國藏集團有限公司

Guocang Group Limited

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2013

（香港聯合交易所上市編號｜HK Stock code：559）

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

CHIU Wai On
MAN Kwok Leung
WONG Yun Kuen

COMPANY SECRETARY

CHI Chi Hung, Kenneth

AUDIT COMMITTEE

CHIU Wai On *(Chairman)*
MAN Kwok Leung
WONG Yun Kuen

REMUNERATION COMMITTEE

CHIU Wai On *(Chairman)*
MAN Kwok Leung
WONG Yun Kuen

NOMINATION COMMITTEE

CHIU Wai On *(Chairman)*
MAN Kwok Leung
WONG Yun Kuen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3908, 39/F.
Tower Two, Times Square
1 Matheson Street
Causeway Bay, Hong Kong

STOCK CODE

559

WEBSITE

www.guocanggroup.com

AUDITOR

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

LEGAL ADVISER

Michael Li & Co
19th Floor, Prosperity Tower
39 Queen's Road
Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual results of Guocang Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2013.

BUSINESS REVIEW AND PROSPECTS

Loss for the year attributable to shareholders of the Company has been widened from approximately HK$53 million to approximately HK$73 million. Basic and diluted loss per share slightly increased to approximately HK2.18 cents as compared to HK1.77 cents in the previous year. The loss was mainly due to the share-based payments expense, impairment loss on property, plant and equipment and impairment loss on financial asset at fair value through profit or loss. These are one-off items and do not have significant impact on the cashflow and business operations of the Group.

On 22 April 2013, the Group has successfully acquired the business of trading and distribution of liquor and wine and subsequently, on 2 May 2013, changed its name to "Guocang Group Limited". The newly acquired business has broadened the revenue stream of the Group during the year under review.

In view of the declining trend on both the demands on cable and wires and the international copper prices, the turnover and segment results on the Group's cable and wires business and copper rods business were impacted. The turnover of the cable and wires business decreased by 16% to approximately HK$147 million compared to that of HK$175 million in the previous year while the segment profit decreased to approximately HK$1 million (2012: HK$2 million). During the year under review, the copper rods segment recorded a segment loss of approximately HK$27 million (2012: HK$9 million). Although the global economy is expected to remain violate, the Group will continue to enhance cost control initiatives to remain competitive in the industry.

The newly acquired liquor and wine business had contributed approximately HK$125 million turnover to the Group, represented 30% of the Group's turnover, and recorded a segment profit of approximately HK$31 million since the completion of the acquisition on 22 April 2013. The liquor and wine business will become the key segment of the Group in the near future and continue to broaden our revenue stream and improve our Group's results.

Furthermore, the Group plans to launch (i) a new anti-counterfeit authentication system; (ii) hundred yuan liquor products by collaboration with various well-known liquor and wine manufacturers; and (iii) huimin trucks project, of which zero emission huimin trucks will be points of sales to sell our liquor and wine products. Together with comprehensive publicity, the Group's results will be improved in the foreseeable future.

Looking forward, the Group will continue to seize strategic investment opportunities with an aim to further strengthen the asset base and/or to generate stable income to the Group.

APPRECIATION

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

Wong Hin Shek
Chairman

Hong Kong, 27 September 2013

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Group was principally engaged in four segments, (i) cable and wires business; (ii) copper rods business; (iii) liquor and wine business; and (iv) investments in listed securities. For the year ended 30 June 2013, the Group recorded a turnover of approximately HK$411 million, representing an increment of 32% as compared to that for last year (2012: HK$312 million). Loss for the year attributable to shareholders of the Company was approximately HK$73 million (2012: HK$53 million). The loss was mainly due to the share-based payments expense, impairment loss on property, plant and equipment and impairment loss on financial asset at fair value through profit or loss. Basic and diluted loss per share were approximately HK2.18 cents (2012: HK1.77 cents).

Cable and Wires Business

The cable and wires business is the largest business segment of the Group for the year under review which contributed to 36% of the Group's turnover. The major customers are primarily manufacturers of domestic and electronic appliances. Due to the continuing decline in domestic demands in the People's Republic of China (the "PRC"), the consumer confidence and the entire domestic appliances industry were significantly impacted. For the year ended 30 June 2013, the turnover of cable and wires business decreased by 16% to approximately HK$147 million (2012: HK$175 million) and the segment profit was approximately HK$1 million (2012: HK$2 million).

Copper Rods Business

The copper rods business covers the manufacturing and trading of copper rods and copper wires used primarily in producing copper wires and cables for electrical products and infrastructure facilities. As the international copper prices decreased slightly during the year under review, a slight decline in the turnover was recorded. For the year ended 30 June 2013, the copper rods business contributed to 33% of the Group's turnover and recorded a segment loss of approximately HK$27 million (2012: HK$9 million). The segment loss was mainly attributable to the impairment loss on certain plant and equipment which were under-utilized and damaged.

Liquor and Wine Business

On 22 April 2013, the Group acquired a business engaged in trading and distribution of liquor and wine. During the year under review, the newly acquired business recorded approximately HK$125 million (2012: Nil) turnover which represented 30% of the Group's turnover. The segment profit reached approximately HK$31 million (2012: Nil). The Directors expect that the liquor and wine business will further broaden the revenue source of the Group in the near future.

Listed Securities Investments

As at 30 June 2013, the Group managed a portfolio of listed securities with fair value of approximately HK$112 million (2012: HK$134 million). During the year under review, the shares of one of the listed issuers were suspended for trading due to its unsatisfactory financial position. Accordingly, an impairment of approximately HK$18 million (2012: Nil) was recognised. A revaluation loss of approximately HK$4 million (2012: HK$92 million) was recognised for the year ended 30 June 2013 as the global equity market remained unstable during the year.

Management Discussion and Analysis

MAJOR TRANSACTION REGARDING INVESTMENT IN LIQUOR AND WINE BUSINESS

On 1 November 2012, the Company, the wholly-owned subsidiary of the Company, Goldsure Limited and Mr. 唐通 (in English, for identification purpose only, Mr. Tang Tong) entered into the agreement (the "Agreement") for the acquisition of the entire issued share capital of Total Grand Investments Limited (the "Acquisition") at a consideration in the sum of HK$260,000,000, which is subject to downward adjustment according to the terms of the Agreement. On 23 January 2013, the supplemental agreement has been entered into to amend the terms of the Agreement that the Company would issue convertible preference shares in the principal amount of HK$260,000,000 to Goldsure Limited or its nominees upon completion.

All conditions precedent to the Agreement have been fulfilled and the completion has taken place on 22 April 2013. The Group has paid the consideration in sum of HK$260,000,000 by the issue and allotment of 1,238,095,238 convertible preference shares by the Company to Goldsure Limited pursuant to the Agreement.

PROSPECTS

The instability of global economy will continue to affect the business environment, it is expected that the global market remains volatile in 2013. The Group will continue to carry on the businesses of manufacturing and trading cables, wires and copper rod products and money lending business.

Meanwhile, the newly acquired liquor and wine business will become a growth engine of the Group as the consumption market in the PRC is expected to have a steady growth in next few years. The Group remains optimistic on the demand of liquor and wine with its comprehensive publicity.

A new anti-counterfeit authentication system will be launched to strengthen the internal and logistics monitoring which will make sure all liquor and wine are genuine when they reach the final consumers.

The Group will continue the collaboration with various well-known liquor and wine manufacturers to explore new liquor and wine, including but not limited to, hundred yuan liquor products to cater for and reform the low-end market of the liquor industry in the PRC.

Development of distribution channels is another mission in the coming years. The huimin trucks project will utilize the huimin trucks as points of sales to sell the liquor and wine products including hundred yuan liquor products throughout the PRC. The huimin trucks with zero emission can go through the residential areas, commercial areas and other busy public areas as convenient points of sales for consumers.

Looking ahead, the management of the Group will closely monitor the market and seize the opportunities to adopt appropriate measures and strategies to strive for best returns to the shareholders.

FINAL DIVIDEND

The Board resolved not to declare any dividend for the year ended 30 June 2013 (2012: Nil).

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had cash and bank balances amounting to approximately HK$328 million (2012: HK$288 million) and net current assets value was approximately HK$58 million (2012: HK$440 million). The Group's gearing ratio as at 30 June 2013 was 0.73 (2012: 0.11), being a ratio of total debts, including the borrowings, warrants and contingent share consideration payable under derivative financial liabilities of approximately HK$546 million (2012: HK$65 million) to the shareholders' fund of approximately HK$744 million (2012: HK$589 million).

As at 30 June 2013, the Group had pledged certain property, plant and equipment and prepaid lease payments for land with aggregate carrying value of approximately HK$47 million (2012: HK$62 million) to secure general banking facilities granted to the Group.

CHANGE OF COMPANY NAME

On 2 May 2013, the English and Chinese names of the Company have been changed to "Guocang Group Limited" and "國藏集團有限公司" respectively.

CAPITAL STRUCTURE

On 11 October 2012, the Board granted 299,000,000 share options to an executive Director and eligible participants as defined in the share option scheme adopted by the Company on 4 December 2003 at the exercise price of HK$0.255 per share.

On 12 December 2012, 599,000,000 shares of the Company were issued upon the exercise of subscription rights under the warrants issued by the Company at the subscription price of HK$0.19 per share.

On 4 March 2013, the authorized share capital was increased from HK$300,000,000 divided into 6,000,000,000 ordinary shares of HK$0.05 each to HK$1,561,904,761.9 divided into 30,000,000,000 ordinary shares of HK$0.05 each and 1,238,095,238 convertible preference shares of HK$0.05 each by the creation of an additional 24,000,000,000 ordinary shares and 1,238,095,238 convertible preference shares.

On 22 April 2013, 1,238,095,238 convertible preference shares of HK$0.05 each were issued upon the completion of the acquisition of the liquor and wine business. Details of the terms of convertible preference shares were set out in Appendix VI of the Company's circular dated 8 February 2012.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no significant contingent liabilities (2012: Nil).

