by comparing the current year actual results with 2018 figures included in the prior year forecast, by reference to future plans and by performing independent market analysis; and

(iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the valuation.

Impairment assessment of goodwill

Refer to Note 18 to the consolidated financial statements

Key Audit Matter

As at 30 June 2018, the carrying value of the Group's goodwill arising from business combination, before impairment, amounted to HK$57,570,000.

Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment.

Following a detailed impairment review of the Group's CGU related to the goodwill, the recoverable amount exceeding the carrying amount of the relevant CGU including the goodwill. Accordingly, management has concluded that an impairment loss on of HK$11,351,000 in respect of the goodwill is necessary.

This conclusion was based on value-in-use basis that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

(i) Assessing the appropriateness of the valuation methodologies used;

(ii) Assessing the reasonableness of key assumptions based on our knowledge of the business and industry;

(iii) Performing sensitivity analyses on the key assumptions where we flexed the growth rate and discount rate as these are the key assumptions against which the value-in-use calculation are most sensitive to; and

(iv) Testing sourced data to supporting evidence on a sample basis, such as approved budget and available market data and considering the reasonableness of these budgets.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), Corporate Information, Directors and Senior Management, Directors' Report, Corporate Governance Report and Financial Summary, which we obtained prior to the date of this auditor's report, and Chairman's Statement, Environmental, Social and Governance Report and Particulars of Properties, which are expected to be made available to us shortly after that date.

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

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

When we read the Chairman's Statement, Environmental, Social and Governance Report and Particulars of Properties if we conclude that there is a material misstatement therein, we are required to communicate the matter to audit committee of the Company (the "**Audit Committee**") and take appropriate action considering our legal rights and obligations.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited
Certified Public Accountants

Chan Kam Wing, Clement
Practising Certificate Number: P02038

Hong Kong, 27 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 HK$'000	2017 HK$'000
Turnover	6 and 7	**395,380**	442,522
Cost of sales		**(357,583)**	(405,975)
Gross profit		**37,797**	36,547
Interest income		**8,033**	3,560
Other income and gains	12	**14,326**	3,122
General and administrative expenses		**(95,185)**	(137,927)
Selling and distribution expenses		**(8,614)**	(9,507)
Finance costs	10	**(10,296)**	(16,091)
Change in fair value of derivative financial instruments, net	28	**738**	1,506
Change in fair value of investment properties, net	16	**37,540**	34,191
Change in fair value and gain/(loss) on disposal of financial assets at fair value through profit or loss, net	27	**7,387**	(28,667)
Change in fair value of profit guarantee	8	**(5,880)**	(7,620)
Impairment loss for doubtful debts, net	25	**(2,475)**	(8,446)
(Impairment loss)/reversal of impairment loss on intangible assets	18	**(23,952)**	84,961
Impairment loss on property, plant and equipment	15	**(7,122)**	(23,351)
Impairment loss on interests in associates	22	**(42,519)**	–
Loss on disposal of subsidiaries	31	**(1,236)**	(1,017)
Share of results of associates	22	**8,626**	2,350
Share of results of joint ventures	23	**2,525**	(5,354)
Loss before taxation	8	**(80,307)**	(71,743)
Taxation	11	**(5,368)**	(7,166)
Loss for the year		**(85,675)**	(78,909)
Other comprehensive income:			
Item 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	15	**–**	2,172
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(3,625)**	(2,226)
Share of other comprehensive income of associates	22	**534**	(152)
Share of other comprehensive income of joint ventures	23	**82**	192
Reclassification adjustment on exchange differences for a foreign operation disposed of during the year	31	**13,965**	1,689
Other comprehensive income for the year		**10,956**	1,675
Total comprehensive income for the year		**(74,719)**	(77,234)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 HK$'000	2017 HK$'000
Loss attributable to:			
Owners of the Company		(85,639)	(70,197)
Non-controlling interests		(36)	(8,712)
		(85,675)	(78,909)
Total comprehensive income attributable to:			
Owners of the Company		(74,426)	(68,333)
Non-controlling interests		(293)	(8,901)
		(74,719)	(77,234)
Loss per share:	14		
– Basic and diluted (HK$)		(0.036)	(0.031)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**80,318**	98,955
Investment properties	16	**303,146**	259,889
Prepaid lease payments for land	17	**107,552**	49,338
Intangible assets	18	**600,275**	624,357
Prepayments for acquisition of a subsidiary and property, plant and equipment	19	**–**	29,464
Other assets	20	**200**	200
Interests in associates	22	**79,311**	112,670
Interests in joint ventures	23	**32,791**	30,184
Total non-current assets		**1,203,593**	1,205,057
Current assets			
Inventories	24	**31,657**	26,207
Debtors, other loans and receivables, deposits and prepayments	25	**237,968**	221,203
Bills receivable	26	**14,310**	12,507
Financial assets at fair value through profit or loss	27	**59,522**	54,935
Prepaid lease payments for land	17	**2,974**	1,671
Pledged bank deposits	29	**11,851**	–
Bank balances held on behalf of brokerage clients	30	**5,147**	10,147
Bank balances and cash	30	**87,065**	61,987
		450,494	388,657
Assets of a disposal group classified as held for sale	31	**–**	134,728
Total current assets		**450,494**	523,385
Current liabilities			
Creditors, other advances and accrued charges	32	**77,514**	70,612
Derivative financial liabilities	28	**67**	76
Borrowings	33	**126,141**	97,904
Promissory notes	34	**–**	23,871
Taxation		**92**	113
		203,814	192,576
Liabilities of a disposal group classified as held for sale	31	**–**	21,742
Total current liabilities		**203,814**	214,318
Net current assets		**246,680**	309,067
Total assets less current liabilities		**1,450,273**	1,514,124

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities	35	**50,245**	44,264
Total non-current liabilities		**50,245**	44,264
Total net assets		**1,400,028**	1,469,860
EQUITY			
Capital and reserves			
Share capital	36	**23,650**	23,512
Reserves		**1,385,056**	1,454,732
Equity attributable to owners of the Company		**1,408,706**	1,478,244
Non-controlling interests	40	**(8,678)**	(8,384)
Total equity		**1,400,028**	1,469,860

The consolidated financial statements on pages 49 to 132 were approved and authorised for issue by the Board of Directors on 27 September 2018 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 2018

	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)	Share option reserve HK$'000 (Note 37)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2016	19,594	1,706,049	612,360	(15,178)	4,866	64,303	–	(977,950)	1,414,044	8,946	1,422,990
Loss for the year	–	–	–	–	–	–	–	(70,197)	(70,197)	(8,712)	(78,909)
Exchange difference on translation of foreign operations	–	–	–	(2,037)	–	–	–	–	(2,037)	(189)	(2,226)
Share of other comprehensive income of associates	–	–	–	(152)	–	–	–	–	(152)	–	(152)
Share of other comprehensive income of joint ventures	–	–	–	192	–	–	–	–	192	–	192
Surplus on transfer from prepaid lease payments for land and property, plant and equipment to investment properties, net of deferred tax (Note 15)	–	–	–	–	–	2,172	–	–	2,172	–	2,172
Reclassification adjustment on exchange differences for a foreign operation disposal of during the year (Note 31)	–	–	–	1,689	–	–	–	–	1,689	–	1,689
Total comprehensive income for the year	–	–	–	(308)	–	2,172	–	(70,197)	(68,333)	(8,901)	(77,234)
Disposal of a subsidiary (Note 31)	–	–	–	–	–	–	–	–	–	(8,429)	(8,429)
Share-based payment expenses (Note 37)	–	–	–	–	–	–	17,919	–	17,919	–	17,919
Placements of new shares	3,918	110,696	–	–	–	–	–	–	114,614	–	114,614
At 30 June 2017	23,512	1,816,745	612,360	(15,486)	4,866	66,475	17,919	(1,048,147)	1,478,244	(8,384)	1,469,860

