Solartech International Holdings Limited

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

2013
ANNUAL REPORT

Contents

Corporate Information

Directors

Executive Directors

CHAU Lai Him
(Chairman and Managing Director)
ZHOU Jin Hua
(Deputy Chairman)
LIU Dong Yang
BUYAN-OTGON Narmandakh

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

Company Secretary

CHAN Kam Yee

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit 7, 2nd Floor
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

Stock Code

1166

Website

www.1166hk.com

Auditor

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

Legal Advisor

Herbert Smith Freehills
23/F, Gloucester Tower
15 Queen Road Central
Hong Kong

Bermuda Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
26/F Tesbury Centre
28 Queen Road East
Wanchai
Hong Kong

Principal Banks (in Alphabetical Order)

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

Chairman's Statement

Financial Results

The Board announced that for the year ended 30 June 2013 (the "**year under review**"), the total turnover of the Group was approximately HK$601,611,000, representing an decrease of 1.8% as compared to approximately HK$612,863,000 for the corresponding period last year. During the year under review, loss attributable to the owners of the Company was approximately HK$415,071,000 as compared to loss attributable to the owners of the Company of approximately HK$106,132,000 for the corresponding period last year. Loss per share for the year under review was approximately HK$2.64 (Loss per share for 2011/12: HK$1.24).

Business Review

The Group's turnover for the year under review was approximately HK$601,611,000, representing a decrease of 1.8% as compared to approximately HK$612,863,000 for the corresponding period last year. By business segments, the turnover of the cables and wires business was approximately HK$201,381,000, representing a decrease of 2.1% as compared to approximately HK$205,766,000 for the corresponding period last year and accounted for 33.5% of the total turnover of the Group. Turnover of the copper rod business was approximately HK$397,305,000, representing a decrease of 2.4% as compared to HK$407,097,000 for the corresponding period last year and accounted for 66.0% of the total turnover of the Group.

By geographical segments, turnover from the business in the Americas dropped by 7.6% to approximately HK$37,608,000 from approximately HK$40,686,000 for the corresponding period last year, accounting for 6.3% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 1.4% to approximately HK$511,025,000 from approximately HK$518,063,000 for the corresponding period last year, accounting for 84.9% of the Group's total turnover. Turnover from the business in other Asian markets decreased by 16.4% to approximately HK$25,834,000 from approximately HK$30,889,000 for the corresponding period last year, accounting for 4.3% of the Group's total turnover. Turnover from the European business increased by 16.9% to approximately HK$27,144,000 from approximately HK$23,225,000 for the corresponding period last year, accounting for 4.5% of the Group's total turnover.

Cables and Wires

The major customers of the Group's cables and wires business are primarily manufacturers of white domestic appliances. During the year under review, while the overall global economy was on track for a mild recovery, the economy of Mainland China maintains its growth at a stable yet reduced pace. With the Group's effort to reduce costs and increase efficiency during the year under review, we have overall improved profit margins.

The Group owned certain interests in land, factories and residential units in Mainland China. Among which, the acquisition of Santai Industrial Zone, with an area of approximately 72,000 sq.m., in Changping Town, Dongguan City, was completed last year and the property has been held for lease and generates steady rental income for the Group.

In light of the "Three Olds Reform" scheme implemented by the People's Government of Guangdong Province aiming to transform old towns, old factories and old villages to accompany the rapid economic and social development, the Group intends to make an application to transform the Santai Industrial Zone under the "Three Olds Reform" scheme. It is planned that the nature of the Zone will be changed from industrial to commercial and residential after the transformation. By then, it will be surrounded by three-sided waterfronts and becomes a small, hustle and bustle commercial and residential district with a touch of tranquility. Since the initial application procedures are complicated and involve numerous governmental departments, the Group is proactively preparing for the project.

Business Review (continued)

Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and related products, which are primarily used in the production of electric wires or cables for domestic appliances, electronic products and power supply in infrastructure facilities. During the year under review, international copper prices dropped significantly, with the 3-month London Metal Exchange copper price falling from approximately US$7,600 at the beginning of the year to approximately US$7,000 at the end of the year. The Group was cautious towards its inventory and deployed most of the capacity of its copper rod business in Dongguan to provide processing services for customers.

Mining

The Group has been engaging in mining business since 2010. During the year under review, the State of Mongolia implemented the new Foreign Investment Act, including the prohibition of mineral exploration and mining operations in headwaters, reservoir preservation areas and forest regions. A new draft minerals act is also in the course of consultation for revision, which focuses on the regulations governing mineral resources in order to control or impose limited restrictions on the prosperous mining industry. The Group expects that the time required to obtain necessary approval for developing copper mine projects would increase in the future.

The global mining industry entered into a downturn since the third quarter of last year. According to the latest statistics released by the Mongolian Ministry of Economic Development, direct foreign investments of the State of Mongolia decreased by approximately 43% during the first half of 2013, among which direct investments in geology, mining and petroleum industries decreased by a third.

The Copper Mine Project in Dundgobi Aimag

During the year under review, the demand for copper in China and international markets was affected by various factors, among which, the tight monetary policy of the Chinese government slowed down the overall economic growth. Coupled with the mild global economic recovery and lingering impacts of the financial crisis in Europe, international copper prices dropped by approximately 8% to approximately US$7,000 per ton during the year. In addition, the latest pre-feasibility report revealed an increase in capital expenditure and operating costs. Within the scope of the capital expenditure budget, the maximum capacity of the project was adjusted to 20,000 tons per year from the original 30,000 tons per year. The Group also needs additional time for preparation before mining operations. These factors have also affected the future cash flow valuation model of mining right and resulted in recognition of an impairment loss of HK$360,600,000 on mining right during the year. The Group believed that the estimates and assumptions adopted in the impairment analysis were reasonable. The major estimates and assumptions used in the valuation model included capital expenditure, international copper prices, output over the life of the mine, operating costs, discount rate, etc.

Our subsidiary in Mongolia has completed the necessary environmental impact evaluation report and quarry extraction planning report before mining. It has to further carry out hydrogeological works in the mining area. Those works include impact evaluation of topography, climate, characteristics of surface water, characteristics of water aquifer and aquiclude, geological structure and fault belt on deposit water filling. The Group will also seek suitable partners to cooperate in the development and construction of Dundgobi Aimag copper mine project.

Business Review (continued)

The Copper Mine Project in Bayan-Ulgii Aimag

The development of the copper mine project in Bayan-Ulgii Aimag, Mongolia, which the Group owned a 10% equity interest, had been progressing slowly. Pursuant to the sale and purchase agreement and the supplementary agreement, the preparation of the technical report in respect of the mineral resources of the mine and the final valuation report of Mongolian Copper Mining LLC ("MCM"), which is a company incorporated in the State of Mongolia with limited liability and the holder of the mining licence for an area of 527.4 hectares, has to be completed on or before 30 April 2013. During the year under review, we introduced a national enterprise engaging in the survey and design and resource development of non-ferrous metals such as gold, silver, copper and molybdenum to carry out additional exploitation work for the project. Such experts preliminarily advised that the scale and potential value of the mineral reserves were large, however the geological conditions of the mining area were complex. As this mine is located in north-west Mongolia, the annual workload is largely subject to weather, and therefore the time required to complete additional exploitation work is uncertain. On 29 April 2013, the purchaser and the seller agreed to adopt the exploitation report dated 15 May 2011 prepared by the Mongolian consultants and the valuation report dated 28 February 2013 in respect of the mine to be the final valuation report. It showed that valuation of MCM amounted to US$177,770,000, which was higher than the amount of US$175,200,000 revealed in the preliminary valuation report. As a result, adjustment of consideration was not required and such acquisition was considered completed. The Directors are of the view that this agreement in relation to the final valuation report is in the interests of the Company and the Shareholders as a whole. Details regarding the interests of this jointly-controlled entity were set out in note 22 to the Financial Statements.

Prospects

During the year under review, with a slow recovery in the global economy and the steady improvement in US economy and employment, the PRC economy is expected to remain a moderate growth. The foremost economic task for the PRC government is the reform of domestic economic structures to increase reliance on domestic demand rather than on exports. Therefore, the Group remains optimistic towards the prospects of the Mainland China market, and will continue to base its businesses of manufacturing and trading of cables, wires and copper products in the Mainland China.

In the second half of 2012, Dongguan Xin Bao Precision Chemical Company Limited, a subsidiary of the Group, began using molecular distillation technology to produce biodiesel (fatty acid methyl ester), which is a renewable energy. The project applies waste oil and greases as raw materials for production, which complies with China's relevant requirements to vigorously develop the recycling and low-carbon economy as well as building a resource-efficient and environmentally friendly society. The project is one of the major renewable energy projects encouraged and supported by the State and enjoys tax incentives such as consumption tax relief and preferential enterprise income tax provided by the State to the industry. As prices of petrochemical diesel are rising due to a shortage of supply in the current market, profit margins for biodiesel are becoming higher as a result. This project has officially commenced production in the second quarter of 2013 with an expected annual output of up to 50,000 tons in the future.

Looking forward, in the face of a mild recovery of the global economy, the Group has effectively devised measures for further cost control, market expansion and allocation of existing resources to increase rental income at the end of last year. We expect to improve the Group's profit next year through the introduction of Xin Bao's new business, stabilization of existing businesses and increasing rental income.

Chairman's Statement

Final Dividend

The Directors resolved not to pay any final dividend for the year ended 30 June 2013.

Annual General Meeting

The 2013 Annual General Meeting of the Company (the "**2013 Annual General Meeting**") will be held on Thursday, 28 November 2013.

Closure of Register of Members

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2013 Annual General Meeting, the register of members of the Company will be closed from Monday, 25 November 2013 to Wednesday, 27 November 2013, both days inclusive, during which no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Friday, 22 November 2013.

Employees and Remuneration Policies

As at 30 June 2013, the Group had approximately 1,100 employees in Hong Kong, the People's Republic of China ("**PRC**") and overseas (30 June 2012: 1,100). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

Liquidity, Financial Resources and Gearing Ratio

During the year ended 30 June 2013, the Group implemented a prudent financial management policy. As at 30 June 2013, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$176 million (30 June 2012: HK$240 million) and net current assets value being approximately HK$192 million (30 June 2012: HK$234 million). The Group's gearing ratio as at 30 June 2013 was 0.12 (30 June 2012: 0.07), being a ratio of total borrowings of approximately HK$178 million (30 June 2012: HK$139 million) to shareholders' funds of approximately HK$1,495 million (30 June 2012: HK$1,895 million).

Exchange Risks

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

Charges on Group Assets

As at 30 June 2013, the Group had pledged certain property, plant and machinery, land use rights and fixed bank deposits with an aggregate net book value of approximately HK$218 million (30 June 2012: HK$241 million) to secure general banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2013, the Company had issued guarantees to the extent of approximately HK$19.5 million (30 June 2012: HK$18.5 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$19.5 million (30 June 2012: HK$18.5 million) was utilised. The Company had issued guarantees to a financial institution amounting to approximately HK$23.3 million (30 June 2012: HK$23.3 million) in respect of commodity trading of copper by its subsidiaries.

Financial Instruments for Hedging Purposes

For the year under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2013 and the changes in fair value were charged to the income statement. The net loss of the Derivative Financial Instruments for the year under review was approximately HK$5,385,000 (2011/12: net loss of HK$21,087,000).

Capital Structure

Capital Reorganisation

On 8 October 2012, the Board announced that the Company proposed to implement a reorganisation of the share capital of the Company (the "**Capital Reorganisation**") which involved (a) a consolidation of every twenty issued Shares of HK$0.01 each into one consolidated share of HK$0.20 each (the "**Consolidated Share**"); and (b) a reduction in the nominal value of the issued Consolidated Shares from HK$0.20 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.19 on each of the issued Consolidated Share (the "**Capital Reduction**"). The credit of approximately HK$26,333,000 arising from the Capital Reduction would be transferred to the contributed surplus account of the Company such that the Company may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-laws including but not limited to setting off against accumulated losses of the Company.

