Hua Yi Copper Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 559

Annual Report

2011

Contents

Corporate Information

DIRECTORS

Executive Directors

WONG Hin Shek *(Chairman)*
CHI Chi Hung, Kenneth *(Chief Executive Officer)*

Independent Non-Executive Directors

CHIU Wai On
MAN Kwok Leung
WONG Yun Kuen

COMPANY SECRETARY

CHI Chi Hung, Kenneth

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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WEBSITE

www.huayicopper.com

AUDITORS

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

D.S. Cheung & Co.
29th Floor, Bank of East Asia Harbour View Centre
55 Gloucester Road
Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
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Hong Kong

PRINCIPAL BANKS

Bank of Communications Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hong Kong and Shanghai Banking Corporation Limited

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Hua Yi Copper Holdings Limited (the "Company"), together with its subsidiaries, (the "Group"), I would like to present the annual report of the Company for the year ended 30 June 2011.

REVIEW AND PROSPECT

The key segments of the Group are the cable and wires business, copper rod business and listed securities investments. For the financial year 2011, the Group recorded total revenue of approximately HK$379 million. Loss attributable to shareholders for the year ended 30 June 2011 has been narrowed down significantly to approximately HK$47 million as compared to approximately HK$153 million recorded last year. Basic loss per share from continuing and discontinued operations decreased to HK1.60 cents as compared to HK9.64 cents in the previous year. The reduction in deficit was mainly contributed by the one-off gain on disposal of a subsidiary and the absence of discontinued operation during the financial year.

The business environment remained competitive. The Group would continue its cost control initiatives and risk management measures in each of the business segments in order to remain efficient and competitive in the industry. The Board would review its overall strategy to improve the existing operations and to explore means to improve the Group's performance so as to maximise investment returns to the shareholders.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all staff for their dedication and commitment. I would also like to express my gratitude to our valued shareholders, customers, suppliers and other business partners for their support and encouragement to the Group in the past year.

Wong Hin Shek
Chairman

Hong Kong, 20 September 2011

FINANCIAL RESULTS

For the year ended 30 June 2011, the Group recorded a turnover of approximately HK$379 million, representing an increase of 17% over the HK$325 million for the corresponding period last year. Loss attributable to shareholders reduced to approximately HK$47 million (2010: HK$153 million). Basic loss per share from continuing and discontinued operations was approximately HK1.60 cents (2010: HK9.64 cents).

BUSINESS REVIEW

During the year under review, the continuing operations of the Group are (i) cable and wires business; (ii) copper rod business and (iii) listed securities investments. After the completion of disposal of the business in relation to the iron-ore mining last year, the Group's resources had been focused and deployed on the businesses of manufacturing and trading of cables, wires and copper products. Each of the cable and wires business, copper rod business and listed securities investments contributed 58.5%, 41.3% and 0.2% of the Group's total turnover respectively.

The loss attributable to shareholders narrowed down was mainly due to the one-off gain on disposal of a subsidiary and the absence of discontinued operation during the current year.

Cable and Wires Business

The cable and wires business is the largest business segment of the Group. The major customers are primarily manufacturers of domestic appliances and electronic appliances. In view of the economic recovery and the increase in domestic demands in China, the performance of cable and wire business improved. For the year ended 30 June 2011, the turnover increased by 16% to HK$222 million and a segment gain of approximately HK$2,745,000 was recorded.

Copper Rod Business

The copper rod business covers the manufacturing and trading of copper rods and copper wires used primarily in producing copper wires and cables for electrical products and infrastructure facilities. During the period under review, in view of the upward trend in copper prices in the international market, although this business segment recorded an 18% increase in turnover to approximately HK$157 million, a segment loss enlarged to HK$3,317,000 as compared to that of HK$2,142,000 last year.

Listed Securities Investments

During the period under review, the Group has diversified its business into securities market. As at 30 June 2011, the Group managed a portfolio of listed securities with fair value of approximately HK$95 million. The global equity market is unstable throughout the financial year. Accordingly, the trading securities recorded a revaluation loss of approximately HK$14 million for current year.

PROSPECTS

The business environment under which the Group operates remained competitive. The Group would continue its cost control initiatives and risk management measures in each of the business segments with the view to remain efficient and competitive in the industry. To improve the overall financial position of the Group, the Company undertook a placing of non-listed warrants during the period and HK$3.0 million gross proceeds were generated for the Group's working capital. Details of which are stated under the headings "Warrants Placing" below. The Group is committed to explore new investment and business opportunities to maximize the returns to the shareholders of the Company.

Management Discussion and Analysis

FINAL DIVIDEND

The Board of the Company resolved not to pay any final dividend for the year ended 30 June 2011 (2010: HK$Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had cash and bank balances amounting to approximately HK$308 million (2010: HK$455 million) and net current assets value was approximately HK$481 million (2010: HK$427 million). The Group's gearing ratio as at 30 June 2011 was 0.16 (2010: 0.14), being a ration of total debts, including warrants under derivative financial liabilities of approximately HK$105 million (2010: HK$86 million) to shareholders' fund of approximately HK$640 million (2010: HK$631 million).

As at 30 June 2011, the Group had pledged certain property, plant and equipment and prepaid lease payments for land with aggregate carrying value of approximately HK$64 million (2010: HK$64 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no significant contingent liabilities.

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, United States dollars and Renminbi, which are the functional currencies of respective group companies. There is also no significant exposure arising from exchange forward contracts. The Group does not expect any significant exposure to foreign currency risks.

WARRANTS PLACING

On 29 November 2010, the Company entered into a warrant placing agreement with a placing agent to place a maximum of 599 million non-listed warrants of the Company at the warrant issue price of HK$0.005 per warrant ("Warrants"). The Warrants entitle the placees to subscribe for a maximum of 599 million new ordinary shares of HK$0.05 each in the share capital of the Company at the subscription price of HK$0.19 per share for a period of two years commencing from the date of issue of the Warrants. The placing was completed on 13 December 2010. Details of the Warrants placing were set out in the announcements the Company dated 29 November 2010 and 13 December 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group had approximately 700 employees in Hong Kong and the PRC. 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.

EXECUTIVE DIRECTORS

Mr. Wong Hin Shek, aged 41, has been appointed as the Chairman and executive director of the Company since July 2009. Mr. Wong has extensive experience in finance, operation and strategic investment of listed companies in Hong Kong. He worked in a number of reputable investment banks and the Listing Division of the Stock Exchange. Mr. Wong is also a responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Mr. Wong holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. Mr. Wong is currently an executive director of Climax International Company Limited (stock code: 439). He was an executive director of China Public Procurement Limited (stock code: 1094) from November 2007 to September 2009 and Kingston Financial Group Limited (stock code: 1031) from February 2005 to April 2011.

Mr. Chi Chi Hung, Kenneth, aged 42, has been appointed as the Chief Executive Officer and the executive director of the Company since January 2010. Mr. Chi has over 19 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is currently an executive director of China Grand Forestry Green Resources Group Limited (stock code: 910), M Dream Inworld Limited (stock code: 8100) and Morning Star Resources Limited (stock code: 542). He is also an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Aurum Pacific (China) Group Limited (stock code: 8148) and Sam Woo Holdings Limited (stock code: 2322).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Wai On, aged 41, joined the Company since June 2009. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chiu possesses over 10 years of professional experience in accounting and auditing services. Mr. Chiu is also an independent non-executive director of New Times Energy Corporation Limited (stock code: 166).

Mr. Man Kwok Leung, aged 64, joined the Company since May 2009. He is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. He is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. Mr. Man is currently an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Kong Sun Holdings Limited (stock code: 295), Climax International Company Limited (stock code: 439) and Sam Woo Holdings Limited (stock code: 2322).

Dr. Wong Yun Kuen, aged 54, joined the Company since June 2009. He received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768), and an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Kong Sun Holdings Limited (stock code: 295), Kingston Financial Group Limited (stock code: 1031), ZMAY Holdings Limited (stock code: 8085), Climax International Company Limited (stock code: 439), China Grand Forestry Green Resources Group Limited (stock code: 910) and New Island Printing Holdings Limited (stock code: 377). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009, Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010 and China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010, and an executive director and chairman of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010.

CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance, and has applied the principles in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2011, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of securities on the Stock Exchange (the "Listing Rules") except for the deviations from code provisions A.4.1 and E.1.3 of the CG Code which are explained below.

Code provision A.4.1

Under code provision A.4.1 of the CG Code, 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 of the CG Code but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

Code provision E.1.3

Under code provision E.1.3 of the Code, a notice to shareholders is to be sent at least 20 clear business days before the annual general meeting. The notice to shareholders regarding the annual general meeting of the Company held on 23 November 2010 was sent on 27 October 2010, which was less than 20 business days prior to the annual general meeting. The Board will endeavor to ensure that sufficient notice covering all subsequent annual general meetings will be given to all shareholders of the Company in the future.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year.

BOARD OF DIRECTORS

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

The Board currently comprises a total of five Directors, with two Executive Directors, Messrs. Wong Hin Shek (the Chairman) and Chi Chi Hung, Kenneth (the Chief Executive Officer) and three Independent Non-executive Directors, Messrs. Chiu Wai On, Man Kwok Leung and Dr. Wong Yun Kuen.

The Board meets regularly throughout the financial year. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to 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/her duties, take independent professional advice where necessary at the expense of the Company.

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.