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	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)	Share option reserve HK$'000 (Note 37)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2017	23,512	1,816,745	612,360	(15,486)	4,866	66,475	17,919	(1,048,147)	1,478,244	(8,384)	1,469,860
Loss for the year	–	–	–	–	–	–	–	(85,639)	(85,639)	(36)	(85,675)
Exchange difference on translation of foreign operations	–	–	–	(3,368)	–	–	–	–	(3,368)	(257)	(3,625)
Share of other comprehensive income of associates	–	–	–	534	–	–	–	–	534	–	534
Share of other comprehensive income of joint ventures	–	–	–	82	–	–	–	–	82	–	82
Reclassification adjustment on exchange differences for a foreign operation disposal of during the year (Note 31)	–	–	–	13,965	–	–	–	–	13,965	–	13,965
Total comprehensive income for the year	–	–	–	11,213	–	–	–	(85,639)	(74,426)	(293)	(74,719)
Exercise of share options	138	6,878	–	–	–	–	(2,128)	–	4,888	–	4,888
Forfeiture of share options	–	–	–	–	–	–	(2,284)	2,284	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(1)	(1)
At 30 June 2018	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,131,502)	1,408,706	(8,678)	1,400,028

Notes:

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, hedges of net investment in foreign operations and share of reserves of associate.

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.

Share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, net of issuing expenses in accordance with the accounting policy set out in Note 3.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before taxation		**(80,307)**	(71,743)
Adjustments for:			
Interest income		**(8,033)**	(3,560)
Finance costs	10	**10,296**	16,091
Depreciation of property, plant and equipment	15	**17,350**	20,822
Charge of prepaid lease payments for land	17	**2,711**	1,734
Share-based payment expenses	8	**–**	17,919
Change in fair value of derivative financial instruments, net	28	**(738)**	(1,506)
Change in fair value of investment properties, net	16	**(37,540)**	(34,191)
Change in fair value and gain on disposal of financial assets at fair value through profit or loss, net	27	**(7,387)**	28,667
Change in fair value of profit guarantee	8	**5,880**	7,620
Impairment loss on property, plant and equipment	15	**7,122**	23,351
Impairment loss for doubtful debts, net	25	**2,475**	8,446
Impairment loss/(reversal of impairment loss) on intangible assets	18	**23,952**	(84,961)
Impairment loss on interests in associates	22	**42,519**	–
Written-down/(reversal of written-down) of inventories	24	**2,135**	(1,231)
Loss on disposal of subsidiaries	31	**1,236**	1,017
Loss on disposal of property, plant and equipment	8	**115**	–
Share of results of associates	22	**(8,626)**	(2,350)
Share of results of joint ventures	23	**(2,525)**	5,354
Operating loss before working capital changes		**(29,365)**	(68,521)
(Increase)/decrease in inventories		**(7,585)**	29,545
Increase in debtors, other loans and receivables, deposits and prepayments		**(39,931)**	(57,659)
Increase in bills receivable		**(1,803)**	(2,928)
Decrease in bank balances held on behalf of brokerage clients		**5,000**	7,848
Purchases of financial assets at fair value through profit or loss		**–**	(4,025)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,800**	–
Increase/(decrease) in creditors, other advances and accrued charges		**6,469**	(4,358)
Increase in derivative financial instruments		**729**	1,151
Cash used in operations		**(63,686)**	(98,947)
Taxation paid		**(519)**	(702)
Net cash used in operating activities		**(64,205)**	(99,649)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 HK$'000	2017 HK$'000
Investing activities			
Interest received		8,033	3,560
Purchases of property, plant and equipment		(3,553)	(5,621)
Addition of prepaid lease payments for land		(32,867)	–
Proceeds from disposal of property, plant and equipment		143	–
Proceeds from disposal of a subsidiary	31	138,485	5,464
Prepayment for acquisition of a subsidiary	19	–	(28,795)
Increase in pledged deposits and bank balances		(11,851)	–
Net cash generated from/(used in) from investing activities		98,390	(25,392)
Financing activities			
Interest paid on borrowings		(8,006)	(7,309)
Net proceeds from issue of new shares	36	4,888	114,614
Redemption of promissory notes	34	(23,000)	(79,000)
Interest paid on promissory notes	34	(2,728)	(2,811)
Proceeds from other loans		10,000	–
New bank loans raised		165,315	156,633
Repayment of bank loans		(149,670)	(173,645)
Net cash (used in)/generated from financing activities		(3,201)	8,482
Net increase/(decrease) in cash and cash equivalents		30,984	(116,559)
Cash and cash equivalents at beginning of the year		67,985	181,247
Effect of foreign exchange rate changes		(11,904)	3,297
Cash and cash equivalents at end of the year		87,065	67,985
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		87,065	61,987
Bank balances and cash held for sale	31	–	5,998
		87,065	67,985

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. 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 21, 22 and 23. The Company, together with its subsidiaries, associates and joint ventures are collectively referred to as the "Group".

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

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

(a) Adoption of new/revised HKFRSs – effective 1 July 2017

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

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

Amendments to HKAS 7 Disclosure Initiative

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

The adoption of the amendments has led to the additional disclosure presented in notes to the consolidated statement of cash flows, Note 48.

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

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1 First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28 Investments in Associates and Joint Ventures[2]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 Business Combinations[2]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12 Income Taxes[2]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23 Borrowing Costs[2]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 40	Transfer of Investment Property[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Annual Improvements to HKFRSs 2014–2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

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

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

Annual Improvements to HKFRSs 2014–2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

HKFRS 9 – Financial Instruments

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

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

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

Based on the Group's financial instruments and risk management policies as at 30 June 2018, the directors anticipate that the application of the expected credit loss model of HKFRS 9 may result in earlier recognition of credit losses on the Group's financial assets measured at amortised cost taking into account the estimated credit risk of customers and other debtors the Group has business with and the actual impairment of receivables experienced. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

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

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

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.

Except as discussed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and interpretations will have no material impact on the financial statements of the Group in the future.

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.

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

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

HKFRS 15 – Revenue from Contracts with Customers (continued)

Management has performed a preliminary assessment and expects that there is no material change on the revenue recognition in regard of timing and amount on adoption of HKFRS 15 for next financial year. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

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

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

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.

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.

As set out in Note 42, total operating lease commitment of the Group in respect of factory and office premises leased by the Group under operating lease arrangements as at 30 June 2018 amounted to HK$8,206,000. The directors of the Company have performed a preliminary assessment and consider that these arrangements will meet the definition of a lease under HKFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, more quantitative disclosures about the leases will be made following the requirements of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

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

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

Amendments to HKAS 40 – Transfers of Investment Property

The amendments provides guidance on deciding when there is a change in use to transfer a property to or from investment property. The amendments clarify that a change in use occurs when the property meets or ceases to meet the definition of investment property and there is evidence of the change in use.

The amendments also re-characterise the list of evidence provided in the standard as a non-exhaustive list of examples, i.e. other forms of evidence may support a transfer.

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

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

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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

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

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.

Except as discussed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and interpretations will have no material impact on the financial statements of the Group in the future.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the the Listing of Securities of The Exchange of Hong Kong Limited.

Basis of preparation of financial statements

The consolidated 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.

Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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.

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

Business combination and basis of consolidation (continued)

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.

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.

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

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.

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 amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

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

Associates (continued)

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.

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.

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

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.

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.

Non-current assets held for sale and disposal groups

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

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

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

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

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

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

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

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.

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.

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

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.

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.

Impairment of assets excluding goodwill

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.

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

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.

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 arrangements, 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.

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

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.

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.

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

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.

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; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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.

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

Financial instruments (continued)

(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.

(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.

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

Financial instruments (continued)

(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.

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 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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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.

Impairment of mining right

The Group's mining right is 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 estimate 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.