The Board believed that the Capital Reorganisation was beneficial to the Company and the shareholders as a whole. The Board was of the opinion that the Capital Reorganisation would provide the Company with greater flexibility for equity funding raising in the future and the credit in the contributed surplus account arising as a result of the Capital Reorganisation would enable the Company to apply part of the amount standing to the credit of its contributed surplus account to eliminate the accumulated losses of the Company and this would facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

The Capital Reorganisation was approved by the shareholders of the Company at the special general meeting of the Company held on 14 November 2012 and became effective on 15 November 2012. Details of the Capital Reorganisation were set out in announcements of the Company dated 8 October 2012 and 14 November 2012 and the shareholders' circular issued by the Company on 22 October 2012.

Capital Structure (continued)

First Placing of New Shares under General Mandate

On 29 November 2012, the Company and Kingston Securities Limited, as placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 17,650,000 new shares of the Company to independent investors at a price of HK$0.375 per placing share (the "**First Placing**"). The First Placing was completed on 10 December 2012. The maximum number of 17,650,000 placing shares placed under the First Placing were issued under the general mandate which was granted to the Directors at the annual general meeting of the Company held on 2 December 2011. The gross and net proceeds from the First Placing amounted to approximately HK$6.62 million and approximately HK$6.25 million, respectively. The net proceeds have been fully utilised for repayment of the trust receipt loans of the Group. The net proceeds raised per placing share was approximately HK$0.354 per share. The closing market price of the shares on the Stock Exchange was HK$0.445 per share on 29 November 2012. Further details of the First Placing were set out in the announcements of the Company dated 29 November 2012 and 10 December 2012.

Second Placing of New Shares under General Mandate

On 7 March 2013, the Company and Kingston Securities Limited, as placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 31,240,000 new shares of the Company to independent investors at a price of HK$0.40 per placing share (the "**Second Placing**"). The Second Placing was completed on 20 March 2013. The maximum number of 31,240,000 placing shares placed under the Second Placing were issued under the general mandate which was granted to the Directors at the annual general meeting of the Company held on 18 December 2012. The gross and net proceeds from the Second Placing amounted to approximately HK$12.5 million and approximately HK$12.18 million, respectively. The net proceeds have been fully utilised for repayment of the trust receipt loans the Group. The net proceeds raised per placing share was approximately HK$0.39 per share. The closing market price of the shares on the Stock Exchange was HK$0.47 per share on 7 March 2013. Further details of the Second Placing were set out in the announcements of the Company dated 7 March 2013 and 20 March 2013.

Placing of New Shares under Specific Mandate

On 27 May 2013, the Company and Kingston Securities Limited, as placing agent, entered into a conditional placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 75,000,000 new shares of the Company to independent investors at a price of HK$0.30 per placing share (the "**Placing**"). The maximum gross proceeds and net proceeds from the Placing were approximately HK$22.5 million and HK$21.7 million respectively. The Company has intended to utilise approximately HK$12.0 million for plant and machinery and working capital of the new production lines of the Project and approximately HK$9.7 million for repayment of trust receipt loan of the Group. The maximum number of 75,000,000 placing shares placed under the Placing were issued pursuant to a specific mandate which was granted to the Directors at the special general meeting of the Company held on 3 July 2013. The Placing was completed on 9 August 2013. Details of the Placing were set out in the announcements of the Company dated 27 May 2013 and 9 August 2013 and the shareholders' circular issued by the Company on 10 June 2013.

Significant Investment

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

Purchase, Sale Or Redemption of the Company's Listed Securities

To raise capital for the Company while broadening its shareholder and capital base, the Company conducted the First Placing and the Second Placing during the year ended 30 June 2013.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2013.

Compliance With the Code Provisions

During the year under review, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Listing Rules, save and except for the deviations from Code provisions A.2.1, A.4.1, A.4.3 and A.6.7 which are explained below.

Code provision A.2.1

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

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

Code provision A.4.1

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

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

Compliance With the Code Provisions (continued)

Code provision A.4.3

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

Mr. Lo Wai Ming has served as an independent non-executive director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo retired from office by rotation at the 2012 annual general meeting of the Company (the "**2012 AGM**") which was held on 18 December 2012 and offered himself for re-election at the 2012 AGM. An ordinary resolution was passed at the 2012 AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive director of the Company.

Mr. Chung Kam Kwong has been an independent non-executive director of the Company for more than nine years since 1 March 2003. He will retire from office by rotation at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with the Bye-laws of the Company and, being eligible, will offer himself for re-election at the AGM. A separate resolution will be proposed at the AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive director of the Company. The Board considers that Mr. Chung remains independent in character and judgment and the Board has found no information or circumstances to lead it to conclude otherwise.

Code provision A.6.7

Under Code provision A.6.7, non-executive directors should attend general meetings of the Company and develop a balanced understanding of the views of shareholders.

Mr. Chung Kam Kwong and Mr. Lo Chao Ming, independent non-executive Directors, were unable to attend the 2012 AGM due to their commitment in their own businesses.

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

Audit Committee

The Audit Committee comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions set out in Appendix 14 to the Listing Rules. The Audit Committee and external auditor have reviewed the audited results for the year ended 30 June 2013 and they 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. It has adopted terms of reference which are in line with the code provisions set out in Appendix 14 to the Listing Rules. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of executive directors and senior management and making recommendations to the Board from time to time.

Chairman's Statement

Compliance With the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all of the Directors, each of the Directors confirmed that he had complied with the required standards set out in the Model Code throughout the year ended 30 June 2013.

Appreciation

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

On behalf of the Board

Chau Lai Him
Chairman

27 September 2013

Directors And Senior Management

Executive Directors

Mr. CHAU Lai Him, aged 62, is the chairman and managing director of the Group and the founder of the Group. Mr. Chau has been appointed as an executive director of the Company since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 30 years' experience in the cable and wire industry and extensive experience in the mining industry.

Mr. ZHOU Jin Hua, aged 55, joined the Group in 1986 and is the deputy chairman of the Company and the general manager of the Group's Dongguan manufacturing facilities. Mr. Zhou has been appointed as an executive director of the Company since November 1996. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 25 years' experience in the manufacturing of cable and wire products.

Mr. LIU Dong Yang, aged 39, joined the Group in September 1995 and has been appointed as an executive director since January 2010. Mr. Liu is the deputy general manager of Shanghai Chau's Electrical Company Limited and is responsible for the financial matters for the trading and manufacturing operations in Shanghai. He holds a professional diploma in international finance from Hunan Finance and Economics College, a bachelor degree in business administration from the Renmin University of China. He is a member of the Chinese Institute of Certified Public Accountants. He has more than 15 years' experience in finance and accounting.

Mr. BUYAN-OTGON Narmandakh, aged 38, has been appointed as an executive director of the Company since July 2010 and has focused on resources and investments and finance in Mongolia. He holds a diploma in economics and accounting from the Mongolian State University of Agriculture, a graduate diploma in public administration from the Government of Mongolia Academy of Management and a degree of M.B.A. in accounting from the National University of Mongolia. He has extensive experience in banking and finance in Mongolia.

Independent Non-executive Directors

Mr. CHUNG Kam Kwong, aged 56, has been appointed as an independent non-executive director of the Company since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a supervisory council member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management and is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

Mr. LO Wai Ming, Paulus, aged 61, has been appointed as an independent non-executive director of the Company since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has over 30 years' extensive experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a member of the Chartered Institute of Marketing and the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 48, has been appointed as an independent non-executive director of the Company since November 2006. He is the general manger of Sunf Pu Technology Co., Ltd., a company incorporated in Taiwan, Republic of China. He has more than 25 years' experience in the cable and wire industry.

Directors And Senior Management

Company Secretary

Ms. CHAN Kam Yee, Shirley, aged 53, has been appointed as the company secretary of the Company since November 2007. She has more than 25 years' experience in finance and accounting and more than 15 years' experience in company secretarial affairs. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Senior Management

Ms. LAM Sui Lan, Miranda, aged 44, rejoined the Group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 15 years' experience in sales and marketing in the field of cable and wire products.

Mr. CHAU Chi Ho, aged 32, rejoined the Group in August 2010. He is the assistant finance manager of Chau's Electrical Company Limited ("Chau's") and is a director of Santai Electronics Limited ("Santai"). He is responsible for accounting and financial management of Chau's and Santai's and their subsidiaries in Dongguan. He holds a bachelor's degree in Business Administration from the California State Polytechnic University Pomona, United States and has extensive experience in auditing, finance and accounting experience. He is the son of Mr. Chau Lai Him.

Mr. CHUI Chi Ho, aged 36, joined the Group in 2005 and is the accounting manager of Chau's Electrical Company Limited and is responsible for accounting and financial management. He is a director of Santai Electronics Limited. He holds a bachelor degree in Commerce (Accounting & Finance) from the Monash University, Australia. He is a member of CPA Australia and has more than 10 years' experience in auditing, finance and accounting experience.

Mr. ZHOU Qi Qin, aged 49, joined the Group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's Electrical Co., Ltd. He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 20 years' experience in manufacturing management.

Mr. YUAN Hai Xiang, aged 46, joined the Group in March 1985 and is the operations manager of Dongguan Hua Yi Brass Products Company Limited ("Dongguan Hua Yi"). He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 25 years' experience in operations management.

Mr. SO Kang Ming, aged 59, joined the Group in February 2005 and is the assistant operations manager of Hua Yi Copper Products Company Limited ("Hua Yi"). He is responsible for purchasing, inventory control and logistics operations of Hua Yi. He has more than 20 years' experience in merchandising and logistics operations.

Directors' Report

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 30 June 2013 (the "**Financial Statements**").

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries and jointly-controlled entities are set out in notes 20 and 22, to the Financial Statements, respectively.

Results

The results of the Group for the year ended 30 June 2013 are set out in the consolidated statement of comprehensive income on page 32 of this report.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2013.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 30 June 2013 are set out in note 33 to the Financial Statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 102.

Property, Plant and Equipment

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

Share Capital

Details of changes in the share capital of the Company during the year are set out in note 35 to the Financial Statements.

Reserves

The Company's distributable reserve at 30 June 2013 was nil (30 June 2012: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2013 are set out in the consolidated statement of changes in equity on pages 36 and 37 of this report.

Connected Transactions

During the year ended 30 June 2013, related party transaction which does not constitute connected transaction under the Listing Rules was nil as disclosed in note 42 to the Financial Statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 June 2013.

Contingent Liabilities

Significant contingent liabilities as at 30 June 2013 are disclosed in note 43 to the Financial Statements.

Directors and Directors' Service Contracts

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

Executive Directors:

Mr. Chau Lai Him *(Chairman and Managing Director)*
Mr. Zhou Jin Hua
Mr. Liu Dong Yang
Mr. Buyan-Otgon Narmandakh

Independent non-executive Directors:

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

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

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

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

Profiles of Directors and Senior Executives

Profiles of Directors and senior executives of the Group are set out on pages 12 to 13 to this report.

Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company

As at 30 June 2013, none of the Directors and the chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Substantial Shareholders' and Other Persons' Interests in the Shares and Underlying Shares of the Company

So far as is known to any of the Directors and chief executives of the Company, as at 30 June 2013, there were no persons other than a Director or a chief executive of the Company who had an interest or long positions in the shares or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO.

As at 30 June 2013, other persons, having interests or short positions in the shares and underlying shares of the Group, were as follows:

Name of the Company's subsidiary	Substantial shareholder of the subsidiary	Capacity and nature of interest	Amount of fully paid registered capital of the subsidiary interested	Percentage of the subsidiary's registered capital
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.	Luckyman Assets Management Limited	Beneficial owner	HK$6,750,000	10.38%

Save as disclosed above, so far as is known to any of the Directors and chief executives of the Company, as at 30 June 2013, no other person or corporation other than a Director or a chief executive of the Company had any interests or short positions in any shares or underlying shares of the Company which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Options

The old share option scheme conditionally adopted by the Company by an ordinary resolution passed on 16 September 2002 (the "**Old Share Option Scheme**") has expired. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company conditionally adopted the new share option scheme (the "**New Share Option Scheme**"). The details of the New Share Option Scheme are set out in a circular to the Shareholders of the Company dated 24 October 2012.