BOARD OPERATION

During the financial year, the Board held 19 meetings and the attendance record of each member of the Board is set out below:

	Attendance/eligible to attend
Executive Directors	
Wong Hin Shek	19/19
Chi Chi Hung, Kenneth	19/19

	Attendance/eligible to attend
Independent Non-executive Directors	
Chiu Wai On	11/11
Man Kwok Leung	11/11
Wong Yun Kuen	11/11

REMUNERATION OF DIRECTORS

The Remuneration Committee of the Company currently comprises three Independent Non-executive Directors, Messrs. Chiu Wai On and Man Kwok Leung and Dr. Wong Yun Kuen. 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 desirability of performance-based remuneration. The Remuneration Committee shall meet at least once a year. One meeting was held during the financial year, the attendance record of each member is set out below:

	Attendance/eligible to attend
Committee Member	
Chiu Wai On	1/1
Man Kwok Leung	1/1
Wong Yun Kuen	1/1

NOMINATION OF DIRECTORS

The Company has not established a Nomination Committee. The Board is responsible for all matters relating to the appointment of Directors either to fill a casual vacancy or as an addition to the existing Board. Any director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next annual general meeting and shall be eligible for re-election at such 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 of the Company.

Directors are responsible for identifying suitable qualified candidates and making recommendations to the Board for consideration. The process of selecting and recommending candidates for directorship includes the consideration of referrals and the engagement of external recruitment professionals. The selection criteria is based mainly on the assessment of their professional qualifications and experience relevant to the Company's businesses.

AUDITORS' REMUNERATION

During the financial year, the remuneration of the auditors of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services was approximately HK$538,000.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three Independent Non-executive Directors, Messrs. Chiu Wai On and Man Kwok Leung and Dr. Wong Yun Kuen and the chairman of the Audit Committee is Mr. Chiu Wai On. 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 procedures and risk management. The Audit Committee is also responsible for making recommendations in relation to the appointment, reappointment and removal of the external auditors, and the reviewing and monitoring of the external auditors' independence and objectivity. In addition, the Audit Committee discusses matters raised by the external auditors and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year.

During the financial year, the Audit Committee held 2 meetings and the attendance record of each member is set out below:

	Attendance/eligible to attend
Committee Member	
Chiu Wai On	2/2
Man Kwok Leung	2/2
Wong Yun Kuen	2/2

During the year, the Audit Committee has reviewed the interim and annual results and system of internal control, and its other duties in accordance with the terms of reference.

SYSTEM OF INTERNAL CONTROL

The Board ensures the maintenance of sound and effective internal controls to safeguard the shareholder's investment and the assets of the Company. It has been an important duty of the Directors to conduct a review of the effectiveness of the system of internal control of the Group annually or at anytime necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions. The Board has reached the conclusion that the Group's internal control system was in place and effective.

GENERAL

The Directors acknowledge their responsibility in preparing the Group's financial statements in accordance with the statutory requirements and applicable accounting standards.

The responsibilities of the auditors with respect to the financial reporting are set out in the Independent Auditors' Report on pages 16 and 17 of this Annual Report.

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 17 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2011 are set out in the consolidated statement of comprehensive income on pages 18 to 19.

The Directors resolved not to pay any final dividend for the year ended 30 June 2011.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 80.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 30 June 2011 was HK$Nil (2010: HK$Nil).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Wong Hin Shek *(Chairman)*
Mr. Chi Chi Hung, Kenneth *(Chief Executive Officer)*

Independent non-executive Directors:

Mr. Chiu Wai On
Mr. Man Kwok Leung
Dr. Wong Yun Kuen

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Wong Hin Shek and Dr. Wong Yun Kuen will retire as Directors by rotation and being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

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

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.

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS IN SECURITIES OF THE COMPANY

As at 30 June 2011, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

Name of director	Capacity in which the shares are held	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wong Hin Shek	Beneficial owner/ corporate interest	243,619,125 *(Note)*	8.13%
Mr. Chi Chi Hung, Kenneth	Beneficial owner	23,000,000	0.77%

Note: Out of 241,279,125 Shares are beneficially owned by Intense Rise Holdings Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the shares held by Intense Rise Holdings Limited. He also had a personal interest of 2,340,000 Shares, representing 0.08% of the issued share capital of the Company.

Save as disclosed above, none of the Directors and chief executive of the Company 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) that was required to be recorded pursuant to 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 Companies contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES OF THE COMPANY

As at 30 June 2011, the following shareholders (other than the Directors or the chief executive of the Company) had an interest or short positions in the shares or underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follows:

Long positions in the shares of the Company

Name of substantial shareholder	Capacity in which the shares are held	Number of ordinary shares held	Percentage of the issued share capital
Intense Rise Holdings Limited *(Note)*	Beneficial owner	241,279,125	8.05%

Note: These Shares are beneficially owned by Intense Rise Holdings Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the shares held by Intense Rise Holdings Limited.

Save as disclosed above, no person other than the Directors or the chief executive of the Company, whose interests are set out in the paragraph headed "Directors' and chief executive's interests in securities of the Company", and Shareholders, whose interests are set out in the paragraph headed "Substantial Shareholders' and other persons' interests in securities of the Company" above, had registered an interest or short position in the shares or underlying shares that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2011, the five largest customers of the Group together accounted for approximately 40%, with the largest customer accounted for approximately 13% of the Group's total turnover. The five largest suppliers of the Group together accounted for approximately 69%, with the largest supplier accounted for approximately 46% of the Group's total purchases during the year.

To the best of the Directors' knowledge, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE OPTIONS

The share option scheme (the "Share Option Scheme") was adopted by the Company on 4 December 2003, which replaced its old share option scheme adopted in 1996. Particulars of these share option schemes are set out in Note 35 to the consolidated financial statements.

The following table discloses movements in the Company's Share Option Scheme during the year:

For the year ended 30 June 2011

					Number of share options				
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding at 1.7.2010	Granted during the year	Exercised during the year	Outstanding at 30.6.2011	Notes
Directors									
– Mr. Wong Hin Shek	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	2,340,000	–	(2,340,000)	–	1
– Mr. Chi Chi Hung Kenneth	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	23,000,000	–	(23,000,000)	–	1
Others	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	169,850,000	–	(159,850,000)	10,000,000	1
Others	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	–	234,190,000	–	234,190,000	2
					195,190,000	234,190,000	(185,190,000)	244,190,000	

Notes:

1. The weighted average closing price of the shares immediately before the dates of which share options were exercised during the year was HK$0.173 per share.

2. Both the closing price of the Shares on the Stock Exchange on the date of grant and the weighted average closing price of the Shares on the Stock Exchange for the five business days immediately before the date of grant were HK$0.163.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as mentioned earlier, at no time during the year was the Company or its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

CORPORATE GOVERNANCE

The Company has complied throughout the year with the CG Code, except for the deviations from code provisions A.4.1 and E.1.3 of the CG Code. Details are set out in the Corporate Governance Report on pages 7 to 9.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors confirmed they have complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year ended 30 June 2011.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The Audit Committee has reviewed the audited results for the year ended 30 June 2011 and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the three independent non-executive directors of the Company. The Remuneration Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of the executive directors and senior management and making recommendations to the Board from time to time.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for the exercise of any 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.

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 30 June 2011, which do not constitute connected transactions in accordance with the requirements of the Listing Rules, are disclosed in Note 37 to the consolidated financial statements.

EMOLUMENT POLICY

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

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

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible parties, details of the scheme are set out in Note 35 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events after the reporting period.

AUDITORS

BDO Limited shall retire and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wong Hin Shek
Chairman and Executive Director

Hong Kong, 20 September 2011

Independent Auditors' Report

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TO THE SHAREHOLDERS OF HUA YI COPPER HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hua Yi Copper Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 79, which comprise the consolidated and company statements of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate number: P05308

Hong Kong, 20 September 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	6	**379,087**	324,723
Cost of sales		**(363,295)**	(311,459)
Gross profit		**15,792**	13,264
Interest income		**9,604**	4,203
Other income		**2,571**	1,336
General and administrative expenses		**(33,346)**	(29,753)
Selling and distribution expenses		**(2,815)**	(1,478)
Finance costs	9	**(6,504)**	(8,764)
Impairment loss on loans receivable	22	**–**	(35,900)
Impairment loss on other receivable	31	**(35,850)**	–
Gain/(loss) on disposal of subsidiaries and discounting effect of amount due from disposed group, net	31	**41,944**	(6,686)
Impairment loss on property, plant and equipment and prepaid lease payments for land	15,16	**(1,800)**	–
Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net	23	**(18,043)**	(11)
Change in fair value of financial assets at fair value through profit or loss		**(13,775)**	(3,278)
Change in fair value of convertible note designated as at fair value through profit or loss	18	**(3,983)**	(37,853)
Loss before taxation		**(46,205)**	(104,920)
Taxation	10	**(514)**	(743)
Loss for the year from continuing operations	7	**(46,719)**	(105,663)
Discontinued operations			
Loss for the year from discontinued operations	12	**–**	(47,771)
Loss for the year		**(46,719)**	(153,434)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**10,071**	–
Reclassification adjustments of exchange reserve upon disposal of subsidiaries	31	**–**	(72)
Other comprehensive income for the year		**10,071**	(72)
Total comprehensive income for the year		**(36,648)**	(153,506)

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Loss for year attributable to:			
— Owners of the Company	11	**(46,719)**	(152,810)
— Non-controlling interest		**–**	(624)
		(46,719)	(153,434)
Total comprehensive income for the year attributable to:			
— Owners of the Company		**(36,648)**	(152,882)
— Non-controlling interest		**–**	(624)
Total comprehensive income for the year		**(36,648)**	(153,506)
Loss per share from continuing and discontinued operations:	14		
— Basic		**(1.60) HK cents**	(9.64) HK cents
— Diluted		**(3.07) HK cents**	(9.64) HK cents
Loss per share from continuing operations:	14		
— Basic		**(1.60) HK cents**	(6.67) HK cents
— Diluted		**(3.07) HK cents**	(6.67) HK cents