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 receivables, bank balance and cash, financial assets at fair value through profit or loss, derivative financial assets and liabilities, creditors, other advances and accrued charges, 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 counterparts 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 25.

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 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 2018, 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$1,261,000 (2017: HK$979,000).

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 2017.

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
2018				
Borrowings	126,141	130,492	130,492	–
Creditors, other advances and accrued charges	77,514	77,514	77,514	–
	203,655	208,006	208,006	–
Derivative financial liabilities	67	67	67	–

	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
2017				
Borrowings	97,904	99,580	99,580	–
Promissory notes	23,871	25,760	25,760	–
Creditors, other advances and accrued charges	70,612	70,612	70,612	–
	192,387	195,952	195,952	–
Derivative financial liabilities	76	76	76	–

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 future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 28.

At 30 June 2018, it is estimated that a general increase/decrease of 10% in copper future 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$642,000 (2017: HK$408,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future 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 future 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 2017.

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 2018, 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$5,952,000 (2017: HK$5,494,000).

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)

The following table presents the Group's derivatives are measured at fair value at 30 June 2018 and 2017:

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at fair value through profit or loss	**59,522**	**–**	**–**	**59,522**
Liabilities				
Copper future contracts	**67**	**–**	**–**	**67**

	2017			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Profit guarantee (included in debtors, other loans and receivables, deposits and prepayments)	–	–	5,880	5,880
Financial assets at fair value through profit or loss	54,935	–	–	54,935
	54,935	–	5,880	60,815
Liabilities				
Copper futures contracts	76	–	–	76

During the years ended 30 June 2018 and 2017, there were no transfers between instruments in level 1 and level 2, or transfer into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value (continued)

The movements of the profit guarantee during the year in the balance of level 3 fair value measurements are set out below:

	HK$'000
At 1 July 2016	13,500
Fair value change recognised in profit or loss (Note)	(7,620)
At 30 June 2017	5,880
Fair value change recognised in profit or loss (Note)	(5,880)
At 30 June 2018	–

Note: The amounts are unrealised loss related to financial instruments held at the end at the end of the respective reporting periods.

The profit guarantee was valued by using discounted cash flow method with reference to the significant unobservable input, the estimated profits of Guangzhou Yi Dian Advertising Company Limited, subsidiary of Idea International Holdings Ltd for the years ended 31 December 2016 and 2017 (the "**estimated profits**") and discounted at a rate to reflect the risk of the arrangement. The higher the estimated profits, the lower the fair value of the profit guarantee.

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 2017 and 2018 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 2018

	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	196,081	179,408	–	11,550	8,341	395,380	–	395,380
Inter-segment revenue	–	35,916	–	–	–	35,916	(35,916)	–
Reportable segment revenue	196,081	215,324	–	11,550	8,341	431,296	(35,916)	395,380
Reportable segment (loss)/profit	(6,704)	(17,199)	(10)	41,225	(63,295)	(45,983)	–	(45,983)
Finance costs	(3,432)	(4,324)	–	–	–	(7,756)	–	(7,756)
Change in fair value of derivative financial instruments, net	–	659	–	–	79	738	–	738
Change in fair value and gain on disposal of financial assets at fair value through profit or loss, net	–	–	–	–	7,387	7,387	–	7,387
Change in fair value of investment properties, net	5,940	–	–	31,600	–	37,540	–	37,540
Change in fair value of profit guarantee	–	–	–	–	(5,880)	(5,880)	–	(5,880)
(Impairment loss)/reversal of impairment loss for doubtful debts, net	(2,177)	(363)	–	–	65	(2,475)	–	(2,475)
Impairment loss on property, plant and equipment	–	(7,122)	–	–	–	(7,122)	–	(7,122)
Impairment loss on interests in associates	–	–	–	–	(42,519)	(42,519)	–	(42,519)
Loss on disposal of a subsidiary	–	–	–	–	(1,236)	(1,236)	–	(1,236)
Share of results of associates	–	–	–	–	8,626	8,626	–	8,626
Depreciation of property, plant and equipment								
– allocated	(6,607)	(5,911)	–	(1,717)	(3,055)	(17,290)	–	(17,290)
– unallocated								(60)
								(17,350)
Taxation	(405)	2,736	45	(7,744)	–	(5,368)	–	(5,368)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2017

	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	166,669	217,272	28,932	16,328	13,321	442,522	–	442,522
Inter-segment revenue	–	23,950	–	–	–	23,950	(23,950)	–
Reportable segment revenue	166,669	241,222	28,932	16,328	13,321	466,472	(23,950)	442,522
Reportable segment profit/(loss)	4,208	(36,800)	(1,045)	6,595	(43,467)	(70,509)	(14,632)	(85,141)
Finance costs	(2,888)	(4,033)	(388)	–	–	(7,309)	–	(7,309)
Change in fair value of derivative financial instruments, net	–	1,624	–	–	(118)	1,506	–	1,506
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	–	–	–	–	(28,667)	(28,667)	–	(28,667)
Change in fair value of investment properties, net	9,938	–	–	24,253	–	34,191	–	34,191
Change in fair value of profit guarantee	–	–	–	–	(7,620)	(7,620)	–	(7,620)
Reversal of impairment loss/ (impairment loss) for doubtful debts, net	449	(6,838)	–	(1,760)	(297)	(8,446)	–	(8,446)
Impairment loss on property, plant and equipment	(302)	–	–	(23,009)	(40)	(23,351)	–	(23,351)
Loss on disposal of a subsidiary	–	–	–	–	(1,017)	(1,017)	–	(1,017)
Share of results of associates	–	–	–	–	2,350	2,350	–	2,350
Depreciation of property, plant and equipment								
– allocated	(7,449)	(5,933)	(117)	(3,479)	(3,762)	(20,740)	–	(20,740)
– unallocated								(82)
								(20,822)
Taxation	(1,939)	376	(27)	(5,576)	–	(7,166)	–	(7,166)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

As at 30 June 2018

	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	190,148	271,488	1,823	293,555	289,502	1,046,516
Additions to non-current assets	4,199	–	–	–	61,685	65,884
Reportable segment liabilities	99,687	75,758	–	7,720	7,956	191,121

As at 30 June 2017

	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	231,970	190,115	22,022	205,996	331,470	981,573
Additions to non-current assets	6,168	2,984	466	–	15,409	25,027
Reportable segment liabilities	76,021	66,081	–	4,659	20,395	167,156

7. SEGMENTAL INFORMATION (continued)

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

	For the year ended 30 June	
	2018	2017
	HK$'000	HK$'000
Loss before taxation		
Reportable segment loss	(45,983)	(85,141)
(Impairment loss)/reversal of impairment loss on intangible assets	(23,952)	84,961
Share of results of joint ventures	2,525	(5,354)
Unallocated finance costs	(2,540)	(8,782)
Share-based payment expenses	–	(17,919)
Unallocated corporate expenses	(10,357)	(39,508)
Consolidated loss before taxation	(80,307)	(71,743)

	30 June 2018	30 June 2017
	HK$'000	HK$'000
Assets		
Reportable segment assets	1,046,516	981,573
Mining right	553,426	566,157
Interests in joint ventures	32,791	30,184
Unallocated bank balances and cash	8,740	34,443
Unallocated corporate assets	12,614	116,085
Consolidated total assets	1,654,087	1,728,442

	30 June 2018	30 June 2017
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	191,121	167,156
Promissory notes	–	23,871
Taxation	92	113
Deferred tax liabilities	50,245	44,264
Unallocated corporate liabilities	12,601	23,178
Consolidated total liabilities	254,059	258,582

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:

	2018	2017
	HK$'000	HK$'000
PRC	**303,340**	343,643
Americas	**17,164**	22,035
Europe	**34,237**	36,011
Hong Kong	**27,415**	28,172
Other Asian regions	**13,224**	12,661
	395,380	442,522

	Specified non-current assets	
	30 June 2018	30 June 2017
	HK$'000	HK$'000
PRC	**468,817**	445,172
Hong Kong	**139,933**	151,608
Mongolia	**594,643**	608,077
	1,203,393	1,204,857

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 two customers (2017: one customer) contributed over 10% of revenue to the Group's trading of copper rods segment.