During the year under review, no share options were granted, exercised, lapsed, cancelled or outstanding under the Old Share Option Scheme or the New Share Option Scheme.

Arrangement to Purchase Shares or Debentures

Save as disclosed in the sections headed "Directors' Interests in Shares and Underlying Shares of the Company" and in the section headed "Share Options" of this report, at no time during the year ended 30 June 2013 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

Directors' Interests in Contracts of Significance

No contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2013 or at any time during the year.

Major Customers and Suppliers

For the year ended 30 June 2013, the five largest customers of the Group together accounted for approximately 41.0% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 86.4% of the Group's total purchases, with the largest customer accounted for approximately 16.3% of the Group's total turnover and the largest supplier accounted for approximately 40.9% of the Group's total purchases during the year.

At no time during the year ended 30 June 2013 did any of the Directors, their respective associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or five largest suppliers.

Emolument Policy

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

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

The Company has adopted share option schemes from time to time to provide incentive to eligible persons, including Directors and eligible employees of the Company, for their contribution and continuing efforts to promote the interests of the Group. Details of the Share Option Scheme are set out in note 40 to the Financial Statements.

Retirement Scheme

Particulars of the Group's retirement scheme are set out in note 41 to the Financial Statements.

Purchase, Sale Or Redemption of Securities

To raise capital for the Company while broadening its shareholder and capital base, the Company conducted the First Placing and the Second Placing during the year ended 30 June 2013.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities during the year ended 30 June 2013.

Pre-Emptive Rights

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

Compliance With the Code Provisions

During the year under review, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Listing Rules, save and except for the deviations from Code provisions A.2.1, A.4.1, A.4.3 and A.6.7 which are explained below.

Code provision A.2.1

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

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

Code provision A.4.1

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

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

Compliance With the Code Provisions (continued)

Code provision A.4.3

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

Mr. Lo Wai Ming has served as an independent non-executive director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo retired from office by rotation at the 2012 annual general meeting of the Company (the "**2012 AGM**") which was held on 18 December 2012 and offered himself for re-election at the 2012 AGM. An ordinary resolution was passed at the AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive director of the Company.

Mr. Chung Kam Kwong has been an independent non-executive director of the Company for more than nine years since 1 March 2003. He will retire from office by rotation at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with the Bye-laws of the Company and, being eligible, will offer himself for re-election at the AGM. A separate resolution will be proposed at the AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive director of the Company. The Board considers that Mr. Chung remains independent in character and judgment and the Board has found no information or circumstances to lead it to conclude otherwise.

Code Provision A.6.7

Under Code provision A.6.7, non-executive directors should attend general meetings of the Company and develop a balanced understanding of the views of shareholders.

Mr. Chung Kam Kwong and Mr. Lo Chao Ming, independent non-executive Directors, were unable to attend the 2012 AGM due to their commitment in their own businesses.

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

Audit Committee

The Company's Audit Committee comprises the three independent non-executive Directors.

The principal duties of the Audit Committee are reviewing the internal controls and the financial reporting requirements of the Group. The Audit Committee is satisfied with the Group's internal control procedures and the financial reporting disclosures.

During the year, the Audit Committee met with the external auditor twice to understand and evaluate the financial risk associated to the Group and review the effectiveness of the Group's internal control. The Audit Committee has reviewed with management and the external auditor the accounting principles and policies adopted by the Group and the Financial Statements.

Remuneration Committee

The Remuneration Committee comprises the three independent non-executive directors of the Company. It has adopted terms of reference which are in line with the code provisions set out in Appendix 14 to the Listing Rules. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of executive directors and senior management and making recommendations to the Board from time to time.

Sufficiency of Public Float

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

Events After the Reporting Period

Details of significant events occurring after the reporting period are set out in note 46 of the Financial Statements.

Auditor

A resolution will be submitted to the 2013 Annual General Meeting to re-appoint Messrs. BDO Limited as auditor of the Company.

On behalf of the Board

Chau Lai Him
Chairman

27 September 2013

Corporate Governance Report

Corporate Governance Principles

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

Compliance of the Code Provisions

Throughout the financial year ended 30 June 2013 (the "**Financial Year**"), the Company complied with the Code except for the deviations from Code provisions A.2.1, A.4.1, A.4.3 and A.6.7 which are explained below.

Code Provision A.2.1

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

During the Financial Year, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for providing leadership to the board of directors of the Company (the "**Board**"), effective running of the Board, ensuring all appropriate issues are discussed by the Board in a timely manner and formulating business strategies. The directors of the Company (the "**Directors**") believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Code Provision A.4.1

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

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

Compliance of the Code Provisions (continued)

Code Provision A.4.3

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

Mr. Lo Wai Ming has served as an independent non-executive Director for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo retired from office by rotation at the 2012 annual general meeting of the Company (the "**2012 AGM**") which was held on 18 December 2012 and offered himself for re-election at the 2012 AGM. An ordinary resolution was passed at the 2012 AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive director of the Company.

Mr. Chung Kam Kwong has served as an independent non-executive Director for more than nine years since 1 March 2003. He will retire from office by rotation at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with the Bye-laws and, being eligible, will offer himself for re-election at the AGM.

A separate resolution will be proposed at the AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive Director. The Board considers that Mr. Chung remains independent in character and judgment and the Board has found no information or circumstances to lead it to conclude otherwise.

Code Provision A.6.7

Under Code provision A.6.7, non-executive directors should attend general meetings of the Company and develop a balanced understanding of the views of shareholders.

Mr. Chung Kam Kwong and Mr. Lo Chao Ming, independent non-executive Directors, were unable to attend the 2012 AGM due to their commitment in their own businesses.

Directors' Securities Transactions

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

Corporate Governance Report

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 seven Directors, with four executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Zhou Jin Hua (Deputy Chairman), Liu Dong Yang and Buyan-Otgon Narmandakh and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship among members of the Board. More details of the Directors are disclosed on page 12 of this report. The Board has published and maintained on its website and on the Stock Exchange's website an updated list of the Directors identifying their role and function.

The Board met regularly throughout the 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.

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

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

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

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

Directors' and Officers' Liabilities Insurance

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

Board Operation

During the Financial Year, the Board held 9 Board meetings. The attendance records of each member of the Board at Board meetings, Audit Committee meetings, Nomination Committee meetings, Remuneration Committee meetings and the 2012 annual general meeting of the Company are set out below:

	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meeting	Board Meetings	2012 annual general meeting
Executive Directors					
Chau Lai Him	—	1	—	9	1
Zhou Jin Hua	—	—	—	9	1
Liu Dong Yang	—	—	—	9	—
Buyan-Otgon Narmandakh	—	—	—	9	—
Independent non-executive Directors					
Chung Kam Kwong	3	1	1	9	—
Lo Wai Ming	3	1	1	9	1
Lo Chao Ming	3	1	1	9	—

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

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

Mr. Chung Kam Kwong, chairman of the Audit Committee and Remuneration Committee, was unable to attend the 2012 AGM due to his own business commitment. In compliance with Code provision E.1.2, Mr. Lo Wai Ming, independent non-executive Director and a member of the Audit Committee, Nomination Committee and Remuneration Committee, attended the 2012 AGM which ensured effective communication with the Shareholders.

Continuous Professional Development

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

During the Financial Year, the Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

Remuneration Committee

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

During the Financial Year, the Remuneration Committee held 1 meeting and all committee members were present at the meeting. The Remuneration Committee has reviewed the remuneration packages of all executive Directors and senior management, assessed performance of executive Directors and senior management and made recommendations to the Board in connection with the remuneration of the non-executive Directors. Details of the emoluments of the Directors are set out in note 9 to the Financial Statements.

Nomination Committee

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

Nomination Committee (continued)

During the Financial Year, the Nomination Committee held 1 meeting and all committee members were present at the meeting. The Nomination Committee has determined the policy for the nomination of Directors, the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and senior management. Subsequent to the Financial Year, on 28 August 2013, the Board adopted a board diversity policy in compliance with Code provision A.5.6, which came into effect on 1 September 2013.

Pursuant to the Bye-laws of the Company, 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 of the Company and shall then 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. The Bye-laws also allow for removal of a Director by an ordinary resolution.

The Board recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company. The Company's circular to be despatched to shareholders of the Company (the "**Shareholders**") will contain detailed information of the Directors standing for re-election.

Auditor's Remuneration

During the Financial Year, the remuneration paid and payable to the auditor of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services was HK$950,000 and HK$330,000 respectively.

Audit Committee

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

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

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

Share Interests of Senior Management

As at 30 June 2013, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Investor Relations

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

There was no significant change in the Company's constitutional documents during the Financial Year.

Company Secretary

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

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

During the Financial Year, Ms. Chan has attended relevant professional seminars to update her skills and knowledge. She will comply with the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

Shareholders' Rights

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

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

Procedures by which Shareholders may convene a Special General Meeting

Pursuant to the Bye-Laws of the Company, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Procedures for putting forward proposals at Shareholders' meetings and directing Shareholders' enquiries to the Board

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

Solartech International Holdings Limited
Unit 7, 2nd Floor, Kingsford Industrial Centre
13 Wang Hoi Road, Kowloon Bay
Kowloon, Hong Kong
E-mail: enquiry@solartechhk.com
Tel no.: (852) 2796 1628
Fax no.: (852) 2799 9835

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

Voting by Poll

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

System of Internal Controls

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

Corporate Governance Report

General

The Directors acknowledge their responsibility in preparing the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Company and in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 30 June 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 30 and 31 of this Annual Report.

On behalf of the Board

Chau Lai Him
Chairman

27 September 2013

Independent Auditor's Report

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

We have audited the consolidated financial statements of Solartech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 101, which comprise the consolidated and company statements of financial position as at 30 June 2013, 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.

Auditor's Responsibility

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2013, 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, 27 September 2013

Consolidated Statement of Comprehensive Income

For the Year ended 30 June 2013

	NOTES	2013 HK$'000	2012 HK$'000
Turnover	6 & 7	**601,611**	612,863
Cost of sales		**(587,421)**	(605,339)
Gross profit		**14,190**	7,524
Interest income		**9,992**	8,381
Other income and gains		**14,172**	6,912
General and administrative expenses		**(93,576)**	(104,263)
Selling and distribution expenses		**(8,305)**	(8,905)
Finance costs	10	**(13,227)**	(16,890)
Change in fair value of derivative financial instruments	27	**(5,385)**	(21,087)
Change in fair value of investment properties, net	16	**12,207**	54,714
Change in fair value of financial assets at fair value through profit or loss	26	**17,733**	12,395
Impairment loss recognised for doubtful debts, net	24(iii)	**(169)**	(288)
Impairment loss on property, plant and equipment	15	**—**	(28,343)
Impairment loss on mining right	18	**(360,600)**	—
Share of results of jointly-controlled entities	22	**(209)**	(10)
Share of results of an associate	21	**—**	(471)
Loss on disposal of an associate	21	**—**	(1,509)
Loss before taxation	8	**(413,177)**	(91,840)
Taxation	11	**(1,894)**	(14,292)
Loss for the year attributable to owners of the Company	12	**(415,071)**	(106,132)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(3,322)**	84
Reclassification adjustment of exchange reserve upon disposal of an associate	21	**—**	(2,816)
Other comprehensive income for the year		**(3,322)**	(2,732)
Total comprehensive income for the year attributable to owners of the Company		**(418,393)**	(108,864)
			(Restated)
Loss per share:	14		
– Basic and diluted (HK$)		**(2.64)**	(1.24)

Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**182,037**	186,112
Prepayments for acquisition of property, plant and equipment	15	**6,946**	8,426
Investment properties	16	**131,771**	119,564
Prepaid lease payments for land	17	**93,001**	92,597
Mining right	18	**803,210**	1,164,218
Exploration and evaluation assets	19	**23,447**	25,355
Interests in jointly-controlled entities	22	**99,781**	99,990
Total non-current assets		**1,340,193**	1,696,262
Current assets			
Inventories	23	**80,164**	78,511
Debtors, other loans and receivables, deposits and prepayments	24	**195,526**	176,248
Bills receivable	25	**1,295**	425
Financial assets at fair value through profit or loss	26	**44,334**	26,601
Prepaid lease payments for land	17	**2,787**	2,694
Derivative financial assets	27	**3**	117
Pledged deposits and bank balances	28, 29	**34,060**	47,931
Bank balances and cash	29	**142,316**	191,727
Total current assets		**500,485**	524,254
Current liabilities			
Creditors, other advances and accrued charges	30	**49,486**	40,491
Bills payable	31	**79,685**	109,935
Taxation		**157**	308
Obligations under finance leases	32	**186**	460
Borrowings	33	**177,433**	138,636
Derivative financial liabilities	27	**1,813**	446
Total current liabilities		**308,760**	290,276
Net current assets		**191,725**	233,978
Total assets less current liabilities		**1,531,918**	1,930,240

Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Obligations under finance leases	32	**146**	332
Deferred tax liabilities	34	**36,951**	35,119
Total non-current liabilities		**37,097**	35,451
Total net assets		**1,494,821**	1,894,789
EQUITY			
Capital and reserves			
Share capital	35	**1,875**	27,719
Reserves		**1,492,446**	1,866,570
Equity attributable to owners of the Company		**1,494,321**	1,894,289
Non-controlling interest		**500**	500
Total equity		**1,494,821**	1,894,789

The consolidated financial statements on pages 32 to 101 were approved and authorised for issue by the Board of Directors on 27 September 2013 and are signed on its behalf by:

Chau Lai Him
Director

Zhou Jin Hua
Director

Statement of Financial Position

At 30 June 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	*20*	**1,222,749**	1,530,461
Total non-current assets		**1,222,749**	1,530,461
Current assets			
Deposits and prepayments		**147**	138
Bank balances and cash	*29*	**13,598**	31,935
Total current assets		**13,745**	32,073
Current liabilities			
Other advances and accrued charges		**651**	126
Total current liabilities		**651**	126
Net current assets		**13,094**	31,947
Total net assets		**1,235,843**	1,562,408
EQUITY			
Capital and reserves			
Share capital	*35*	**1,875**	27,719
Reserves	*36*	**1,233,968**	1,534,689
Total equity		**1,235,843**	1,562,408

The financial statements on pages 32 to 101 were approved and authorised for issue by the Board of Directors on 27 September 2013 and are signed on its behalf by:

Chau Lai Him
Director

Zhou Jin Hua
Director

Consolidated Statement of Changes In Equity

For the Year ended 30 June 2013

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve fund *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interest *HK$'000*	Total equity *HK$'000*
At 1 July 2011	12,613	1,014,901	612,360	3,574	4,866	–	183,046	1,831,360	500	1,831,860
Placements of new shares *(Note 35)*	13,845	144,515	–	–	–	–	–	158,360	–	158,360
Issue of shares upon exercise of share options *(Note 35)*	1,261	10,340	–	–	–	–	–	11,601	–	11,601
Recognition of equity-settled share-based payments *(Note 40)*	–	–	–	–	–	1,832	–	1,832	–	1,832
Transactions with owners	15,106	154,855	–	–	–	1,832	–	171,793	–	171,793
Loss for the year	–	–	–	–	–	–	(106,132)	(106,132)	–	(106,132)
Other comprehensive income	–	–	–	(2,732)	–	–	–	(2,732)	–	(2,732)
Total comprehensive income for the year	–	–	–	(2,732)	–	–	(106,132)	(108,864)	–	(108,864)
Transfer upon exercise of share options *(Note 35)*	–	1,832	–	–	–	(1,832)	–	–	–	–
At 30 June 2012	27,719	1,171,588	612,360	842	4,866	–	76,914	1,894,289	500	1,894,789

Consolidated Statement of Changes In Equity

For the Year ended 30 June 2013

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 July 2012	27,719	1,171,588	612,360	842	4,866	76,914	1,894,289	500	1,894,789
Placements of new shares *(Note 35)*	489	17,936	–	–	–	–	18,425	–	18,425
Transactions with owners	489	17,936	–	–	–	–	18,425	–	18,425
Loss for the year	–	–	–	–	–	(415,071)	(415,071)	–	(415,071)
Other comprehensive income	–	–	–	(3,322)	–	–	(3,322)	–	(3,322)
Total comprehensive income for the year	–	–	–	(3,322)	–	(415,071)	(418,393)	–	(418,393)
Capital reorganisation *(Note 35)*	(26,333)	–	–	–	–	26,333	–	–	–
At 30 June 2013	**1,875**	**1,189,524**	**612,360**	**(2,480)**	**4,866**	**(311,824)**	**1,494,321**	**500**	**1,494,821**

Notes:

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

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

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

Consolidated Statement of Cash Flows

For the Year ended 30 June 2013

	2013 *HK$'000*	2012 *HK$'000*
Cash flows from operating activities		
Loss before taxation	**(413,177)**	(91,840)
Adjustments for:		
Interest income	**(9,992)**	(8,381)
Finance costs	**13,227**	16,890
Change in fair value of derivative financial instruments	**5,385**	21,087
Change in fair value of investment properties, net	**(12,207)**	(54,714)
Change in fair value of financial assets at fair value through profit or loss	**(17,733)**	(12,395)
Impairment loss recognised for doubtful debts, net	**169**	288
Impairment loss on property, plant and equipment	**—**	28,343
Impairment loss on mining right	**360,600**	—
Share of results of jointly-controlled entities	**209**	10
Share of results of an associate	**—**	471
Loss on disposal of an associate	**—**	1,509
Depreciation of property, plant and equipment	**26,673**	30,639
Provision made/(write-back of provision) for inventories	**70**	(5,566)
Charge of prepaid lease payments for land	**2,740**	2,691
Impairment loss on other receivables	**—**	889
Loss on disposal of property, plant and equipment, net	**115**	167
Share-based payment expense	**—**	1,832
Operating loss before working capital changes	**(43,921)**	(68,080)
(Increase)/decrease in inventories	**(1,723)**	39,568
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments	**(19,080)**	39,344
(Increase)/decrease in bills receivable	**(870)**	2,114
Purchase of financial assets at fair value through profit or loss	**—**	(14,206)
Increase/(decrease) in creditors, other advances and accrued charges	**8,995**	(4,767)
(Decrease)/increase in bills payable	**(30,250)**	14,059
Decrease in derivative financial instruments	**(3,904)**	(19,952)
Cash used in operations	**(90,753)**	(11,920)
Taxation paid	**(741)**	(680)
Net cash used in operating activities	**(91,494)**	(12,600)

Consolidated Statement of Cash Flows

For the Year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
Investing activities		
Interest received	**9,992**	8,381
Purchases of property, plant and equipment	**(8,930)**	(11,338)
Purchases of investment properties	**—**	(64,850)
Prepayments made for acquisition of property, plant and equipment	**(6,946)**	(8,426)
Purchases of exploration and evaluation assets	**—**	(25,355)
Acquisition of jointly-controlled entities	**—**	(100,000)
Proceeds from disposal of an associate	**—**	2,963
Proceeds from disposal of property, plant and equipment	**—**	200
Decrease/(increase) in pledged deposits and bank balances	**13,871**	(8,218)
Net cash generated from/(used in) investing activities	**7,987**	(206,643)
Financing activities		
Interest paid on borrowings	**(13,202)**	(16,860)
Interest paid on finance leases	**(25)**	(30)
Net proceeds from placements of new shares	**18,425**	158,360
Proceeds received from exercise of share options	**—**	11,601
New borrowings raised	**393,417**	204,140
Repayment of obligations under finance leases	**(460)**	(513)
Repayment of borrowings	**(360,671)**	(125,919)
Net cash generated from financing activities	**37,484**	230,779
Net (decrease)/increase in cash and cash equivalents	**(46,023)**	11,536
Cash and cash equivalents at beginning of the year	**191,727**	181,369
Effect of foreign exchange rate changes	**(3,388)**	(1,178)
Cash and cash equivalents at end of the year	**142,316**	191,727
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**142,316**	191,727

Significant non-cash transaction

As disclosed in Note 15, additions to property, plant and equipment of the Group financed by a new finance lease amounted to HK$Nil (2012: HK$550,000) during the year.

1. Organisation and Operations

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, and holding of mining right and exploration and evaluation assets. Its jointly-controlled entities are engaged in holding of exploration and mining permits. Further details are set out in Notes 7, 20 and 22.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 July 2012

Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets
Amendments to HKAS 1(Revised)	Presentation of Items of Other Comprehensive Income

The adoption of these amendments has no significant impact on the Group's financial statements.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 "Investment Property" is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date.

The Group has investment properties situated in the PRC and measured at fair value of HK$131,771,000 as at 30 June 2013 (2012: HK$119,564,000) as disclosed in Note 16. The Group has assessed that the presumption in the amendments to HKAS 12 should be adopted in respect of the Group's investment properties and therefore no amendment to the deferred tax is necessary.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The Group's presentation of other comprehensive income in has been modified accordingly.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

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

Annual Improvements Projects	Annual Improvement 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKFRS 19 (2011)	Employee Benefits[1]
HKAS 27 (2011)	Separate Financial Statements[1]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[1]
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine[1]
HK(IFRIC) – Interpretation 21	Levies[2]
Amendments to HKAS 36	Impairment of assets[2]
Amendments to HKAS 39	Financial instruments: Recognition and measurement[3]

Effective dates:

(1) Annual periods beginning on or after 1 January 2013
(2) Annual periods beginning on or after 1 January 2014
(3) Annual periods beginning on or after 1 January 2015

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments relevant to the Group's financial statements as follows:

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle (continued)

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment needs to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

HKFRS 9 – Financial Instruments

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, classification 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.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly-controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these pronouncements and the directors so far concluded that the application of these pronouncements will have no material impact on the Group's financial statements.

3. Basis of Preparation and Significant Accounting Policies

Statement of compliance

These 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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when 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 transaction 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.

3. Basis of Preparation and Significant Accounting Policies (continued)

Basis of consolidation (continued)

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.

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 profits) 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.

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.

Associate

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

The results and assets and liabilities of associate are incorporated in these financial statements using the equity method of accounting. Under the equity method, investment in associate is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. Basis of Preparation and Significant Accounting Policies (continued)

Associate (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly-controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly-controlled entities' net assets except that losses in excess of the Group's interests in the jointly-controlled entities are not recognised unless there is an obligation to make good those losses.

Unrealised profits and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

Cash and cash equivalents

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

3. Basis of Preparation and Significant Accounting Policies (continued)

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

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

Borrowing costs

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated 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 10% per annum using the straight-line method.

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

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

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

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 profit or loss in the year in which the item is derecognised.

3. Basis of Preparation and Significant Accounting Policies (continued)

Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Prepaid lease payments for land

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

Mining rights

Mining rights are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over the useful life of the mine in accordance with the production plans and reserves of the mines on the unit-of-production method.

Exploration and evaluation assets

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

Impairment of exploration and evaluation assets

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

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

3. Basis of Preparation and Significant Accounting Policies (continued)

Impairment of assets excluding goodwill and exploration and evaluation assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the 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 assigned to inventories by the method most appropriate to the particular class of inventories, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Income taxes

Income tax expenses represent 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 consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years respectively 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.

