Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

ANNUAL REPORT 2014

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

COMPANY SECRETARY

CHAN Kam Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 7, 2nd Floor
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

STOCK CODE

1166

WEBSITE

www.1166hk.com

AUDITOR

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

LEGAL ADVISOR

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS (IN ALPHABETICAL ORDER)

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

FINANCIAL RESULTS

The board ("**Board**") of directors ("**Directors**") of Solartech International Holdings Limited (the "**Company**") announces that for the year ended 30 June 2014 (the "**year under review**"), total turnover of the Company and its subsidiaries (the "**Group**") was approximately HK$804,284,000, representing an increase of 33.7% as compared to approximately HK$601,611,000 recorded for the year ended 30 June 2013 (the "**last year**"). During the year under review, loss attributable to owners of the Company was approximately HK$37,709,000, as compared to the loss attributable to owners of the Company of approximately HK$415,071,000 for last year. Loss per share for the year under review was approximately HK$0.06 (Loss per share for 2012/13 : HK$2.64).

BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK$804,284,000, representing an increase of 33.7% as compared to approximately HK$601,611,000 for last year. By business segments, the turnover of the cables and wires business was approximately HK$224,879,000, representing an increase of 11.7% as compared to approximately HK$201,381,000 for last year and accounted for 28.0% of the total turnover of the Group. Turnover of the copper rod business was approximately HK$531,674,000, representing an increase of 33.8% as compared to approximately HK$397,305,000 for last year and accounted for 66.1% of the total turnover of the Group. Turnover of other businesses was approximately HK$47,731,000, as compared to approximately HK$2,925,000 for last year, and accounted for 5.9% of the total turnover of the Group.

By geographical market segments, turnover from the business in the Americas increased by 24.4% to approximately HK$46,792,000 from approximately HK$37,608,000 for last year, accounting for 5.8% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong increased by 37.4% to approximately HK$702,168,000 from approximately HK$511,025,000 for last year, accounting for 87.3% of the Group's total turnover. Turnover from the business in other Asian markets decreased by 12.2% to approximately HK$22,676,000 from approximately HK$25,834,000 for last year, accounting for 2.8% of the Group's total turnover. Turnover from the European business increased by 20.3% to approximately HK$32,648,000 from approximately HK$27,144,000 for last year, accounting for 4.1% of the Group's total turnover.

Cables and Wires

The major customers of the Group's cables and wires business are primarily manufacturers of white goods appliances. During the year under review, the global economies, especially in the U.S. and Europe, were entering the recovery stage, and the economy of Mainland China maintained a steady growth rate. The Group achieved remarkable improvements in sales and cost reduction during the year under review, and the market distribution layout was adjusted according to economic changes in the U.S., European and Chinese markets, resulting in an overall improvement in sales amount and gross profit margin.

CHAIRMAN'S STATEMENT

Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and their related products, which are primarily used in the production of electric wires or cables for household appliances, electronic products and power supply in infrastructure facilities. During the year, international copper price with the 3-month London Metal Exchange copper price was approximately US$6,900 at the end of the year under review. The Group was cautious towards its copper inventory, a suitable total inventory level was maintained to satisfy customer demand and sales order requirements, and most of the production capacity of its copper rod business in Dongguan City was deployed to provide processing services for customers. During the year under review, there was a significant growth in the turnover of the copper rod business.

Other businesses

Dongguan Xin Bao Precision Chemical Co., Ltd., a subsidiary of the Group, utilised the molecular distillation technology to produce biodiesel (fatty acid methyl ester), which is a renewable energy (the "**product**"). During the year under review, the turnover of the product was approximately HK$47,731,000, as compared to approximately HK$2,925,000 for last year. The product was produced by using waste oils as raw materials and was in compliance with China's relevant requirements to vigorously develop recycling and low-carbon economy as well as building a resource-efficient and enviromentally friendly society, and was one of the major renewable energy projects encouraged and supported by the State. The business development of the product was initiated by the Group with the support of market development, demand from customer orders and availability of production capacities.

Rental income

During the year under review, rental income was approximately HK$10,483,000, as compared to approximately HK$6,496,000 for last year. Approximately HK$8,240,000 of the rental income (2012/13: HK$5,846,000) was generated from the Group's Santai Industrial Zone located at Changping Town, Dongguan City.

Mining

The Group's copper mine project in Dundgobi Aimag, Mongolia, had made an application to the authority of Delgerkhangai soum, where the mining zone was located, for the land use permit required for mine construction during the year under review. The Group is currently considering fulfilling the requirements in the initial reply from the authority. During the year under review, the copper mine project, which is owned by the joint venture, located at Bayan-Ulgii Aimag, Mongolia, with the assistance of a central enterprise specialised in professional survey design and resources development in China, designed additional drilling work in the mining zone to explore for further resources by utilising modern multi-spectral remote sensing technology and on the basis of geophysical exploration technology. However, due to geological complexity and severe cold weather lasting from November of each year to April of the following year, the relevant drilling work was suspended during this period until May next year before the designed drilling work would start again.

The Group adopted a cautious attitude to investing in Mongolia and will also seek suitable partners to participate in the development and construction of the copper mine project in Dundgobi Aimag.

PROSPECTS

The Group will continue to implement its operation plans according to market demand, apart from Mainland Chinese customers, the Group will be more proactive to foster close cooperation with principal and major customers from Europe and Americas, in order to maintain the Group's leading positions in the cables and wires and copper rod business markets.