COMMITMENTS

The Group had capital commitments, which are contracted but not provided for, in respect of acquisition of plant and machinery and investments in investee companies amounting to approximately HK$0.72 million and HK$3.2 million respectively as at 30 June 2013 (2012: Nil).

EVENTS AFTER REPORTING PERIOD

On 4 July 2013 and 19 July 2013, the Board granted 259,400,000 share options and 100,000,000 share options respectively to the eligible participants as defined in the share option scheme adopted by the Company on 4 December 2003 at the exercise price of HK$0.435 and HK$0.433 per share respectively.

Management Discussion and Analysis

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had approximately 450 (2012: 500) employees in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for PRC employees and share option scheme.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. Wong Hin Shek ("Mr. Wong"), aged 43, has been appointed as the Chairman and Executive Director of the Company since July 2009. He has over 19 years of experience in the investment banking industry. Mr. Wong holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. Mr. Wong is also a responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Mr. Wong is currently an executive director of Climax International Company Limited (stock code: 439). He has been involved in the management, business development and strategic investment of listed companies in Hong Kong. Mr. Wong was an executive director of Kingston Financial Group Limited (stock code: 1031) from February 2005 to April 2011 and Interchina Holdings Company Limited (stock code: 202) from October 2011 to August 2012.

Mr. Chi Chi Hung, Kenneth ("Mr. Chi"), aged 45, has been appointed as the Chief Executive Officer and the Executive Director of the Company since January 2010. Mr. Chi has over 20 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is currently an executive director of China Sandi Holdings Limited (stock code: 910), M Dream Inworld Limited (stock code: 8100) and Ceneric (Holdings) Limited (stock code: 542). He is also an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085), Aurum Pacific (China) Group Limited (stock code: 8148), China Natural Investment Company Limited (stock code: 8250), Perfect Shape (PRC) Holdings Limited (stock code: 1830), Noble Century Investment Holdings Limited (stock code: 2322) and L'sea Resources International Holdings Limited (stock code: 195). He was an independent non-executive director of Interchina Holdings Company Limited (stock code: 202) from October 2011 to August 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Wai On ("Mr. Chiu"), aged 43, joined the Company since June 2009. Mr. Chiu is also the chairman of each of the audit committee, remuneration committee and nomination committee of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chiu possesses over 10 years of professional experience in accounting and auditing services. Mr. Chiu is also an independent non-executive director of New Times Energy Corporation Limited (stock code: 166).

Mr. Man Kwok Leung ("Mr. Man"), aged 66, joined the Company since May 2009. Mr. Man is also the member of each of the audit committee, remuneration committee and nomination committee of the Company. He is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. He is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. Mr. Man is currently an independent non-executive director of Kong Sun Holdings Limited (stock code: 295), Climax International Company Limited (stock code: 439) and Noble Century Investment Holdings Limited (stock code: 2322). He was an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) from November 2009 to September 2012.

Directors' Profile

Dr. Wong Yun Kuen ("Dr. Wong"), aged 56, joined the Company since June 2009. Dr. Wong is also the member of each of the audit committee, remuneration committee and nomination committee of the Company. He received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768), and an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Kong Sun Holdings Limited (stock code: 295), Kingston Financial Group Limited (stock code: 1031), Climax International Company Limited (stock code: 439), China Sandi Holdings Limited (stock code: 910), New Island Printing Holdings Limited (stock code: 377) and Sincere Watch (Hong Kong) Limited (stock code: 444). Dr. Wong was an independent non-executive director of Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010, China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010 and Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) from November 2009 to September 2012.

SENIOR MANAGEMENT

The Executive Directors of the Company are also members of senior management of the Group.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance. The Board believes that effective corporate governance practices are fundamental to enhance the shareholders' value and safeguard the interests of the shareholders. Accordingly, the Company has adopted sound corporate governance practices that emphasis an effective internal control and accountability to all shareholders.

During the year, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the deviation from the code provision A.4.1 which is explained below.

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The existing Independent Non-executive Directors were not appointed for a specific term as required under the 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 have been taken to ensure that the Company has good corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board comprises five Directors, with two Executive Directors, Mr. Wong Hin Shek and Mr. Chi Chi Hung, Kenneth and three Independent Non-executive Directors, Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. Biographical information of the Directors is set out in the section "Directors' Profile" of this annual report.

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. Directors take decisions objectively in the interests of the Company. Some functions including, inter alia, monitor and approval of material transactions, matters involving conflict of interest for a substantial shareholder or director of the Company, the approval of the interim and annual results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matters shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Chief Executive Officer.

The Board meets regularly throughout the financial year. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the Company Secretary to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

Corporate Governance Report

Throughout the year and up to the date of this report, the Company complied with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of a sufficient number of independent non-executive directors and at least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise. The Company has received confirmations from all Independent Non-executive Directors that they did not have any businesses or financial interests with the Group and where independent as at 30 June 2013 in accordance with Rule 3.13 of the Listing Rules.

There is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

Appointment, Re-election and Removal of Directors

In accordance with Bye-law 86 of the Bye-laws of the Company (the "Bye-laws"), a director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

According to Bye-law 87 of the Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years, and shall then be eligible for re-election.

In accordance with Bye-law 86 of the Bye-laws, the shareholders of the Company may by an ordinary resolution remove any director (but without prejudice to any claim for damages under any contract) before the expiration of his period of office, and may by an ordinary resolution appoint another person in his stead.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Wong Hin Shek whereas the Chief Executive Officer of the Company is Mr. Chi Chi Hung, Kenneth. Their roles are separated, with a clear division of responsibilities. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

BOARD COMMITTEES

The Board has established three committees, namely, Remuneration Committee, Nomination Committee and Audit Committee, for overseeing particular aspects of the Group's affairs. Details of which are set out below. All Board committees of the Company are established with defined written terms of reference which are available on the Company's website and the Stock Exchange's website.

Audit Committee

The Audit Committee of the Company comprises three Independent Non-executive Directors, Mr. Chiu Wai On (the Chairman of the Audit Committee), Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The primary duties of the Audit Committee are to (i) review the Group's financial reporting system, the nature and scope of audit review; (ii) review the effectiveness of the system of internal control procedures and risk management; (iii) make recommendations in relation to the appointment, reappointment and removal of the external auditor; and (iv) review and monitor the external auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the external auditor and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year.

During the year, the Audit Committee reviewed the interim and annual results with the external auditor and made recommendation to the Board on the re-appointment of the external auditor in accordance with the Audit Committee's written terms of reference.

The Audit Committee held two meetings during the year ended 30 June 2013. The attendance record of each member of the Audit Committee is set out in the sub-section "Directors' and Committees' Meeting Attendance" of "Corporate Governance Report" in this annual report.

Remuneration Committee

The Remuneration Committee of the Company comprises three Independent Non-executive Directors, Mr. Chiu Wai On (the Chairman of the Remuneration Committee), Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The primary duties of the Remuneration Committee are to (i) make recommendations to the Board on the policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for remuneration policy; (ii) make recommendations to the Board on the remuneration package of individual executive directors, non-executive directors and senior management; and (iii) review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment. The Remuneration Committee shall meet at least once a year.

During the year, the Remuneration Committee reviewed the remuneration packages of the Directors and senior management and made recommendations to the Board on the remuneration of the Directors and senior management in accordance with the Remuneration Committee's written terms of reference.

The Remuneration Committee held one meeting during the year ended 30 June 2013. The attendance record of each member of the Remuneration Committee is set out in the sub-section "Directors' and Committees' Meeting Attendance" of "Corporate Governance Report" in this annual report.

Nomination Committee

The Nomination Committee of the Company comprises three Independent Non-executive Directors, Mr. Chiu Wai On (the Chairman of the Nomination Committee), Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The primary duties of the Nomination Committee are to (i) review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board; (ii) identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive directors; and (iv) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The Nomination Committee shall meet at least once a year.

During the year, the Nomination Committee reviewed the composition of the Directors and made recommendations to the Board on the re-election of the Directors in accordance with the Nomination Committee's written terms of reference.

The Nomination Committee held one meeting during the year ended 30 June 2013. The attendance record of each member of the Nomination Committee is set out in the sub-section "Directors' and Committees' Meeting Attendance" of "Corporate Governance Report" in this annual report.

DIRECTORS' AND COMMITTEES' MEETING ATTENDANCE

During the year ended 30 June 2013, the Board held 20 Board meetings.

The attendance record of each Director at the Board meetings, the committees' meetings and the general meetings of the Company held during the year is set out below:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Special General Meeting
Executive Directors						
Mr. Wong Hin Shek	20/20	–	–	–	1/1	1/1
Mr. Chi Chi Hung, Kenneth	20/20	–	–	–	1/1	1/1
Independent Non-executive Directors						
Mr. Chiu Wai On	14/20	2/2	1/1	1/1	1/1	1/1
Mr. Man Kwok Leung	14/20	2/2	1/1	1/1	1/1	1/1
Dr. Wong Yun Kuen	14/20	2/2	1/1	1/1	1/1	1/1

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged at the expenses of the Company where necessary.

For the year ended 30 June 2013, the Executive Directors, Mr. Wong Hin Shek and Mr. Chi Chi Hung, Kenneth and the Independent Non-executive Directors, Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen confirmed their participation in continuous professional development as follows:

Directors	Attending seminars conducted by professional parties	Attending training relating to directors' development and duties or relevant topics	Reading materials relating to directors' development and duties or relevant topics	Teaching relating to corporate governance or relevant topics
Executive Directors				
Mr. Wong Hin Shek	✓	✓	✓	
Mr. Chi Chi Hung, Kenneth	✓		✓	
Independent Non-executive Directors				
Mr. Chiu Wai On	✓		✓	
Mr. Man Kwok Leung	✓		✓	
Dr. Wong Yun Kuen	✓	✓	✓	✓

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. 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 statement of the external auditor of the Company regarding their reporting responsibilities on the financial statement of the Company is set out in the "Independent Auditor's Report" of this annual report.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

COMPANY SECRETARY

The Company Secretary, Mr. Chi Chi Hung, Kenneth, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring 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.