Consolidated Statement of Financial Position

At 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**149,440**	151,490
Prepayments for acquisition of property, plant and equipment	15	**341**	1,237
Prepaid lease payments for land	16	**10,051**	9,776
Other receivable	31	**—**	33,473
Convertible note designated as at fair value through profit or loss	18	**—**	8,900
Total non-current assets		**159,832**	204,876
Current assets			
Inventories	19	**28,345**	21,442
Debtors, other receivables, deposits and prepayments	20	**79,327**	75,805
Bills receivable	21	**16,173**	10,839
Loans receivable	22	**86,051**	—
Derivative financial assets	23	**68**	—
Prepaid lease payments for land	16	**237**	227
Convertible note designated as at fair value through profit or loss	18	**4,917**	—
Financial assets at fair value through profit or loss	24	**95,086**	3,629
Bank balances and cash	25	**307,678**	454,624
Total current assets		**617,882**	566,566
Current liabilities			
Creditors, other advances and accruals	26	**31,687**	51,374
Borrowings	27	**83,855**	86,238
Taxation		**650**	2,415
Derivative financial liabilities	23	**20,999**	11
Total current liabilities		**137,191**	140,038
Net current assets		**480,691**	426,528
Total assets less current liabilities		**640,523**	631,404

Consolidated Statement of Financial Position

At 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Deferred tax liabilities	28	**742**	726
Total non-current liabilities		**742**	726
Net assets		**639,781**	630,678
EQUITY			
Capital and reserves			
Share capital	29	**149,771**	140,511
Reserves		**490,010**	490,167
Equity attributable to owners of the Company and total equity		**639,781**	630,678

These consolidated financial statements were approved and authorised for issue by the board of directors on 20 September 2011 and are signed on its behalf by:

Wong Hin Shek
Director

Chi Chi Hung, Kenneth
Director

Statement of Financial Position

At 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Interests in subsidiaries	17	**427,191**	139,007
Property, plant and equipment	15	**2,556**	—
Prepayment for acquisition of property, plant and equipment	15	**341**	1,237
Total non-current assets		**430,088**	140,244
Current assets			
Other receivables, deposits and prepayments		**—**	484
Bank balances and cash	25	**42**	260,858
Total current assets		**42**	261,342
Current liabilities			
Accruals		**1,084**	589
Derivative financial liabilities	23	**20,999**	—
Amounts due to subsidiaries	17	**185**	185
Total current liabilities		**22,268**	774
Net current (liabilities)/assets		**(22,226)**	260,568
Net assets		**407,862**	400,812
EQUITY			
Capital and reserves			
Share capital	29	**149,771**	140,511
Reserves	30	**258,091**	260,301
Total equity		**407,862**	400,812

These financial statements were approved and authorised for issue by the board of directors on 20 September 2011 and are signed on its behalf by:

Wong Hin Shek
Director

Chi Chi Hung, Kenneth
Director

Consolidated Statement of Changes In Equity

For the year ended 30 June 2011

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note (a))	Exchange reserve HK$'000 (Note (b))	Statutory reserve fund HK$'000 (Note (c))	Special reserve HK$'000 (Note (d))	Share option reserve HK$'000 (Note (e))	Accumulated losses HK$'000	Total attributable to owners of the Company HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 July 2009	16,709	170,040	340,932	19,757	14,005	(43,246)	–	(121,071)	397,126	–	397,126
Loss for the year	–	–	–	–	–	–	–	(152,810)	(152,810)	(624)	(153,434)
Other comprehensive income	–	–	–	(72)	–	–	–	–	(72)	–	(72)
Total comprehensive income for the year	–	–	–	(72)	–	–	–	(152,810)	(152,882)	(624)	(153,506)
Issue of new shares by placements *(Note 29)*	58,738	122,496	–	–	–	–	–	–	181,234	–	181,234
Open offer of new shares *(Note 29)*	65,064	125,031	–	–	–	–	–	–	190,095	–	190,095
Disposal of subsidiaries *(Note 31)*	–	–	–	–	–	–	–	–	–	624	624
Recognition of equity-settled share-based payment transactions *(Note 35)*	–	–	–	–	–	–	15,105	–	15,105	–	15,105
At 30 June 2010	140,511	417,567	340,932	19,685	14,005	(43,246)	15,105	(273,881)	630,678	–	630,678

Consolidated Statement of Changes In Equity

For the year ended 30 June 2011

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note (a))	Exchange reserve HK$'000 (Note (b))	Statutory reserve fund HK$'000 (Note (c))	Special reserve HK$'000 (Note (d))	Share option reserve HK$'000 (Note (e))	Accumulated losses HK$'000	Total attributable to owners of the Company HK$'000
At 1 July 2010	140,511	417,567	340,932	19,685	14,005	(43,246)	15,105	(273,881)	630,678
Loss for the year	–	–	–	–	–	–	–	(46,719)	(46,719)
Other comprehensive income	–	–	–	10,071	–	–	–	–	10,071
Total comprehensive income for the year	–	–	–	10,071	–	–	–	(46,719)	(36,648)
Issue of new shares upon exercise of share options *(Note 29)*	9,260	20,000	–	–	–	–	–	–	29,260
Transfer upon exercise of share options *(Note 29)*	–	14,331	–	–	–	–	(14,331)	–	–
Recognition of equity-settled share-based payment transactions *(Note 35)*	–	–	–	–	–	–	16,491	–	16,491
At 30 June 2011	149,771	451,898	340,932	29,756	14,005	(43,246)	17,265	(320,600)	639,781

Notes:

(a) In prior years, the Group undertook capital reorganisations resulting in the elimination of: (i) the share premium account of the Company with a balance of HK$260,881,000 as at 30 September 2005 against accumulated losses of HK$88,157,000 as at that date with the remaining balance of HK$172,724,000 credited to contributed surplus of the Company; and (ii) share capital of the Company of HK$168,208,000 which was credited to contributed surplus of the Company.

(b) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) According to articles of association of the Group's subsidiary operating in the People's Republic of China (the "PRC"), the subsidiary is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory reserve fund until the reserve balance reaches 50% of the respective registered capital. The transfer to this reserve must be made before distribution of dividend to equity holders of the PRC subsidiary.

(d) The special reserve arose from the business combination carried out by the Company in 2004, which was accounted for as a reverse acquisition. Details of the transaction were set out in the circular of the Company dated 14 June 2004.

(e) Share option reserve represents the grant-date fair value of the actual or estimated number of unexercised share options granted to the eligible parties.

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	2011 HK$'000	2010 HK$'000
Cash flows from operating activities		
Loss before taxation from continuing and discontinued operations	**(46,205)**	(166,473)
Adjustments for:		
Depreciation of property, plant and equipment	**13,977**	19,625
Charge of prepaid lease payments for land	**232**	261
Impairment loss on other receivable	**35,850**	–
Impairment loss on loans receivable	**–**	35,900
Impairment loss on prepaid lease payments for land	**80**	213
Impairment loss on property, plant and equipment	**1,720**	9,310
Impairment loss on intangible asset	**–**	55,128
Share-based payments expense	**16,491**	15,105
Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net	**18,043**	11
Change in fair value of financial assets at fair value through profit or loss	**13,775**	3,278
Change in fair value of convertible note designated as at fair value through profit or loss	**3,983**	37,853
Impairment loss on trade debtors	**1,179**	324
Loss on disposal of property, plant and equipment	**–**	4,493
Gain on disposal of subsidiaries and discounting effect of amount due from disposed group, net	**(41,944)**	(1,549)
Interest income	**(9,604)**	(4,203)
Finance costs	**6,504**	8,764
Operating profit before working capital changes	**14,081**	18,040
Increase in inventories	**(6,903)**	(12,886)
Increase in debtors, other receivables, deposits and prepayments	**(8,017)**	(44,741)
Increase in bills receivable	**(5,334)**	(9,339)
Increase in loans receivable	**(86,051)**	–
Decrease in other receivable	**2,112**	3,076
Acquisition of financial assets at fair value through profit or loss	**(105,232)**	(6,907)
(Decrease)/increase in creditors, other advances and accruals	**(13,223)**	37,549
Cash used in operations	**(208,567)**	(15,208)
Hong Kong profits tax paid	**(1,453)**	–
Taxation in Mainland China paid	**(836)**	(403)
Net cash used in operating activities	**(210,856)**	(15,611)

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	2011 HK$'000	2010 HK$'000
Investing activities		
Interest received	**8,349**	2,190
Purchases of property, plant and equipment	**(3,908)**	(8,316)
Acquisition of derivative financial instruments	**(118)**	—
Prepayments made for acquisition of property, plant and equipment	**—**	(1,237)
Direct costs incurred for disposal of subsidiaries	**—**	(40)
Disposal of subsidiaries	**(29)**	10,639
Net cash generated from investing activities	**4,294**	3,236
Financing activities		
Interest paid on borrowings	**(6,504)**	(8,764)
Net proceeds from issue of shares	**29,260**	371,329
Proceeds from issue of warrants	**2,995**	—
New borrowings raised	**81,882**	58,617
Repayment of borrowings	**(52,606)**	(43,183)
Net cash generated from financing activities	**55,027**	377,999
Net (decrease)/increase in cash and cash equivalents	**(151,535)**	365,624
Effect of foreign exchange rate changes	**4,589**	—
Cash and cash equivalents at beginning of the year	**454,624**	89,000
Cash and cash equivalents at end of the year	**307,678**	454,624
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**307,678**	454,624

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. The activities of the Company's subsidiaries are set out in Note 17.

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

(a) Adoption of new/revised HKFRSs — effective 1 July 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HK(IFRIC)-Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretation has no significant impact on the Group's financial statements.

HKAS 17 (Amendments) — Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate.

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:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
Amendments to HK(IFRIC)-Interpretation 14	Prepayments of a Minimum Funding Requirement[1]
HKAS 24 (Revised)	Related Party Disclosures[1]
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets[2]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (2011)	Employee Benefits[5]
HKAS 27 (2011)	Separate Financial Statements[5]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of Interests in Other Entities[5]
HKFRS 13	Fair Value Measurement[5]

Effective dates:

[1] *Annual periods beginning on or after 1 January 2011*
[2] *Annual periods beginning on or after 1 July 2011*
[3] *Annual periods beginning on or after 1 January 2012*
[4] *Annual periods beginning on or after 1 July 2012*
[5] *Annual periods beginning on or after 1 January 2013*

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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

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

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

HKFRS 10 replaces HKAS 27 and HK(SIC)-Interpretation 12. HKFRS 10 is based on a single control model for all entities and introduces three key elements to the definition of control. It also includes guidance to be applied in circumstances where the assessment of control may be difficult, including where an entity has potential voting right (such as share options) over another, agency relationships and cases where voting rights are not the principal indicator of control.