The Group's Santai Industrial Zone located at Changping Town, Dongguan City has been held for leasing purpose, generating steady rental income for the Group. The Group has made an application to transform the Santai Industrial Zone under the "Three Olds Reform" scheme for approval. In line with the objectives of the "Three Olds Reform" scheme implemented by the People's Government of Guangdong Province to support rapid economic and social development through reforms of old towns, old factories and old villages, the Santai Industrial Zone has planned to change its nature from industrial purpose to commercial and residential purposes after the reform. It is expected that this zone will become a mixed commercial and residential district with a serene environment in a busy area in the long run. The change in nature of this project from industrial purpose to commercial and residential purposes is in line with the fast development of the local economy and community, and will facilitate improvements in land use efficiency of the Group to generate better returns for the Group in future.

Two existing factories owned by the Group in Changping Town, Dongguan City, were under renovation. The travelling distance between these two factories was only 5 to 10 minutes by car, they were engaged in the manufacturing of cables and wires and copper products, respectively. To promote the Group's future developments, the Group has placed these two manufacturing facilities in the same location and intends to renovate the other factory property for leasing purpose. In the opinions of the Board, the change in land use nature of the above reform and the renovation of two existing factories would increase the return of the Group's land resources, enhance the potential value of the Group's factory space and increase the production efficiency of the Group.

The Group expects to increase asset utilisation efficiency effectively and optimise the utilisation of domestic land and fixed asset resources through consolidation, and generates more diversified sources of income for the Group.

FINAL DIVIDEND

The Board resolved not to pay any final dividend for the year ended 30 June 2014.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the Company (the "**2014 Annual General Meeting**") will be held on Wednesday, 19 November 2014.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders to attend and vote at the 2014 Annual General Meeting, the register of members of the Company will be closed from Monday, 17 November 2014 to Wednesday, 19 November 2014, both days inclusive, during which no transfer of shares of the Company will be effected. All transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Friday, 14 November 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group had approximately 900 employees in Hong Kong, the People's Republic of China ("**PRC**") and overseas (30 June 2013: 1,100). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the year under review, the Group implemented a prudent financial management policy. As at 30 June 2014, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$316 million (30 June 2013: HK$176 million) and value of net current assets was approximately HK$332 million (30 June 2013: HK$192 million). The Group's gearing ratio as at 30 June 2014 was 0.09 (30 June 2013: 0.12), being a ratio of total bank borrowings of approximately HK$158 million (30 June 2013: HK$178 million) to shareholders' funds of approximately HK$1,671 million (30 June 2013: HK$1,495 million).

EXCHANGE RISKS

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

CHARGES ON GROUP ASSETS

As at 30 June 2014, the Group had pledged certain property, plant and machinery, land use rights and fixed bank deposits with an aggregate net book value of approximately HK$202 million (30 June 2013: HK$218 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2014, the Company had issued guarantees to the extent of approximately HK$15.5 million (30 June 2013: HK$19.5 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$15.5 million (30 June 2013: HK$19.5 million) was utilised. The Company had issued guarantee to a financial institution amounting to approximately HK$23.3 million (30 June 2013: HK$23.3 million) in respect of commodity trading of copper by its subsidiary.

Financial instruments for hedging purposes

For the year under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2014 and the changes in fair value were charged to the income statement. The net gain from the Derivative Financial Instruments for the year under review was approximately HK$728,000 (2012/13: net loss of HK$5,385,000).

CAPITAL STRUCTURE

Placing of New Shares under Specific Mandate

On 27 May 2013, the Company and Kingston Securities Limited, as placing agent, entered into a conditional placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 75,000,000 new shares of the Company to independent investors at a price of HK$0.30 per placing share (the "**First Placing**"). The First Placing was completed on 9 August 2013. The 75,000,000 placing shares placed under the First Placing were issued pursuant to a specific mandate which was granted to the Directors at the special general meeting of the Company held on 3 July 2013. The gross proceeds and net proceeds from the First Placing were approximately HK$22.5 million and HK$21.7 million respectively. The Company has fully utilised the net proceeds of approximately HK$12.0 million for plant and machinery and working capital of the new production lines of the biodiesel (fatty acid methyl ester) production project using molecular distillation technology by Dongguan Xin Bao Precision Chemical Co., Ltd., a subsidiary of the Group and approximately HK$9.7 million for repayment of trust receipt loan of the Group. The net proceeds raised per placing share was approximately HK$0.289 per share. The closing market price of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") was HK$0.43 per share on 27 May 2013. Details of the First Placing were set out in the announcements of the Company dated 27 May 2013, 3 July 2013 and 9 August 2013 and the circular to shareholders issued by the Company on 10 June 2013.

Placing of New Shares under General Mandate

On 9 December 2013, the Company and Kingston Securities Limited, as placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 52,490,000 new shares of the Company to independent investors at the price of HK$0.32 per placing share (the "**Second Placing**"). The Second Placing was completed on 17 December 2013. The 52,490,000 placing shares placed under the Second Placing were issued under the general mandate which was granted to the Directors at the annual general meeting of the Company held on 28 November 2013 (the "**2013 AGM**"). The gross and net proceeds from the Second Placing amounted to approximately HK$16.8 million and approximately HK$16.2 million, respectively. The net proceeds have been fully utilised for general working capital of the Group. The net proceeds raised per placing share was approximately HK$0.309 per share. The closing market price of the shares of the Company on the Stock Exchange was HK$0.395 per share on 9 December 2013. Further details of the Second Placing were set out in the announcements of the Company dated 9 December 2013 and 17 December 2013.