3. Basis of Preparation and Significant Accounting Policies (continued)

Income taxes (continued)

(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 taxable temporary differences to the extent that it is probable that taxable profits will be available against which those 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.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and jointly-controlled entities, 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 interests 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 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 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 consolidated statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

Foreign currencies

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

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

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

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. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence a financial asset or a group of financial assets is impaired. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and has an impact on the estimated future cash flows of the financial assets. Evidence of impairment may include indications that a significant financial difficulty of the debtor; a breach of contract; granting concession to debtor with financial difficulty; or it becomes probable that the debtor will enter bankruptcy or other financial reorganisation. The impairment is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 an entity 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.

Financial guarantee contract

Financial guarantee contract issued by the Group are measured initially at their fair value and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with the provision policies; or

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Equity instruments

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

Convertible bond

Convertible bond issued by the Group that contains both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative components and liability component are recognised at fair value.

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

3. Basis of Preparation and Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bond (continued)

When the bond is converted, the carrying amount of the liability component together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the bond is redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and conversion option derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bond using the effective interest method.

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.

Derecognition

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 received or receivable is recognised in profit or loss.

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 each 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.

3. Basis of Preparation and Significant Accounting Policies (continued)

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

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

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

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

3. Basis of Preparation and Significant Accounting Policies (continued)

Related parties (continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. Key Sources of Estimation Uncertainty

The Group makes estimates and assumptions concerning the future in the application of the Group's accounting policies. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed 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 or reducing balance method over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Reserve estimates and amortisation of mining right

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

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

Income taxes

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

Impairment of property, plant and equipment

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

4. Key Sources of Estimation Uncertainty (continued)

Estimated impairment of trade and loan receivables

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

Impairment of mining right

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

5. Financial Risk Management

a. Financial risk management objectives and policies

The Group's major financial instruments include trade debtors, other loans and receivables, bills receivable, financial assets at fair value through profit or loss, derivative financial assets and liabilities, trade creditors, bills payable, obligations under finance leases 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 Renminbi, which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

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

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

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Credit risk (continued)

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 24.

Interest rate risk

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

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 33.

At 30 June 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and the accumulated losses by approximately HK$1,774,000 (2012: increase/decrease the loss and decrease/increase the retained profits by HK$1,386,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2012.

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.

The Group	**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*
2013				
Borrowings	**177,433**	**180,819**	**180,819**	**—**
Obligations under finance leases	**332**	**347**	**198**	**149**
Creditors, other advances and accrued charges, and bills payable	**129,171**	**129,171**	**129,171**	**—**
	306,936	**310,337**	**310,188**	**149**
Derivative financial liabilities	**1,813**	**1,813**	**1,813**	**—**

The Group	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*
2012				
Borrowings	138,636	142,231	142,231	—
Obligations under finance leases	792	833	486	347
Creditors, other advances and accrued charges, and bills payable	150,426	150,426	150,426	—
	289,854	293,490	293,143	347
Derivative financial liabilities	446	446	446	—

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Company	**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*
2013				
Other advances and accrued charges	**651**	**651**	**651**	**—**
Financial guarantee issued and maximum amount guaranteed	**—**	**—**	**42,740**	**—**

The Company	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*
2012				
Other advances and accrued charges	126	126	126	—
Financial guarantee issued and maximum amount guaranteed	—	—	41,783	—

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 27.

At 30 June 2013, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by approximately HK$2,874,000 (2012: decrease/increase the loss and increase/decrease the retained profits by HK$601,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2012.

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Price risk

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

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

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2013, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by HK$4,433,000 (2012: decrease/increase the loss and increase/decrease the retained profits by HK$2,660,000).

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;

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

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

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

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

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

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

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

5. Financial Risk Management (continued)

b. Fair value (continued)

At 30 June 2013, the Group's derivatives are measured at fair value. During the year, there is no significant transfer between Level 1 and Level 2.

	Group 2013			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Copper future contracts	**3**	**–**	**–**	**3**
Financial assets at fair value through profit or loss	**44,334**	**–**	**–**	**44,334**
	44,337	**–**	**–**	**44,337**
Liabilities				
Copper future contracts	**(1,813)**	**–**	**–**	**(1,813)**

	Group 2012			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Copper future contracts	117	–	–	117
Financial assets at fair value through profit or loss	26,601	–	–	26,601
	26,718	–	–	26,718
Liabilities				
Copper future contracts	(446)	–	–	(446)

6. Turnover

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

7. Segmental Information

(a) Reportable segments

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

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

(i) manufacture and trading of cables and wires; and

(ii) manufacture and trading of copper rods.

On 4 May 2010, the Group completed its acquisition of mining operation located in the State of Mongolia and became engaged in the mining business, details of which are set out in the Company's announcements dated 30 November 2009 and 4 May 2010, and circular dated 9 April 2010. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2013 and 2012 and for the years then ended for the purpose of segment reporting.

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

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

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

7. Segmental Information (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2013

	Cables and wires HK$'000	Copper rods HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	201,381	397,305	2,925	601,611	–	601,611
Inter-segment revenue	–	71,456	–	71,456	(71,456)	–
Reportable segment revenue	201,381	468,761	2,925	673,067	(71,456)	601,611
Reportable segment loss	(29,670)	(5,707)	(368,720)	(404,097)	–	(404,097)
Finance costs	(3,480)	(9,747)	–	(13,227)	–	(13,227)
Change in fair value of derivative financial instruments	353	(688)	(5,050)	(5,385)	–	(5,385)
Change in fair value of financial assets at fair value through profit or loss	–	–	17,733	17,733	–	17,733
Change in fair value of investment properties, net	–	–	12,207	12,207	–	12,207
Impairment loss on mining right	–	–	(360,600)	(360,600)	–	(360,600)
Impairment loss recognised for doubtful debts, net	(169)	–	–	(169)	–	(169)
Share of results of jointly-controlled entities	–	–	(209)	(209)	–	(209)
Depreciation of property, plant and equipment	(11,081)	(5,664)	(9,928)	(26,673)	–	(26,673)
Taxation	145	231	(2,270)	(1,894)	–	(1,894)

7. Segmental Information (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2012

	Cables and wires HK$'000	Copper rods HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	205,766	407,097	–	612,863	–	612,863
Inter-segment revenue	–	76,112	–	76,112	(76,112)	–
Reportable segment revenue	205,766	483,209	–	688,975	(76,112)	612,863
Reportable segment (loss)/profit	(61,463)	(35,392)	14,210	(82,645)	–	(82,645)
Finance costs	(3,226)	(13,664)	–	(16,890)	–	(16,890)
Write-back of provision for inventories	5,566	–	–	5,566	–	5,566
Change in fair value of derivative financial instruments	(9,491)	(4,865)	(6,731)	(21,087)	–	(21,087)
Change in fair value of financial assets at fair value through profit or loss	–	–	12,395	12,395	–	12,395
Change in fair value of investment properties, net	–	–	54,714	54,714	–	54,714
Impairment loss recognised for doubtful debts, net	(288)	–	–	(288)	–	(288)
Impairment loss on other receivables	–	(889)	–	(889)	–	(889)
Impairment loss on property, plant and equipment	(11,331)	(17,012)	–	(28,343)	–	(28,343)
Loss on disposal of an associate	–	–	(1,509)	(1,509)	–	(1,509)
Share of results of jointly-controlled entities	–	–	(10)	(10)	–	(10)
Share of results of an associate	–	–	(471)	(471)	–	(471)
Depreciation of property, plant and equipment	(13,578)	(7,621)	(9,440)	(30,639)	–	(30,639)
Taxation	674	(60)	(14,906)	(14,292)	–	(14,292)

7. Segmental Information (continued)

(a) Reportable segments (continued)

As at 30 June 2013

	Cables and wires HK$'000	Copper rods HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	**194,189**	**356,649**	**1,214,865**	**1,765,703**
Additions to non-current assets	**4,868**	**265**	**12,223**	**17,356**
Reportable segment liabilities	**84,233**	**218,216**	**6,173**	**308,622**

As at 30 June 2012

	Cables and wires HK$'000	Copper rods HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	218,305	365,577	1,555,396	2,139,278
Additions to non-current assets	11,346	542	90,205	102,093
Reportable segment liabilities	74,546	211,890	3,864	290,300

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

	For the year ended 30 June 2013 HK$'000	2012 HK$'000
Loss before taxation		
Reportable segment loss	**(404,097)**	(82,645)
Unallocated corporate expenses	**(9,080)**	(9,195)
Consolidated loss before taxation	**(413,177)**	(91,840)

7. Segmental Information (continued)

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

	30 June 2013 HK$'000	30 June 2012 HK$'000
Assets		
Reportable segment assets	**1,765,703**	2,139,278
Unallocated corporate assets	**74,975**	81,238
Consolidated total assets	**1,840,678**	2,220,516

	30 June 2013 HK$'000	30 June 2012 HK$'000
Liabilities		
Reportable segment liabilities	**308,622**	290,300
Taxation	**157**	308
Deferred tax liabilities	**36,951**	35,119
Unallocated corporate liabilities	**127**	—
Consolidated total liabilities	**345,857**	325,727

(c) Geographical information

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

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

	2013 HK$'000	2012 HK$'000
PRC	**488,761**	501,753
Americas	**37,608**	40,686
Europe	**27,144**	23,225
Hong Kong	**22,264**	16,310
Other Asian regions	**25,834**	30,889
	601,611	612,863

7. Segmental Information (continued)

(c) Geographical information (continued)

	Specified non-current assets	
	30 June 2013	30 June 2012
	HK$'000	*HK$'000*
PRC	**387,168**	390,113
Hong Kong	**25,397**	16,511
Mongolia	**927,628**	1,289,638
	1,340,193	1,696,262

(d) Information about major customers

During the year, no customer with whom the transactions exceed 10% of the Group's manufacturing and trading of cables and wires segment, whereas two customers, each of them contributed revenue of HK$98,174,000 and HK$64,532,000 respectively, to the Group's manufacturing and trading of copper rods segment.

During the prior year, no customer with whom the transactions exceed 10% of the Group's manufacturing and trading of cables and wires segment, whereas two customers, each of them contributed revenue of HK$126,020,000 and HK$81,795,000 respectively, to the Group's manufacturing and trading of copper rods segment.

8. Loss Before Taxation

	2013 HK$'000	2012 HK$'000
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**1,280**	1,120
Depreciation of property, plant and equipment	**26,673**	30,639
Cost of inventories *(Note)*	**587,421**	605,339
Provision made/(write-back of provision) for inventories	**70**	(5,566)
Charge of prepaid lease payments for land	**2,740**	2,691
Operating lease rentals in respect of rented premises	**712**	766
Impairment loss on other receivables	**—**	889
Loss on disposal of property, plant and equipment, net	**115**	167
Wages, salaries and retirement benefit scheme contributions including directors' remuneration *(Notes 9 and 41)*	**35,938**	35,545
Share-based payment expense	**—**	1,832
and after crediting:		
Rental income	**6,496**	3,230
Sale of scrapped inventories	**—**	1
Exchange differences, net	**5,989**	2,331

Note:

Cost of inventories includes HK$25,424,000 (2012: HK$26,676,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above. Cost of inventories also includes provision made for inventories of HK$70,000 (2012: net write-back of provision for inventories of HK$5,566,000).

