



國藏集團有限公司
Guocang Group Limited

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2013/14

(香港聯合交易所上市編號 | HK Stock code : 559)

Corporate Information

DIRECTORS

Executive Directors

WONG Hin Shek (*Chairman*)

CHI Chi Hung, Kenneth

(*Chief Executive Officer*)

Independent Non-executive Directors

CHIU Wai On

MAN Kwok Leung

WONG Yun Kuen

COMPANY SECRETARY

CHI Chi Hung, Kenneth

REGISTERED OFFICE

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

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BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group

(Bermuda) Limited

26 Burnaby Street

Hamilton HM11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

AUDITOR

BDO Limited

LEGAL ADVISER

Michael Li & Co.

PRINCIPAL BANKS

Bank of Communications Co., Ltd.

Hang Seng Bank Limited

PingAn Bank Co., Limited

Standard Chartered Bank (Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

The board of directors (the “Directors”) of Guocang Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2013 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2013

	Notes	For the six months ended 31 December	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	3	325,556	140,808
Cost of sales		(244,016)	(131,810)
<hr/>			
Gross profit		81,540	8,998
Interest income		2,156	3,366
Other income		1,945	188
General and administrative expenses		(70,872)	(43,608)
Selling and distribution expenses		(1,535)	(1,504)
Finance costs	4	(2,419)	(1,552)
Loss on disposal of financial assets at fair value through profit or loss		(16,599)	–
Change in fair value of financial assets at fair value through profit or loss		77,866	(8,753)
Change in fair value of financial liabilities at fair value through profit or loss	17	18,572	(71,972)
<hr/>			
Profit/(loss) before taxation	5	90,654	(114,837)
Taxation	6	(15,648)	(129)
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Profit/(loss) for the period attributable to owners of the Company		75,006	(114,966)

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 31 December 2013

		For the six months ended 31 December	
		2013	2012
Note		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
	Exchange differences arising on translation of foreign operations	1,680	953
Total comprehensive income for the period attributable to owners of the Company		76,686	(114,013)
Earnings/(loss) per share:			
		8	
	— Basic (HK cents)	2.09	(3.76)
	— Diluted (HK cents)	2.03	(3.76)

Condensed Consolidated Statement of Financial Position

As at 31 December 2013

		31 December 2013	30 June 2013
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	104,389	110,051
Prepayments for acquisition of property, plant and equipment and exploration and evaluation assets		115	175
Prepaid lease payments for land		10,055	10,016
Intangible assets	10	178,714	182,862
Goodwill	10	428,805	428,805
Total non-current assets		722,078	731,909
Current assets			
Inventories		87,623	75,841
Debtors, other receivables, deposits and prepayments	11	430,912	254,146
Bills receivable	12	31,270	6,542
Loans receivable	13	23,000	47,444
Prepaid lease payments for land		252	248
Financial assets at fair value through profit or loss		146,948	112,263
Pledged bank deposits		104,609	–
Bank balances and cash		281,925	328,249
Total current assets		1,106,539	824,733

Condensed Consolidated Statement of Financial Position (Continued)

As at 31 December 2013

		31 December 2013	30 June 2013
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Current liabilities			
Creditors, other advances and accruals	14	250,075	211,781
Bills payable	15	897	–
Borrowings	16	154,013	44,100
Taxation		29,474	9,260
Financial liabilities at fair value through profit or loss	17	482,885	501,456
Total current liabilities		917,344	766,597
Net current assets		189,195	58,136
Total assets less current liabilities		911,273	790,045
Non-current liabilities			
Deferred tax liabilities		46,446	46,434
Total non-current liabilities		46,446	46,434
Net assets		864,827	743,611
EQUITY			
Capital and reserves			
Share capital	18	179,721	179,721
Reserves		684,993	563,777
Equity attributable to owners of the Company		864,714	743,498
Non-controlling interest		113	113
Total equity		864,827	743,611