Open Offer and Refreshment of General Mandate to allot and issue shares

Open Offer

On 21 January 2014, the Company announced that it proposed to raise approximately HK$189 million, before expenses, by way of open offer of 1,574,878,250 offer shares (the "**Offer Shares**") at the subscription price of HK$0.12 per Offer Share on the basis of five Offer Shares for every one existing share held (the "**Open Offer**"). The Open Offer was fully underwritten by Kingston Securities Limited (the "**Underwriter**"), on the terms and subject to the conditions of the underwriting agreement dated 21 January 2014 (the "**Underwriting Agreement**") entered into between the Company and the Underwriter. The Open Offer was approved by the shareholders of the Company at the special general meeting of the Company held on 13 March 2014 and became unconditional in accordance with the terms of the Underwriting Agreement on 14 April 2014.

Based on the results of the Open Offer as announced by the Company on 15 April 2014, the Open Offer was under-subscribed by 620,142,534 Offer Shares (the "**Untaken Shares**"). In accordance with the terms of the Underwriting Agreement, the Underwriter performed its underwriting obligations and procured subscribers to subscribe for all the Untaken Shares. Dealings in the Offer Shares commenced on the Stock Exchange at 9:00 a.m. on 17 April 2014.

The gross and net proceeds from the Open Offer were approximately HK$189 million and HK$182.6 million (net of expenses) respectively. The net price per Offer Share was approximately HK$0.116.

The utilisation of the net proceeds from the Open Offer as at 30 June 2014 is summarised as follows:

Intended use of net proceeds from the Open Offer	**Actual use of net proceeds from the Open Offer as at 30 June 2014**
- Approximately HK$40 million for developing a parcel of land situated on the Santai Industrial Zone	- Deposited at the banks
- Approximately HK$30 million for renovation of two factories owned by the Group in Changping Town, Dongguan City	- Approximately HK$15 million utilised as intended and the remaining was deposited at the banks
- Approximately HK$60 million for the repayment of short term loans	- Fully utilised as intended
- Approximately HK$53 million for general working capital of the Group	- Approximately HK$20 million utilised as intended and the remaining was deposited at the banks

Further details of the Open Offer were set out in the announcements of the Company dated 21 January 2014, 11 February 2014, 13 March 2014, 17 March 2014 and 15 April 2014, the circular to shareholders issued by the Company dated 25 February 2014 and the Open Offer prospectus issued by the Company dated 26 March 2014.

Refreshment of General Mandate to Allot and Issue Shares

Under the general mandate granted by the shareholders of the Company at the 2013 AGM, the Directors were authorised to allot and issue up to 52,497,130 shares of the Company and the general mandate had been utilised as to 52,490,000 Shares pursuant to the Second Placing. In order to provide a flexible means for the Company to raise further funds through the issue of new shares for its future business development, the Board proposed to seek refreshment of the general mandate at a special general meeting of the Company for the Directors to allot and issue new shares (the "**Issue Mandate**") not exceeding 20% of the issued share capital of the Company as at the date of the special general meeting. The Issue Mandate was approved by the shareholders of the Company at the special general meeting held on 13 March 2014.

Further details of the Issue Mandate were set out in the announcements of the Company dated 21 January 2014, 11 February 2014 and 13 March 2014 and the circular of the Company dated 25 February 2014.

ACQUISITION OF 51% OF THE ENLARGED REGISTERED CAPITAL OF HENAN SHENGXIANG INDUSTRY CO., LTD

On 13 August 2014, the Company announced that Dongguan Hua Yi Brass Products Co., Ltd ("**Dongguan Hua Yi**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement dated 13 August 2014 (the "**Agreement**") with the shareholders of 河南盛祥實業有限公司 (Henan Shengxiang Industry Co., Ltd) (the "**Target Company**"). Pursuant to the Agreement, Dongguan Hua Yi agreed to inject capital in the amount of RMB8,200,000 (approximately HK$10,332,000) to the Target Company (the "**Capital Injection**"). The existing core business of the Target Company is engaged in import of metallurgical grade bauxite and selling to a sizeable state-owned enterprise in Henan for the production of aluminum oxide.

As at the date of the Agreement, the total registered capital of the Target Company amounted to RMB8,000,000 (approximately HK$10,080,000). The Capital Injection was completed on 19 August 2014 and the total registered capital of the Target Company was increased to RMB16,200,000 (approximately HK$20,412,000). The Target Company is held as to 51% and 49% of the enlarged registered capital by Dongguan Hua Yi and the existing shareholders of the Target Company, who are two individuals and independent third parties, respectively. The Target Company has become an indirect non-wholly owned subsidiary of the Company upon completion of the Capital Injection.

The details of the Capital Injection were set out in the announcement of the Company dated 13 August 2014.

ACQUISITION OF 49% OF THE REGISTERED CAPITAL OF DONGGUAN DIXIANG POLYMER TECHNOLOGY CO., LTD.