9. Remuneration of Directors and Five Highest Paid Individuals

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

Name of director	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Mr. Chau Lai Him	**–**	–	**5,662**	5,662	**15**	12	**5,677**	5,674
Mr. Zhou Jin Hua	**–**	–	**1,406**	1,396	**2**	12	**1,408**	1,408
Mr. Liu Dong Yang	**204**	144	**124**	148	**27**	49	**355**	341
Mr. Buyan-Otgon Narmandakh	**140**	140	**–**	–	**–**	–	**140**	140
Mr. Chung Kam Kwong	**285**	240	**–**	–	**–**	–	**285**	240
Mr. Lo Wai Ming	**171**	144	**–**	–	**–**	–	**171**	144
Mr. Lo Chao Ming	**69**	60	**–**	–	**–**	–	**69**	60
Total	**869**	728	**7,192**	7,206	**44**	73	**8,105**	8,007

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

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

The five highest paid individuals of the Group include two (2012: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2012: three) non-director individuals were as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries and other benefits	**2,352**	3,081
Contributions to retirement benefit schemes	**158**	199
	2,510	3,280

Remuneration of these individuals was within the following bands:

	Number of individuals	
	2013	2012
Nil – HK$1,000,000	**2**	1
HK$1,000,001 – HK$1,500,000	**1**	2

9. Remuneration of Directors and Five Highest Paid Individuals (continued)

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

	Number of individuals	
	2013	2012
Nil – HK$1,000,000	**6**	7

10. Finance Costs

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**13,202**	16,860
Interest on finance leases	**25**	30
	13,227	16,890

11. Taxation

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong profits tax:		
Current year	**—**	—
Taxation in other jurisdictions:		
Current year	**314**	632
Under-provision in respect of prior years	**276**	1,031
	590	1,663
Deferred taxation *(Note 34)*	**1,304**	12,629
Taxation for the year	**1,894**	14,292

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

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

11. Taxation (continued)

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the years ended 30 June 2013 and 2012.

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Loss before taxation	**(413,177)**	(91,840)
Tax at the PRC income tax rate of 25% (2012: 25%)	**(103,294)**	(22,960)
Tax effect of expenses not deductible for tax purpose	**107,094**	25,095
Tax effect of income not taxable for tax purpose	**(6,594)**	(5,446)
Tax effect of tax losses not recognised	**1,587**	3,721
Utilisation of tax losses previously not recognised	**(452)**	(271)
Under-provision in respect of prior years	**276**	1,031
Effect of different tax rates of the Company's subsidiaries operating outside the PRC	**3,225**	13,002
Tax effect on share of results of an associate and jointly-controlled entities	**52**	120
Taxation for the year	**1,894**	14,292

12. Loss for the Year Attributable to Owners of the Company

The consolidated loss from ordinary activities attributable to owners of the Company for the year ended 30 June 2013 includes a loss of HK$5,564,000 (2012: HK$5,993,000) which has been dealt with in the financial statements of the Company.

13. Dividend

The directors do not recommend the payment of any dividend for the year ended 30 June 2013 (2012: 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 shares in issue during the year, as adjusted to reflect the capital reorganisation during the year (Note 35(i)). Basic and diluted loss per share amounts for the year ended 30 June 2012 are restated to reflect the capital reorganisation during the current year.

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

Loss

	2013 ***HK$'000***	2012 *HK$'000*
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(415,071)**	(106,132)

Number of shares

	2013	2012 (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**157,144,497**	85,479,600

During the year ended 30 June 2012 and 2013, the Company did not have any significant dilutive potential ordinary shares.

15. Property, Plant and Equipment and Prepayments for Acquisition of Property, Plant and Equipment

	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
COST:						
At 1 July 2011	251,826	24,593	51,796	379,787	21,670	729,672
Currency realignment	3,353	287	592	2,851	223	7,306
Additions	–	–	356	1,823	9,709	11,888
Disposals	–	–	(8)	(82)	(1,048)	(1,138)
At 30 June 2012 and 1 July 2012	255,179	24,880	52,736	384,379	30,554	747,728
Currency realignment	8,857	739	1,594	7,719	568	19,477
Additions	–	1,658	1,099	13,438	1,161	17,356
Disposals	–	–	–	(5,712)	(1,143)	(6,855)
At 30 June 2013	**264,036**	**27,277**	**55,429**	**399,824**	**31,140**	**777,706**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2011	127,106	13,318	41,558	305,214	11,505	498,701
Currency realignment	1,713	161	500	2,205	125	4,704
Provided for the year	13,337	1,088	2,133	10,436	3,645	30,639
Impairment loss	–	–	–	28,343	–	28,343
Eliminated on disposals	–	–	(7)	(74)	(690)	(771)
At 30 June 2012 and 1 July 2012	142,156	14,567	44,184	346,124	14,585	561,616
Currency realignment	5,183	467	1,385	6,704	381	14,120
Provided for the year	13,585	1,062	1,872	6,759	3,395	26,673
Eliminated on disposals	–	–	–	(5,712)	(1,028)	(6,740)
At 30 June 2013	**160,924**	**16,096**	**47,441**	**353,875**	**17,333**	**595,669**
NET CARRYING AMOUNT:						
At 30 June 2013	**103,112**	**11,181**	**7,988**	**45,949**	**13,807**	**182,037**
At 30 June 2012	113,023	10,313	8,552	38,255	15,969	186,112

15. Property, Plant and Equipment and Prepayments for Acquisition of Property, Plant and Equipment (continued)

At 30 June 2013, the net carrying amount of property, plant and equipment of the Group includes motor vehicles of HK$332,000 (2012: HK$791,000) that were held under finance leases. None of the leases includes contingent rentals. During the year, addition to property, plant and equipment of the Group financed by new finance lease amounted to HK$Nil (2012: HK$550,000).

The Group has pledged buildings with aggregate net carrying amount as at 30 June 2013 of HK$90,955,000 (2012: HK$100,070,000) to secure banking facilities granted to the Group (Note 28).

At 30 June 2013, the Group was in the process of obtaining the relevant title documents of certain of its buildings with aggregate carrying amount of HK$8,073,000 (2012: HK$8,742,000).

During the year ended 30 June 2013, the Group's cables and wires segment and copper rods segment incurred segment losses, before impairment of HK$29,670,000 (2012: HK$50,132,000) and HK$5,707,000 (2012: HK$18,380,000) respectively. These conditions indicated that the assets of these segments may be impaired. In this regard, the recoverable amounts of the Group's cables and wires and copper rods cash-generating units were determined by the directors of the Company on the basis of value in use, by using a discounted cash flow projection based on latest financial budgets. The recoverable amount of each of the cash-generating units within the Group's cables and wires segment and copper rods segment determined was higher than the carrying amount of the respective total assets as at 30 June 2013. Accordingly no impairment loss was recognised in profit or loss for the current year.

During the year ended 30 June 2012, management considered and identified that the certain plant and machinery items in the Group's property, plant and equipment under the cables and wires segment and copper rods segment were under-utilised and damaged. In the opinion of the directors of the Company, it was not cost-effective to incur additional repairs and maintenance costs to restore the condition of those items, for which the recoverable amount of those items was nil. Accordingly, full provision for impairment loss of HK$28,343,000 in aggregate, to these individual plant and machinery items, was recognised in profit or loss.

At 30 June 2012 and 2013, the prepayment amounts represented prepayments made for acquisition of items of property, plant and equipment.

16. Investment Properties

		The Group	
		2013	2012
	NOTE	***HK$'000***	*HK$'000*
Fair value:			
At beginning of year		**119,564**	—
Additions on acquisition of subsidiaries*	*37(b)*	**—**	64,850
Fair value gains, net		**12,207**	54,714
At end of year		**131,771**	119,564

* It comprised the acquisition consideration and costs directly attributable to the acquisition allocated to investment properties. Further details of the acquisition of subsidiaries which gave rise to the recognition of the investment properties above are set out in Note 37(b).

Investment properties were valued at 30 June 2013 by Peak Vision Appraisals Limited ("Peak Vision"), an independent firm of professionally qualified valuers, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies. This valuation gave rise to net fair value gains of HK$12,207,000 (2012: HK$54,714,000) during the year.

The Group's carrying amount of investment properties is analysed as follows:

	2013	2012
	HK$'000	*HK$'000*
Situated in the PRC held under		
– medium term lease	**131,771**	112,238
– long term lease	**—**	7,326
	131,771	119,564

17. Prepaid Lease Payments for Land

		The Group	
		2013	2012
	NOTE	***HK$'000***	*HK$'000*
Carrying amount:			
At beginning of year		**95,291**	96,707
Charge to the profit or loss for the year	*8*	**(2,740)**	(2,691)
Currency realignment		**3,237**	1,275
At end of year		**95,788**	95,291

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

	2013	2012
	HK$'000	*HK$'000*
Leasehold land situated in the PRC held under		
– medium term lease	**94,330**	93,789
Leasehold land situated in Hong Kong held under		
– medium term lease	**1,458**	1,502
	95,788	95,291
Analysed for reporting purposes as:		
Non-current	**93,001**	92,597
Current	**2,787**	2,694
	95,788	95,291

The Group has pledged prepaid lease payments for land with aggregate carrying amount as at 30 June 2013 of HK$93,414,000 (2012: HK$92,932,000) to secure banking facilities granted to the Group (Note 28).

At 30 June 2013, the Group was in the process of obtaining the relevant title documents of certain of its land use rights with aggregate carrying amount of HK$34,552,000 (2012: HK$34,363,000).

18. Mining Right

	The Group *HK$'000*
COST:	
At 1 July 2011	1,170,729
Currency realignment	(304)
At 30 June 2012 and 1 July 2012	1,170,425
Currency realignment	(418)
At 30 June 2013	**1,170,007**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:	
At 1 July 2011	6,214
Currency realignment	(7)
At 30 June 2012 and 1 July 2012	6,207
Impairment loss	360,600
Currency realignment	(10)
At 30 June 2013	**366,797**
NET CARRYING AMOUNT:	
At 30 June 2013	**803,210**
At 30 June 2012	1,164,218

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

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

18. Mining Right (continued)

In performing the impairment testing for the year, the directors of the Company have engaged Peak Vision in determining the recoverable amount of the mining right. Given the current development status of mining right, management has determined that recoverable amount of the mining right on a fair-value-less-costs-to-sell basis. The calculation has incorporated assumptions that a typical market participant would use in estimating mining right's fair value, which adopted cash flow projection for a period of 10 years and the post-tax discount rate applied to the cash flow projection is 19.9%. In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the coal market are taken as reference.

Based on the above assessment, downward adjustment was noted on the estimated net cash inflows and the recoverable amount of the mining right. As at 30 June 2013, the carrying amount of the mining right was HK$1,163,810,000, which was higher than the recoverable amount of HK$803,210,000, resulting in an impairment loss of HK$360,600,000. The impairment loss is primarily due to revision of expected selling price of copper according to the prevailing market conditions and the delay in the mining plan and hence a delay in future cash inflow, which reduce the recoverable amount of the mine.

19. Exploration and Evaluation Assets

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Exploration permits		
Cost:		
At beginning of year	**25,355**	—
Additions	**—**	25,355
Currency realignment	**(1,908)**	—
At end of year *(Note)*	**23,447**	25,355

Note:

As at 30 June 2013, the amount represented exploration permits in the locations of Uguujit of Orkhontuul soum in Selenge province and Undur of Bugat soum in Gobi-Altai province, the State of Mongolia. These exploration permits were granted for an initial periods of 3 years. During the year, the valid period of the permits was extended to April 2014. In the opinion of the directors, in the event that the exploration and evaluation works have not been completed before the respective expiry dates of the exploration permits, the Group is confident that it can renew all exploration permits before the respective expiry dates.

20. Interests in Subsidiaries

	The Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**8**	8
Amounts due from subsidiaries	**3,020,581**	2,988,867
	3,020,589	2,988,875
Less: impairment loss on investment cost	**(8)**	(8)
impairment loss on amounts due from subsidiaries	**(1,797,832)**	(1,458,406)
	1,222,749	1,530,461

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.

Accumulated impairment losses on investment cost and amounts due from subsidiaries of HK$8,000 (2012: HK$8,000) and HK$1,797,832,000 (2012: HK$1,458,406,000) respectively were recognised as at 30 June 2013 because the related recoverable amounts of the investment cost and the amounts due from subsidiaries with reference to the higher of fair value less costs to sell and value in use of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment cost and amounts due therefrom are reduced to their recoverable amounts.