	2018 HK$'000	2017 HK$'000
Copper rods segment		
Customer I	86,211	73,963
Customer II	53,159	N/A note 1

Note:

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

8. LOSS BEFORE TAXATION

This is arrived at after charging/(crediting):

	2018 HK$'000	2017 HK$'000
Auditor's remuneration	2,040	1,797
Depreciation of property, plant and equipment	17,350	20,822
Carrying amount of inventories sold	355,448	407,206
Write-down of inventories	2,135	–
Reversal of write-down of inventories (Note (i))	–	(1,231)
Cost of inventories recognised as expenses (Note (ii))	357,583	405,975
Change in fair value of profit guarantee (Note (iii))	5,880	7,620
Charge of prepaid lease payments for land	2,711	1,734
Operating lease rentals in respect of rented premises	12,601	12,718
Loss on disposal of property, plant and equipment	115	–
Exchange differences, net	(10,444)	15,122
Share-based payment expenses (Note 37)	–	17,919
Wages, salaries and retirement benefit scheme contributions including directors' remuneration (Note 9)	65,478	69,417

8. LOSS BEFORE TAXATION (continued)

Notes:

(i) The reversal of a write-down of inventories arising due to the decrease in provision for slow-moving stock from HK$5,720,000 in 2016 to HK$4,489,000.

(ii) Cost of inventories includes HK$30,024,000 (2017: HK$34,444,000) relating to staff costs and depreciation of property, plant and equipment, for which the amounts are also included in the respective total amounts disclosed separately above.

(iii) The profit guarantee was arising from the Group's acquisition of 49% equity interest in Idea International Holdings Limited ("**IDEA**"). The profit guarantee was initially and subsequently measured at fair value. As at 30 June 2017, the fair value of the profit guarantee, included in debtors, other loans and receivables, deposits and prepayments was measured at fair value of HK$5,880,000 with reference to professional valuation conducted by Peak Vision Appraisals Limited ("**Peak Vision**").

During the year ended 30 June 2018, the profit guarantee has been achieved and hence it is decognised and accordingly a loss on change in fair value of HK$5,880,000 (2017: HK$7,620,000) was recognised in profit or loss.

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		Share-based payment		Retirement benefit scheme contributions		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Mr. Chau Lai Him	**–**	–	**6,909**	6,603	**–**	2,998	**–**	3	**6,909**	9,604
Mr. Zhou Jin Hua	**–**	–	**1,414**	1,403	**–**	2,742	**17**	16	**1,431**	4,161
Mr. Liu Dong Yang	**290**	277	**260**	246	**–**	2,742	**103**	76	**653**	3,341
Mr. Chau Chi Ho	**–**	–	**983**	910	**–**	2,742	**18**	18	**1,001**	3,670
Mr. Chung Kam Kwong	**384**	360	**–**	–	**–**	161	**–**	–	**384**	521
Mr. Lo Wai Ming	**240**	228	**–**	–	**–**	161	**–**	–	**240**	389
Mr. Lo Chao Ming	**88**	84	**–**	–	**–**	161	**–**	–	**88**	245
Total	**1,002**	949	**9,566**	9,162	**–**	11,707	**138**	113	**10,706**	21,931

During the year ended 30 June 2017, 72,580,000 share options were granted to the directors of the Company, and the corresponding share-based payment expenses of HK$11,707,000 was recognised in profit or loss. During the year ended 30 June 2018, no share option was granted by the Company.

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.

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

The five highest paid individuals of the Group include two (2017: four) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2017: one) non-director individual was as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	3,323	1,731
Contributions to retirement benefit schemes	54	18
	3,377	1,749

Remuneration of these individuals was within the following bands:

	Number of individuals	
	2018	2017
HK$Nil – HK$1,000,000	–	–
HK$1,000,001 – HK$1,500,000	3	–
HK$1,500,001 – HK$2,000,000	–	1

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

	Number of individuals	
	2018	2017
HK$Nil – HK$1,000,000	8	7
HK$1,000,001 – HK$1,500,000	3	–
HK$1,500,001 – HK$2,000,000	–	1
HK$3,000,001 – HK$3,500,000	–	1
HK$3,500,001 – HK$4,000,000	–	1
HK$4,000,001 – HK$4,500,000	–	1
HK$6,500,001 – HK$7,000,000	1	–
HK$9,500,001 – HK$10,000,000	–	1

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on borrowings	8,439	7,309
Imputed interest on promissory notes (Note 34)	1,857	8,782
	10,296	16,091

11. TAXATION

	2018 HK$'000	2017 HK$'000
Hong Kong profits tax:		
Current year	–	–
Taxation in other jurisdictions:		
Current year	40	243
Under-provision in respect of prior years	458	102
	498	345
Deferred taxation (Note 35)	4,870	6,821
Taxation for the year	5,368	7,166

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 2017 and 2018.

11. TAXATION (continued)

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:

	2018 HK$'000	2017 HK$'000
Loss before taxation	(80,307)	(71,743)
Tax at the PRC income tax rate of 25% (2017: 25%)	(20,077)	(17,936)
Tax effect of expenses not deductible for tax purpose	52,470	45,509
Tax effect of income not taxable for tax purpose	(28,056)	(22,941)
Tax effect of tax losses not recognised	3,223	2,586
Utilisation of tax losses previously not recognised	–	(1,276)
Under-provision in respect of prior years	458	102
Tax effect of deductible temporary difference not recognised	139	372
Tax effect on share of results of associates	(2,157)	(588)
Tax effect on share of results of joint ventures	(632)	1,338
Taxation for the year	5,368	7,166

12. OTHER INCOME AND GAINS

	2018 HK$'000	2017 HK$'000
Other rental income	223	419
Exchange differences, net	10,444	–
Others	3,659	2,703
	14,326	3,122

13. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2017 and 2018.

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

	2018 HK$'000	2017 HK$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(85,639)**	(70,197)

Number of shares

	2018	2017
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,354,853,025**	2,230,809,732

The computation of diluted loss per share does not assume the subscription of the Company's outstanding potential dilutive ordinary shares as they are anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the year ended 30 June 2017 and 2018.

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
COST:						
At 1 July 2016	82,091	23,924	52,665	289,907	29,587	478,174
Currency realignment	(1,126)	(361)	(527)	(3,222)	(304)	(5,540)
Additions	–	1,009	15,320	5,857	2,841	25,027
Revaluation	2,896	–	–	–	–	2,896
Transferred to investment properties (Note 16)	(5,704)	(378)	–	–	–	(6,082)
Elimination of accumulated depreciation	(3,528)	(1,687)	–	–	–	(5,215)
Disposal of a subsidiary (Note 31)	–	–	(148)	–	(1,199)	(1,347)
Transfer to assets held for sale (Note 31)	–	–	(39)	–	(758)	(797)
At 30 June 2017 and 1 July 2017	74,629	22,507	67,271	292,542	30,167	487,116
Currency realignment	2,139	588	813	6,900	474	10,914
Additions	–	–	1,183	3,039	–	4,222
Disposals	–	(244)	(875)	–	–	(1,119)
At 30 June 2018	**76,768**	**22,851**	**68,392**	**302,481**	**30,641**	**501,133**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2016	44,766	15,978	45,232	225,480	22,178	353,634
Currency realignment	(565)	(229)	(553)	(2,179)	(232)	(3,758)
Provided for the year	4,527	1,307	4,338	8,762	1,888	20,822
Impairment loss	–	–	53	23,281	17	23,351
Elimination on revaluation	(3,528)	(1,687)	–	–	–	(5,215)
Disposal of a subsidiary (Note 31)	–	–	(112)	–	(342)	(454)
Transfer to assets held for sale (Note 31)	–	–	(21)	–	(198)	(219)
At 30 June 2017 and 1 July 2017	45,200	15,369	48,937	255,344	23,311	388,161
Currency realignment	1,226	397	1,082	6,004	334	9,043
Provided for the year	4,606	905	4,225	6,020	1,594	17,350
Impairment loss	–	–	–	7,122	–	7,122
Elimination on disposal	–	(244)	(617)	–	–	(861)
At 30 June 2018	**51,032**	**16,427**	**53,627**	**274,490**	**25,239**	**420,815**
NET CARRYING AMOUNT:						
At 30 June 2018	**25,736**	**6,424**	**14,765**	**27,991**	**5,402**	**80,318**
At 30 June 2017	29,429	7,138	18,334	37,198	6,856	98,955