During the year under review, Mr. Chi has attended relevant professional seminars to update his skills and knowledge. He met the training requirement set out in Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services for the year ended 30 June 2013 provided by the Company's auditor, BDO Limited, are as follows:

	HK$'000
Audit services	987
Non-audit services	433
Total	1,420

SHAREHOLDERS' RIGHTS

(I) Convene a Special General Meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at the general meetings of the Company can at all times submit a signed written requisition, specifying the purpose, to the Board or the Company Secretary to require the convening of a special general meeting ("SGM"). If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, themselves may convene a SGM, but any SGM so convened shall not be held after the expiration of three months from twenty-one days of the deposit.

(II) Send Enquiries to the Board

Enquiries of shareholders can be sent to the Company either by email at info.gc@guocanggroup.com or by post to the Company's Hong Kong head office at Suite 3908, 39/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Shareholders can also make enquires with the Board directly at the general meetings.

(III) Make Proposals at General Meetings

Shareholders representing not less that one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the general meeting or who are no less than 100 shareholders can submit a written requisition to the Board or the Company Secretary to propose a resolution at a general meeting. The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form). Such requisition must be deposited to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda not less than six weeks before the general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition and be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules.

INVESTOR RELATIONS

The Company considers effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meeting and other general meetings. The website of the Company at www.guocanggroup.com has provided an effective communication platform to the public and the shareholders.

During the year ended 30 June 2013, there has not been any change in the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the Company's website and the Stock Exchange's website.

INTERNAL CONTROL

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 control of the Group annually or at anytime necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions. For the year under review, the Board has through the Audit Committee, reviewed and reached the conclusion that the Group's internal control system was in place and effective.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are engaged in the businesses of (i) manufacture and trading of cable and wires; (ii) manufacture and trading of copper rods; (iii) trading and distribution of liquor and wine; and (iv) investments in listed securities.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 June 2013 are set out in the consolidated statement of comprehensive income on page 23.

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2013, the five largest customers of the Group together accounted for approximately 34%, with the largest customer accounted for approximately 10% of the Group's total turnover. The five largest suppliers of the Group together accounted for approximately 86%, with the largest supplier accounted for approximately 50% of the Group's total purchases during the year.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements during the year in the share capital and share options of the Company are set out in respective note 29 and 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 30 June 2013, the Company had no reserves available for distribution (2012: Nil).

Directors' Report

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 84.

EVENTS AFTER THE REPORTING PERIOD

On 4 July 2013 and 19 July 2013, the Board granted 259,400,000 share options and 100,000,000 share options respectively to the eligible participants as defined in the share option scheme adopted by the Company on 4 December 2003 at the exercise price of HK$0.435 and HK$0.433 per share respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

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

Independent Non-executive Directors:
Mr. Chiu Wai On
Mr. Man Kwok Leung
Dr. Wong Yun Kuen

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

Independent Non-executive Directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the Company's Bye-laws.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, no Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole and any substantial part of the business of the Company was entered into or in existence during the year.

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 30 June 2013, which do not constitute connected transactions in accordance with the requirements of the Listing Rules, are disclosed in note 38 to the consolidated financial statements.

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

As at 30 June 2013, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Long positions in the shares of the Company

Name of directors	Capacity	Number of shares and underlying shares held	Percentage of the issued share capital
Mr. Wong Hin Shek	Beneficial owner	29,900,000	0.83%
Mr. Chi Chi Hung, Kenneth	Beneficial owner	23,000,000	0.64%

Save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

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

As at 30 June 2013 , the following shareholders (other than the Directors or the chief executive of the Company) had an interest or short positions in the shares or underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follows:

Long positions in the shares of the Company

Name of substantial shareholders	Capacity	Number of shares and underlying shares held	Percentage of the issued share capital
Goldsure Limited *(Note 1)*	Beneficial owner	1,238,095,238	34.44%
Mr. Tang Tong *(Note 1)*	Interest of controlled corporation	1,238,095,238	34.44%
Intense Rise Holdings Limited *(Note 2)*	Beneficial owner	870,007,125	24.20%
Mr. Choy Shiu Tim *(Note 2)*	Beneficial owner/Interest of controlled corporation	1,050,007,125	29.21%
Wise Profit Group Limited *(Note 3)*	Beneficial owner	418,210,000	11.63%
Mr. Wong Yat Fai *(Note 3)*	Beneficial owner/Interest of controlled corporation	420,850,000	11.71%

Notes:

1. The 1,238,095,238 convertible preference shares are held by Goldsure Limited, which is wholly-owned by Mr. Tang Tong. Thus, he is deemed to be interested in the 1,238,095,238 convertible preference shares held by Goldsure Limited pursuant to the SFO.

2. The 870,007,125 Shares out of the 1,050,007,125 Shares are held by Intense Rise Holdings Limited, which is wholly-owned by Mr. Choy Shiu Tim. Thus, he is deemed to be interested in the 870,007,125 Shares held by Intense Rise Holdings Limited pursuant to the SFO.

3. The 418,210,000 Shares out of the 420,850,000 Shares are held by Wise Profit Group Limited, which is wholly-owned by Mr. Wong Yat Fai. Thus, he is deemed to be interested in the 418,210,000 Shares held by Wise Profit Group Limited pursuant to the SFO.

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

Directors' Report

CORPORATE GOVERNANCE

Full details on the Company's corporate governance practices are set out in pages 10 to 15.

AUDIT COMMITTEE

The Audit Committee of the Company was established with written terms of reference which are in line with the CG Code and comprises three independent non-executive Directors.

The Audit Committee has reviewed with the management of the Company and the external auditor the Group's annual results for the year ended 30 June 2013, and was of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

AUDITOR

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

On behalf of the Board

Wong Hin Shek
Chairman and Executive Director

Hong Kong, 27 September 2013

Independent Auditor's Report

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TO THE SHAREHOLDERS OF GUOCANG GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Guocang Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 83, 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 about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 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	**410,975**	311,872
Cost of sales		**(358,261)**	(297,630)
Gross profit		**52,714**	14,242
Interest income		**6,229**	11,118
Other income		**4,884**	2,456
General and administrative expenses		**(73,485)**	(19,178)
Selling and distribution expenses		**(2,940)**	(3,145)
Finance costs	9	**(3,615)**	(4,641)
Reversal of Impairment loss/(impairment loss) on loan receivable	22	**300**	(10,226)
Impairment loss on property, plant and equipment	14	**(16,887)**	(4,949)
Impairment loss on financial asset at fair value through profit or loss	24	**(18,040)**	–
Change in fair value of financial liabilities at fair value through profit or loss	23	**(9,924)**	18,222
Change in fair value of financial assets at fair value through profit or loss	24	**(3,678)**	(91,771)
Change in fair value and gain on maturity of convertible note designated as at fair value through profit or loss	32	**–**	35,083
Loss before taxation		**(64,442)**	(52,789)
Taxation	10	**(8,144)**	(308)
Loss for the year attributable to owners of the Company	7, 11	**(72,586)**	(53,097)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**5,097**	2,108
Total comprehensive income for the year attributable to owners of the Company		**(67,489)**	(50,989)
Loss per share:			
— Basic and diluted	13	**(2.18) HK cents**	(1.77) HK cents

Consolidated Statement of Financial Position

At 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	14	**110,051**	131,679
Prepayments for acquisition of property, plant and equipment and exploration and evaluation assets	14	**175**	7,650
Prepaid lease payments for land	15	**10,016**	9,934
Intangible assets	17	**182,862**	–
Goodwill	18	**428,805**	–
Total non-current assets		**731,909**	149,263
Current assets			
Inventories	19	**75,841**	26,471
Debtors, other receivables, deposits and prepayments	20	**254,146**	49,241
Bills receivable	21	**6,542**	14,065
Loans receivable	22	**47,444**	19,338
Prepaid lease payments for land	15	**248**	240
Financial assets at fair value through profit or loss	24	**112,263**	134,045
Bank balances and cash	25	**328,249**	288,212
Total current assets		**824,733**	531,612
Current liabilities			
Creditors, other advances and accruals	26	**211,781**	25,818
Borrowings	27	**44,100**	62,195
Taxation		**9,260**	398
Financial liabilities at fair value through profit or loss	23	**501,456**	2,948
Total current liabilities		**766,597**	91,359
Net current assets		**58,136**	440,253
Total assets less current liabilities		**790,045**	589,516
Non-current liabilities			
Deferred tax liabilities	28	**46,434**	724
Total non-current liabilities		**46,434**	724
Net assets		**743,611**	588,792

Consolidated Statement of Financial Position

At 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Capital and reserves			
Share capital	29	**179,721**	149,771
Reserves		**563,777**	439,021
Equity attributable to owners of the Company		**743,498**	588,792
Non-controlling interest		**113**	–
Total equity		**743,611**	588,792

These consolidated financial statements were approved and authorised for issue by the board of directors on 27 September 2013 and are signed on its behalf by:

Wong Hin Shek
DIRECTOR

Chi Chi Hung, Kenneth
DIRECTOR

Statement of Financial Position

At 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	16	**1,087,396**	410,558
Property, plant and equipment	14	**1,542**	1,985
Total non-current assets		**1,088,938**	412,543
Current assets			
Debtors, other receivables, deposits and prepayments		**255**	243
Bank balances and cash	25	**44**	39
Total current assets		**299**	282
Current liabilities			
Accruals		**491**	600
Financial liabilities at fair value through profit or loss	23	**501,429**	2,905
Amounts due to subsidiaries	16	**4,789**	185
Total current liabilities		**506,709**	3,690
Net current liabilities		**(506,410)**	(3,408)
Net assets		**582,528**	409,135
EQUITY			
Capital and reserves			
Share capital	29	**179,721**	149,771
Reserves	30	**402,807**	259,364
Total equity		**582,528**	409,135

These financial statements were approved and authorised for issue by the board of directors on 27 September 2013 and are signed on its behalf by:

Wong Hin Shek
DIRECTOR

Chi Chi Hung, Kenneth
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note (a))	Exchange reserve HK$'000 (Note (b))	Statutory reserve fund HK$'000 (Note (c))	Special reserve HK$'000 (Note (d))	Share option reserve HK$'000 (Note (e))	Accumulated losses HK$'000	Total equity HK$'000
At 1 July 2011	149,771	451,898	340,932	29,756	14,005	(43,246)	17,265	(320,600)	639,781
Loss for the year	–	–	–	–	–	–	–	(53,097)	(53,097)
Other comprehensive income	–	–	–	2,108	–	–	–	–	2,108
Total comprehensive income for the year	–	–	–	2,108	–	–	–	(53,097)	(50,989)
At 30 June 2012	149,771	451,898	340,932	31,864	14,005	(43,246)	17,265	(373,697)	588,792

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note (a))	Exchange reserve HK$'000 (Note (b))	Statutory reserve fund HK$'000 (Note (c))	Special reserve HK$'000 (Note (d))	Share option reserve HK$'000 (Note (e))	Accumulated losses HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 July 2012	149,771	451,898	340,932	31,864	14,005	(43,246)	17,265	(373,697)	–	588,792
Loss for the year	–	–	–	–	–	–	–	(72,586)	–	(72,586)
Other comprehensive income	–	–	–	5,097	–	–	–	–	–	5,097
Total comprehensive income for the year	–	–	–	5,097	–	–	–	(72,586)	–	(67,489)
Issue of shares upon exercise of warrants	29,950	158,737	–	–	–	–	–	–	–	188,687
Recognition of equity-settled share-based payments expense	–	–	–	–	–	–	33,508	–	–	33,508
Lapse of share options	–	–	–	–	–	–	(774)	774	–	–
Capital contribution from a non-controlling equity owner	–	–	–	–	–	–	–	–	113	113
Transfer between equity	–	–	–	–	2,895	–	–	(2,895)	–	–
At 30 June 2013	179,721	610,635	340,932	36,961	16,900	(43,246)	49,999	(448,404)	113	743,611

Notes:

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

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

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

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

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
Loss before taxation	**(64,442)**	(52,789)
Adjustments for:		
Depreciation of property, plant and equipment	**13,765**	15,101
Amortisation of intangible assets	**2,074**	–
Provision made for inventories	**657**	–
Charge of prepaid lease payments for land	**244**	240
Impairment loss on trade debtors/ (reversal of allowance for doubtful debts), net	**368**	(1,090)
Impairment loss on financial asset at fair value through profit or loss	**18,040**	–
(Reversal of impairment loss)/impairment loss on loan receivable	**(300)**	10,226
Impairment loss on property, plant and equipment	**16,887**	4,949
Impairment loss on prepayments for acquisition of property, plant and equipment and exploration and evaluation assets	**7,650**	–
Share-based payments expense	**33,508**	–
Change in fair value of financial liabilities at fair value through profit or loss	**9,924**	(18,222)
Change in fair value of financial assets at fair value through profit or loss	**3,678**	91,771
Change in fair value and gain on maturity of convertible note designated as at fair value through profit or loss	**–**	(35,083)
Loss on disposal of property, plant and equipment	**32**	291
Interest income	**(6,229)**	(11,118)
Finance costs	**3,615**	4,641
Operating profit before working capital changes	**39,471**	8,917
Decrease in inventories	**32,944**	1,874
(Increase)/decrease in debtors, other receivables, deposits and prepayments	**(145,884)**	31,365
Decrease in bills receivable	**7,523**	2,108
Proceeds on disposal/(acquisition) of financial assets at fair value through profit or loss	**64**	(130,730)
Increase/(decrease) in creditors, other advances and accruals	**38,367**	(5,869)
Cash used in operations	**(27,515)**	(92,335)
Hong Kong profits tax paid	**–**	(339)
Taxation in Mainland China refunded/(paid)	**231**	(324)
Net cash used in operating activities	**(27,284)**	(92,998)

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
Investing activities		
Interest received	**6,229**	10,909
Net cash inflow from acquisition of subsidiaries	**101**	–
(Increase)/decrease in loans receivable	**(27,806)**	56,487
Purchases of property, plant and equipment	**(4,037)**	(442)
Proceeds on disposal of financial liabilities at fair value through profit or loss	**128**	239
Proceeds on settlement of convertible note	**–**	40,000
Prepayments made for acquisition of property, plant and equipment and exploration and evaluation assets	**(175)**	(7,650)
Net cash (used in)/generated from investing activities	**(25,560)**	99,543
Financing activities		
Interest paid on borrowings	**(3,615)**	(4,641)
Net proceeds from issue of shares upon exercise of warrants	**113,810**	–
Capital contribution from a non-controlling equity owner	**113**	–
New borrowings raised	**59,396**	49,756
Repayment of borrowings	**(78,510)**	(72,439)
Net cash generated from/(used in) financing activities	**91,194**	(27,324)
Net increase/(decrease) in cash and cash equivalents	**38,350**	(20,779)
Effect of foreign exchange rate changes	**1,687**	1,313
Cash and cash equivalents at beginning of the year	**288,212**	307,678
Cash and cash equivalents at end of the year	**328,249**	288,212
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**328,249**	288,212

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

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. On 2 May 2013, the name of the Company was changed from "Hua Yi Copper Holdings Limited" to "Guocang Group Limited".

The Company is an investment holding company. The activities of the Company's subsidiaries are set out in Note 16.

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

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

Amendments to HKAS12	Deferred Tax — Recovery of Underlying Assets
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income

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

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 amendments are applied retrospectively.

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 to 2011 Cycle[1]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 27 (2011)	Separate Financial Statements[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[2]

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

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

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

HKFRS 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.

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 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 (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 of the Company 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

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

Basis of preparation of financial statements

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

Functional and presentation currency

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

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

Business combination and basis of consolidation

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly-controlled entity.

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

Subsidiaries

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

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

Revenue recognition

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

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

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

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

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 5% per annum using the straight-line method.

Depreciation is provided 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	6.67%–30.00%
Plant and machinery	6.67%–20.00%
Motor vehicles	12.50%–30.00%

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

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

Intangible assets

Intangible assets are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any impairment losses and intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any change in estimate being accounted for on a prospective basis. The principal annual rate of intangible assets with definite useful lives is as follows:

Distribution rights	0.5 year

The amortisation expense is recognised in profit or loss and included in general and administrative expenses.

Goodwill

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

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

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

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

Prepaid lease payments for land

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

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

Impairment of assets excluding goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

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

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

Inventories

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

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

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

Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such 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 is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Leases

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise. Non-monetary items carried at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and included as profit or loss or other comprehensive income as appropriate.

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

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

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.

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

Financial assets

(i) Financial assets at fair value through profit or loss

These assets include financial assets held for trading and convertible note designated as at fair value through profit or loss upon initial recognition. 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.

(ii) 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.

(iii) Impairment of financial assets

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

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

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

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

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

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

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

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

Financial assets (continued)

(iii) Impairment of financial assets (continued)

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

(iv) Effective interest method

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

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

Financial liabilities and equity

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

(i) 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.

(ii) Other financial liabilities

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

(iii) Equity instruments

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

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

Financial liabilities and equity (continued)

(iv) 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.

(v) Warrants and convertible preference shares

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

(vi) Effective interest method

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

Derecognition

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

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

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 an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

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

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

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

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.

Employees' benefits

Short term benefits

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

Defined contribution pension obligations

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

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

Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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 preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Net realisable value of inventories

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

Depreciation of property, plant and equipment

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

Income taxes

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

Estimated impairment of loans receivable

The Group makes allowance for impairment of loans receivable based on an estimate of the recoverability of these receivables. Allowances are applied to loans receivable where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of loans receivable 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 goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful lives of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

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

Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, United States dollars and RMB, which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

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.

Except for loans receivable from third parties, the Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

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 20.

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk which relates primarily to the Group's floating-rate bank borrowings and the details of borrowings are disclosed in Note 27. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

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

At 30 June 2013, it is estimated that a general increase/decrease of 100 basis points in borrowing interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by HK$441,000 (2012: increase/decrease the loss after taxation and accumulated losses by HK$317,000).

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

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2013						
Borrowings	**44,100**	**45,146**	**45,146**	**–**	**–**	**–**
Creditors, other advances and accruals	**211,781**	**211,781**	**211,781**	**–**	**–**	**–**
	255,881	**256,927**	**256,927**	**–**	**–**	**–**
Financial liabilities at fair value through profit or loss	**27**	**–**	**–**	**–**	**–**	**–**
2012						
Borrowings	62,195	66,249	66,249	–	–	–
Creditors, other advances and accruals	25,818	25,818	25,818	–	–	–
	88,013	92,067	92,067	–	–	–
Financial liabilities at fair value through profit or loss	43	–	–	–	–	–

Copper price risk

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

At 30 June 2013, it was estimated that a general increase/decrease of 10% in copper futures contract price, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by HK$312,000 (2012: decrease/increase the loss after taxation and accumulated losses by HK$378,000).

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Copper price risk (continued)

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

Price risk

The Group was exposed to equity price changes arising from financial assets and financial liabilities at fair value through profit or loss.

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

The Group was also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives financial liabilities of the Group.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments for which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2013, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by HK$38,917,000 (2012: decrease/increase by HK$13,405,000).

b. Fair value

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value (continued)

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

Level 1	—	Quoted price (unadjusted) in active markets for identical assets or liabilities.
Level 2	—	Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3	—	Inputs for the asset or liability that are not based on observable market data.

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

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 30 June 2013				
Assets				
Financial assets at fair value through profit or loss	**112,263**	**–**	**–**	**112,263**
Liabilities				
Financial liabilities at fair value through profit or loss	**27**	**501,429**	**–**	**501,456**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 30 June 2012				
Assets				
Financial assets at fair value through profit or loss	134,045	–	–	134,045
Liabilities				
Financial liabilities at fair value through profit or loss	43	2,905	–	2,948

6. TURNOVER AND SEGMENT REPORTING

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

(a) Reportable segments

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

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

(i) manufacture and trading of cable and wires;

(ii) manufacture and trading of copper rods;

(iii) investments in listed securities; and

(iv) trading and distribution of liquor and wine.