20. Interests in Subsidiaries (continued)

The following list contains only the particulars of the principal subsidiaries as at 30 June 2013 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
Aberdeen Investments Limited	Samoa	US$1	100%	Property holding
Chau's Electrical (BVI) Company Limited	British Virgin Islands/ PRC	US$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK$1,000 ordinary HK$500,000 non-voting deferred *(Note (a))*	100%	Manufacture and trading of cable and wire products
Chau's Industrial Investments Limited	British Virgin Islands	US$1,000	100%	Investment holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.#	PRC	US$14,925,000	100%	Manufacture and trading of copper products
東莞三泰電器有限公司 Dongguan Santai Electrical Appliances Co., Ltd.#	PRC	HK$64,000,000	100%	Property holding
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd.#	PRC	HK$6,810,000	100%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.*	PRC	HK$65,000,000	90%	Manufacture and trading of chemical products
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks
Great Measure Investments Limited	British Virgin Islands	US$1	100%	Investment holding

20. Interests in Subsidiaries (continued)

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
Hua Yi Copper Products Company Limited	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products
Ikh Shijir Erdene LLC	The State of Mongolia	US$100,000	100%	Mining business (not yet commenced)
Santai Electronics Limited	Hong Kong	HK$2	100%	Investment holding
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd.#	PRC	US$2,500,000	100%	Manufacture and trading of cable and wire products
Sun Progress Limited	British Virgin Islands	US$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding

Wholly-owned foreign enterprise
* Equity joint venture

Notes:

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

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

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

21. Disposal of an Associate

During the prior year, the Group entered into a sale and purchase agreement with the 75%-owner of the then associate for the disposal of its entire 20% equity interest in 侯馬普天榮盛光纜有限公司 at a cash consideration of RMB2,400,000, net of direct costs incurred on disposal. A net loss on disposal of interest in the associate of HK$1,509,000, including reclassification adjustment of exchange reserve of HK$2,816,000 upon the disposal, was recognised in the prior year.

Prior to the disposal of the associate, the Group's share of loss of the associate of HK$471,000 was recognised in profit or loss during the year ended 30 June 2012.

22. Interests in Jointly-Controlled Entities

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Share of net assets	**99,781**	99,990

During the year ended 30 June 2012, the Group acquired 10% equity interest in Venture Max Limited ("Venture Max") for a consideration of HK$100,000,000. Further details of the Group's acquisition of equity interest in Venture Max are set out in Note 37(a).

Particulars of the Group's jointly-controlled entities are as follows:–

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

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

22. Interests in Jointly-Controlled Entities (continued)

The summarised financial information of the Group's jointly-controlled entities is as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**101,520**	101,521
Current assets	**2**	49
Current liabilities	**(1,741)**	(1,580)
Share of net assets	**99,781**	99,990
Share of the jointly-controlled entities' results:		
Revenue	**—**	—
Expenses	**(209)**	(10)
	(209)	(10)
Taxation	**—**	—
Loss for the year	**(209)**	(10)

23. Inventories

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	**53,943**	43,700
Work in progress	**4,116**	2,728
Finished goods	**22,105**	32,083
	80,164	78,511

During the year, the Group has carried out regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. As a result, inventories of HK$70,000 have been determined that their carrying amount falls below their estimated net realisable value and a full write-down in profit or loss of the year was recorded. During the prior year, certain inventories in the aggregate amount of HK$5,566,000 that were impaired in the prior years were sold in the year ended 30 June 2012 and a write-back of provision for inventories in profit or loss was recorded, resulting in net write-back of provision for inventories by HK$5,566,000 in prior year.

24. Debtors, Other Loans and Receivables, Deposits and Prepayments

At 30 June 2013, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$74,077,000 (2012: HK$67,658,000).

(i) The Group allows an average credit period of 90 days to its trade customers.

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**71,069**	63,457
31– 60 days	**2,344**	1,271
61– 90 days	**593**	452
Over 90 days	**71**	2,478
	74,077	67,658

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
At beginning of year	**3,035**	5,849
Impairment loss recognised	**277**	483
Reversal of allowance for doubtful debts	**(108)**	(195)
Uncollectible amounts written off	**(427)**	(3,126)
Currency realignment	**42**	24
At end of year	**2,819**	3,035

At 30 June 2013, the Group's trade debtors of HK$2,819,000 (2012: HK$3,035,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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

24. Debtors, Other Loans and Receivables, Deposits and Prepayments (continued)

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**74,006**	65,180
Past due and not impaired	**71**	2,478
	74,077	67,658

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

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

(v) At 30 June 2013, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$4,245,000 (2012: HK$2,949,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

(vi) Due from related companies

At 30 June 2013, included in the Group's debtors, other loans and receivables, deposits and prepayments were amounts due from related companies in the aggregate amount of HK$3,142,000 (2012: HK$2,826,000). As at 30 June 2013 and 2012, the aggregate balance is unsecured, interest-free and has no fixed terms of repayment. The maximum outstanding balance due from the related companies during the year was HK$5,628,000. As at 30 June 2013 and 2012, a director of the Company is a close family member of certain directors of the above related companies.

(vii) Loans receivable

As at 30 June 2013, included in the Group's debtors, other loans and receivables, deposits and prepayments were loans receivable and the related interest receivables of HK$64,462,000 (2012: HK$36,508,000) in aggregate due from eight (2012: three) independent third parties. As at 30 June 2013, those loans were interest-bearing at a rate ranging from 5% to 15% per annum and repayable in the period from August 2013 to February 2014. As at 30 June 2012, the loans were interest-bearing at 15% per annum and repayable in the period from January 2013 to February 2013.

25. Bills Receivable

As at 30 June 2013 and 2012, all bills receivable aged within 90 days.

26. Financial Assets at Fair Value through Profit or Loss

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Equity securities held for trading and listed in Hong Kong	**44,334**	26,601

The fair values of the equity securities are determined based on the quoted market prices. During the year, a gain on change in fair value of HK$17,733,000 (2012: HK$12,395,000) was recognised in profit or loss.

27. Derivative Financial Assets/(Liabilities)

Derivative not qualified for hedging

	The Group			
	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Copper future contracts	**3**	**(1,813)**	117	(446)

Copper future contracts

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

	As at 30 June 2013	As at 30 June 2012
Quantities (in tonnes)	**1,365**	905
Average price per tonne	**US$6,869**	US$7,764
Delivery period	**From July 2013 to December 2013**	From July 2012 to February 2013
Fair value loss of copper future contracts recognised as current liabilities (in HK$'000)	**(1,810)**	(329)

The above derivatives are measured at fair values at the end of each reporting period and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices at the end of reporting periods. The loss on change in fair value of derivative financial instruments of HK$5,385,000 (2012: HK$21,087,000) has been recognised in profit or loss during the year.

28. Pledge of Assets

At 30 June 2013, the Group has pledged the following assets to secure general banking facilities granted to the Group. The carrying amounts of these assets are analysed as follows:

		The Group	
		2013	2012
	NOTES	***HK$'000***	*HK$'000*
Property, plant and equipment	*15*	**90,955**	100,070
Prepaid lease payments for land	*17*	**93,414**	92,932
Pledged deposits and bank balances		**34,060**	47,931
		218,429	240,933

29. Bank Balances and Cash (Including the Pledged Balances)

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Bank balances and cash and pledged deposits were denominated in the following currencies:		
Renminbi ("RMB")	**79,306**	106,562
HK$	**61,996**	54,270
U.S. Dollars	**34,790**	77,914
EURO	**284**	912
	176,376	239,658

	The Company	
	2013	2012
	HK$'000	*HK$'000*
Bank balances and cash were denominated in the following currencies:		
HK$	**13,024**	19,314
U.S. Dollars	**574**	12,621
	13,598	31,935

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.

30. Creditors, Other Advances and Accrued Charges

At 30 June 2013, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$22,668,000 (2012: HK$18,429,000).

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**17,600**	14,052
31– 60 days	**2,788**	3,642
61– 90 days	**1,005**	401
Over 90 days	**1,275**	334
	22,668	18,429

31. Bills Payable

At 30 June 2013 and 2012, all bills payable aged within 90 days, which are secured by certain pledged bank deposits, details of which are set out in Note 28.

32. Obligations Under Finance Leases

	The Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**198**	486	**186**	460
In the second to fifth years inclusive	**149**	347	**146**	332
	347	833		
Less: Future finance charges	**(15)**	(41)		
Present value of lease obligations	**332**	792	**332**	792
Less: Amount due within one year			**(186)**	(460)
Amount due after one year			**146**	332

32. Obligations Under Finance Leases (continued)

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates and the average effective borrowing rate was 4% (2012: 4%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

33. Borrowings

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Borrowings repayable within one year and are analysed as follows:		
Bank loans, secured	**88,462**	85,470
Trust receipt loans, secured	**66,224**	53,166
Other loan, unsecured	**22,747**	—
	177,433	138,636

The average effective interest rates of the bank borrowings range from 5.99% to 7.00% (2012: 2.98% to 6.74%) per annum.

Over 73% of the Group's bank borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

At 30 June 2013, the Group had available HK$111,358,000 (2012: HK$116,711,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

At 30 June 2013, the other loan was borrowed from an independent third party and interest-bearing at 7% per month, and repayable on 25 July 2013. Subsequent to the end of reporting period, the other loan has been fully settled.

Details of the assets pledged for the Group's facilities are set out in Note 28. Certain borrowings are also secured by the corporate guarantees of the Company and its subsidiaries.

34. Deferred Tax

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

	The Group			
	Investment properties	**Accelerated tax depreciation**	**Properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2011	—	15,273	7,000	22,273
Currency realignment	—	123	94	217
Charge/(credit) to profit or loss for the year *(Note 11)*	14,906	(1,856)	(421)	12,629
At 30 June 2012	14,906	13,540	6,673	35,119
Currency realignment	—	331	197	528
Charge/(credit) to profit or loss for the year *(Note 11)*	2,271	(538)	(429)	1,304
At 30 June 2013	**17,177**	**13,333**	**6,441**	**36,951**

At 30 June 2013, the Group has unused tax losses of HK$130,846,000 (2012: HK$163,839,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses of HK$130,846,000 (2012: HK$126,309,000) may be carried forward indefinitely and the remaining amount of HK$Nil (2012: HK$37,530,000) would expire in five years from the respective dates of incurrence.

At 30 June 2013 and 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with interests in subsidiaries in the PRC for which deferred tax liabilities have not been recognised is in total amount of approximately HK$4,359,000 (2012: HK$8,094,000).

35. Share Capital

	Number of shares		Share capital	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.01 each:				
Authorised *(Note (i))*	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning of the year	**2,771,913**	1,261,283	**27,719**	12,613
Capital reorganisation *(Note (i))*	**(2,633,317)**	—	**(26,333)**	—
Placements of new shares *(Note (ii))*	**48,890**	1,384,510	**489**	13,845
Exercise of share options *(Note (iii))*	**—**	126,120	**—**	1,261
At end of the year	**187,486**	2,771,913	**1,875**	27,719

Notes:

(i) During the year, pursuant to a resolution passed at the special general meeting of the Company held on 14 November 2012, a capital reorganisation was effected such that the authorised share capital of the Company remained at HK$500,000,000 being represented by 50,000,000,000 shares. The capital reorganisation involved (i) share consolidation of every 20 issued shares of HK$0.01 each into 1 consolidated share of HK$0.20 each; and (ii) capital reduction for each issued consolidated share from HK$0.20 each to HK$0.01 each by cancellation of HK$0.19 each on each issued consolidated share. Further details are set out in the Company's circular and announcement dated 22 October 2012 and 14 November 2012, respectively.

The credit arising from the capital reduction of HK$26,333,000 was transferred to the contributed surplus account and immediately offset the same amount of the then accumulated losses of the Company.

(ii) During the year, aggregate number of 48,890,000 (2012: 1,384,510,000) new ordinary shares of par value of HK$0.01 (2012: HK$0.01) each were issued at subscription prices ranging from HK$0.375 each to HK$0.4 each (2012: subscription price ranging from HK$0.07 each to HK$0.20 each) to the then independent third parties of the Company at aggregate proceeds of HK$18,425,000 (2012: HK$158,360,000), net of issuing expenses, of which HK$489,000 (2012: HK$13,845,000) was credited to share capital and the remaining balance of HK$17,936,000 (2012: HK$144,515,000) was credited to the share premium account.