On 15 August 2014, Dongguan Qiaozi Chau's Electrical Co., Ltd ("**Dongguan Qiaozi Chau's**"), an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with the joint venture partner of 東莞市帝象高分子科技有限公司 (Dongguan Dixiang Polymer Technology Co., Ltd.) ("**Dongguan Dixiang**") to acquire 49% equity interest in Dongguan Dixiang at a consideration of RMB1,470,000 (approximately HK$1,852,000) (the "**Share Transfer**"). Before the Share Transfer, Dongguan Qiaozi Chau's held 51% of the registered capital of Dongguan Dixiang. The Share Transfer was completed on 5 September 2014 and Dongguan Dixiang has become an indirect wholly-owned subsidiary of the Company.

SIGNIFICANT INVESTMENT

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

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

To raise capital for the Company while broadening its shareholder and capital base, the Company conducted the First Placing, the Second Placing and the Open Offer during the year under review.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year under review.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive Directors. The Audit Committee has adopted terms of reference which are in line with the provisions of the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

During the year under review, the Audit Committee met with the external auditor for three times to understand and evaluate the financial risk associated to the Group and review the effectiveness of the Group's internal control. The Audit Committee has reviewed, with management of the Company and the external auditor, the accounting principles and policies adopted by the Group and the annual results of the Group for the year under review.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") comprises the three independent non-executive Directors. It has adopted terms of reference which are in line with the Code provisions. The duties of the Nomination Committee include reviewing the composition of the Board at least annually, identifying and recommending suitable board members, assessing independence of independent non-executive Directors and making recommendations on appointments and re-appointments of Directors.

During the year under review, the terms of reference for the Nomination Committee were revised so as to be in line with the new Code provision A.5.6. The additional duties of the Nomination Committee are to monitor the implementation of the Board Diversity Policy of the Group (the "**Board Diversity Policy**") and review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

COMPLIANCE WITH THE MODEL CODE

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

APPRECIATION

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

On behalf of the Board

Chau Lai Him
Chairman

29 September 2014

EXECUTIVE DIRECTORS

Mr. CHAU Lai Him, aged 63, is the chairman and managing director of the Company and the founder of the Group. Mr. Chau has been appointed as an executive director of the Company since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 30 years' experience in the cable and wire industry and extensive experience in the mining industry.

Mr. ZHOU Jin Hua, aged 56, joined the Group in 1986 and is the deputy chairman of the Company and the general manager of the Group's Dongguan manufacturing facilities. Mr. Zhou has been appointed as an executive director of the Company since November 1996. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 25 years' experience in the manufacturing of cable and wire products.

Mr. LIU Dong Yang, aged 40, joined the Group in September 1995 and has been appointed as an executive director since January 2010. Mr. Liu is the deputy general manager of Shanghai Chau's Electrical Company Limited and is responsible for the financial matters for the trading and manufacturing operations in PRC. He holds a college diploma in international finance from Hunan Finance and Economics College and a bachelor degree in business administration from the distance education college of Renmin University of China. He has more than 15 years' experience in finance and accounting.

Mr. BUYAN-OTGON Narmandakh, aged 39, has been appointed as an executive director of the Company since July 2010 and has focused on resources and investments and finance in Mongolia. He holds a diploma in accounting from the Mongolian State University of Agriculture, a graduate diploma in public administration from the Government of Mongolia Academy of Management and a degree of M.B.A. in accounting from the National University of Mongolia. He has extensive experience in banking and finance in Mongolia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Kam Kwong, aged 57, has been appointed as an independent non-executive director of the Company since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a supervisory council member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics, major in Accounting, from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management and is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

Mr. LO Wai Ming, Paulus, aged 62, has been appointed as an independent non-executive director of the Company since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has over 30 years' extensive experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a fellow of the Chartered Institute of Marketing and the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 49, has been appointed as an independent non-executive director of the Company since November 2006. He is the general manger of Sunf Pu Technology Co., Ltd., a company incorporated in Taiwan, Republic of China. He has more than 25 years' experience in the cable and wire industry.

COMPANY SECRETARY

Ms. CHAN Kam Yee, Shirley, aged 54, has been appointed as the company secretary of the Company since November 2007. She has more than 25 years' experience in finance and accounting and more than 15 years' experience in company secretarial affairs. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Ms. LAM Sui Lan, Miranda, aged 45, rejoined the Group in March 2004 and is the assistant to managing director of Chau's Electrical Company Limited ("**Chau's**"). She holds a bachelor degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 15 years' experience in sales and marketing in the field of cable and wire products.

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

Mr. SHIU Sin Hang, aged 28, joined the Group in January 2014 and is the accounting manager of Chau's and is responsible for accounting and financial management. He holds a bachelor degree of Commerce (Honors) in Accounting from the Hong Kong Shue Yan University. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and has more than 6 years' experience in auditing, finance and accounting experience.

Mr. ZHOU Qi Qin, aged 50, joined the Group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's. He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 25 years' experience in manufacturing management.

Mr. YUEN Hoi Cheung, aged 47, joined the Group in March 1985 and is the operations manager of Dongguan Hua Yi. He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 25 years' experience in operations management.

The Directors present their annual report and the audited financial statements of the Group for the year ended 30 June 2014 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and joint ventures are set out in notes 20 and 21, to the Financial Statements, respectively.