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Special reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 1 July 2012 (Audited)	149,771	451,898	340,932	31,864	14,005	(43,246)	17,265	(373,697)	-	588,792
Loss for the period	-	-	-	-	-	-	-	(114,966)	-	(114,966)
Exchange differences on translation	-	-	-	953	-	-	-	-	-	953
Total comprehensive income for the period	-	-	-	953	-	-	-	(114,966)	-	(114,013)
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
At 31 December 2012 (Unaudited)	179,721	610,635	340,932	32,817	14,005	(43,246)	50,773	(488,663)	-	696,974
At 1 July 2013 (Audited)	179,721	610,635	340,932	36,961	16,900	(43,246)	49,999	(448,404)	113	743,611
Profit for the period	-	-	-	-	-	-	-	75,006	-	75,006
Exchange differences on translation	-	-	-	1,680	-	-	-	-	-	1,680
Total comprehensive income for the period	-	-	-	1,680	-	-	-	75,006	-	76,686
Recognition of equity-settled share-based payments expense	-	-	-	-	-	-	44,530	-	-	44,530
Transfer between equity	-	-	-	-	4,561	-	-	(4,561)	-	-
At 31 December 2013 (Unaudited)	179,721	610,635	340,932	38,641	21,461	(43,246)	94,529	(377,959)	113	864,827

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2013

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(101,760)	(49,788)
Net cash used in investing activities	(51,672)	(750)
Net cash generated from financing activities	107,494	113,489
Net (decrease)/increase in cash and cash equivalents	(45,938)	62,951
Effect of foreign exchange rate changes	(386)	752
Cash and cash equivalents at the beginning of the period	328,249	288,212
Cash and cash equivalents at the end of the period	281,925	351,915
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	281,925	351,915

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2013

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 30 June 2013. The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2013.

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

(a) Adoption of revised HKFRSs — first effective 1 July 2013

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
HK(IFRIC)-Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government loans

Except as explained below, the adoption of these amendments has no material impact on the unaudited condensed consolidated interim financial statements of the Group for both the current and prior reporting periods.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of revised HKFRSs — first effective 1 July 2013 (Continued)

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). Consequential amendments have been made to HKAS 34 to require certain disclosures relating to financial instruments to be made in the interim condensed consolidated financial statements.

HKFRS 13 defines the fair value of an assets as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 was adopted in the Group’s consolidated financial statements for the annual period beginning on 1 July 2013 and additional disclosures in accordance with the requirement of HKFRS 13 will be presented in the consolidated financial statements for the year ending 30 June 2014.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 9	Financial Instruments
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities ¹
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle ³
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

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

3. TURNOVER AND SEGMENTAL INFORMATION

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 period.

(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) trading and distribution of liquor and wine;
- (ii) investments in listed securities;
- (iii) manufacture and trading of copper rods; and
- (iv) manufacture and trading of cable and wires.

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 are used by the chief operating decision-makers for assessment of segment performance.

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(a) Reportable segments (Continued)

For the six months ended 31 December 2013

	Liquor and Wine HK\$'000 (Unaudited)	Investments in Listed Securities HK\$'000 (Unaudited)	Copper Rods HK\$'000 (Unaudited)	Cable and Wires HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
TURNOVER					
Sales to/revenue from external parties	129,950	1,663	109,689	84,254	325,556
Segment profit	52,460	62,925	1,667	2,157	119,209
Unallocated corporate income					252
Unallocated corporate expenses					(2,586)
Interest income					2,156
Finance costs					(2,419)
Share-based payments expense					(44,530)
Change in fair value of financial liabilities at fair value through profit or loss					18,572
Consolidated profit before taxation					90,654

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(a) Reportable segments (Continued)

For the six months ended 31 December 2012

	Investments in Listed Securities HK\$'000 (Unaudited)	Copper Rods HK\$'000 (Unaudited)	Cable and Wires HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
TURNOVER				
Sales to/revenue from external parties	1,565	62,714	76,529	140,808
Segment profit/(loss)	(7,198)	(1,245)	1,172	(7,271)
Unallocated corporate income				50
Unallocated corporate expenses				(3,950)
Interest income				3,366
Finance costs				(1,552)
Share-based payments expense				(33,508)
Change in fair value of financial liabilities at fair value through profit or loss				(71,972)
Consolidated loss before taxation				(114,837)

As at 31 December 2013

	Liquor and Wine HK\$'000 (Unaudited)	Investments in Listed Securities HK\$'000 (Unaudited)	Copper Rods HK\$'000 (Unaudited)	Cable and Wires HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Reportable segment assets	1,299,176	264,312	96,312	139,338	1,799,138
Reportable segment liabilities	319,411	128	34,570	50,718	404,827