During the year ended 30 June 2017, the use of certain previously self-used premises of the buildings of the Group had been changed and the management had decided to lease out the premises for rental income. Accordingly the carrying amounts of buildings of HK$5,704,000 (after revaluation upon the transfer), leasehold improvements of HK$378,000; and related prepaid lease payments for land of HK$1,934,000 as at the date of transfer had been 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$2,172,000 was credited to property revaluation reserve.

During the year ended 30 June 2018, items of plant and machinery relating to manufacturing activities were retired and accordingly an impairment loss of HK$7,122,000 (2017: HK$342,000) was recognised in profit or loss. During the year ended 30 June 2017, items of property, plant and equipment relating to leasing activities were also retired and accordingly an impairment loss of HK$23,009,000 was recognised in profit or loss.

16. INVESTMENT PROPERTIES

	Notes	2018 HK$'000	2017 HK$'000
Fair value:			
At beginning of year		**259,889**	348,856
Transferred from property, plant and equipment	15	**–**	6,082
Transferred from prepaid lease payments for land	17	**–**	1,934
Fair value gains, net		**37,540**	34,191
Transferred to assets held for sale	31	**–**	(127,275)
Currency realignment		**5,717**	(3,899)
At end of year		**303,146**	259,889

The Group's investment properties were valued at 30 June 2018 by 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 or using the direct comparison approach by making reference to comparable sales evidence available as in the relevant market. These valuations gave rise to net fair value gains of HK$37,540,000 (2017: HK$34,191,000) during the year.

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

For the significant unobservable inputs used under the investment approach, term yield ranging from 2.8% to 19.64% (2017: 2.6% to 15%), reversionary yield ranging from 2.8% to 9.64% (2017: 3.1% to 9%) and average market unit rent per month ranging from RMB11.1 to RMB26.7 (2017: RMB4 to RMB24.2) per square metre are adopted for the industrial buildings whereas term yield of 3.5% (2017: 4%), reversionary yield of 3.75% (2017: 4.25%) and average market unit rent per month ranging from RMB19 to RMB27 (2017: RMB18 to RMB27) per square metre are adopted for the residential buildings.

Under the direct comparison approach, significant inputs of the Group's industrial buildings in the PRC include price per square metre of RMB1,483 (2017: RMB1,937) adjusted for a discount of 7% (2017: mark up of 7.8%) specific to the location of the Group's industrial building 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 price 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.

16. INVESTMENT PROPERTIES (continued)

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's investment properties are mainly situated in the PRC.

As at 30 June 2018, the Group pledged investment properties with aggregate carrying amount of HK$168,250,000 (2017: HK$ HK$274,265,000) to secure banking facilities granted to the Group, (Note 29).

17. PREPAID LEASE PAYMENTS FOR LAND

	Note	2018 HK$'000	2017 HK$'000
Carrying amount:			
At beginning of year		51,009	55,459
Addition		61,662	–
Charged to the profit or loss for the year		(2,711)	(1,734)
Transferred to investment properties	16	–	(1,934)
Currency realignment		566	(782)
At end of year		110,526	51,009

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

	2018 HK$'000	2017 HK$'000
Leasehold land situated in the PRC	110,248	50,721
Leasehold land situated in Hong Kong	278	288
	110,526	51,009
Analysed for reporting purposes as:		
Non-current	107,552	49,338
Current	2,974	1,671
	110,526	51,009

18. INTANGIBLE ASSETS

	Mining right HK$'000	Trading right HK$'000	Goodwill HK$'000	Total HK$'000
COST:				
At 1 July 2016	1,168,613	630	57,570	1,226,813
Currency realignment	(565)	–	–	(565)
At 30 June 2017 and 1 July 2017	1,168,048	630	57,570	1,226,248
Currency realignment	(133)	–	–	(133)
At 30 June 2018	**1,167,915**	**630**	**57,570**	**1,226,115**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
At 1 July 2016	686,865	–	–	686,865
Reversal of impairment loss	(84,961)	–	–	(84,961)
Currency realignment	(13)	–	–	(13)
At 30 June 2017 and 1 July 2017	601,891	–	–	601,891
Impairment loss recognised	12,601	–	11,351	23,952
Currency realignment	(3)	–	–	(3)
At 30 June 2018	**614,489**	**–**	**11,351**	**625,840**
NET CARRYING AMOUNT:				
At 30 June 2018	**553,426**	**630**	**46,219**	**600,275**
At 30 June 2017	566,157	630	57,570	624,357

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 cash-generating unit for which the mining right belongs to (the "**Mining CGU**"). Given the current development status of mining right, management has determined that recoverable amount of the Mining CGU on a fair-value-less-costs-of-disposal basis. The calculation has incorporated assumptions that a typical market participant would use in estimating the recoverable amount of the Mining CGU, which adopted cash flow projection for a period of 10 years which is estimated to be the entire period of mining activities, discounted by the post-tax discount rate of 24.49%. 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 debt 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 2018, the carrying amount of the Mining CGU was HK$574,453,000, which was higher than the recoverable amount of HK$561,852,000 based on the above assessment, resulting in an impairment loss of HK$12,601,000. The impairment loss is primarily due to the delay in the mining plan and hence a corresponding decrease in future cash inflows, which is attributed to the decrease in the recoverable amount of the mining right.

As at 30 June 2017, the carrying amount of the Mining CGU was HK$494,351,000, which was less than the recoverable amount of HK$579,312,000 based on the above assessment, resulting in a reversal of impairment loss on mining right previously recognised of HK$84,961,000. The reversal of impairment loss recognised in the prior year is primarily due to the significant increase in the expected selling price of copper according to the prevailing market conditions, which is attributed to the increase in the recoverable amount of the mining right.

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 value-in-use 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.

Pre-tax discount rate	15.93%
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.

As at 30 June 2018, the carrying amount of the Securities CGU was HK$59,741,000, which was higher than the recoverable amount of HK$48,390,000 based on the above assessment, resulting in an impairment loss on goodwill of HK$11,351,000 (2017: HK$Nil).

19. PREPAYMENTS FOR ACQUISITION OF A SUBSIDIARY AND PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	HK$'000	HK$'000
Prepayments made for acquisition of property, plant and equipment	**–**	669
Prepayments made for the acquisition of a subsidiary	**–**	28,795
	–	29,464

20. OTHER ASSETS

As at 30 June 2018, included in other assets are deposits and prepaid fees in relation to business of securities brokerage of HK$200,000 (2017: HK$ 200,000).

21. PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries as at 30 June 2018 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 ("**BVI**")/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
Chau's Industrial Investments Limited	BVI	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$20,025,000	100%	Manufacture and trading of copper products and trading of metallurgical grade bauxite
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 Fine Chemical Co., Ltd.* ("**Xin Bao**")	PRC	HK$65,000,000	89.62%	Property holding
Gosberton Assets Limited	BVI	US$1	100%	Holding of trademarks

21. 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
Great Measure Investments Limited	BVI	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)
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 and property holding
Sun Progress Limited	BVI	US$1	100%	Investment holding
Yellowstone Assets Limited	BVI	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.#	PRC	RMB3,000,000	100%	Manufacture and trading of plastic products
Pico Zeman Securities (HK) Ltd ("**PICO**")	Hong Kong	HK$45,000,000 (2017: HK$35,000,000)	100%	Trading of securities
廉江市周氏石材有限公司 Lianjiang Zhou's Marble Limited ("**Zhou's Marble**")	PRC	RMB10,000,000	80%	Processing and trading of marble related products (not yet commenced)

21. PRINCIPAL SUBSIDIARIES (continued)

Wholly-owned foreign enterprise

* Equity joint venture

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.

22. INTERESTS IN ASSOCIATES

	2018	2017
	HK$'000	HK$'000
Share of net assets	**37,802**	28,642
Goodwill	**41,509**	84,028
	79,311	112,670

During the year, the recoverable amount of the Group's interests in associates were determined by the directors of the Company based on value-in-use calculations with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection based on the financial budget approved by management covering a three-year period. The cash flows beyond the three-year period are extrapolated using a steady growth rate of 3%, which is based on the relevant industry growth rate and does not exceed the average long-term growth rate for the business in which the associates operate. The pre-tax discount rate adopted in the calculation is 18.05%.

As at 30 June 2018, the carrying amount of the Group's interests in associates, before impairment, is higher than their recoverable amount based on the above assessment. Accordingly, an impairment loss on the goodwill included in interests in associates of HK$42,519,000 (2017: Nil) was recognised in profit or loss.

22. INTERESTS IN ASSOCIATES (continued)

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.	BVI	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
珠海藝典廣告有限公司	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services
霍爾果斯藝典廣告有限公司	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.

22. INTERESTS IN ASSOCIATES (continued)

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

	2018 HK$'000	2017 HK$'000
At 30 June		
Total non-current assets	16,623	20,812
Total current assets	79,526	51,787
Total current liabilities	19,001	14,145
Total non-current liabilities	–	–
Net assets	77,148	58,454
Proportion of effective interest held by the Group	49%	49%
Share of net assets	37,802	28,642
Revenue	60,387	66,942
Profit from operations	17,604	4,797
Other comprehensive income	1,090	(311)
Profit and total comprehensive income for the year	18,694	4,486
Share of results of associates	8,626	2,350
Share of other comprehensive income of associates	534	(152)

23. INTERESTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Shares of net assets	**32,791**	30,184

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	BVI	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.

23. INTERESTS IN JOINT VENTURES (continued)

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

	2018 HK$'000	2017 HK$'000
At 30 June		
Total non-current assets	348,928	321,587
Cash and cash equivalents	968	1,516
Other current assets	2,621	4,396
Total current assets	3,589	5,912
Current financial liabilities	(13,973)	(14,582)
Other current liabilities	(24)	(32)
Total current liabilities	(13,997)	(14,614)
Total non-current liabilities	(10,612)	(11,041)
Net assets	327,908	301,844
Reconciliation to the Group's interests in joint ventures:		
Proportion of effective interest held by the Group	10%	10%
Share of net assets	32,791	30,184
Other income	–	64
Reversal of impairment loss/(impairment loss) on mining right	27,342	(45,903)
Exploration expenses	(1,970)	(7,091)
Other expenses	(123)	(609)
Profit/(loss) for the year	25,249	(53,539)
Other comprehensive income	815	1,920
Loss and total comprehensive income for the year	26,064	(51,619)
Share of results of joint ventures	2,525	(5,354)
Share of other comprehensive income of joint ventures	82	192

24. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Raw materials	**13,219**	10,636
Work in progress	**2,278**	1,430
Finished goods	**16,160**	14,141
	31,657	26,207

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, a write-down of inventories of HK$2,135,000 (2017: a reversal of write-down of inventories of HK$1,231,000) has been recognised in profit or loss for the year.

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

As at 30 June 2018, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$55,743,000 (2017: HK$51,692,000).

(i) The Group allows an average credit period of 30 to 60 days (2017: 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:

	2018	2017
	HK$'000	HK$'000
Within 30 days	**28,222**	31,661
31 – 60 days	**12,146**	10,969
61 – 90 days	**10,621**	7,366
Over 90 days	**4,754**	1,696
	55,743	51,692

25. 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:

	2018 HK$'000	2017 HK$'000
At beginning of year	**8,009**	8,280
Allowance for doubtful debts	**1,971**	2,056
Reversal of allowance for doubtful debts	**(1,295)**	(448)
Uncollectible amounts written-off	**(496)**	(1,760)
Currency realignment	**200**	(119)
At end of year	**8,389**	8,009

As at 30 June 2018, the Group's trade debtors of HK$8,389,000 (2017: HK$8,009,000) 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:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	**47,063**	48,092
Past due but not impaired	**8,680**	3,600
	55,743	51,692

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.

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

(v) As at 30 June 2018, included in debtors, other loans and receivables, deposits and prepayments mainly consisted of:

(a) Other loan receivables from two (2017: one) independent third parties with aggregate principal amount of HK$89,476,000 (2017: HK$33,978,000) and related interest receivables of HK$3,012,000 (2017: HK$Nil).

These loan receivables were unsecured, interest-bearing at rates ranged from 5.5% to 12% (2017: 5.5%) per annum and repayable within twelve months from the end of reporting period.

The directors of the Company are of the opinion that, after taking into account the past payment history, the loan receivables can be fully recoverable and no impairment is necessary at the end of the reporting period.

(b) Amounts due from financial institutions amounting to HK$3,010,000 (2017: HK$5,985,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

(c) Amounts due from non-controlling equity owners of certain subsidiaries amounted to HK$6,810,000 (2017: HK$Nil). The balance is unsecured, interest-free and has no fixed terms of repayment.

(d) An amount due from a joint venture amounted to HK$16,221,000 (2017: HK$16,221,000). The balance is secured by the shares of the joint venture, interest-free and has no fixed terms of repayment.

(vi) Impairment on other receivables

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

	2018 **HK$'000**	2017 HK$'000
At beginning of year	**14,266**	7,477
Impairment loss recognised	**1,799**	6,838
Currency realignment	**75**	(49)
At end of year	**16,140**	14,266

26. BILLS RECEIVABLE

As at 30 June 2017 and 2018, all bills receivable aged within 90 days.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Equity securities held for trading and listed in Hong Kong	59,522	54,935

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$6,566,000 (2017: a loss on change in fair value of HK$28,669,000) and a net gain on disposal of HK$821,000 (2017: a net gain on disposal of HK$2,000) were recognised in profit or loss.

28. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative not qualified for hedging

	2018		2017	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Copper futures contracts	–	67	–	76

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 2018	As at 30 June 2017
Quantities (in tonnes)	125	75
Average price per tonne	US$6,626	US$7,027
Delivery period	From July 2018 to September 2018	From July 2017 to August 2017
Fair value loss of copper futures contracts recognised as current liabilities (in HK$'000)	(67)	(76)

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 gain on change in fair value of derivative financial instruments of HK$738,000 (2017: HK$1,506,000) has been recognised in profit or loss during the year.

29. PLEDGE OF ASSETS

As at 30 June 2018, 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:

	Note	2018 HK$'000	2017 HK$'000
Investment properties	16	**168,250**	274,265
Pledged bank deposits		**11,851**	–
		180,101	274,265

30. BANK BALANCES AND CASH 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.

	2018 HK$'000	2017 HK$'000
Bank balances and cash and bank balances held on behalf of brokerage clients were denominated in the following currencies:		
RMB	**68,089**	16,526
HK$	**20,522**	45,966
U.S. Dollars	**3,210**	8,006
EURO	**51**	393
Mongolian Tughrik	**340**	1,243
	92,212	72,134

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$5,451,000 (2017: HK$11,211,000) 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.

31. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES

On 15 October 2016, the Group, through a wholly-owned subsidiary, entered into an agreement with Key State Global Limited, an independent third party, to dispose of the entire issued share capital in a subsidiary, China Glory Management Limited (together with its subsidiaries are collectively referred to as the "**Disposal Group**"), at the consideration of HK$140,000,000 in cash. The Disposal Group is principally engaged in holding of land use rights, and manufacturing and trading of cables and wires in the PRC.

As at 30 June 2017, the Disposal Group does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

The following major classes of assets and liabilities relating to the Disposal Group have been classified as held for sale in the consolidated statement of financial position as at 30 June 2017.

	2017 HK$'000
Property, plant and equipment (Note 15)	578
Investment properties (Note 16)	127,275
Debtors, other loans and receivables, deposits and prepayments	877
Bank balances and cash	5,998
Assets of a disposal group classified as held for sale	134,728
Creditors, other advances and accrued charges	(2,052)
Deferred tax liabilities (Note 35)	(19,690)
Liabilities of a disposal group classified as held for sale	(21,742)

On 24 August 2017, the disposal of equity interest in the Disposal Group has been completed.

31. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES (continued)

	2018 HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	549
Investment properties	131,482
Debtors, other loans and receivables, deposits, and prepayments	15,688
Bank balances and cash	1,515
Creditors, other advances and accrued charges	(2,052)
Deferred tax liabilities	(19,911)
Net assets disposed of	127,271
Cumulative exchange differences in respect of the net assets of the Disposal Group reclassified from equity to profit or loss on loss of control of the Disposal Group	13,965
Loss on disposal	(1,236)
Total consideration	140,000
Net cash inflow arising on disposal:	
Consideration received in cash	140,000
Less: Cash and bank balances disposed of	(1,515)
	138,485

31. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES (continued)

On 28 March 2017, the Group disposed of its interests in Henan Shengxiang Industry Co., Ltd. ("**HNSX**") for a cash consideration of RMB8,200,000. HNSX is engaged in the provision of trading of metallurgical of bauxite in the PRC. The directors of the Company considered that disposal of HNSX does not constitute a discontinued operation as it does not represent the disposal of a separate major line of business or geographical area of operation. The net assets of HNSX at the date of disposal were as follows:

	2017 HK$'000
Property, plant and equipment (Note 15)	893
Inventories	2,762
Debtors, other loans and receivables, deposits and prepayments	28,189
Cash and cash equivalents	468
Creditors, other advances and accrued charges	(15,110)
Non-controlling interest	(8,429)
	8,773
Reclassification adjustment on exchange reserve	1,689
Loss on disposal of a subsidiary	(1,017)
Total cash consideration	9,445
Net cash inflows arising from the disposal:	
Cash consideration (Note)	5,932
Cash and bank balances disposed of	(468)
	5,464

Note:

During the year ended 30 June 2017, HK$5,932,000 out of the total consideration of HK$9,445,000 has been received by the Group.

During the year ended 30 June 2018, the remaining balance HK$3,513,000 of the total consideration has been received by the Group.

32. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

As at 30 June 2018, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$34,573,000 (2017: HK$38,463,000).

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

	2018 HK$'000	2017 HK$'000
Current or within 30 days	20,318	24,916
31 – 60 days	7,199	7,332
61 – 90 days	2,037	1,175
Over 90 days	5,019	5,040
	34,573	38,463

33. BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank loans, secured	116,141	97,904
Other loans, secured	10,000	–
	126,141	97,904

Borrowings repayable within one year and are analysed as follows:

The average effective interest rates of the bank borrowings range from 6.09% to 7.83% (2017: 5.66% to 6.96%) per annum.

The average effective interest rates of the other loans were 10% per annum.

All 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 2018, the Group has available undrawn committed borrowing facilities in the amount of HK$2,370,000 (2017: HK$17,277,000) in respect of which all conditions precedent has been met.

Details of the assets pledged for the Group's facilities are set out in Note 29. Certain borrowings are also secured by the corporate guarantees of the Company and its certain subsidiaries.

34. PROMISSORY NOTES

During the prior years, 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 and 49% equity interest of 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.

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.

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

	2018 **HK$'000**	2017 HK$'000
At 1 July	**23,871**	96,900
Imputed interest on promissory notes	**1,857**	8,782
Redemption on promissory notes	**(23,000)**	(79,000)
Interest paid	**(2,728)**	(2,811)
At 30 June	**–**	23,871

35. DEFERRED TAX

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

	Investment properties HK$'000	**Accelerated tax depreciation** HK$'000	**Properties** HK$'000	**Total** HK$'000
At 1 July 2016	26,160	9,143	22,784	58,087
Currency realignment	(1,265)	(94)	(319)	(1,678)
Charge/(credit) to profit or loss for the year (Note 11)	7,346	(132)	(393)	6,821
Charge to other comprehensive income	–	–	724	724
Reclassified as held for sale (Note 31)	(19,690)	–	–	(19,690)
At 30 June 2017 and 1 July 2017	12,551	8,917	22,796	44,264
Currency realignment	245	200	666	1,111
Charge/(credit) to profit or loss for the year (Note 11)	7,743	(2,458)	(415)	4,870
At 30 June 2018	**20,539**	**6,659**	**23,047**	**50,245**

35. DEFERRED TAX (continued)

As at 30 June 2018, the Group has unused tax losses of approximately HK$191,340,000 (2017: HK$178,447,000) 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 2017 and 2018, the Group's subsidiaries established in the PRC have no unremitted earnings that are subject to withholding taxes.

36. SHARE CAPITAL

	Number of shares		Share capital	
	2018	2017	**2018**	2017
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each:				
Authorised	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning of the year	**2,351,232**	1,959,372	**23,512**	19,594
Placements of new shares (Note a)	**–**	391,860	**–**	3,918
Issue of shares on exercise of share options (Note b)	**13,800**	–	**138**	–
At end of the year	**2,365,032**	2,351,232	**23,650**	23,512

Notes:

(a) In the prior year, an aggregate number of 391,860,000 new ordinary shares of par value of HK$0.01 each were issued at subscription price of HK$0.3 each to the then independent third parties of the Company at aggregate proceeds of approximately HK$114,614,000, net of issuing expenses directly related to respective placements, of which HK$3,918,000 was credited to share capital and the remaining balance of HK$110,696,000 was credited to the share premium account.

(b) During the year ended 30 June 2018, 13,800,000 new ordinary shares of the Company of HK$0.01 each were issued upon the exercise of 13,800,000 share options at an exercise price of HK$0.355 per share (Note 37).

The exercise of the above share options gave rise to an aggregate proceeds of HK$4,888,000, net of expense, of which HK$138,000 was credited to share capital and the remaining balance of HK$4,750,000 was credited to share premium account.

The exercise of the above share options also resulted in the transfer of HK$2,128,000 from share option reserve to share premium account.

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

37. 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 235,233,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of the annual general meeting on 8 December 2017.

The following share options were outstanding under the scheme during the year:

	Weighted average exercise price 2018 HK$	**Number 2018**	Weighted average exercise price 2017 HK$	Number 2017
Outstanding at 1 July	**0.355**	**113,380,000**	–	–
Granted during the year	**–**	**–**	0.355	113,380,000
Forfeited during the year	**0.355**	**(15,000,000)**	–	–
Exercised during the year	**0.355**	**(13,800,000)**	–	–
Outstanding at 30 June	**0.355**	**84,580,000**	0.355	113,380,000

During the year ended 30 June 2017, the weighted average fair value of each option granted was HK$0.16. The following information is relevant in the determination of the fair value of options granted under the Scheme operated by the Company.

	2017
Option pricing model used	Binomial lattice
Weighted average share price at grant date	HK$0.35
Exercise price	HK$0.355
Weighted average contractual life	2 years
Expected volatility	97%
Expected dividend rate	0%
Risk-free interest rate	0.45%

37. SHARE OPTION SCHEME (continued)

The volatility assumption, measured at the standard deviation of expected share price returns, is based on the daily share price on the grant date of the share options.