RESULTS

The results of the Group for the year ended 30 June 2014 are set out in the consolidated statement of comprehensive income on page 27 of this report.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2014.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 30 June 2014 are set out in note 32 to the Financial Statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 96 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of additions and other movements during the year ended 30 June 2014 in the property, plant and equipment of the Group are set out in note 15 to the Financial Statements.

SHARE CAPITAL

Details of changes in the share capital of the Company during the year ended 30 June 2014 are set out in note 34 to the Financial Statements.

RESERVES

The Company's distributable reserve at 30 June 2014 was nil (30 June 2013: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2014 are set out in the consolidated statement of changes in equity on pages 31 and 32 of this report.

CONNECTED TRANSACTIONS

During the year ended 30 June 2014, related party transaction which does not constitute connected transaction under the Listing Rules was nil as disclosed in note 40 to the Financial Statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 June 2014.

CONTINGENT LIABILITIES

There was no significant contingent liability as at 30 June 2014. The contingent liabilities as at 30 June 2014 are disclosed in note 43 to the Financial Statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 30 June 2014 and up to the date of this report were:

Executive Directors:

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

Independent non-executive Directors:

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

Messrs. Chau Lai Him, Liu Dong Yang and Lo Wai Ming will retire by rotation from office as Directors at the forthcoming annual general meeting and Messrs. Chau Lai Him, Liu Dong Yang and Lo Wai Ming, being eligible, will offer themselves for re-election pursuant to Bye-law 87 of the Bye-laws of the Company.

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

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

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

Profiles of Directors and senior executives of the Group are set out on pages 11 to 12 to this report.

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

As at 30 June 2014, none of the Directors and the chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to any of the Directors and chief executives of the Company, as at 30 June 2014, there were no persons other than a Director or a chief executive of the Company who had an interest or short positions in the shares or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company conditionally adopted the share option scheme (the "**Share Option Scheme**"). The details of the Share Option Scheme are set out in a circular to the shareholders of the Company dated 24 October 2012.

During the year ended 30 June 2014, no share options were granted, exercised, lapsed, cancelled or outstanding under the Share Option Scheme.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" of this report, at no time during the year ended 30 June 2014 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2014 or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2014, the five largest customers of the Group together accounted for approximately 41.4% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 83.6% of the Group's total purchases, with the largest customer accounted for approximately 18.0% of the Group's total turnover and the largest supplier accounted for approximately 37.1% of the Group's total purchases during the year.

At no time during the year ended 30 June 2014 did any of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or five largest suppliers.

EMOLUMENT POLICY

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

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

The Company has adopted share option schemes from time to time to provide incentive to eligible persons, including Directors and eligible employees of the Company, for their contribution and continuing efforts to promote the interests of the Group. Details of the Share Option Scheme are set out in note 38 to the Financial Statements.

RETIREMENT SCHEME

Particulars of the Group's retirement scheme are set out in note 39 to the Financial Statements.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF SECURITIES

To raise capital for the Company while broadening its shareholder and capital base, the Company conducted the First Placing, the Second Placing and the Open Offer during the year ended 30 June 2014.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities during the year ended 30 June 2014.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 44 of the Financial Statements.

AUDITORS

A resolution will be submitted to the 2014 Annual General Meeting to re-appoint Messrs. BDO Limited as auditors of the Company.

On behalf of the Board

Chau Lai Him
Chairman
29 September 2014

CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Code.

COMPLIANCE WITH THE CODE PROVISIONS

Throughout the financial year ended 30 June 2014, the Company complied with the Code except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 which are explained below.

Code provision A.2.1

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

During the year ended 30 June 2014, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Code provision A.4.1

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

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

Code provision A.4.3

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

Mr. Chung Kam Kwong has served as an independent non-executive Director for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung retired from office by rotation at the 2013 AGM and offered himself for re-election at the 2013 AGM. An ordinary resolution was passed at the 2013 AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive Director.

Mr. Lo Wai Ming has been an independent non-executive Director for more than nine years since 6 January 2000. He will retire from office by rotation at the 2014 Annual General Meeting in accordance with the Bye-laws of the Company and, being eligible, will offer himself for re-election at the 2014 Annual General Meeting. A separate resolution will be proposed at the 2014 Annual General Meeting to approve the appointment of Mr. Lo Wai Ming as an independent non-executive Director. The Board considers that Mr. Lo remains independent in character and judgment and the Board has found no information or circumstances to lead it to conclude otherwise.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the year ended 30 June 2014, complied with the required standards set out therein.

BOARD OF DIRECTORS

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

The Board currently comprises a total of seven Directors, with four executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Zhou Jin Hua (Deputy Chairman), Liu Dong Yang and Buyan-Otgon Narmandakh and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship among members of the Board. More details of the Directors are disclosed on page 11 of this annual report. The Board has published and maintained on its website and on the website of the Stock Exchange an updated list of the Directors identifying their role and function.

The Board met regularly throughout the year ended 30 June 2014. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the company secretary of the Company (the "**Company Secretary**") to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

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

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

The independent non-executive Directors were not appointed for a specific term and explanation in connection with such deviation from Code provision A.4.1 is set out in the section headed "Compliance with the Code Provisions" of this report.