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(a) Reportable segments (Continued)

As at 30 June 2013

	Liquor and Wine HK\$'000 (Audited)	Investments in Listed Securities HK\$'000 (Audited)	Copper Rods HK\$'000 (Audited)	Cable and Wires HK\$'000 (Audited)	Consolidated HK\$'000 (Audited)
Reportable segment assets	1,119,958	115,781	67,367	138,627	1,441,733
Reportable segment liabilities	194,211	445	24,648	36,035	255,339

(b) Geographical segments

The Group's operations are located in Hong Kong (place of domicile) and the People's Republic of China (the "PRC"). The Group's revenue from external customers and information about its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") by geographical markets are detailed as below:

	Revenue from external customers For the six months ended 31 December		Specified non-current assets	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Unaudited)	30 June 2013 HK\$'000 (Audited)
Hong Kong (place of domicile)	1,663	1,565	567,440	4,792
PRC	323,893	139,243	154,638	727,117
	325,556	140,808	722,078	731,909

4. FINANCE COSTS

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings and other loan wholly repayable within five years	2,419	1,552

5. PROFIT/(LOSS) BEFORE TAXATION

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	8,127	7,241
Amortisation of intangible assets	4,148	–
Share-based payments expense	44,530	33,508

6. TAXATION

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC corporate income tax ("CIT") for the period	15,648	129

No provision for Hong Kong profits tax has been made for the current and prior periods as the Group has no assessable profits arising in Hong Kong. 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 six months ended 31 December 2012 and 2013.

7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 31 December 2013 (six months ended 31 December 2012: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the period 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 period, as used in the basic earnings/(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.

8. EARNINGS/(LOSS) PER SHARE (Continued)

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	75,006	(114,966)
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	For the six months ended 31 December	
	2013	2012

Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	3,594,413,900	3,057,605,157
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Effect of diluted potential ordinary shares: Share options	107,589,958	–
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Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	3,702,003,858	3,057,605,157
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9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2013, the Group purchased property, plant and equipment of HK\$495,000 (six months ended 31 December 2012: HK\$781,000).

The Group has pledged buildings with a carrying amount as at 31 December 2013 of HK\$35,106,000 (30 June 2013: HK\$36,278,000) to secure banking facilities to the Group (Note 19).

10. INTANGIBLE ASSETS AND GOODWILL

	Distribution rights HK\$'000	Distribution network HK\$'000	Total HK\$'000
THE GROUP			
COST:			
At 30 June 2013, 1 July 2013 and 31 December 2013	170,075	14,861	184,936
AMORTISATION:			
At 30 June 2013 and 1 July 2013	2,074	–	2,074
Amortisation for the period	4,148	–	4,148
At 31 December 2013	6,222	–	6,222
NET CARRYING AMOUNT:			
At 31 December 2013	163,853	14,861	178,714
At 30 June 2013	168,001	14,861	182,862

10. INTANGIBLE ASSETS AND GOODWILL (Continued)

Notes:

- (i) 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.

At the 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 fully amortised during the period using the straight-line method over its expected life till December 2013.

- (ii) 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.

At the 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.

- (iii) Distribution rights and distribution network are attributable to the same cash-generating unit of the trading and distribution of liquor and wine business in the PRC with which the goodwill amount is recognised. The goodwill was arising from the acquisition of the trading and distribution of liquor and wine business in the PRC during the year ended 30 June 2013.

11. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, other receivables, deposits and prepayments were trade debtors with outsiders of HK\$181,077,000 (30 June 2013: HK\$194,689,000). The Group allows an average credit period of 0 to 90 days to its trade debtors with outsiders.

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

	31 December 2013 HK\$'000 (Unaudited)	30 June 2013 HK\$'000 (Audited)
Within 30 days	137,615	174,307
31–60 days	16,446	13,735
61–90 days	23,112	5,558
Over 90 days	3,904	1,089
	181,077	194,689

12. BILLS RECEIVABLE

As at 31 December 2013 and 30 June 2013, all bills receivable are aged within 180 days.