HKFRS 11 replaces HKAS 31. It is based on the principle that each party to a joint arrangement accounts for its rights and obligations that arise from that arrangement.

HKFRS 12 combines, and makes consistent, certain existing disclosures that were previously included, in some cases with overlapping requirements. In addition, it introduces certain new disclosure requirements, including those related to unconsolidated structured entities where a lack of transparency about entities' exposures to related risks was highlighted by the global financial crisis.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The 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 disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of preparation of financial statements

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

Functional and presentation currency

The functional currency of the Company is Renminbi ("RMB"), while the financial statements are presented in Hong Kong dollars. As the Company's shares are listed on the Main Board of the Stock Exchange, the directors consider that it will be more appropriate to adopt Hong Kong dollars as the Group's and the Company's presentation currency.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income, expenses and unrealised gains on transactions between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are 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 interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly-controlled entity.

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

Business combinations

Acquisition of subsidiaries and business is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. The identifiable assets acquired and liabilities assumed are principally measured at acquisition date fair value, except for non-current assets (or disposed groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell. Acquisition costs incurred are expensed.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill below.

Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interests in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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 when goods are delivered and title has passed.

(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) Dividend income is recognised when the right to receive the dividend is established.

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

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 5% per annum using the straight-line method.

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

Equipment, furniture and fixtures	6.67%–30.00%
Plant and machinery	6.67%–20.00%
Motor vehicles	12.50%–30.00%

Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment losses. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

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)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

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

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

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 of the assets concerned to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair values at the inception of the lease 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 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 exchanges 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 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. Non-monetary items carried at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and included as profit or loss or other comprehensive income as appropriate.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss.

Financial assets

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and convertible note designated upon initial recognition as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for revenue recognition.

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. Subsequent to initial recognition, loans and receivables (including debtors, other receivables, loans receivable, bills receivable and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

For loans and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

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

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the terms of the borrowings.

Other financial liabilities

Other financial liabilities including creditors and other advances are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivatives not qualified for hedging

Derivatives that do not qualify for hedge accounting are deemed as financial assets/financial liabilities held for trading and are measured at fair value with fair value changes recognised in profit or loss except for derivative instruments which are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured and such derivative instruments are stated at cost less any impairment losses, if applicable.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. Otherwise, they are classified as derivative financial instruments, and initially recognised at their fair values at the date of issue. Changes in fair values in subsequent periods are recognised in profit or loss.

Effective interest method

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company and others providing similar services

The fair value of share options has been recognised in the 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 earnings.

Share options granted to others

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received unless that fair value cannot be estimated reliably, in which case, the fair value is estimated by reference to the fair value of the share options. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to share option reserve.

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.

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

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.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. 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 as 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 reassess the estimations at the end of each reporting period.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis and 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, depreciation method and the estimated residual values, if any, of the assets at least at the end of each reporting period in order to determine the amount of depreciation expense to be recorded during any reporting period. The depreciation method, 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.

Income taxes

The Group is subject to income taxes in Hong Kong and PRC jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgment 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.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

The Group's major financial instruments include trade debtors, other receivables, bills receivable, loans receivable, derivative financial assets and liabilities, convertible note designated as at fair value through profit or loss, financial assets at fair value through profit or loss, bank balances, creditors, other advances 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 Hong Kong dollars, United States dollars and RMB, which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. 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.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Credit risk (continued)

Except for loans receivable from third parties, the Group has no significant concentration of credit risk 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 20.

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 27. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 27.

At 30 June 2011, it is estimated that a general increase/decrease of 100 basis points in borrowing interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by HK$535,000 (2010: increase/decrease the loss after taxation and accumulated losses by HK$312,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of 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 end of next reporting period. The analysis is performed on the same basis for 2010.

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.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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.

	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	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2011						
Borrowings	**83,855**	**87,041**	**87,041**	**–**	**–**	**–**
Creditors, other advances and accruals	**31,687**	**31,687**	**31,687**	**–**	**–**	**–**
	115,542	**118,728**	**118,728**	**–**	**–**	**–**
Derivative financial liabilities	**20,999**	**–**	**–**	**–**	**–**	**–**
2010						
Borrowings	86,238	87,533	87,533	–	–	–
Creditors, other advances and accruals	51,374	51,374	51,374	–	–	–
	137,612	138,907	138,907	–	–	–
Derivative financial liabilities	11	261	261	–	–	–

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper futures contracts to hedge against the fluctuations of copper price. Details of the copper futures contracts outstanding at the end of reporting period are set out in Note 23.

At 30 June 2011, it was estimated that a general increase/decrease of 10% in copper futures contract price, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by HK$164,000 (2010: decrease/increase the loss after taxation and accumulated losses by HK$293,000).

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Copper price risk (continued)

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

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 and other industry indicators, as well as the Group's liquidity needs.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives financial liabilities of the Group. At the end of reporting period, the Group is exposed to this risk through the exercise rights attached to the warrants issued by the Company as disclosed in Note 23.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments for which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2011, it was estimated that a general increase/decrease of 10% in equity price of the financial assets at fair value through profit or loss, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by HK9,509,000 (2010: decrease/increase the loss after taxation and accumulated losses by HK$363,000).

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; and

- 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.

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.

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value (continued)

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.

The Group's derivatives and investments in listed securities are measured at fair value. During the year, there are no significant transfers between Level 1 and Level 2.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 30 June 2011				
Assets				
Financial assets at fair value through profit or loss	**95,086**	**–**	**–**	**95,086**
Convertible note designated as at fair value through profit or loss	**–**	**4,917**	**–**	**4,917**
Derivative financial assets	**68**	**–**	**–**	**68**
	95,154	**4,917**	**–**	**100,071**
Liabilities				
Derivative financial liabilities	**–**	**20,999**	**–**	**20,999**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 30 June 2010				
Assets				
Financial assets at fair value through profit or loss	3,629	–	–	3,629
Convertible note designated as at fair value through profit or loss	–	8,900	–	8,900
	3,629	8,900	–	12,529
Liabilities				
Derivative financial liabilities	11	–	–	11

6. TURNOVER AND SEGMENT REPORTING

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

(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 three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies as follows:

(i) manufacture and sale of cable and wires;

(ii) manufacture and trading of copper rods; and

(iii) investments in listed securities.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance.

During the current year, the Group started a new segment in the investments in listed securities. Accordingly, the corresponding comparative information has been restated.

As detailed in Note 31, the Group disposed of its business in relation to iron-ore concentrated powder on 12 April 2010. Accordingly, the business segment of iron-ore concentrated powder was classified as discontinued operations for the year ended 30 June 2010.

6. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

For the year ended 30 June 2011

	Cable and Wires HK$'000	**Copper Rods HK$'000**	**Investments in Listed Securities HK$'000**	**Consolidated HK$'000**
Turnover	**221,767**	**156,524**	**796**	**379,087**
Segments profit/(loss)	**2,745**	**(3,317)**	**(13,977)**	**(14,549)**
Unallocated corporate income				**1,578**
Unallocated corporate expenses				**(3,878)**
Interest income				**9,532**
Finance costs				**(6,504)**
Share-based payments				**(16,491)**
Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net				**(18,004)**
Impairment loss on other receivable				**(35,850)**
Gain on disposal of a subsidiary				**41,944**
Change in fair value of convertible note designated as at fair value through profit or loss				**(3,983)**
Loss before taxation from continuing operations				**(46,205)**

For the year ended 30 June 2010 (Restated)

	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Consolidated HK$'000
Turnover	191,846	132,877	—	324,723
Segments profit/(loss)	345	(2,142)	(3,469)	(5,266)
Unallocated corporate income				114
Unallocated corporate expenses				(6,349)
Interest income				4,203
Finance costs				(8,764)
Share-based payments				(15,105)
Change in fair value of convertible note designated as at fair value through profit or loss				(37,853)
Impairment loss on loans receivable				(35,900)
Loss before taxation from continuing operations				(104,920)

6. TURNOVER AND SEGMENT REPORTING (continued)

(c) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2011 HK$'000	2010 HK$'000 (Restated)
Segment assets		
Continuing operations:		
Cable and Wires	**196,842**	169,320
Copper Rods	**96,837**	96,411
Investments in Listed Securities	**95,888**	3,662
Total segment assets	**389,567**	269,393
Unallocated bank balances and cash	**295,221**	448,590
Unallocated other receivables	**135**	39,406
Unallocated loans receivable	**84,901**	—
Convertible note designated as at fair value through profit or loss	**4,917**	8,900
Unallocated corporate assets	**2,973**	5,153
Consolidated total assets	**777,714**	771,442

	2011 HK$'000	2010 HK$'000 (Restated)
Segment liabilities		
Continuing operations:		
Cable and Wires	**76,628**	70,143
Copper Rods	**28,749**	28,207
Investments in Listed Securities	**528**	10
Total segment liabilities	**105,905**	98,360
Current tax liabilities	**650**	2,415
Deferred tax liabilities	**742**	726
Unallocated derivative financial instruments	**20,999**	—
Unallocated other loan	**—**	33,056
Unallocated corporate liabilities	**9,637**	6,207
Consolidated total liabilities	**137,933**	140,764