During the year ended 30 June 2014, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board; one of the independent non-executive Directors is required to possess appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Each of Mr. Lo Wai Ming and Mr. Chung Kam Kwong served as an independent non-executive Director for more than nine years and explanation in connection with such deviation from Code provision A.4.3 is set out in the section headed "Compliance with the Code Provisions" of this report.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

BOARD OPERATION

During the year ended 30 June 2014, the Board held 7 Board meetings. The attendance records of each member of the Board at Board meetings, audit committee meetings, nomination committee meetings, remuneration committee meetings and the 2013 AGM are set out below:

	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meeting	Board Meetings	2013 AGM
Executive Directors					
Chau Lai Him	—	1	—	7	1
Zhou Jin Hua	—	—	—	7	1
Liu Dong Yang	—	—	—	7	—
Buyan-Otgon Narmandakh	—	—	—	6	—
Independent non-executive Directors					
Chung Kam Kwong	3	1	1	7	1
Lo Wai Ming	3	1	1	7	1
Lo Chao Ming	3	1	1	7	1

During the year ended 30 June 2014, the Company held two special general meetings (the "**SGMs**"). The first SGM was held on 3 July 2013 and two Directors were present. The second SGM was held on 13 March 2014 and three Directors were present.

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the year ended 30 June 2014, all Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

REMUNERATION COMMITTEE

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

During the year ended 30 June 2014, the Remuneration Committee held one meeting and all committee members were present at the meeting. The Remuneration Committee has reviewed the remuneration packages of all executive Directors and senior management, assessed performance of executive Directors and senior management and made recommendations to the Board in connection with the remuneration of the non-executive Directors. Details of the emoluments of the Directors are set out in note 9 to the Financial Statements.

NOMINATION COMMITTEE

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

During the year ended 30 June 2014, the Nomination Committee held one meeting and all committee members were present at the meeting. The Nomination Committee has determined the policy for the nomination of Directors, the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and senior management.

Pursuant to the Bye-laws of the Company, any Director appointed to fill a casual vacancy of the Board shall hold office only until the next following general meeting of the Company and any Director appointed as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Bye-laws of the Company. The Bye-laws of the Company also allow for removal of a Director by an ordinary resolution.

The Board recommended the re-appointment of the Directors standing for re-election at the 2014 Annual General Meeting. The Company's circular to be despatched to the Shareholders will contain detailed information of the Directors standing for re-election.

AUDITOR'S REMUNERATION

During the year ended 30 June 2014, the remuneration paid and payable to the auditor of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services was HK$980,000 and HK$448,000 respectively.

AUDIT COMMITTEE

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

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

During the year ended 30 June 2014, the Audit Committee held 3 meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the Company's interim and annual financial statements before submission to the Board. The Financial Statements have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 30 June 2014.

SUMMARY OF THE BOARD DIVERSITY POLICY

On 28 August 2013, the Board adopted the Board Diversity Policy in compliance with Code provision A.5.6, which came into effect on 1 September 2013.

The Board Diversity Policy aims to set out the approach to achieve diversity on the Board and does not apply to diversity in relation to the employees of the Company, nor the board and the employees of any subsidiary of the Company. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, differences in the talents, skills, regional and industry experience, background, gender, age and other qualities of the members of the Board, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

SHARE INTERESTS OF SENIOR MANAGEMENT

As at 30 June 2014, none of the senior management of the Company (whose biographical details are disclosed on page 12 of this annual report) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INVESTOR RELATIONS

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

There was no significant change in the Company's constitutional documents during the year ended 30 June 2014.

COMPANY SECRETARY

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

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

During the year ended 30 June 2014, Ms. Chan has attended relevant professional seminars to update her skills and knowledge and has complied with the Listing Rules to take no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

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

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

PROCEDURES BY WHICH SHAREHOLDERS MAY CONVENE A SPECIAL GENERAL MEETING

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS AND DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

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

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

VOTING BY POLL

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

SYSTEM OF INTERNAL CONTROLS

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

GENERAL

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

The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 25 and 26 of this annual report.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2014

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

We have audited the consolidated financial statements of Solartech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 95, which comprise the consolidated and company statements of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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 2014, 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

Chan Kam Wing, Clement
Practising Certificate number: [P02038]