13. LOANS RECEIVABLE

As at 31 December 2013, there were three (30 June 2013: four) loans receivable with gross principal amount of HK\$32,450,000 (30 June 2013: HK\$56,700,000) in aggregate and related gross interest receivable of HK\$226,000 (30 June 2013: HK\$670,000) due from the borrowers. These loans are unsecured and interest-bearing at rates ranging from 5% to 8% (30 June 2013: 5% to 15%) per annum except the Loan (as defined 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 31 December 2013.

Save as the Loan, all loans and interest receivables as at 30 June 2013 has been settled during the period except a loan receivable with principal amount of HK\$3,000,000 as at 30 June 2013 for which the repayment due date has been extended to 30 June 2014.

Note:

As 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 prior years.

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 during the year ended 30 June 2013, giving rise to the impairment loss amounted to HK\$9,926,000 as at 30 June 2013. During the six months ended 31 December 2013, an aggregate amount of HK\$250,000 was settled by the Borrower and hence a reversal of impairment loss of HK\$250,000 was recognised in profit or loss, giving rise to the impairment loss amounted to HK\$9,676,000 as at 31 December 2013. 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.

14. CREDITORS, OTHER ADVANCES AND ACCRUALS

Included in the Group's creditors, other advances and accruals were trade creditors of HK\$108,530,000 (30 June 2013: HK\$72,720,000) with independent suppliers.

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

	31 December 2013 HK\$'000 (Unaudited)	30 June 2013 HK\$'000 (Audited)
Within 30 days	51,391	26,798
31–60 days	2,002	43,614
61–90 days	1,169	1,598
Over 90 days	53,968	710
	108,530	72,720

15. BILLS PAYABLE

As at 31 December 2013, all bills payable are aged within 180 days and pledged by bank deposits. Details of the assets pledged are set out in Note 19.

16. BORROWINGS

	31 December	30 June
	2013	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Bank loans, secured	154,013	44,100
	154,013	44,100

The average effective interest rates of the bank loans range from 5.6% to 7.5% (30 June 2013: 5% to 6%) 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 31 December 2013, the Group had available undrawn committed borrowing facilities of HK\$307,710,000 (30 June 2013: HK\$32,382,000) in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 19.

17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2013 HK\$'000 (Unaudited)	30 June 2013 HK\$'000 (Audited)
Copper futures contracts	28	27
Contingent share consideration payable (Note (i))	482,857	501,429
	482,885	501,456

Notes:

- (i) During the year ended 30 June 2013, the Company issued 1,238,095,238 convertible preference shares as the consideration for the business combination of its trading and distribution of liquor and wine business. 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.

The number of the Convertible Preference Shares to be released to the vendor is subject to the adjustment. 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 Appraisal Limited ("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 the same date.

As at 31 December 2013, the fair value of the contingent share consideration payable was determined with reference to the closing stock price of the Company at HK\$482,857,000 as at the same date. Accordingly, a gain on change in fair value of HK\$18,572,000 was recognised in profit or loss during the current period.

- (ii) During the six months ended 31 December 2012, 599,000,000 new ordinary shares were issued on exercise of 599,000,000 warrants of which were issued during the year ended 30 June 2011. As at 30 June 2012, the fair value of warrants was HK\$2,905,000. Immediately before the exercise of warrants, the fair value of the warrants was HK\$74,877,000. Accordingly, a loss on change in fair value of the warrants classified as financial liabilities at fair value through profit or loss of HK\$71,972,000 was recognised in profit or loss during the six months ended 31 December 2012.

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each at 30 June 2013 and 31 December 2013		
Authorised:		
As at 30 June 2013 and 31 December 2013	30,000,000,000	1,500,000
Issued and fully paid:		
As at 30 June 2013 and 31 December 2013	3,594,413,900	179,721

19. PLEDGE OF ASSETS

As at 31 December 2013 and 30 June 2013, the Group had pledged the following assets to secure general banking facilities and bills payable granted to the Group. The carrying values of these assets are analysed as follows:

	31 December 2013 HK\$'000 (Unaudited)	30 June 2013 HK\$'000 (Audited)
Bank deposits	104,609	–
Property, plant and equipment	35,106	36,278
Prepaid lease payments for land	10,307	10,264
	150,022	46,542

20. 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:

	31 December 2013 HK\$'000 (Unaudited)	30 June 2013 HK\$'000 (Audited)
Within one year	5,935	7,082
In the second to fifth years inclusive	7,457	7,740
Beyond fifth years	280	652
	13,672	15,474

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

21. CAPITAL COMMITMENTS

	31 December 2013 HK\$'000 (Unaudited)	30 June 2013 HK\$'000 (Audited)
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of :		
— acquisition of property, plant and equipment	595	719
— investments in investee companies	—	3,188
	595	3,907

22. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group entered into the following transactions with related company:

	For the six months ended 31 December	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Consultancy fee	240	–

One of the directors of the above related company is a director of the Company.