No share options were granted during the year ended 30 June 2018 (2017: 113,380,000). No equity-settled share-based payment was recognised in profit or loss accordingly (2017: HK$17,919,000). All outstanding share options have vested and were exercisable with the exercise price of HK$0.355. The remaining contractual life of all the outstanding share options was 0.3 year (2017: 1.3 years).

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Interests in subsidiaries	21	**727,906**	799,105
Total non-current assets		**727,906**	799,105
Current assets			
Deposits and prepayments		**2,856**	2,692
Bank balances and cash		**7,696**	24,824
Total current assets		**10,552**	27,516
Current liabilities			
Other advances and accrued charges		**1,593**	1,057
Promissory notes		**–**	23,871
Total current liabilities		**1,593**	24,928
Net current assets		**8,959**	2,588
Total net assets		**736,865**	801,693
EQUITY			
Capital and reserves			
Share capital		**23,650**	23,512
Reserves	39	**713,215**	778,181
Total equity		**736,865**	801,693

39. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 July 2016	1,706,049	763,907	(1,759,468)	–	710,488
Loss and total comprehensive income for the year	–	–	(60,922)	–	(60,922)
Placements of new shares	110,696	–	–	–	110,696
Share-based payment expenses	–	–	–	17,919	17,919
At 30 June 2017 and 1 July 2017	1,816,745	763,907	(1,820,390)	17,919	778,181
Loss and total comprehensive income for the year	–	–	(69,716)	–	(69,716)
Exercise of share options	6,878	–	–	(2,128)	4,750
Forfeiture of share options	–	–	2,284	(2,284)	–
At 30 June 2018	**1,823,623**	**763,907**	**(1,887,822)**	**13,507**	**713,215**

40. NON-CONTROLLING INTERESTS

During the year ended 30 June 2018, Xin Bao has material non-controlling interests ("**NCI**").

Summarised financial information in relation to the NCIs of Xin Bao in the respective years, before intra-group eliminations, is presented below:

	2018 HK$'000	2017 HK$'000
STATEMENT OF FINANCIAL POSITION		
Current assets	2,551	2,501
Non-current assets	47,368	41,526
Current liabilities	(127,976)	(123,632)
Non-current liabilities	(7,327)	(5,985)
Net liabilities	(85,384)	(85,590)
Accumulated NCI	(8,863)	(8,884)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	–	28,932
Gain/(loss) and total comprehensive income for the year	207	(28,739)
Gain/(loss) allocated to NCI	283	(8,712)
Cash flows (used in)/generated from operating activities	(3,519)	2,853
Cash flows used in investing activities	–	(431)
Cash flows generated from/(used in) financing activities	3,501	(3,369)
Net cash outflows	(18)	(947)

41. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	**450**	852

42. LEASE COMMITMENTS

As lessor

The Group has entered into commercial 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:

	2018 HK$'000	2017 HK$'000
Within one year	**10,428**	10,662
In the second to fifth year inclusive	**37,456**	35,744
Beyond the fifth year	**13,712**	21,528
	61,596	67,934

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:

	2018 HK$'000	2017 HK$'000
Within one year	**6,499**	10,135
In the second to fifth year inclusive	**1,707**	4,693
	8,206	14,828

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

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$4,436,000 (2017: HK$3,955,000).

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 30 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 debt or redemption of existing debts.

45. CAPITAL RISK MANAGEMENT (continued)

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

	2018 HK$'000	2017 HK$'000
Debts	126,141	121,775
Bank balances and cash	(92,212)	(72,134)
Net debts	33,929	49,641
Equity	1,408,706	1,478,244
Net debts to equity ratio	2.4%	3.4%

46. 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 2018 and 2017 may be categorised as follows:

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost		
– Debtors, other loans and receivables and deposits	229,804	207,334
– Bills receivables	14,310	12,507
– Pledged bank deposits	11,851	–
– Bank balances and cash	92,212	72,134
Financial assets at fair value through profit or loss at fair value		
– Equity investments	59,522	54,935
– Profit guarantee	–	5,880
Financial liabilities		
Financial liabilities at amortised cost		
– Creditors, other advances and accrued charges	77,514	70,612
– Borrowings	126,141	97,904
– Promissory notes	–	23,871
Derivative financial liabilities at fair value		
– Derivative financial liabilities	67	76

47. 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 receivable and payable with HKSCC on the same settlement date and the Company 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 2018

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	510,603	(509,842)	761	–	–	761

As at 30 June 2017

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	754,019	(752,084)	1,935	–	–	1,935

47. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

As at 30 June 2018

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 payables due to clearing houses	**509,842**	**(509,842)**	**–**	**–**	**–**	**–**

As at 30 June 2017

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 payables due to clearing houses	752,084	(752,084)	–	–	–	–

48. NOTE SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows are, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable on borrowings [Note 1]	Borrowings (Note 33)	Promissory notes (Note 34)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2017	–	97,904	23,871	121,775
Changes from financing cash flows:				
New bank loans raised	–	165,315	–	165,315
Repayment of bank loans	–	(149,670)	–	(149,670)
Proceeds from other loans	–	10,000	–	10,000
Redemption of promissory notes	–	–	(23,000)	(23,000)
Interest paid on promissory notes	–	–	(2,728)	(2,728)
Interest paid on borrowings	(8,006)	–	–	(8,006)
Total changes from financing cash flows:	(8,006)	25,645	(25,728)	(8,089)
Exchange differences	–	2,592	–	2,592
Other changes:				
Imputed interest on promissory notes	–	–	1,857	1,857
Interest expenses	8,439	–	–	8,439
Total other changes	8,439	–	1,857	10,296
At 30 June 2018	**433**	**126,141**	**–**	**126,574**

Note:

1 The interest payable on borrowings is included in creditors, other advances and accrued charges.

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
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
A factory complex erected on a parcel of land known as Lot No. Zhujiajiao Town 3-1 Qiu, located at No. 6118 of Huqingping Highway, Zhujiajiao Town, Qingpu District, Shanghai, the PRC	Industrial	Medium

FINANCIAL SUMMARY

RESULTS

The Group

	Year ended 30 June 2018 HK$'000	Year ended 30 June 2017 HK$'000	Year ended 30 June 2016 HK$'000	Year ended 30 June 2015 HK$'000	Year ended 30 June 2014 HK$'000
Turnover	**395,380**	442,522	740,979	782,197	813,073
Loss before taxation	**(80,307)**	(71,743)	(272,020)	(366,304)	(37,590)
Taxation	**(5,368)**	(7,166)	(4,981)	(3,095)	(125)
Loss for the year	**(85,675)**	(78,909)	(277,001)	(369,399)	(37,715)
Loss attributable to:					
Owners of the Company	**(85,639)**	(70,197)	(274,945)	(370,292)	(37,709)
Non-controlling interests	**(36)**	(8,712)	(2,056)	893	(6)
	(85,675)	(78,909)	(277,001)	(369,399)	(37,715)

ASSETS AND LIABILITIES

	At 30 June 2018 HK$'000	At 30 June 2017 HK$'000	At 30 June 2016 HK$'000	At 30 June 2015 HK$'000	At 30 June 2014 HK$'000
Total assets	**1,654,087**	1,728,442	1,788,873	1,771,053	2,030,718
Total liabilities	**(254,059)**	(258,582)	(365,883)	(226,510)	(357,109)
	1,400,028	1,469,860	1,422,990	1,544,543	1,673,609
Attributable to:					
Owners of the Company	**1,408,706**	1,478,244	1,414,044	1,532,849	1,671,278
Non-controlling interests	**(8,678)**	(8,384)	8,946	11,694	2,331
	1,400,028	1,469,860	1,422,990	1,544,543	1,673,609