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

6. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 30 June 2013

	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Liquor and Wine HK$'000	Consolidated HK$'000
Turnover	**147,495**	**136,205**	**2,565**	**124,710**	**410,975**
Segments profit/(loss)	**1,036**	**(26,510)**	**(19,185)**	**30,539**	**(14,120)**
Unallocated corporate income					**303**
Unallocated corporate expenses					**(9,663)**
Interest income					**6,229**
Finance costs					**(3,615)**
Share-based payments expense					**(33,508)**
Change in fair value of financial liabilities at fair value through profit or loss					**(10,068)**
Loss before taxation					**(64,442)**

For the year ended 30 June 2012

	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Consolidated HK$'000
Turnover	175,380	136,326	166	311,872
Segments profit/(loss)	1,993	(8,773)	(91,481)	(98,261)
Unallocated corporate income				1,860
Unallocated corporate expenses				(5,679)
Interest income				10,981
Finance costs				(4,641)
Impairment loss on loan receivable				(10,226)
Change in fair value of financial liabilities at fair value through profit or loss				18,094
Change in fair value of convertible note designated as at fair value through profit or loss				35,083
Loss before taxation				(52,789)

6. TURNOVER AND SEGMENT REPORTING (continued)

(c) Segment assets and liabilities

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

	2013 HK$'000	2012 HK$'000
Segment assets		
Cable and Wires	**138,627**	165,299
Copper Rods	**67,367**	91,562
Investments in Listed Securities	**115,781**	134,954
Liquor and Wine	**1,119,958**	–
Total segment assets	**1,441,733**	391,815
Unallocated bank balances and cash	**65,558**	267,211
Unallocated loans receivable	**47,444**	19,338
Unallocated corporate assets	**1,907**	2,511
Consolidated total assets	**1,556,642**	680,875

	2013 HK$'000	2012 HK$'000
Segment liabilities		
Cable and Wires	**36,035**	74,231
Copper Rods	**24,648**	10,210
Investments in Listed Securities	**445**	138
Liquor and Wine	**194,211**	–
Total segment liabilities	**255,339**	84,579
Taxation	**9,260**	398
Deferred tax liabilities	**46,434**	724
Unallocated financial liabilities at fair value through profit or loss	**501,429**	2,905
Unallocated corporate liabilities	**569**	3,477
Consolidated total liabilities	**813,031**	92,083

6. TURNOVER AND SEGMENT REPORTING (continued)

(d) Other segment information

For the year ended 30 June 2013

	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Liquor and Wine HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets through business combination	–	–	–	614,646	–	614,646
Additions to non-current assets	202	79	–	3,756	–	4,037
Amortisation of prepaid lease payments for land	(172)	(72)	–	–	–	(244)
Depreciation of property, plant and equipment	(9,199)	(3,782)	–	(340)	(444)	(13,765)
Impairment loss on property, plant and equipment	–	(16,887)	–	–	–	(16,887)
Impairment loss on prepayments for acquisition of property, plant and equipment and exploration and evaluation assets	–	(7,650)	–	–	–	(7,650)
Amortisation of intangible assets	–	–	–	(2,074)	–	(2,074)
Reversal of impairment loss on loan receivable	–	–	–	–	300	300
Change in fair value of financial liabilities at fair value through profit or loss	144	–	–	–	(10,068)	(9,924)
Change in fair value of financial assets at fair value through profit or loss	–	–	(3,678)	–	–	(3,678)
Impairment loss on financial asset at fair value through profit or loss	–	–	(18,040)	–	–	(18,040)
Interest income on loans receivable	–	–	–	–	4,340	4,340
Bank interest income	–	–	–	11	1,878	1,889
Amounts regularly provided to the chief operating decision-makers but not included in the measure of segment profit or loss:						
Income tax charge	119	141	–	(7,898)	(506)	(8,144)
Finance costs	(3,085)	(530)	–	–	–	(3,615)

6. TURNOVER AND SEGMENT REPORTING (continued)

(d) Other segment information (continued)

For the year ended 30 June 2012

	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	780	3	–	–	783
Amortisation of prepaid lease payments for land	(169)	(71)	–	–	(240)
Depreciation of property, plant and equipment	(9,643)	(4,881)	–	(577)	(15,101)
Impairment loss on loan receivable	–	–	–	(10,226)	(10,226)
Impairment loss on property, plant and equipment	–	(4,949)	–	–	(4,949)
Change in fair value of financial liabilities at fair value through profit or loss	128	–	–	18,094	18,222
Change in fair value of financial assets at fair value through profit or loss	–	–	(91,771)	–	(91,771)
Interest income on convertible note designated as at fair value through profit or loss	–	–	–	1,582	1,582
Interest income on loans receivable	–	–	–	4,879	4,879
Bank interest income	–	50	87	4,520	4,657
Amounts regularly provided to the chief operating decision-makers but not included in the measure of segment profit or loss:					
Income tax charge	(170)	(138)	–	–	(308)
Finance costs	(3,591)	(1,050)	–	–	(4,641)

6. TURNOVER AND SEGMENT REPORTING (continued)

(e) Geographic information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

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

	Revenue from external customers		Specified non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**2,565**	166	**4,792**	1,997
PRC	**408,410**	311,706	**727,117**	139,616
Other Asian Region	**–**	–	**–**	7,650
	410,975	311,872	**731,909**	149,263

(f) Major customers

During the year, three customers, each of them contributed revenue of HK$26,966,000, HK$26,257,000 and HK$18,412,000 respectively, to the Group's cable and wires segment; three customers each of them contributed revenue of HK$24,208,000, HK$23,309,000 and HK$18,214,000 respectively to the Group's copper rods segment; and six customers contributed revenue of HK$22,031,000, HK$20,980,000, HK$20,819,000, HK$19,896,000, HK$19,599,000 and HK$13,049,000 respectively to the Group's liquor and wine segment.

During the prior year, two customers, each of them contributed revenue of HK$32,164,000 and HK$25,984,000 respectively, to the Group's cable and wires segment and three customers, each of them contributed revenue of HK$30,376,000, HK$18,804,000 and HK$14,239,000 respectively to the Group's copper rods segment.

7. LOSS FOR THE YEAR

	2013 HK$'000	2012 HK$'000
This is arrived at after charging/(crediting):		
Auditor's remuneration	**1,420**	650
Depreciation of property, plant and equipment	**13,765**	15,101
Cost of inventories *(Note)*	**357,604**	297,630
Charge of prepaid lease payments for land	**244**	240
Amortisation of intangible assets	**2,074**	–
Provision made for inventories	**657**	–
Impairment loss on trade debtors/(reversal of allowance for doubtful debts), net	**368**	(1,090)
Impairment loss on prepayments for acquisition of property, plant and equipment and exploration and evaluation assets	**7,650**	–
Wages, salaries and pension contributions including directors' remuneration *(Note 8)*	**27,993**	23,254
Share-based payments expense	**33,508**	–
Operating lease rentals in respect of:		
Office premise	**2,036**	336
Motor vehicles	**340**	2,645
Exchange losses/(gains), net	**345**	(1,211)
Sale of scrapped materials	**(276)**	(59)
Other service income	**(4,430)**	–
Interest income on convertible note designated as at fair value through profit or loss *(Note 32)*	**–**	(1,582)
Interest income on loans receivable	**(4,340)**	(4,879)
Bank interest income	**(1,889)**	(4,657)
Loss on disposal of property, plant and equipment	**32**	291

Note: Cost of inventories includes HK$30,025,000 (2012: HK$33,080,000) relating to staff costs and depreciation of property, plant and equipment for which the amounts are also included in the respective total amounts disclosed separately above.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

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

Name of directors	Fees		Share-based payments expense		Total	
	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wong Hin Shek	1,600	600	3,351	–	4,951	600
Mr. Chi Chi Hung, Kenneth (Chief Executive Officer)	1,950	1,080	–	–	1,950	1,080
Dr. Wong Yun Kuen	100	70	–	–	100	70
Mr. Chiu Wai On	100	70	–	–	100	70
Mr. Man Kwok Leung	100	70	–	–	100	70
Total	3,850	1,890	3,351	–	7,201	1,890

During the current year, 29,900,000 (2012: Nil) share options were granted to a director in respect of his services to the Group. No other emolument was paid to the directors of the Company and there was no arrangement under which a director waived or agreed to waive any remuneration during the current and prior years.

The five highest paid individuals of the Group include two (2012: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2012: three) individuals for the year ended 30 June 2013 were as follows:

	2013	2012
	HK$'000	HK$'000
Salaries	771	706
Contributions to retirement benefits schemes	47	13
	818	719

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Their emoluments fell within the following band:

	Number of individuals	
	2013	2012
Nil–HK$1,000,000	**3**	3

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

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

9. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Interest on bank loans and other loan wholly repayable within five years	**3,615**	4,641

10. TAXATION

	2013	2012
	HK$'000	HK$'000
Taxation charged in the consolidated statement of comprehensive income represents:		
Current taxation — Hong Kong profits tax		
— tax for the year	**504**	–
Current taxation — PRC corporate income tax ("CIT")		
— tax for the year	**8,418**	337
— over-provision for prior years	**(231)**	–
	8,691	337
Deferred taxation *(Note 28)*	**(547)**	(29)
	8,144	308

10. TAXATION (continued)

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the current year. No Hong Kong profits tax had been provided as the Group had no estimated assessable profit arising in Hong Kong during the prior year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard CIT rate for enterprises in the PRC is 25%, which is also the Group's applicable CIT rate for the years ended 30 June 2012 and 30 June 2013.

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

	2013 **HK$'000**	2012 HK$'000
Loss before taxation	**(64,442)**	(52,789)
Tax at the PRC CIT rate of 25% (2012: 25%)	**(16,111)**	(13,197)
Tax effect of expenses not deductible for tax purposes	**42,717**	22,892
Tax effect of income not taxable for tax purposes	**(18,948)**	(12,909)
Over-provision for prior years	**(231)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**717**	3,522
Taxation for the year	**8,144**	308

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

The consolidated loss attributable to owners of the Company for the year ended 30 June 2013 includes a loss of HK$52,039,000 (2012: a profit of HK$13,833,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2013 (2012: HK$Nil).