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

Compensation of key management

The key management of the Group comprises all directors and the short-term benefits including the share-based payments were HK\$1,538,000 for the six months ended 31 December 2013 (six months ended 31 December 2012: HK\$4,851,000).

Management Discussion and Analysis

FINANCIAL RESULTS

For the six months ended 31 December 2013, the Group recorded a turnover of approximately HK\$325.6 million, representing an increase of 131.2% as compared to approximately HK\$140.8 million for the corresponding period of 2012. Profit attributable to owners of the Company was approximately HK\$75.0 million (six months ended 31 December 2012: loss of approximately HK\$115.0 million). Basic and diluted earnings per share were approximately 2.09 HK cents and 2.03 HK cents respectively (six months ended 31 December 2012: basic and diluted loss per share of approximately 3.76 HK cents).

INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 31 December 2013 (six months ended 31 December 2012: Nil).

BUSINESS REVIEW

During the period under review, the Group was principally engaged in four segments: (i) liquor and wine business; (ii) investments in listed securities; (iii) copper rods business; and (iv) cable and wires business. Each of the liquor and wine business, listed securities investments, copper rods business and cable and wires business contributed 39.9%, 0.5%, 33.7%, and 25.9% of the Group's total turnover respectively. Profit for the six months ended 31 December 2013 was approximately HK\$75.0 million as compared to the loss of approximately HK\$115.0 million for the six months ended 31 December 2012. Profit for the six months ended 31 December 2013 mainly contributed from the operating profit from the liquor and wine business and the gain on fair value change on financial assets at fair value through profit and loss.

Liquor and wine business

The liquor and wine business is the largest business segment of the Group for the period under review which contributed to 39.9% of the Group's turnover. The segment profit reached approximately HK\$52.5 million. The strong performance was driven from its comprehensive publicity and sales network, despite the challenging environment during the period under review.

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 31 December 2013, the Group managed a portfolio of listed securities with fair value of approximately HK\$146.9 million (30 June 2013: approximately HK\$112.3 million). The global equity market is rebounded due to favorable signs of acceleration in economic growth throughout the financial period. Accordingly, the trading securities recorded a fair value gain of approximately HK\$77.9 million during current period.

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. During the period under review, the copper prices in the international market are on the rise, this business segment recorded a 74.9% increase in turnover to approximately HK\$109.7 million, while the segment profit increased to approximately HK\$1.7 million as compared to the segment loss of approximately HK\$1.2 million in last correspondence period.

Cable and wires business

The cable and wires business covers the manufacturing and trading of domestic and electronic appliances. For the six months ended 31 December 2013, the turnover slightly increased by 10.1% to approximately HK\$84.3 million. The segment profit was increased from approximately HK\$1.2 million for the six months ended 31 December 2012 to approximately HK\$2.2 million for the current period.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2013, the Group recorded cash and bank balances amounting to approximately HK\$281.9 million (30 June 2013: approximately HK\$328.2 million) and the net current assets value was approximately HK\$189.2 million (30 June 2013: approximately HK\$58.1 million).

The Group's gearing ratio as at 31 December 2013 was approximately 0.74 (30 June 2013: approximately 0.73), being a ratio of the borrowings and financial liabilities at fair value through profit or loss of approximately HK\$636.9 million (30 June 2013: approximately HK\$545.6 million) to the total equity of approximately HK\$864.8 million (30 June 2013: approximately HK\$743.6 million).

PLEDGE OF ASSETS

As at 31 December 2013, the Group had pledged certain bank deposits, property, plant and equipment and prepaid lease payments for land with aggregate carrying value of approximately HK\$150.0 million (30 June 2013: HK\$46.5 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no significant contingent liabilities (30 June 2013: Nil).