6. TURNOVER AND SEGMENT REPORTING (continued)

(d) Other segment information

For the year ended 30 June 2011

	Continuing operations				
	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	1,880	2	–	2,922	4,804
Amortisation of prepaid lease payments for land	(164)	(68)	–	–	(232)
Depreciation of property, plant and equipment	(8,477)	(5,152)	–	(348)	(13,977)
Impairment losses on property, plant and equipment and prepaid lease payments for land	–	(1,800)	–	–	(1,800)
Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net	(39)	–	–	–	(39)
Change in fair value of financial assets at fair value through profit or loss	–	–	(13,775)	–	(13,775)
Interest income on convertible note designated as at fair value through profit or loss	–	–	–	1,600	1,600
Notional interest income of discounted other receivable	–	–	–	1,255	1,255
Interest income on loans receivable	–	–	–	3,176	3,176
Bank interest income	–	70	2	3,501	3,573
Amounts regularly provided to the chief operating decision-makers but not included in the measure of segment profit or loss:					
Income tax charge	(489)	–	–	(25)	(514)
Finance costs	(2,905)	(1,330)	(2,269)	–	(6,504)

6. TURNOVER AND SEGMENT REPORTING (continued)

(d) Other segment information (continued)

For the year ended 30 June 2010 (Restated)

	Continuing operations				
	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	3,197	5,119	–	–	8,316
Amortisation of prepaid lease payments for land	(141)	(66)	–	(5)	(212)
Depreciation of property, plant and equipment	(9,618)	(5,755)	–	–	(15,373)
Change in fair value of derivative financial instruments	(11)	–	–	–	(11)
Change in fair value of financial assets at fair value through profit or loss	–	–	(3,278)	–	(3,278)
Loss on disposal of subsidiaries and discounting effect of amount due from disposed group, net	(6,686)	–	–	–	(6,686)
Interest income on convertible note designated as at fair value through profit or loss	–	–	–	1,689	1,689
Notional interest income of discounted other receivable	–	–	–	2,013	2,013
Bank interest income	–	37	2	462	501
Amounts regularly provided to the chief operating decision-makers but not included in the measure of segment profit or loss:					
Income tax charge	(503)	(240)	–	–	(743)
Finance costs	(1,929)	(1,347)	(5,488)	–	(8,764)

6. TURNOVER AND SEGMENT REPORTING (continued)

(e) Geographic information

The Group's operations are located in Hong Kong (place of domicile) and the People's Republic of China (the "PRC").

The Group's revenue from external customers and information about its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") by geographical markets from continuing operations are detailed as below:

	Revenue from external customers		Specified non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**796**	—	**2,914**	1,237
PRC	**378,291**	324,723	**156,918**	161,266
	379,087	324,723	**159,832**	162,503

(f) Major customers

During the current year, revenues from a customer in the Group's copper rods segment amounted to HK$25,760,000 and revenues from three customers in the Group's cable and wires segment amounted to HK$111,940,000.

During the prior year, a customer contributed revenues of HK$1,943,000 and HK$56,826,000 to the Group's copper rods segment and cable and wires segment respectively.

7. LOSS FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Continuing operations		
This is arrived at after charging/(crediting):		
Auditors' remuneration	**530**	627
Depreciation of property, plant and equipment	**13,977**	15,373
Cost of inventories *(Note)*	**363,295**	311,459
Charge of prepaid lease payments for land	**232**	212
Impairment loss on trade debtors	**1,179**	324
Wages, salaries and pension contributions including directors' remuneration *(Note 8)*	**18,425**	15,854
Share-based payments expense	**16,491**	15,105
Operating lease rentals in respect of:		
Office premise	**309**	—
Motor vehicles	**1,276**	—
Exchange (gains)/losses, net	**(2,427)**	14
Sale of scrapped materials	**(454)**	(151)
Interest income on convertible note designated as at fair value through profit or loss *(Note 18)*	**(1,600)**	(1,689)
Notional interest income of discounted other receivable	**(1,255)**	(2,013)
Interest income on loans receivable	**(3,176)**	—
Bank interest income	**(3,573)**	(501)
Loss on disposal of property, plant and equipment	**—**	4,493

Note: Cost of inventories includes HK$31,191,000 (2010: HK$26,374,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above.

8. DIRECTORS' REMUNERATION 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		Share-based payment		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Mr. Wong Hin Shek	150	–	–	181	150	181
Mr. Chi Chi Hung, Kenneth	460	180	–	1,780	460	1,960
Mr. Wong Yun Kuen	60	60	–	–	60	60
Mr. Chiu Wai On	60	60	–	–	60	60
Mr. Man Kwok Leung	60	60	–	–	60	60
Total	790	360	–	1,961	790	2,321

During the prior year, certain directors of the Company were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 35. The fair value of such options which was recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the prior year was included in the above directors' remuneration disclosures. There was no arrangement under which a director waived or agreed to waive any remuneration during the current and prior years.

The five highest paid individuals of the Group include two (2010: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2010: three) individuals for the year ended 30 June 2011 were as follows:

	2011 HK$'000	2010 HK$'000
Salaries	505	273
Contributions to retirement benefits schemes	10	12
	515	285

Their emoluments fell within the following band:

	Number of individuals	
	2011	2010
HK$Nil–HK$1,000,000	3	3

During the current and prior years, no share option was granted to non-director, highest paid individuals in respect of their services to the Group.

There was no arrangement under which the above non-director, highest paid individuals waived or agreed to waive any remuneration during the current and prior years.

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**6,504**	8,764

10. TAXATION

	2011 HK$'000	2010 HK$'000
Taxation charged/(credited) in the consolidated statement of comprehensive income represents:		
Current taxation — Hong Kong profits tax — Under-provision for the prior years	**24**	—
Current taxation — PRC corporate income tax ("CIT") — tax for the year	**516**	769
	540	769
Deferred taxation *(Note 28)*	**(26)**	(13,808)
	514	(13,039)
Attributable to continuing operations reported in the consolidated statement of comprehensive income	**514**	743
Attributable to discontinued operations	**—**	(13,782)
	514	(13,039)

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the 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 CIT rate for enterprises in the PRC is 25%, which is also the Group's applicable CIT rate for the years ended 30 June 2010 and 2011.

10. TAXATION (continued)

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

	2011 HK$'000	2010 HK$'000
Loss before taxation	(46,205)	(166,473)
Tax at the PRC CIT rate of 25% (2010: 25%)	(11,551)	(41,618)
Tax effect of expenses not deductible for tax purposes	28,744	77,108
Tax effect of income not taxable for tax purposes	(20,355)	(87,227)
Effect of different tax rates of subsidiaries operating in other jurisdictions and changes in tax rates	3,676	38,698
Taxation for the year	514	(13,039)

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 30 June 2011 includes a loss of HK$38,701,000 (2010: HK$18,909,000) which has been dealt with in the financial statements of the Company.

12. DISCONTINUED OPERATIONS

As detailed in Note 31, the Group disposed of its business in relation to iron-ore concentrated powder on 12 April 2010. Accordingly, the business segment of iron-ore concentrated powder was classified as discontinued operations in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The sales, results and cash flows of the discontinued operations were as follows:

	2011 **HK$'000**	2010 HK$'000
Turnover	–	243
Cost of sales	–	(404)
Gross loss	–	(161)
Other income	–	69
General and administrative expenses	–	(5,258)
Impairment loss on intangible asset	–	(55,128)
Gain on disposal of subsidiaries and discounting effect of amount due from disposed group, net *(Note 31)*	–	8,235
Impairment loss on property, plant and equipment	–	(9,310)
Loss before taxation	–	(61,553)
Taxation	–	13,782
Loss for the year from discontinued operations	–	(47,771)
Operating cash outflow	–	(3,866)
Financing cash inflow	–	4,545
Total cash inflow	–	679

13. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2011 (2010: HK$Nil).

14. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted loss per share amounts is based on the loss for the year attributable to owners of the Company adjusted to reflect the change in fair value of warrants included in derivative financial liabilities. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

From continuing and discontinued operations

The calculation of the basic and diluted loss per share amounts is based on the following data:

	2011 HK$'000	2010 HK$'000
Loss for the purpose of basic loss per share	**(46,719)**	(152,810)
Effect of dilutive ordinary shares:		
Change in fair value of warrants included in derivative financial liabilities	**(45,107)**	–
Loss for the purpose of diluted loss per share	**(91,826)**	(152,810)

	Number of shares	
	2011	2010
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,927,426,338**	1,585,130,950
Effect of dilutive potential shares:		
Warrants	**67,925,017**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**2,995,351,355**	1,585,130,950

14. LOSS PER SHARE (continued)

From continuing operations

The calculation of the basic and diluted loss per share amounts from continuing operations is based on the following data:

	2011 HK$'000	2010 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(46,719)**	(105,663)
Effect of dilutive ordinary shares:		
Change in fair value of warrants included in derivative financial liabilities	**(45,107)**	–
Loss for the purpose of diluted loss per share	**(91,826)**	(105,663)

The denominators used are the same as those detailed above for calculating basic and diluted loss per share for continuing and discontinued operations where appropriate.

As share options outstanding during the years had an anti-dilutive effect on the basic loss per share for both years, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share.

From discontinued operations

Basic and diluted loss per share for discontinued operations is Nil HK cents (2010: 2.97 HK cents) based on the loss for the year from discontinued operations attributable to owners of the Company of HK$Nil (2010: HK$47,147,000). The denominators used are the same as those detailed above for calculating basic and diluted loss per share for continuing and discontinued operations.

15. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
COST:							
At 1 July 2009	34,995	114,675	7,483	11,101	137,785	6,349	312,388
Additions	–	5,072	–	19	3,222	3	8,316
Disposals	–	(3,559)	–	–	(452)	(991)	(5,002)
Disposal of subsidiaries *(Note 31)*	(34,995)	(56,317)	–	(4,670)	(27,294)	(4,346)	(127,622)
At 30 June 2010	–	59,871	7,483	6,450	113,261	1,015	188,080
Additions	–	–	99	3,045	1,660	–	4,804
Currency realignment	–	3,976	2	438	8,170	75	12,661
At 30 June 2011	–	63,847	7,584	9,933	123,091	1,090	205,545
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:							
At 1 July 2009	–	12,875	1,703	4,681	29,766	1,526	50,551
Provided for the year	–	4,582	374	1,214	12,253	1,202	19,625
Disposals	–	(429)	–	–	(80)	–	(509)
Impairment loss	–	2,695	–	449	4,798	1,368	9,310
Disposal of subsidiaries *(Note 31)*	–	(13,706)	–	(2,823)	(22,248)	(3,610)	(42,387)
At 30 June 2010	–	6,017	2,077	3,521	24,489	486	36,590
Provided for the year	–	2,274	5	1,480	10,054	164	13,977
Impairment loss	–	567	–	31	1,115	7	1,720
Currency realignment	–	816	1	193	2,761	47	3,818
At 30 June 2011	–	9,674	2,083	5,225	38,419	704	56,105
NET CARRYING AMOUNT:							
At 30 June 2011	–	54,173	5,501	4,708	84,672	386	149,440
At 30 June 2010	–	53,854	5,406	2,929	88,772	529	151,490

	Equipment, furniture and fixtures HK$'000
THE COMPANY	
COST:	
Additions and at 30 June 2011	2,900
ACCUMULATED DEPRECIATION:	
Provided for the year and at 30 June 2011	344
NET CARRYING AMOUNT:	
At 30 June 2011	2,556
At 30 June 2010	–

15. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT (continued)

For the year ended 30 June 2011, certain items of property, plant and equipment and the related prepaid lease payments for land were under-utilised. As a result, the Group assessed the recoverable amounts of these items. Based on the assessment, the carrying value of these items of property, plant and equipment and prepaid lease payments for land were written down by HK$1,720,000 (2010: HK$9,310,000) and HK$80,000 (2010: HK$213,000) respectively.

The recoverable amount of the property, plant and equipment and the related prepaid lease payments for land has been determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period, average growth rate of 6% per annum and discount rate of 5% per annum. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margins.

The Group has pledged buildings with a carrying amount at 30 June 2011 of HK$54,173,000 (2010: HK$53,854,000) to secure banking facilities granted to the Group (Note 34).

As at 30 June 2011, the prepayment amounts represented prepayments made for acquisition of items of property, plant and equipment.

16. PREPAID LEASE PAYMENTS FOR LAND

	Notes	**2011** **HK$'000**	2010 HK$'000
Net carrying amount:			
At beginning of year		**10,003**	14,606
Charge to the profit or loss		**(232)**	(261)
Disposal of subsidiaries	31	**–**	(4,129)
Impairment loss	15	**(80)**	(213)
Exchange realignment		**597**	–
At end of year		**10,288**	10,003

16. PREPAID LEASE PAYMENTS FOR LAND (continued)

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

	2011 HK$'000	2010 HK$'000
Leasehold land under medium-term lease in the PRC	**10,288**	10,003
Analysed for reporting purposes as:		
Non-current	**10,051**	9,776
Current	**237**	227
	10,288	10,003

The Group has pledged prepaid lease payments for land with a carrying amount at 30 June 2011 of HK$10,288,000 (2010: HK$10,003,000) to secure banking facilities granted to the Group (Note 34).

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**554,846**	266,662
	554,847	266,663
Less: impairment loss on amounts due from subsidiaries	**(127,656)**	(127,656)
	427,191	139,007

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months after the end of reporting period. The amounts due from subsidiaries in substance represent the Company's interests in the subsidiaries in the form of quasi-equity loans and therefore they are included under the non-current assets of the Company.

An accumulated impairment loss on amounts due from subsidiaries of HK$127,656,000 (2010: HK$127,656,000) was recognised as at 30 June 2011 because the related recoverable amounts of the amounts due from subsidiaries with reference to the fair values of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related amounts due therefrom are reduced to their recoverable amounts.

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. INTERESTS IN SUBSIDIARIES (continued)

The following list contains only the particulars of the principal subsidiaries as at 30 June 2011 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	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Group	Principal activities
Brightpower Asset Management Limited	British Virgin Islands	US$1	100%	Investments in listed securities
Hua Yi Copper (BVI) Company Limited	British Virgin Islands	US$1	100%	Investment holding
Wah Yeung Capital Resources Limited	British Virgin Islands	US$1	100%	Investment holding
昆山華藝銅業有限公司 Kunshan Hua Yi Copper Products Company Limited #	PRC	US$5,000,000	100%	Manufacture and trading of copper products
昆山周氏電業有限公司 Kunshan Chau's Electrical Company Limited #	PRC	US$5,000,000	100%	Manufacture and trading of cable and wire products

Wholly-foreign-owned enterprise

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

Except for Hua Yi Copper (BVI) Company Limited, all the subsidiaries are indirectly held by the Company.

18. CONVERTIBLE NOTE DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

On 16 December 2008, the Group disposed of its business of manufacture and trading of life-like plants (the "Life-like Plants Operation") to a subsidiary of Kong Sun Holdings Limited ("Kong Sun"). Kong Sun's shares are listed on Main Board of the Stock Exchange. Kong Sun and its subsidiaries are collectively referred to as the Kong Sun Group.

A convertible note with principal amount of HK$40,000,000 which carries coupon interest at 4% per annum with maturity date on 15 December 2011 (the "Maturity Date") was issued by the Kong Sun Group to the Group as part of consideration for the Group's disposal of the Life-like Plants Operation.

The Group has the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the convertible note into conversion shares; and the right, at any time during the period between 20 months after the issue of the convertible note and before the Maturity Date, to redeem, the whole or part of the outstanding principal amount of the convertible note. On the other hands, the Kong Sun Group has the right, at any time during the period commencing from the date immediately following the date of issue of the convertible note up to the day immediately prior to and exclusive of the Maturity Date, to mandatorily convert the whole of the outstanding principal amount of the convertible note registered in the name of noteholder into conversion shares at the then applicable conversion price of HK$0.1 per conversion share that subject to adjustment clauses in the convertible note agreement, or redeem any convertible note remaining outstanding at the Maturity Date at its nominal value. The convertible note may be transferred to any person but shall not be assigned or transferred to a connected person of the issuer without the prior written consent of the issuer.

Upon initial recognition, the Group has designated the convertible note as a financial asset at fair value through profit or loss and is carried at fair value as the directors considered that it is more relevant to evaluate the convertible note on a fair value basis in accordance with the Group's risk management policy.

During the year ended 30 June 2011, 239,654,173 new ordinary shares of Kong Sun were issued under an open offer, resulting in adjustments to the number of the shares of Kong Sun's shares upon conversion and the conversion price of the convertible note to 23,529,411 shares and HK$1.70 respectively. Details of Kong Sun's open offer and the adjustments to the convertible note are set out in Kong Sun's announcement dated 26 October 2010.

At 30 June 2011, the fair value of the convertible note was HK$4,917,000 (2010: HK$8,900,000), based on the professional valuation performed by Kovas Magni Appraisal Limited, an independent firm of professionally qualified valuers. The fair value was calculated using the Binomial Options Pricing Model. The key inputs into the model were as follows:

	30 June 2011
Stock price of Kong Sun	HK$0.209
Conversion price	HK$1.700
Number of issued shares of Kong Sun	718,962,519
Quantities of shares upon conversion	23,529,411
Dilution effect	1.23
Expected life	0.5 year
Coupon rate	4%

18. CONVERTIBLE NOTE DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

A loss on change in fair value of HK$3,983,000 (2010: HK$37,853,000) was recognised in the profit or loss for the year ended 30 June 2011.

During the year ended 30 June 2011, interest income of HK$1,600,000 (2010: HK$1,689,000) arising from the convertible note was recognised in the profit or loss.

19. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	8,733	4,882
Work in progress	12,887	12,392
Finished goods	6,725	4,168
	28,345	21,442

20. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, other receivables, deposits and prepayments were trade debtors with outsiders of HK$73,814,000 (2010: HK$58,645,000). The Group allows an average credit period of 0 to 90 days to its trade debtors with outsiders.

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

	2011 HK$'000	2010 HK$'000
Within 30 days	38,139	29,202
31–60 days	20,787	11,234
61–90 days	14,769	11,731
Over 90 days	119	6,478
	73,814	58,645

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

	The Group	
	2011 HK$'000	2010 HK$'000
At beginning of year	324	364
Impairment loss recognised	1,179	324
Disposal of subsidiaries	–	(364)
Exchange realignment	82	–
	1,585	324

20. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(ii) (continued)

At 30 June 2011, the Group's trade debtors of HK$1,585,000 (2010: HK$324,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised for such balances as at the end of respective reporting periods. 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.

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**70,724**	44,510
Less than 1 month past due	**2,666**	6,529
1 to 3 months past due	**3**	6,893
More than 3 months past due	**421**	713
	73,814	58,645

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

Trade debtors 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.

At 30 June 2011, other than the trade debtors disclosed above, none of the balances included in debtors, other receivables, deposits and prepayments were either past due or impaired which there were no recent history of default.

21. BILLS RECEIVABLE

As at 30 June 2010 and 2011, all bills receivable aged within 180 days.

22. LOANS RECEIVABLE

At 30 June 2009, there were two loans of HK$35,900,000 in aggregate due from two independent third parties. Those loans were interest-bearing at 5% per annum or prime rate. The loans were secured by the borrowers' equity interests of companies engaged/to be engaged in coal and mineral mines located in Mongolia.

During the prior year, the Group reviewed its loans receivable to assess whether impairment losses exist. In determining whether impairment losses should be recognised in profit or loss, the Group had evaluated its loans receivable for impairment after taking into account the values of the underlying collaterals of the borrowers. The Group had also attempted but failed to contact the two borrowers of the loans. Hence, the directors of the Company considered that the possibility to recover the loans receivable of HK$35,900,000 in aggregate was remote and concluded that the collaterals had no commercial value and therefore considered it was not cost-effective to take any action on the collaterals. Accordingly full impairment loss of HK$35,900,000 was recognised in profit or loss during the year ended 30 June 2010.