13. LOSS PER SHARE

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

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

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

	2013 **HK$'000**	2012 HK$'000
Loss for the purpose of basic and diluted loss per share	**(72,586)**	(53,097)

	Number of shares **2013**	 2012
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,325,274,174**	2,995,413,900
Effect of dilutive potential shares	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**3,325,274,174**	2,995,413,900

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

14. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST:						
At 1 July 2011	63,847	7,584	9,933	123,091	1,090	205,545
Additions	592	–	62	129	–	783
Disposals	–	–	–	(847)	(3)	(850)
Currency realignment	853	–	95	1,766	16	2,730
At 30 June 2012	65,292	7,584	10,090	124,139	1,103	208,208
Additions	–	2,242	885	42	868	4,037
Acquired through business combination *(Note 31)*	–	452	453	–	–	905
Disposals	–	–	(3)	–	(292)	(295)
Currency realignment	2,371	13	270	4,842	42	7,538
At 30 June 2013	67,663	10,291	11,695	129,023	1,721	220,393
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2011	9,674	2,083	5,225	38,419	704	56,105
Provided for the year	3,531	379	1,290	9,841	60	15,101
Disposals	–	–	–	(556)	(3)	(559)
Impairment loss	–	–	514	4,435	–	4,949
Currency realignment	197	–	33	692	11	933
At 30 June 2012	13,402	2,462	7,062	52,831	772	76,529
Provided for the year	3,530	204	794	9,209	28	13,765
Disposals	–	–	–	–	(263)	(263)
Impairment loss	13,726	–	8	3,113	40	16,887
Currency realignment	727	1	185	2,483	28	3,424
At 30 June 2013	31,385	2,667	8,049	67,636	605	110,342
NET CARRYING AMOUNT:						
At 30 June 2013	36,278	7,624	3,646	61,387	1,116	110,051
At 30 June 2012	51,890	5,122	3,028	71,308	331	131,679

14. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS (continued)

	Equipment, furniture and fixtures HK$'000
THE COMPANY	
COST:	
At 1 July 2011, 30 June 2012 and 30 June 2013	2,900
ACCUMULATED DEPRECIATION:	
At 1 July 2011	344
Provided for the year	571
At 30 June 2012	915
Provided for the year	443
At 30 June 2013	1,358
NET CARRYING AMOUNT:	
At 30 June 2013	1,542
At 30 June 2012	1,985

For the year ended 30 June 2013, management considered and identified that the Group's certain property, plant and equipment items under the copper rods cash-generating unit (the "Copper Rods CGU") were under-utilised and damaged. In the opinion of the directors of the Company, it was not cost-effective to incur additional repair 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$16,887,000 (2012: HK$4,949,000) in aggregate, in respect of these individual items, was recognised in profit or loss.

The Group has pledged buildings with a carrying amount at 30 June 2013 of HK$36,278,000 (2012: HK$51,890,000) to secure banking facilities granted to the Group (Note 35).

As at 30 June 2013, the prepayment amounts represented prepayment made for acquisition of property, plant and equipment. As at 30 June 2012, the prepayment amounts represented prepayment made for acquisition of property, plant and equipment and exploration and evaluation assets.

15. PREPAID LEASE PAYMENTS FOR LAND

	2013 HK$'000	2012 HK$'000
Net carrying amount:		
At beginning of year	**10,174**	10,288
Charge to the profit or loss	**(244)**	(240)
Exchange realignment	**334**	126
At end of year	**10,264**	10,174

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

	2013 HK$'000	2012 HK$'000
Leasehold land under medium-term leases in the PRC	**10,264**	10,174
Analysed for reporting purposes as:		
Non-current	**10,016**	9,934
Current	**248**	240
	10,264	10,174

The Group has pledged prepaid lease payments for land with an aggregate carrying amount at 30 June 2013 of HK$10,264,000 (2012: HK$10,174,000) to secure banking facilities granted to the Group (Note 35).

16. INTERESTS IN SUBSIDIARIES

	The Company 2013 HK$'000	 2012 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**1,227,611**	550,773
	1,227,612	550,774
Less: impairment losses on amounts due from subsidiaries	**(140,216)**	(140,216)
	1,087,396	410,558

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.

16. INTERESTS IN SUBSIDIARIES (continued)

Accumulated impairment losses on amounts due from subsidiaries of HK$140,216,000 (2012: HK$140,216,000) were recognised as at 30 June 2013 because the related recoverable amounts of the amounts due from subsidiaries with reference to the fair values of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related amounts due therefrom are reduced to their recoverable amounts.

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

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 of the Company are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Group	Principal activities
Brightpower Asset Management Limited	British Virgin Islands	US$1	100%	Investments in listed securities
Cash Stand Investments Limited	Hong Kong	HK$1	100%	Money-lending
Hua Yi Copper (BVI) Company Limited	British Virgin Islands	US$1	100%	Investment holding
Wah Yeung Capital Resources Limited	British Virgin Islands	US$1	100%	Investment holding
昆山華藝銅業有限公司 Kunshan Hua Yi Copper Products Company Limited #	PRC	US$5,000,000	100%	Manufacture and trading of copper rod products
昆山周氏電業有限公司 Kunshan Chau's Electrical Company Limited #	PRC	US$5,000,000	100%	Manufacture and trading of cable and wire products
Max June Limited	British Virgin Islands	US$1	100%	Investment holding
國藏酒莊有限公司 Guocang Liquor & Wine Merchant Limited */#	PRC	RMB50,000,000	100%	Trading and distribution of liquor and wine

Wholly-foreign-owned enterprise
* Newly acquired during the year

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

Except for Brightpower Asset Management Limited, Hua Yi Copper (BVI) Company Limited and Max June Limited, all the subsidiaries are indirectly held by the Company.

17. INTANGIBLE ASSETS

	Distribution rights HK$'000	**Distribution network** HK$'000	**Total** HK$'000
THE GROUP			
COST:			
At 1 July 2012	–	–	–
Acquired through business Combination *(Note 31)*	170,075	14,861	184,936
At 30 June 2013	170,075	14,861	184,936
AMORTISATION:			
At 1 July 2012	–	–	–
Amortisation for the year	2,074	–	2,074
At 30 June 2013	2,074	–	2,074
NET CARRYING AMOUNT:			
At 30 June 2013	168,001	14,861	182,862
At 30 June 2012	–	–	–

Notes:

(a) Distribution rights represented (i) the exclusive distribution right for 五糧液釀神 (excluding Niangshen 101 series) (in English, for identification purpose only, "Wuliangye Niangshen Liquor Series") granted by 四川五穀釀神酒業集團有限公司 (in English, for identification purpose only, "Sichuan Wugu Niangshen Wine Group Limited") for an indefinite period; and (ii) the non-exclusive distribution right for 五糧液 (in English, for identification purpose only, "Wuliangye Liquor Series") granted by 宜賓五糧液酒類銷售有限責任公司 (in English, for identification purpose only, "Yibin Wuliangye Liquor Sales Co., Ltd.) for the initial period from November 2012 to December 2013. The exclusive and non-exclusive distribution rights were acquired though the business combination as set out in Note 31.

At end of reporting period, the exclusive distribution right with carrying amount of HK$163,853,000 has indefinite useful life. Considering that the exclusive right would generate a stable revenue stream to the Group under a legally binding agreement, management of the Group is of the opinion that the Group would use the exclusive distribution right continuously and has the ability to do so. The non-exclusive distribution right was amortised using the straight-line method over its expected life till December 2013.

(b) Distribution network represented agreements in relation to the formation of certain joint-venture companies in various provinces of the PRC and wine distribution network between the Group and each of the provincial distributors. It was acquired through the business combination as set out in Note 31.

At end of reporting period, the distribution network with carrying amount of HK$14,861,000 has indefinite useful life. Considering that the distribution network would generate a stable revenue stream to the Group under legally binding agreements, management of the Group is of the opinion that it would use the distribution network continuously and has the ability to do so.

Distribution rights and distribution network are attributable to the same cash-generating unit with which the goodwill amount is recognised. Details of the impairment assessment of the cash-generating unit are set out in Note 18.

18. GOODWILL

	HK$'000
THE GROUP	
COST:	
Acquired through business combination (Note 31) and at 30 June 2013	428,805

The goodwill was arising from the acquisition of the trading and distribution of liquor and wine business in the PRC as set out in Note 31 and for the purpose of impairment assessment, the goodwill is allocated to the cash-generating unit of the trading and distribution of liquor and wine business in the PRC (the "CGU").

The recoverable amount of the CGU is determined by the directors of the Company on the basis of a fair-value-less-costs-to-sell calculation with reference to a professional valuation report issued by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent firm of professionally qualified valuers. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of 5 years with an average growth rate of 17%, and at a post-tax discount rate of 22%. The cash flow projections beyond the 5-year period are extrapolated using a growth rate of 3%. Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budgeted gross margins and growth rate have been determined based on past performance and the Group management's expectations for the market development and future performance of the liquor and wine business. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the CGU.

19. INVENTORIES

	2013 **HK$'000**	2012 HK$'000
Raw materials	**6,589**	8,291
Work in progress	**11,838**	14,187
Finished goods	**57,414**	3,993
	75,841	26,471

During the year, the Group has carried out a review of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. As a result, certain inventories have been determined that their carrying amounts fall below their estimated net realisable value by the amount of HK$657,000 (2012: HK$Nil) and was recorded as a write-down in the profit or loss.

20. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, other receivables, deposits and prepayments were trade debtors with outsiders of HK$194,689,000 (2012: HK$44,608,000). The Group allows an average credit period of 0 to 90 days to its trade debtors with outsiders.

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

	2013 **HK$'000**	2012 HK$'000
Within 30 days	**174,307**	22,816
31–60 days	**13,735**	10,924
61–90 days	**5,558**	10,793
Over 90 days	**1,089**	75
	194,689	44,608

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

	2013 **HK$'000**	2012 HK$'000
At beginning of year	**515**	1,585
Impairment loss recognised	**368**	297
Written off	**(939)**	–
Reversal of allowance for doubtful debts	**–**	(1,387)
Exchange realignment	**56**	20
	–	515

At 30 June 2013, none of the Group's trade debtors (2012: HK$515,000) was individually determined to be impaired. At 30 June 2012, 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 was expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised for such balances. The Group did 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.