CAPITAL 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\$0.6 million (30 June 2013: approximately HK\$0.7 million) and Nil (30 June 2013: approximately HK\$3.2 million) respectively as at 31 December 2013.

FOREIGN EXCHANGE EXPOSURE

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 foreign exchange risk.

PROSPECTS

The liquor and wine business has become the predominant source of revenue to the Group and continues to contribute to the Group's results.

The Group believes that the launch of Hundred Yuan Liquor and Wine Products and Er Liang Jiu Liquor in 2014 will broaden the product range and enable the Group to enter into the general public market of liquor and wine industry in the PRC. Through the cooperation with PetroChina Marketing Company as an authorized supplier of liquor products for more than 13,000 uSmile convenience stores in nationwide, the Group's distribution network will be further extended with high coverage. The Group expects that both developments will benefit the publicity of the Group's liquor and wine products and stabilize the source of the Group's revenue.

The Group will continue to seize growth opportunities to enhance competitiveness to strive for the best return to the shareholders, including cooperation with other renowned liquor and wine manufacturers in developing different kinds of liquor and wine products in the near future.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had approximately 450 (30 June 2013: approximately 450) 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, and state-sponsored retirement plans for the PRC employees and share option scheme.

CONNECTED TRANSACTIONS

For the six months ended 31 December 2013, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

Corporate Governance and Other Information

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

As at 31 December 2013, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); to be entered in the register pursuant to Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company

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

Save as disclosed above as at 31 December 2013, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2013, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than the Directors or chief executive of the Company) had an interest or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or to be 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 or underlying shares of the Company

Name of substantial shareholders	Capacity	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Percentage of issued share capital
Goldsure Limited (Note 1)	Beneficial owner	-	1,238,095,238	1,238,095,238	34.44%
Mr. Tang Tong (Note 1)	Interest of controlled corporation	-	1,238,095,238	1,238,095,238	34.44%
Intense Rise Holdings Limited (Note 2)	Beneficial owner	870,007,125	-	870,007,125	24.20%
Mr. Choy Shiu Tim (Note 2)	Beneficial owner & Interest of controlled corporation	1,050,007,125	-	1,050,007,125	29.21%
Wise Profit Group Limited (Note 3)	Beneficial owner	418,210,000	-	418,210,000	11.63%
Mr. Wong Yat Fai (Note 3)	Beneficial owner & Interest of controlled corporation	420,850,000	-	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.
4. The percentage is calculated on the basis of 3,594,413,900 shares in issue as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, none of the Directors have any changes in the information required to be disclosed during the period.

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 period or at any time during the period.

SHARE OPTION SCHEME

The new share option scheme was adopted by the Company on 13 December 2013 (the “New Share Option Scheme”), which replaced its old share option scheme adopted on 4 December 2003 (the “Old Share Option Scheme”). From the adoption date of the New Share Option Scheme up to 31 December 2013, there were no share option granted under the New Share Option Scheme. Movements in the Old Share Option Scheme for the six months ended 31 December 2013 are as follows:

For the six months ended 31 December 2013

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK\$	Outstanding at 1.7.2013	Number of share options			Outstanding at 31.12.2013
						Granted during the period	Exercised during the period	Lapsed during the period	
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 — Mr. Wong Hin Shek	11 October 2012	12 October 2012 to 11 October 2015	Immediate on the grant date	0.255	29,900,000	-	-	-	29,900,000
Others	4 July 2013	4 July 2013 to 3 July 2018	Immediate on the grant date	0.435	-	259,400,000	-	-	259,400,000
Others	19 July 2013	19 July 2013 to 18 July 2018	Immediate on the grant date	0.433	-	100,000,000	-	-	100,000,000
Total					533,190,000	359,400,000	-	(234,190,000)	658,400,000

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Directors’ and Chief Executive’s Interests in Securities of the Company” and “Share Option Scheme” above, at no time during the period was rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or was any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 31 December 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2013, the Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. 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 reporting period.

REVIEW OF INTERIM REPORT

The audit committee of the Company currently comprises of Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen, all of whom are independent non-executive Directors. The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 31 December 2013.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and this interim report are available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.guocanggroup.com.

By order of the Board
Guocang Group Limited
Wong Hin Shek
Chairman and Executive Director

Hong Kong, 27 February 2014