(iii) During the prior year, 126,120,000 new ordinary shares of par value of HK$0.01 each were issued at option price of HK$0.092 each on exercise of 126,120,000 (Note 40) share options at aggregate proceeds of HK$11,601,000, net of issuing expenses, of which HK$1,261,000 was credited to share capital and the remaining balance of HK$10,340,000 was credited to the share premium account. In addition, the amount attributable to the related share options of HK$1,832,000 was transferred from share option reserve to the share premium account.

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

36. 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 2011	1,014,901	763,907	—	(420,577)	1,358,231
Placements of new shares *(Note 35)*	144,515	—	—	—	144,515
Issue of shares upon exercise of share options *(Note 35)*	10,340	—	—	—	10,340
Recognition of equity-settled share – based payments *(Note 40)*	—	—	1,832	—	1,832
Transactions with owners	154,855	—	1,832	—	156,687
Profit and total comprehensive income for the year	—	—	—	19,771	19,771
Transfer upon exercise of share options *(Note 35)*	1,832	—	(1,832)	—	—
At 30 June 2012 and 1 July 2013	1,171,588	763,907	—	(400,806)	1,534,689
Placements of new shares *(Note 35)*	17,936	—	—	—	17,936
Transactions with owners	17,936	—	—	—	17,936
Loss and total comprehensive income for the year	—	—	—	(344,990)	(344,990)
Capital reorganisation *(Note 35)*	—	—	—	26,333	26,333
At 30 June 2013	**1,189,524**	**763,907**	**—**	**(719,463)**	**1,233,968**

37. Acquisition of Interests in Jointly-Controlled Entities and Subsidiaries

(a) On 5 July 2011, the Group entered into a sale and purchase agreement with Hero Wisdom Limited (the "Vendor"), pursuant to which the Group conditionally agreed to acquire from the Vendor 10% equity interest in Venture Max, a company incorporated in the British Virgin Islands which holds exploration and mining permits in the State of Mongolia through Mongolian Copper Mining LLC ("MCM"), Venture Max's wholly-owned subsidiary incorporated in the State of Mongolia (Venture Max and MCM are collectively referred to as the "Venture Max Group"), at a cash consideration of HK$100,000,000. The acquisition was completed on 5 March 2012. Further details of the acquisition were set out in the announcements of the Company dated 5 July 2011 and 5 March 2012.

Notwithstanding that the Group holds 10% equity interest in the Venture Max Group, there is a contractual arrangement between the Group and the Vendor such that the economic activities of the Venture Max Group is subject to the joint control of the Group and the Vendor and none of them has unilateral control over the economic activities of the Venture Max Group. Accordingly, the Venture Max Group is accounted for as the Group's jointly-controlled entities.

Under Hong Kong Financial Reporting Standard 3 (revised) "Business Combinations" ("HKFRS 3"), an entity shall determine whether a transaction or other event is a business combination by applying the definition of HKFRS 3, which requires that the assets acquired and liabilities assumed constitute a business. Given the fact that technical report and mining plan of the Venture Max Group's mine have not been finalised and the Venture Max Group have not involved in any mining activity up to the completion date of the acquisition, the Venture Max Group is not considered as a business under the definition of HKFRS 3 by the directors of the Company. In this regard, the initial measurement of the Group's interests in the Venture Max Group would be the allocation of the consideration in proportionate to the fair value of the assets and liabilities of the Venture Max Group.

(b) On 12 December 2011, the Group entered into an agreement pursuant to which the Group agreed to acquire the entire issued share capital of Santai Electronics Limited ("Santai"), a company incorporated in Hong Kong, at a total cash consideration of RMB43,000,000 (equivalent to approximately HK$52,614,000) (the "Santai Acquisition"). Santai is the beneficial owner of the land use rights of an industrial complex located in Dongguan City, the PRC (the "Santai Property") through its wholly-owned subsidiary, Dongguan Santai Electrical Appliances Co., Limited ("Dongguan Santai"). Santai and Dongguan Santai are collectively referred to as the "Santai Group".

On the same date, the Group entered into an agreement pursuant to which the Group agreed to acquire the entire issued share capital of Aberdeen Investments Limited ("Aberdeen"), a company incorporated in Samoa, at a total cash consideration of RMB10,000,000 (equivalent to approximately HK$12,236,000) (the "Aberdeen Acquisition"). Aberdeen is the legal and beneficial owner of certain property units in Dongguan City, the PRC (the "Aberdeen Property").

37. Acquisition of Interests in Jointly-Controlled Entities and Subsidiaries (continued)

(b) (continued)

Santai and Aberdeen are wholly-owned subsidiaries of Shougang Concord Technology Holdings Limited whose shares are listed on the Stock Exchange. Both of the Santai Acquisition and the Aberdeen Acquisition were completed on 22 June 2012, further details of which are set out in the Company's announcements dated 12 December 2011 and 22 June 2012.

In the opinion of the directors of the Company, the Santai Property and the Aberdeen Property and the related activities of the acquirees are not indicative of businesses, and therefore the Santai Acquisition and the Aberdeen Acquisition are not considered as business combinations under the definition of HKFRS 3. Accordingly the Santai Acquisition and the Aberdeen Acquisition are considered as acquisitions of assets (i.e. mainly investment properties). In this regard, the initial measurement of assets and liabilities acquired would be the allocation of the total consideration based on their relative fair values.

Based on the foregoing, the Santai Acquisition and the Aberdeen Acquisition gave rise to the additions of investment properties of HK$64,850,000 at the completion date.

Total cash outflow for the Santai Acquisition and the Aberdeen Acquisition during the prior year was the total consideration of HK$64,850,000 paid in cash.

38. Capital Commitments

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	**3,988**	1,854

39. Lease Commitments

The Group as lessor

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

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**4,533**	6,333
In the second to fifth year inclusive	**17,950**	21,197
	22,483	27,530

The Group as lessee

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**671**	714
In the second to fifth year inclusive	**671**	—
	1,342	714

Leases are negotiated for an average term of three years and rentals are fixed for such term.

40. Share Option Scheme

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

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 15,624,565 shares, representing approximately 10% of the issued share capital of the Company, as at the date of the approval of the refreshment of Scheme mandate limit.

During the year, no equity-settled share-based payments (2012: HK$1,832,000) was recognised in profit or loss.

The following table discloses movements in the Company's Scheme in the current and prior years.

					Number of share options				
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Outstanding 1.7.2011	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 30.6.2012 and 30.6.2013
				HK$	*'000*	*'000*	*'000* *(Note 35(iii))*	*'000*	*'000*
Employees	20 April 2012	21 April 2012 to 20 April 2014	Immediate	0.092	–	126,120	(126,120)	–	–

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the prior year was HK$0.091.

At the end of the reporting period and the date of the approval of these financial statements, the Company had no outstanding share option under the Scheme.

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

41. Retirement Benefit Scheme

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK$3,149,000 (2012: HK$4,334,000).

42. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following transactions with related companies:

Related party relationship	**Type of transaction**	**The Group**	
		2013	2012
		HK$'000	*HK$'000*
Company in which a close family member of a director of the Company is a director	Rental income on leases of motor vehicles	–	955
Company in which a close family member of a director of the Company is a director	Loan interest income	–	660

The above transactions were determined with reference to the terms mutually agreed between the Group and the counterparties.

Compensation of key management personnel of the Group

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

43. Contingent Liabilities

(i) In prior years, certain subsidiaries of the Company (collectively the "Chau's") and other unrelated parties were named as joint defendants in a lawsuit brought by a number of plaintiffs, and alleges that the Chau's was causally related to its electrical cord incorporated within certain air-conditioning units, which were involved in fires, resulting in deaths and personal injuries (the "Claim 1"). On 29 August 2011, the Chau's legal counsel filed an appearance and responsive pleading and vigorously defended the Chau's in response to the First Amended Complaint for Damages received from the plaintiffs' counsel. No amount of claim was ascertained in respect of the Claim 1 as at 30 June 2012.

As at 30 June 2012, the allegations of liability, as against the Chau's, for the Claim 1 had been denied and were contested. The Chau's had been retained by its product liability insurer who would pay any related legal costs and expenses.

During the current year, an order of dismissal was issued by court and the Chau's was dismissed from the case.

(ii) Certain plaintiffs sustained damage to their home and personal property due to a fire that was allegedly caused by products of a customer of the Chau's (the "Customer"). The Chau's is not a party to the lawsuits. During the prior year, the Customer had demanded defense and indemnification under the Chau's liability insurance policy (the "Claim 2"). On 23 July 2012, the Chau's legal counsel issued a reservation of rights letter on the behalf of the liability insurer of the Chau's in response to the Customer's demand letter and had been obtaining additional documentation from the Customer regarding the claim to assess its demand for defense and indemnification in respect of the Claim 2. No amount of claim was ascertained as at 30 June 2012.

During the current year, the plaintiffs and defendant entered into a settlement, receipt and release agreement to completely release and forever discharge the Chau's liabilities in connection with the Claim 2.

44. Capital Risk Management

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

The capital structure of the Group consists of debts, which includes borrowings disclosed in Note 33, obligations under finance leases disclosed in Note 32, bank balances and cash disclosed in Note 29 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.

44. Capital Risk Management (continued)

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

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Debts	**177,765**	139,428
Cash and cash equivalents	**(176,376)**	(239,658)
Net debts	**1,389**	(100,230)
Equity	**1,494,821**	1,894,789
Net debts to equity ratio	**0.09%**	N/A

45. 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 2013 and 2012 may be categorised as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost	**373,197**	416,331
Financial assets at fair value through profit or loss	**44,334**	26,601
Derivative financial assets at fair value	**3**	117
Financial liabilities		
Financial liabilities at amortised cost	**306,936**	289,854
Derivative financial liabilities at fair value	**1,813**	446

46. Event After Reporting Period

On 9 August 2013, 75,000,000 placing shares have been placed to not less than six placees, at the placing price of HK$0.3 each. The net proceeds from the placing, after deducting the placing commission of 2.5% on gross proceeds and other expenses in connection with the placing, are approximately HK$21,700,000. Further details are set out in the Company's announcement dated 9 August 2013.

Financial Summary

Results

The Group

	Year ended 30 June 2013 HK$'000	Year ended 30 June 2012 HK$'000	Year ended 30 June 2011 HK$'000	Year ended 30 June 2010 HK$'000	Year ended 30 June 2009 HK$'000
Turnover	**601,611**	612,863	707,535	1,404,280	1,136,945
(Loss)/profit before taxation	**(413,177)**	(91,840)	356,702	(106,305)	(450,614)
Taxation	**(1,894)**	(14,292)	1,522	(32,355)	(20,391)
(Loss)/profit for the year	**(415,071)**	(106,132)	358,224	(138,660)	(471,005)
(Loss)/profit attributable to:					
Owners of the Company	**(415,071)**	(106,132)	358,224	(138,660)	(470,900)
Non-controlling interests	**—**	—	—	—	(105)
	(415,071)	(106,132)	358,224	(138,660)	(471,005)

Assets and liabilities

	At 30 June 2013 HK$'000	At 30 June 2012 HK$'000	At 30 June 2011 HK$'000	At 30 June 2010 HK$'000	At 30 June 2009 HK$'000
Total assets	**1,840,678**	2,220,516	2,055,907	2,323,348	1,110,281
Total liabilities	**(345,857)**	(325,727)	(224,047)	(1,421,276)	(484,281)
	1,494,821	1,894,789	1,831,860	902,072	626,000
Attributable to:					
Owners of the Company	**1,494,321**	1,894,289	1,831,360	901,572	625,500
Non-controlling interests	**500**	500	500	500	500
	1,494,821	1,894,789	1,831,860	902,072	626,000