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

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

	2013 **HK$'000**	2012 HK$'000
Neither past due nor impaired	**193,670**	41,413
Less than 1 month past due	**829**	3,061
1 to 3 months past due	**188**	8
More than 3 months past due	**2**	126
	194,689	44,608

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

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

At 30 June 2013, other than the trade debtors disclosed above, none of the balances included in debtors, other receivables, deposits and prepayments were either past due or impaired which there were no recent history of default.

21. BILLS RECEIVABLE

As at 30 June 2012 and 2013, all bills receivable aged within 180 days.

22. LOANS RECEIVABLE

	2013	2012
	HK$'000	HK$'000
Gross loans and interest receivables	**57,370**	29,564
Less: Allowance for doubtful debts *(Note)*	**(9,926)**	(10,226)
	47,444	19,338

At 30 June 2013, there were four (2012: three) loans receivable with gross principal amount of HK$56,700,000 (2012: HK$29,000,000) in aggregate and related gross interest receivables of HK$670,000 (2012: HK$564,000) due from four (2012: three) independent third parties. These loans are unsecured and interest-bearing at rates ranging from 5% to 15% (2012: 5% to 8%) per annum except the Loan (as defined in Note below) which is secured by a personal guarantee executed by the sole director and shareholder of the borrower. All the loans were repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 30 June 2012 and 2013. As of the date of approval of these financial statements, loans and interest receivables as at 30 June 2013 have been subsequently settled by the aggregate amount of HK$44,444,000. The remaining unsettled carrying amounts of loans and interests receivables have not been due for repayment.

Save as the Loan, all loans and interest receivables as at 30 June 2012 have been settled during the year except a loan receivable with principal amount of HK$3,000,000 as at 30 June 2012 for which the repayment due date has been extended to 31 December 2013.

Note:

At 30 June 2012, included in the Group's loans receivable was a loan with principal of HK$10,000,000 due from a borrower (the "Borrower") which was repayable on 20 December 2012 whereas the Borrower had defaulted on the payment of interest as at 30 June 2012. The Group had attempted to contact the Borrower and the Group also instructed its legal counsel to issue a demand letter to request immediate repayment of the principal and the related interest but failed to receive any response for settlement. Hence, the directors of the Company considered that the possibility to recover the related loan receivable with principal amount of HK$10,000,000 (the "Loan") and related interest receivable of HK$226,000 was remote. Therefore a full impairment loss of HK$10,226,000 in aggregate had been recognised in profit or loss in the prior year.

During the current year, the Group further issued two demand letters to the Borrower to request the settlement of the Loan and related interest but failed to receive any settlement. On December 2012, a consent order from the High Court of the Hong Kong Special Administrative Region was issued to demand the settlement of the outstanding amount by 4 instalments by March 2013. As of 30 June 2013, an aggregate amount of HK$300,000 was settled by the Borrower and hence a reversal of impairment loss of HK$300,000 was recognised in profit or loss in the year. As of the date of approval of these financial statements, the directors of the Company are yet to have a plan to collect the remaining outstanding balance.

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2013	2012
	HK$'000	HK$'000
Copper futures contracts	**27**	43
Warrants	**–**	2,905
Contingent share consideration payable	**501,429**	–
	501,456	2,948

	The Company	
	2013	2012
	HK$'000	HK$'000
Warrants	**–**	2,905
Contingent share consideration payable	**501,429**	–
	501,429	2,905

Copper futures contracts

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

	As at 30 June 2013	As at 30 June 2012
Quantities (in tonnes)	**50**	55
Average price per tonne (in RMB)	**48,390**	54,945
Delivery period	**October 2013**	From September 2012 to October 2012
Fair value of copper futures contracts recognised as current liabilities (in HK$'000)	**(27)**	(43)

The above derivatives were measured at fair value at the end of each reporting period and were with financial institutions. The fair value of copper futures contracts was determined based on the quoted market prices at the end of reporting period. The gain on change in fair value of derivative financial instruments of HK$144,000 (2012: HK$128,000) has been recognised in the profit or loss during the year.

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Warrants

During the year ended 30 June 2011, the Company issued 599,000,000 non-listed warrants at subscription proceeds of HK$2,995,000, each entitled the holder thereof to subscribe for one share of the Company at the subscription price of HK$0.19 per share, subject to anti-dilutive adjustments, at any time during a period of two years commencing from the date of issue of the warrants. Further details are set out in the Company's announcements dated 29 November 2010 and 13 December 2010.

During the year, 599,000,000 new ordinary shares were issued on exercise of the 599,000,000 warrants in full. Immediately before exercise of warrants during the year, the fair value of the warrants amounted to HK$74,877,000. Upon the exercise of the warrants, the amount of HK$74,877,000 was credited to the Company's share premium account.

The fair value of the warrants classified as derivative financial instruments was determined taking into account the valuation performed by Grant Sherman using the Black-Scholes option pricing model. The key inputs into the model at the end of the reporting period were as follows:

	On exercise date	30 June 2012
Share price	**HK$0.34**	HK$0.099
Exercise price	**HK$0.190**	HK$0.190
Expected volatility	**0%**	90.16%
Time to maturity	**Nil**	0.45 years
Risk-free rate	**0.01%**	0.11%
Expected dividend yield	**Nil**	Nil

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

During the year ended 30 June 2013, a loss on change in fair value of HK$71,972,000 (2012: a gain on fair value of HK$18,094,000) was recognised in profit or loss.

Contingent share consideration payable

During the year, the Company issued 1,238,095,238 convertible preference shares as the consideration for the business combination as disclosed in Note 31. Convertible preference share of notional value of HK$0.21 each shall be convertible into one new ordinary share, subject to adjustments in the customary manner, including share consolidations, share subdivision, capitalisation issues, capital distributions, rights issues and issues of other securities for cash (the "Convertible Preference Shares"). The Convertible Preference Shares will rank (i) in priority to the ordinary shares of the Company and any other class of shares to return of capital on liquidation; and (ii) pari passu with ordinary shares of the Company as to any dividends accumulated on the Convertible Preference Shares. The holder of each Convertible Preference Share (in the capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company. The Convertible Preference Shares shall be non-redeemable and will not be listed on any stock exchange.

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Contingent share consideration payable (continued)

The number of the Convertible Preference Shares to be released to the vendor is subject to the adjustment as defined in Note 31. Upon initial recognition, the fair value of the Convertible Preference Shares classified as contingent share consideration payable was determined taking into account the valuation performed by Grant Sherman, with reference to the closing stock price of the Company at the date of completion of the acquisition, at HK$563,333,000.

As at 30 June 2013, the fair value of the contingent share consideration payable was determined taking into account the valuation performed by Grant Sherman, with reference to the closing stock price of the Company at HK$501,429,000 as at 30 June 2013. Accordingly, a gain on change in fair value of HK$61,904,000 was recognised in profit or loss.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 **HK$'000**	2012 HK$'000
Hong Kong-listed equity investments, at fair value	**112,263**	134,045

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

As at 30 June 2013, the Group assessed whether there was any objective evidence that any of the above listed securities is impaired. The Group has evaluated the listed securities by reviewing the financial information and recent announcements of these listed issuers. It was noted that one of listed securities with carrying amount of HK$18,040,000 as at 30 June 2013 of which the related listed issuer was in breach of 2 loan agreements in the aggregate amount of HK$37,800,000 and was involved in 14 litigation cases with an aggregate judgement debt of approximately HK$713,517,000. This listed issuer also failed to repay a promissory note with the principal amount of RMB140,000,000. As a result, the trading of the shares of this listed issuer was suspended during the year. As at 30 June 2013 and as of the date of approval of these financial statements, neither significant improvement in the listed issuer's financial position nor significant development of the above litigation cases was noted. Accordingly, the directors of the Company are of the opinion that the related listed equity investments held by the Group are impaired and the recoverable amount is assessed to be nil. Accordingly a full impairment of HK$18,040,000 (2012: HK$Nil) was recognised in profit or loss.

During the current year, a loss on change in fair value of other financial assets at fair value through profit or loss of HK$3,678,000 (2012: HK$91,771,000) was recognised in profit or loss.

25. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods 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		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
The balances were denominated in the following currencies:				
Hong Kong Dollars	**321,759**	268,090	**44**	39
RMB	**6,393**	20,071	**–**	–
United States Dollars	**97**	51	**–**	–
	328,249	288,212	**44**	39

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

26. CREDITORS, OTHER ADVANCES AND ACCRUALS

Included in the Group's creditors, other advances and accruals were trade creditors of HK$72,720,000 (2012: HK$10,760,000) with independent suppliers.

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

	2013	2012
	HK$'000	HK$'000
Within 30 days	**26,798**	2,149
31–60 days	**43,614**	4,715
61–90 days	**1,598**	3,052
Over 90 days	**710**	844
	72,720	10,760

At 30 June 2013, included in creditors, other advances and accruals was an amount due to a related company of HK$3,142,000 (2012: HK$2,826,000). The amounts were unsecured, interest-free and had no fixed terms of repayment. As at 30 June 2013 and 30 June 2012, one of the directors of the related companies was a close family member of a director of the Company's subsidiaries.

27. BORROWINGS

	2013 **HK$'000**	2012 HK$'000
Borrowings are due within one year or repayable on demand and are analysed as follows:		
Bank loans, secured	**44,100**	31,707
Other loan, unsecured	**–**	30,488
	44,100	62,195

The average effective interest rates of the bank loans range from 5% to 6% (2012: 6% to 7%) per annum.

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

At 30 June 2013, the Group had available HK$32,382,000 (2012: HK$42,317,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 35.