At 30 June 2011, there were four loans receivable with principal amount of HK$83,150,000 in aggregate and related interest receivable of HK$2,901,000 due from four independent third parties (2010: HK$Nil). These loans are interest-bearing at rates ranging from 2.8% to 10% per annum. The loans receivable with aggregate principal amount of HK$60,000,000 were secured by (i) personal guarantees by the directors of the borrower; and/or (ii) equity shares of the borrower's equity investments. The remaining loans receivable with aggregate principal amount of HK$23,150,000 were unsecured. All the loans were repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 30 June 2011.

Subsequent to the end of reporting period, unsecured loans receivable with principal amount of HK$22,000,000 have been fully settled.

23. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	The Group			
	2011		2010	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Copper futures contracts	**68**	**–**	–	11
Warrants	**–**	**20,999**	–	–
	68	**20,999**	–	11

	The Company			
	2011		2010	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Warrants	**–**	**20,999**	–	–

23. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)

Copper futures contracts

The major terms of the outstanding copper futures contracts of the Group which have not been designated as hedging instruments as at 30 June 2011 were as follows:

	As at 30 June 2011
Quantities *(in tonnes)*	**20**
Average price per tonne *(in RMB)*	**69,590**
Delivery period	**From June 2011 to November 2011**
Fair value of copper futures contracts recognised as current assets *(in HK$'000)*	**68**

The above derivatives were measured at fair value at the end of each reporting period and were with financial institutions. The fair value of copper futures contracts was determined based on the quoted market prices at the end of reporting period. The loss on change in fair value of derivative financial instruments of HK$39,000 (2010: HK$11,000) has been recognised in the profit or loss during the year.

Warrants

During the year, the Company issued 599,000,000 non-listed warrants at subscriptions proceeds of HK$2,995,000, each entitled the holder thereof to subscribe for one share of the Company at the subscription price of HK$0.19 per share, subject to anti-dilutive adjustments, at any time during a period of two years commencing from the date of issue of the warrants. Further details are set out in the Company's announcements dated 29 November 2010 and 13 December 2010.

The fair value of the warrants classified as derivative financial instruments were calculated using the Black-Scholes option pricing model. The key inputs into the model on date of issue and at the end of the reporting period were as follows:

	13 December 2010 (date of issue)	30 June 2011
Share price	HK$0.241	**HK$0.164**
Exercise price	HK$0.190	**HK$1.190**
Expected volatility	92.20%	**65.03%**
Time to maturity	2 years	**1.45 years**
Risk-free rate	0.65%	**0.22%**
Expected dividend yield	Nil	**Nil**

During the year ended 30 June 2011, a loss on fair value adjustment on warrants classified as derivative financial instruments at issue date of HK$63,111,000 and a gain on change in fair value of HK$45,107,000 were recognised in profit or loss.

23. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the expected life of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000
Hong Kong-listed equity investments, at fair value	**95,086**	3,629

The above equity investments are classified as held for trading. The fair values of listed securities are based on quoted market prices.

25. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and 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.

	The Group		**The Company**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
The balances were denominated in the following currencies:				
Hong Kong Dollars	**192,865**	448,669	**41**	260,857
RMB	**114,599**	5,727	**–**	–
U.S. Dollars	**212**	222	**1**	1
Euro	**2**	6	**–**	–
	307,678	454,624	**42**	260,858

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.

26. CREDITORS, OTHER ADVANCES AND ACCRUALS

Included in the Group's creditors, other advances and accruals were trade creditors of HK$16,094,000 (2010: HK$15,554,000) with independent suppliers.

The aging analysis of these trade creditors, based on invoice date, is as follows:

	2011 HK$'000	2010 HK$'000
Within 30 days	**4,122**	4,499
31–60 days	**2,180**	3,883
61–90 days	**5,407**	2,842
Over 90 days	**4,385**	4,330
	16,094	15,554

At 30 June 2011, included in creditors, other advances and accruals were amounts due to related companies of HK$9,491,000 (2010: HK$24,504,000). The amounts were unsecured, interest-free and have no fixed terms of repayment. As at 30 June 2011, one of the directors of the above related companies is a close family member of a director of the Company's subsidiaries. As at 30 June 2010, the related companies had a common director with certain subsidiaries of the Company.

27. BORROWINGS

	2011 HK$'000	2010 HK$'000
Borrowings are due within one year or repayable on demand and are analysed as follows:		
Bank loans, secured	**53,735**	53,182
Other loans, unsecured	**30,120**	33,056
	83,855	86,238

The average effective interest rates of the bank loans range from 5% to 10% (2010: 5% to 9%) per annum.

At 30 June 2011, other loan was interest-bearing at 6% per annum and repayable on 31 December 2011. The other loan was borrowed from a related company, with interest expense incurred for the year of HK$1,372,000. A director of the related company is a close family member of a director of the Company's subsidiary.

At 30 June 2010, except for an amount of HK$29,056,000 which carried interest at fixed rates ranging from 5% to 36% per annum, other loans were unsecured, interest-free and repayable on demand.

Over 95% of the Group's borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

At 30 June 2011 and 2010, the Group had no available undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 34.

28. DEFERRED TAX

The following is the major deferred tax liabilities/(assets) recognised by the Group and their movements are:

	Intangible asset HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 July 2009	13,782	2,008	15,790
Credited to profit or loss for the year *(Note 10)*	(13,782)	(26)	(13,808)
Disposal of subsidiaries *(Note 31)*	—	(1,256)	(1,256)
At 30 June 2010	—	726	726
Credited to profit or loss for the year *(Note 10)*	—	(26)	(26)
Exchange realignment	—	42	42
At 30 June 2011	—	742	742

The Group had no significant unprovided deferred tax asset or liability at the end of reporting period (2010: HK$Nil).

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.05 each at 30 June 2010 and 30 June 2011		
Authorised:		
As at 1 July 2009, 30 June 2010 and 30 June 2011	6,000,000,000	300,000
Issued and fully paid:		
As at 1 July 2009	334,171,300	16,709
Issue of shares by placements *(Note (i))*	1,174,770,000	58,738
Open offer of new shares *(Note (ii))*	1,301,282,600	65,064
As at 30 June 2010 and 1 July 2010	2,810,223,900	140,511
Exercise of share options *(Note (iii))*	185,190,000	9,260
As at 30 June 2011	2,995,413,900	149,771

29. SHARE CAPITAL (continued)

Notes:

(i) During the year ended 30 June 2010, 1,174,770,000 new ordinary shares of par value HK$0.05 each were issued at subscription prices ranging from HK$0.131 to HK$0.200 each to the then independent third parties of the Group at an aggregate consideration, net of issuing expenses, of HK$181,234,000, of which HK$58,738,000 was credited to share capital and the remaining balance of HK$122,496,000 was credited to the share premium account.

(ii) During the year ended 30 June 2010, 1,301,282,600 new ordinary shares of par value HK$0.05 each were issued under an open offer at the subscription price of HK$0.150 each at an aggregate consideration of HK$190,095,000, net of expenses, of which HK$65,064,000 was credited to share capital and the remaining balance of HK$125,031,000 was credited to the share premium account.

(iii) During the year ended 30 June 2011, 185,190,000 new ordinary shares of par value HK$0.05 each were issued at the subscription price of HK$0.158 each on exercise of 185,190,000 share options at an aggregate consideration of HK$29,260,000, net of issuing expenses, of which HK$9,260,000 was credited to share capital and the remaining balance of HK$20,000,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK$14,331,000 was transferred from share option reserve to the share premium account.

30. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2009	170,040	414,226	–	(442,488)	141,778
Issue of new shares by placement *(Note 29)*	122,496	–	–	–	122,496
Open offer of new shares *(Note 29)*	125,031	–	–	–	125,031
Recognition of equity-settled share-based payment transactions *(Note 35)*	–	–	15,105	–	15,105
Loss and total comprehensive income for the year	–	–	–	(144,109)	(144,109)
At 30 June 2010 and 1 July 2010	417,567	414,226	15,105	(586,597)	260,301
Issue of new shares upon exercise of share options *(Note 29)*	20,000	–	–	–	20,000
Transfer upon exercise of share options *(Note 29)*	14,331	–	(14,331)	–	–
Recognition of equity-settled share-based payment transactions *(Note 35)*	–	–	16,491	–	16,491
Loss and total comprehensive income for the year	–	–	–	(38,701)	(38,701)
At 30 June 2011	451,898	414,226	17,265	(625,298)	258,091

31. DISPOSAL OF SUBSIDIARIES

On 1 November 2010, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of and the purchaser agreed to purchase the 100%-owned equity interest in FT Multi-Media Limited ("FTMM") at a consideration of HK$1.

The assets and liabilities of FTMM at the date of disposal were as follows:

	HK$'000
Bank balances and cash	29
Creditor, other advances and accruals	(6,464)
Other loans	(35,509)
	(41,944)
Gain on disposal of a subsidiary	41,944
Total consideration	—
Satisfied by:	
Cash	—
Analysis of the net cash outflow:	
Cash consideration	—
Bank balances and cash disposed of	(29)
	(29)

31. DISPOSAL OF SUBSIDIARIES (continued)

On 20 August 2009, the Group entered into a sale and purchase agreement with a purchaser pursuant to which the Group agreed to dispose of and the purchaser agreed to purchase the entire equity interest in Fortune Point Limited and its subsidiaries (the "Fortune Point Group") at a consideration of HK$4,500,000. The disposal was completed on 24 August 2009. Details of the disposal were set out in the announcements of the Company dated 20 and 24 August 2009.