28. DEFERRED TAX

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

	Revaluation of properties HK$'000	**Fair value adjustment arising from business combination** HK$'000	**Total** HK$'000
At 1 July 2011	742	–	742
Credited to profit or loss for the year *(Note 10)*	(29)	–	(29)
Exchange realignment	11	–	11
At 30 June 2012	724	–	724
Credited to profit or loss for the year *(Note 10)*	(28)	(519)	(547)
Acquired through business combination *(Note 31)*	–	46,234	46,234
Exchange realignment	23	–	23
At 30 June 2013	719	45,715	46,434

The Group had no significant unprovided deferred tax asset or liability at the end of reporting period (2012: HK$Nil).

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.05 each at 30 June 2012 and 30 June 2013		
Authorised:		
As at 1 July 2011 and 30 June 2012	6,000,000,000	300,000
Increase in authorised share capital *(Note (i))*	24,000,000,000	1,200,000
As at 30 June 2013	30,000,000,000	1,500,000

	Number of shares	Amount HK$'000
Issued and fully paid:		
As at 1 July 2011 and 30 June 2012	2,995,413,900	149,771
Exercise of warrants *(Note (ii))*	599,000,000	29,950
As at 30 June 2013	3,594,413,900	179,721

Notes:

(i) Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 4 March 2013, the authorised share capital of the Company was increased from HK$300,000,000 to HK$1,500,000,000 and the number of authorised shares was also increased from 6,000,000,000 shares to 30,000,000,000 shares.

(ii) During the year, 599,000,000 new ordinary shares of par value of HK$0.05 each were issued at the subscription price of HK$0.19 each on exercise of 599,000,000 warrants at an aggregate consideration of HK$113,810,000, of which HK$29,950,000 was credited to share capital and the remaining balance of HK$83,860,000 was credited to share premium account.

30. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2011	451,898	414,226	17,265	(625,298)	258,091
Profit and total comprehensive income for the year	–	–	–	1,273	1,273
At 30 June 2012	451,898	414,226	17,265	(624,025)	259,364
Issue of shares upon exercise of warrants	158,737	–	–	–	158,737
Recognition of equity-settled share-based payments expense	–	–	33,508	–	33,508
Lapse of share options	–	–	(774)	774	–
Loss and total comprehensive income for the year	–	–	–	(48,802)	(48,802)
At 30 June 2013	610,635	414,226	49,999	(672,053)	402,807

31. BUSINESS COMBINATION

On 22 April 2013, the Group completed the acquisition of the entire issued share capital of Total Grand Investments Limited (together with its subsidiaries the "Wine Group"), a company incorporated in the British Virgin Islands, which holds the distribution rights and distribution network as detailed in Note 17 (the "Acquisition"). Further details are set out in the Company's circular and announcement dated 8 February 2013 and 22 April 2013, respectively.

The primary reason for the Acquisition is to broaden the Group's revenue source because the revenue from the Group's Cable and Wires and Copper Rods businesses have been declining.

The fair values of identifiable assets and liabilities of the Wine Group recognised at the date of Acquisition were:

	Notes	**Carrying amount** HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Property, plant and equipment	14	905	–	905
Intangible assets	17	–	184,936	184,936
Inventories		82,971	–	82,971
Debtors, other receivables, deposits and prepayments		59,445	–	59,445
Bank balances and cash		101	–	101
Creditors, other advances and accruals		(147,596)	–	(147,596)
Deferred tax liabilities	28	–	(46,234)	(46,234)
		(4,174)	138,702	134,528

Goodwill on Acquisition

	Notes	HK$'000
Consideration		563,333
Less: Fair value of net identifiable assets and liabilities		(134,528)
Goodwill	18	428,805

Pursuant to the acquisition agreements, the number of the Convertible Preference Shares is subject to adjustment if the total net profit of the Wine Group fails to meet RMB300,000,000 by 31 December 2015.

Post-acquisition contribution to revenue and net profit of the Wine Group as included in the Group's consolidated statement of comprehensive income for the year ended 30 June 2013 is HK$124,710,000 and HK$22,652,000 respectively. Had the Acquisition been completed on 1 July 2012, the revenue and net loss of the Group for the year ended 30 June 2013 would have been HK$414,156,000 and HK$76,762,000 respectively.

31. BUSINESS COMBINATION (continued)

The fair value and gross amount of trade and other receivables amounted to HK$59,445,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of HK$428,805,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of the wine business in the PRC to diversify the revenue stream of the existing businesses of the Group.

Analysis of the net inflow of cash and cash equivalents as a result of the Acquisition is as follows

	HK$'000
Cash and cash equivalent acquired	101

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

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

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

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

During the year ended 30 June 2012, the principal amount of HK$40,000,000 was fully settled by the Kong Sun Group on the Maturity Date. Accordingly, a change in fair value and gain on maturity of convertible note of HK$35,083,000 was recognised in profit or loss in the prior year.

During the year ended 30 June 2012, interest income of HK$1,582,000 arising from the convertible note was recognised in profit or loss.

33. CAPITAL COMMITMENTS

	2013 HK$'000	2012 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**719**	–
— investments in investee companies	**3,188**	–
	3,907	–

34. LEASE COMMITMENTS

The Group as lessee

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

	2013 HK$'000	2012 HK$'000
Within one year	**7,082**	336
In the second to fifth years inclusive	**7,740**	56
Beyond fifth years	**652**	–
	15,474	392

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

35. PLEDGE OF ASSETS

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

	Notes	2013 HK$'000	2012 HK$'000
Property, plant and equipment	14	**36,278**	51,890
Prepaid lease payments for land	15	**10,264**	10,174
		46,542	62,064

36. SHARE OPTION SCHEME

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

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

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

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

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

During the year, share-based payments expense of HK$33,508,000 (2012: HK$Nil) has been charged to profit or loss.

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

For the year ended 30 June 2013

						Number of share options			
Capacity	**Date of grant**	**Exercisable period**	**Vesting period**	**Exercise price** HK$	**Outstanding at 1.7.2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 30.6.2013**
Others	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	10,000,000	–	–	(10,000,000)	–
Others	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	234,190,000	–	–	–	234,190,000
Others	11 October 2012	12 October 2012 to 11 October 2015	Immediate on the grant date	0.255	–	269,100,000	–	–	269,100,000
Director	11 October 2012	12 October 2012 to 11 October 2015	Immediate on the grant date	0.255	–	29,900,000	–	–	29,900,000
Total					244,190,000	299,000,000	–	(10,000,000)	533,190,000

36. SHARE OPTION SCHEME (continued)

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

For the year ended 30 June 2012

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding at 1.7.2011	Number of share options Granted during the year	Exercised during the year	Outstanding at 30.6.2012
Others	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	10,000,000	–	–	10,000,000
Others	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	234,190,000	–	–	234,190,000
Total					244,190,000	–	–	244,190,000

The weighted average remaining contractual life was 1.43 years (2012: 1.29 years).

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

	Date of grant
Share price on the date of grant	HK$0.255
Exercise price	HK$0.255
Expected volatility	105.56%
Expected life	1.5 years
Risk-free rate	0.25%
Expected dividend yield	Nil

The volatility of share options granted during the year was generated from Bloomberg based on the Company's 391-day historical share prices before the date of valuation.

No share option was exercised during the year.

At the end of the reporting period, the Company had 533,190,000 share options outstanding under the share option scheme, which represented 14.8% of the Company's shares in issue as at the end of the reporting period. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 533,190,000 additional ordinary shares of the Company and additional share capital of approximately HK$26,660,000 and share premium account of approximately HK$87,758,000 (before issue expenses).

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

37. RETIREMENT BENEFITS SCHEME

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK$2,613,000 (2012: HK$2,703,000).

38. RELATED PARTY TRANSACTIONS

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

	2013	2012
	HK$'000	HK$'000
Operating lease rental expense of motor vehicles	–	955

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

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

Compensation of key management

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

39. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 27, bank balances and cash in Note 25 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

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

39. CAPITAL RISK MANAGEMENT (continued)

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

	2013 **HK$'000**	2012 HK$'000
Debts	**44,100**	62,195
Bank balances and cash	**(328,249)**	(288,212)
Net debts	**(284,149)**	(226,017)
Equity	**743,611**	588,792
Net debts to equity ratio	**N/A**	N/A

40. 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 30 June 2012 may be categorised as follows:

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**112,263**	134,045
Loans and receivables (including bank balances and cash) at amortised cost	**636,381**	370,856
Financial liabilities		
Financial liabilities at fair value through profit or loss	**501,456**	2,948
Financial liabilities at amortised cost	**255,881**	88,013

41. EVENTS AFTER REPORTING PERIOD

On 4 July 2013 and 19 July 2013, the Company granted 259,400,000 share options and 100,000,000 share options respectively to the eligible participants as defined in the share option scheme of the Company at the exercise price of HK$0.435 and HK$0.433 per share respectively. Further details are set out in the Company's announcement dated 4 July 2013 and 19 July 2013 respectively.

FINANCIAL SUMMARY

RESULTS

	Year ended				
	30 June 2013 HK$'000	30 June 2012 HK$'000	30 June 2011 HK$'000	30 June 2010 HK$'000	30 June 2009 HK$'000
Turnover	**410,975**	311,872	379,087	324,966	1,197,276
Loss before taxation	**(64,442)**	(52,789)	(46,205)	(166,473)	(360,696)
Taxation	**(8,144)**	(308)	(514)	13,039	35,360
Loss for the year	**(72,586)**	(53,097)	(46,719)	(153,434)	(325,336)
Loss attributable to:					
Owners of the Company	**(72,586)**	(53,097)	(46,719)	(152,810)	(322,603)
Non-controlling interests	**–**	–	–	(624)	(2,733)
	(72,586)	(53,097)	(46,719)	(153,434)	(325,336)

ASSETS AND LIABILITIES

	At 30 June				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Total assets	**1,556,642**	680,875	777,714	771,442	578,234
Total liabilities	**(813,031)**	(92,083)	(137,933)	(140,764)	(181,108)
	743,611	588,792	639,781	630,678	397,126
Attributable to:					
Owners of the Company	**743,498**	588,792	639,781	630,678	397,126
Non-controlling interest	**113**	–	–	–	–
	743,611	588,792	639,781	630,678	397,126