The assets and liabilities of the Fortune Point Group at the date of disposal were as follows:

	Notes	HK$'000
Property, plant and equipment	15	85,235
Prepayments for acquisition of property, plant and equipment		14,000
Prepaid lease payments for land	16	4,129
Inventories		3,984
Debtors, other receivables, deposits and prepayments		7,656
Bills receivable		239
Bank balances and cash		1,801
Creditors, other advances and accruals		(73,841)*
Borrowings		(37,500)
Deferred tax liabilities	28	(1,256)
		4,447
Gain on disposal of subsidiaries		13*
Direct costs incurred for the disposal		40
Total consideration		4,500
Satisfied by:		
Cash		4,500
Analysis of the net cash inflow/(outflow):		
Cash consideration		4,500
Bank balances and cash disposal of		(1,801)
		2,699

* Included in the Fortune Point Group's creditors, other advances and accruals at the date of disposal was an amount due to the Group amounting to HK$44,469,000. The Group and the purchaser mutually agreed the amount repayable by instalments until 31 December 2013. Therefore, the amount was initially recognised by the Group as a non-current other receivable at the date of disposal and was discounted to its fair value at HK$37,770,000 and the difference of HK$6,699,000 was net off with the gain on disposal of subsidiaries and recognised in profit or loss during the year ended 30 June 2010.

At 30 June 2010, the carrying value of the amount due from the Fortune Point Group was HK$36,707,000, of which HK$33,473,000 was included in other receivable under non-current assets and HK$3,234,000 was included in debtors, other receivables, deposits and prepayments under current assets.

During the current year, the Group reviewed the above other receivable to assess whether impairment losses exist. At 30 June 2011, the carrying value of the amount due from the Fortune Point Group was HK$35,850,000. In determining whether impairment losses should be recognised in profit or loss, the Group has evaluated its other receivable for impairment after taking into account the settlements made during the year. The Group took several attempts but failed to contact the purchaser for the repayment of amount. Hence, based on the facts and circumstances, the directors of the Company considered that the possibility to recover the other receivable is remote and therefore full impairment loss of HK$35,850,000 is recognised in profit or loss.

During the year, notional interest income of HK$1,255,000 (2010: HK$2,013,000) was recognised in profit or loss.

31. DISPOSAL OF SUBSIDIARIES (continued)

On 9 April 2010, the Group entered into a sale and purchase agreement with a purchaser pursuant to which the Group agreed to dispose of and the purchaser agreed to purchase the Group's entire equity interest in Yeading Enterprises Limited and its subsidiaries (the "Yeading Group") at a consideration of HK$8,000,000. Prior to the disposal, the Yeading Group represented the Group's business segment of iron-ore concentrated powder. The disposal was completed on 12 April 2010.

The assets and liabilities of the Yeading Group at the date of disposal were as follows:

	HK$'000
Inventories	8,639
Debtors, other receivables, deposits and prepayments	2,282
Bank balances and cash	60
Creditors, other advances and accruals	(11,768)
Non-controlling interest	624
	(163)
Reclassification adjustments of exchange reserve upon disposal of subsidiaries	(72)
Gain on disposal of subsidiaries *(Note 12)*	8,235
Total consideration	8,000
Satisfied by:	
Cash	8,000
Analysis of the net cash inflow/(outflow):	
Cash consideration	8,000
Bank balances and cash disposed of	(60)
	7,940

32. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of equipment, furniture and fixtures	**720**	2,895

33. LEASE COMMITMENTS

The Group as lessee

As at the end of reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating lease in respect of office premise which fall due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	**308**	—
In the second to fifth years inclusive	**392**	—
	700	—

Lease is negotiated for a term of three years and rentals are fixed for such period.

34. PLEDGE OF ASSETS

At 30 June 2011, the Group had pledged the following assets to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	Notes	**2011 HK$'000**	2010 HK$'000
Property, plant and equipment	15	**54,173**	53,854
Prepaid lease payments for land	16	**10,288**	10,003
		64,461	63,857

35. SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 4 December 2003, which replaced its old share options scheme adopted in 1996. Under the share option scheme, the directors may, at their discretion, grant to full-time employees and executive directors of the Company and its subsidiaries the right to take up options to subscribe for shares of the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for services provided to the Company. The share option scheme, unless otherwise cancelled or amended, will expire on 3 December 2013. The subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

The maximum number of unexercised share options permitted to be granted under the share option scheme must not exceed 10% of the shares of the Company in issue at any time. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the share option scheme exceeding 30% of the aggregate number of shares subject to the share option scheme, at the time it is proposed to grant the relevant option to such person.

The acceptance of an option, if accepted, must be made within 21 days from the date of the offer of the grant with a non-refundable payment of HK$1 from the grantee to the Company.

35. SHARE OPTION SCHEME (continued)

The total number of shares issued and to be issued upon exercise of options granted to each participant (including exercised, cancelled and outstanding options) in 12-month period must not exceed 1% of the shares in issue from time to time unless the same is approved by the shareholders.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, share-based payments expense of HK$16,491,000 (2010: HK$15,105,000) has been charged to profit or loss.

The following table discloses movements of the Company's share option scheme during the years:

For the year ended 30 June 2011

					Number of share options			
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding at 1.7.2010	Granted during the year	Exercised during the year	Outstanding at 30.6.2011
Directors	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	**25,340,000**	**–**	**(25,340,000)**	**–**
Others	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	**169,850,000**	**–**	**(159,850,000)**	**10,000,000**
Others	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	**–**	**234,190,000**	**–**	**234,190,000**
Total					**195,190,000**	**234,190,000**	**(185,190,000)**	**244,190,000**

For the year ended 30 June 2010

					Number of share options			
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding at 1.7.2009	Granted during the year	Exercised during the year	Outstanding at 30.6.2010
Directors	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	–	25,340,000	–	25,340,000
Others	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	–	169,850,000	–	169,850,000
Total					–	195,190,000	–	195,190,000

35. SHARE OPTION SCHEME (continued)

The fair value of share options granted to directors of the Company, and other parties providing similar services of employees during the year, determined at the date of grant of the share options, is expensed over the vesting period. These fair values were calculated using the Black-Scholes Options Pricing Model. The key inputs into the model were as follows:

Date of grant	19 October 2010
Share price on the date of grant	HK$0.163
Exercise price	HK$0.163
Expected volatility	101.51%
Expected life	1.5 years
Risk-free rate	0.462%
Expected dividend yield	Nil

The volatility of share options granted during the year was generated from Bloomberg based on the Company's 390-day historical share prices before the dates of valuation.

The weighted average closing price of the Company's shares immediately before the dates on which share options were exercised during the year was HK$0.173 per share and their weighted average remaining contractual life was 2.3 years (2010: 2.7 years).

At the end of reporting period and the date of the approval of these financial statements, the Company had 244,190,000 share options outstanding under the share option scheme, which represented 8.2% of the Company's shares in issue as at the end of reporting period. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 244,190,000 additional ordinary shares of the Company and additional share capital of approximately HK$12,210,000 and share premium account of approximately HK$27,543,000 (before issue expenses).

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

36. RETIREMENT BENEFITS 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 the profit or loss represents contributions payable to the schemes by the Group at rates as specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of HK$2,327,000 (2010: HK$370,000).

37. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, during the year, the Group entered into the following transaction with a related company:

	2011 **HK$'000**	2010 HK$'000
Operating lease rental expense of motor vehicles	**1,276**	—

One of the directors of the above related companies is a close family member of a director of the Company's subsidiary.

During the prior year, the Group sold goods to and purchased goods from related companies in the amount of HK$58,768,000 and HK$1,266,000, respectively. These companies were related companies of the Group as a director of these companies was also a director of certain subsidiaries the Company.

The above transactions were determined with reference to the terms mutually agreed between the Group and the relevant parties. Further details of connected transactions of the Group are set out in the directors' report.

Compensation of key management

The key management of the Group comprises all directors and the five highest paid employees, details of their remuneration are disclosed in Note 8.

38. 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 the borrowings disclosed in Note 27, warrants included in derivative financial liabilities in Note 23, bank balances and cash in Note 25 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.

The gearing ratio at the end of reporting periods were as follows:

	2011 **HK$'000**	2010 HK$'000
Debts	**104,854**	86,238
Bank balances and cash	**(307,678)**	(454,624)
Net debts	**(202,824)**	(368,386)
Equity	**639,781**	630,678
Net debt to equity ratio	**N/A**	N/A

39. 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 2011 and 2010 may be categorised as follows:

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Convertible note designated as at fair value through profit or loss	**4,917**	8,900
Derivative financial assets at fair value	**68**	—
Financial assets at fair value through profit or loss	**95,086**	3,629
Loans and receivables (including bank balances and cash) at amortised cost	**489,229**	574,741
Financial liabilities		
Derivative financial liabilities at fair value	**20,999**	11
Financial liabilities at amortised cost	**115,542**	137,612

RESULTS

	Year ended				
	30 June 2011 HK$'000	30 June 2010 HK$'000	30 June 2009 HK$'000	30 June 2008 HK$'000	30 June 2007 HK$'000
Turnover	**379,087**	324,966	1,197,276	3,075,921	2,748,039
(Loss)/profit before taxation	**(46,205)**	(166,473)	(360,696)	22,308	(14,806)
Taxation	**(514)**	13,039	35,360	(11,354)	652
(Loss)/profit for the year	**(46,719)**	(153,434)	(325,336)	10,954	(14,154)
(Loss)/profit attributable to:					
Owners of the Company	**(46,719)**	(152,810)	(322,603)	10,663	(14,154)
Non-controlling interests	**–**	(624)	(2,733)	291	–
	(46,719)	(153,434)	(325,336)	10,954	(14,154)

ASSETS AND LIABILITIES

	At 30 June				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Total assets	**777,714**	771,442	578,234	1,546,321	1,327,063
Total liabilities	**(137,933)**	(140,764)	(181,108)	(839,148)	(846,008)
Shareholders' funds	**639,781**	630,678	397,126	707,173	481,055