Hong Kong, 29 September 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	6 & 7	**804,284**	601,611
Cost of sales		**(785,400)**	(587,421)
Gross profit		**18,884**	14,190
Interest income		**2,099**	9,992
Other income and gains		**13,243**	14,172
General and administrative expenses		**(100,987)**	(93,576)
Selling and distribution expenses		**(9,712)**	(8,305)
Finance costs	10	**(12,007)**	(13,227)
Change in fair value of derivative financial instruments	26	**728**	(5,385)
Change in fair value of investment properties, net	16	**5,614**	12,207
Change in fair value of financial assets at fair value through profit or loss	25	**5,852**	17,733
Reversal of/(impairment loss) recognised for doubtful debts, net	23(iii)	**234**	(169)
Impairment loss on mining right	18	**—**	(360,600)
Reversal of impairment loss on mining right	18	**54,000**	—
Share of results of joint ventures	21	**(15,538)**	(209)
Loss before taxation	8	**(37,590)**	(413,177)
Taxation	11	**(125)**	(1,894)
Loss for the year attributable to owners of the Company	12	**(37,715)**	(415,071)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(7,766)**	(3,322)
Other comprehensive income for the year		**(7,766)**	(3,322)
Total comprehensive income for the year		**(45,481)**	(418,393)
Loss for the year attributable to:			
Owners of the Company		**(37,709)**	(415,071)
Non-controlling interests		**(6)**	—
		(37,715)	(415,071)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(45,475)**	(418,393)
Non-controlling interests		**(6)**	—
		(45,481)	(418,393)
Loss per share:	14		
– Basic and diluted (HK$)		**(0.06)**	(2.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**192,963**	182,037
Prepayments for acquisition of property, plant and equipment	15	**—**	6,946
Investment properties	16	**135,941**	131,771
Prepaid lease payments for land	17	**89,475**	93,001
Mining right	18	**856,160**	803,210
Exploration and evaluation assets	19	**18,538**	23,447
Interests in joint ventures	21	**84,686**	99,781
Total non-current assets		**1,377,763**	1,340,193
Current assets			
Inventories	22	**85,324**	80,164
Debtors, other loans and receivables, deposits and prepayments	23	**195,678**	195,526
Bills receivable	24	**2,245**	1,295
Financial assets at fair value through profit or loss	25	**50,186**	44,334
Prepaid lease payments for land	17	**2,694**	2,787
Derivative financial assets	26	**778**	3
Pledged deposits and bank balances	27, 28	**47,553**	34,060
Bank balances and cash	28	**268,497**	142,316
Total current assets		**652,955**	500,485
Current liabilities			
Creditors, other advances and accrued charges	29	**88,302**	49,486
Bills payable	30	**74,351**	79,685
Taxation		**135**	157
Obligations under finance leases	31	**146**	186
Borrowings	32	**158,219**	177,433
Derivative financial liabilities	26	**—**	1,813
Total current liabilities		**321,153**	308,760
Net current assets		**331,802**	191,725
Total assets less current liabilities		**1,709,565**	1,531,918

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Obligations under finance leases	31	—	146
Deferred tax liabilities	33	**35,956**	36,951
Total non-current liabilities		**35,956**	37,097
Total net assets		**1,673,609**	1,494,821
EQUITY			
Capital and reserves			
Share capital	34	**18,899**	1,875
Reserves		**1,652,379**	1,492,446
Equity attributable to owners of the Company		**1,671,278**	1,494,321
Non-controlling interest		**2,331**	500
Total equity		**1,673,609**	1,494,821

The consolidated financial statements on pages 27 to 95 were approved and authorised for issue by the Board of Directors on 29 September 2014 and are signed on its behalf by:

CHAU LAI HIM
DIRECTOR

ZHOU JIN HUA
DIRECTOR

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current asset			
Interests in subsidiaries	20	**1,318,942**	1,222,749
Total non-current asset		**1,318,942**	1,222,749
Current assets			
Deposits and prepayments		**234**	147
Bank balances and cash	28	**133,206**	13,598
Total current assets		**133,440**	13,745
Current liabilities			
Other advances and accrued charges		**605**	651
Total current liabilities		**605**	651
Net current assets		**132,835**	13,094
Total net assets		**1,451,777**	1,235,843
EQUITY			
Capital and reserves			
Share capital	34	**18,899**	1,875
Reserves	35	**1,432,878**	1,233,968
Total equity		**1,451,777**	1,235,843

The financial statements on pages 27 to 95 were approved and authorised for issue by the Board of Directors on 29 September 2014 and are signed on its behalf by:

CHAU LAI HIM
DIRECTOR

ZHOU JIN HUA
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 July 2012	27,719	1,171,588	612,360	842	4,866	76,914	1,894,289	500	1,894,789
Loss for the year	—	—	—	—	—	(415,071)	(415,071)	—	(415,071)
Other comprehensive income	—	—	—	(3,322)	—	—	(3,322)	—	(3,322)
Total comprehensive income for the year	—	—	—	(3,322)	—	(415,071)	(418,393)	—	(418,393)
Capital reorganisation (Note 34)	(26,333)	—	—	—	—	26,333	—	—	—
Placements of new shares (Note 34)	489	17,936	—	—	—	—	18,425	—	18,425
At 30 June 2013	1,875	1,189,524	612,360	(2,480)	4,866	(311,824)	1,494,321	500	1,494,821

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 July 2013	1,875	1,189,524	612,360	(2,480)	4,866	(311,824)	1,494,321	500	1,494,821
Loss for the year	—	—	—	—	—	(37,709)	(37,709)	(6)	(37,715)
Other comprehensive income	—	—	—	(7,766)	—	—	(7,766)	—	(7,766)
Total comprehensive income for the year	—	—	—	(7,766)	—	(37,709)	(45,475)	(6)	(45,481)
Placements of new shares (Note 34)	1,275	37,031	—	—	—	—	38,306	—	38,306
Shares issued under open offer (Note 34)	15,749	168,377	—	—	—	—	184,126	—	184,126
Capital contribution during the year	—	—	—	—	—	—	—	1,837	1,837
At 30 June 2014	18,899	1,394,932	612,360	(10,246)	4,866	(349,533)	1,671,278	2,331	1,673,609

Notes:

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
Loss before taxation	**(37,590)**	(413,177)
Adjustments for:		
Interest income	**(2,099)**	(9,992)
Finance costs	**12,007**	13,227
Change in fair value of derivative financial instruments	**(728)**	5,385
Change in fair value of investment properties, net	**(5,614)**	(12,207)
Change in fair value of financial assets at fair value through profit or loss	**(5,852)**	(17,733)
(Reversal of)/impairment loss recognised for doubtful debts, net	**(234)**	169
Reversal of impairment loss on mining right	**(54,000)**	—
Impairment loss on mining right	**—**	360,600
Share of results of joint ventures	**15,538**	209
Depreciation of property, plant and equipment	**28,957**	26,673
Provision made for inventories	**153**	70
Charge of prepaid lease payments for land	**2,755**	2,740
(Gain)/loss on disposal of property, plant and equipment, net	**(2,184)**	115
Operating loss before working capital changes	**(48,891)**	(43,921)
Increase in inventories	**(5,313)**	(1,723)
Decrease/(increase) in debtors, other loans and receivables, deposits and prepayments	**82**	(19,080)
Increase in bills receivable	**(950)**	(870)
Increase in creditors, other advances and accrued charges	**38,816**	8,995
Decrease in bills payable	**(5,334)**	(30,250)
Decrease in derivative financial instruments	**(1,860)**	(3,904)
Cash used in operations	**(23,450)**	(90,753)
Taxation paid	**(567)**	(741)
Net cash used in operating activities	**(24,017)**	(91,494)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 HK$'000	2013 HK$'000
Investing activities		
Interest received	**2,099**	9,992
Purchases of property, plant and equipment	**(35,469)**	(8,930)
Prepayments made for acquisition of property, plant and equipment	—	(6,946)
Proceeds from disposal of property, plant and equipment	**2,511**	—
(Increase) /decrease in pledged deposits and bank balances	**(13,493)**	13,871
Net cash (used in)/generated from investing activities	**(44,352)**	7,987
Financing activities		
Interest paid on borrowings	**(11,995)**	(13,202)
Interest paid on finance leases	**(12)**	(25)
Capital contribution from a non controlling interest	**1,837**	—
Net proceeds from placements of new shares	**222,432**	18,425
New borrowings raised	**229,457**	393,417
Repayment of obligations under finance leases	**(186)**	(460)
Repayment of borrowings	**(248,671)**	(360,671)
Net cash generated from financing activities	**192,862**	37,484
Net increase/(decrease) in cash and cash equivalents	**124,493**	(46,023)
Cash and cash equivalents at beginning of the year	**142,316**	191,727
Effect of foreign exchange rate changes	**1,688**	(3,388)
Cash and cash equivalents at end of the year	**268,497**	142,316
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**268,497**	142,316

1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, and holding of mining right and exploration and evaluation assets. Its joint ventures are engaged in holding of exploration and mining permits. Further details are set out in Notes 20 and 21.

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

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

(a) Adoption of new/revised HKFRSs – effective 1 July 2013

HKFRSs (Amendments)	Annual Improvement 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
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 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine

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

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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

(a) Adoption of new/revised HKFRSs – effective 1 July 2013 (continued)

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

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

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

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 accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see Note 3). The adoption of this standard has had no impact on the consolidated financial statements as all subsidiaries already recognised and new subsidiary identified within the Group satisfy the requirements of control under HKFRS10.

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

(a) Adoption of new/revised HKFRSs – effective 1 July 2013 (continued)

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). HKFRS 11 does not allow proportionate consolidation of a joint venture arrangement. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. The Group has changed its accounting policy for joint arrangements (see note 3).

The group has assessed its investment in Venture Max Limited and its subsidiary, previously classified as jointly controlled entities under HKAS 31 Interest in Joint Ventures and accounted for using the equity method, and determined that they have had to be classified as joint ventures under HKFRS 11 and accounted for using the equity method.

The adoption of this standard has had no impact on the consolidated financial statements as the joint ventures were already accounted for using the equity method before the adoption of this standard.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures 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.

As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

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

(a) Adoption of new/revised HKFRSs – effective 1 July 2013 (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 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in notes 16. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period. The disclosures about the impairment of property, plant and equipment in note 15 and mining right in note 18 have been modified accordingly.

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

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

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

Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Hedge Accounting[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]

Effective dates:

(1) Annual periods beginning on or after 1 January 2014
(2) Annual periods beginning on or after 1 July 2014
(3) Annual periods beginning on or after 1 January 2017
(4) Annual periods beginning on or after 1 January 2018

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

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

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

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

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 "Financial instruments" (2014) adds to the existing HKFRS 9. HKFRS 9 (2014) introduces new impairment requirements for all financial assets that are not measured at fair value through profit or loss and amendments to the previously finalised classification and measurement requirements.

A new "expected loss" impairment model in HKFRS 9 (2014) replaces the "incurred loss" model in HKAS 39 Financial Instruments: Recognition and Measurement. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. For trade receivables, there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases.

HKFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to give rise to payments that are Solely Payments of Principal and Interest (SPPI), one of the two criteria that need to be met for an asset to be measured at amortised cost, which may result in additional financial assets being measured at amortised cost.

A third measurement category has also been added for debt instruments - fair value through other comprehensive income which applies to debt instruments that meet the SPPI contractual cash flow characteristic test.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

HKFRS 15 replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition: HK(IFRIC) 13 "Customer Loyalty Programmes", HK(IFRIC) 15 "Agreements for the Construction of Real Estate", HK(IFRIC) 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services".

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation of financial statements

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

Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

Business combination and basis of consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investment in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Joint arrangements

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangements; or
- Joint operations: where the group has both the rights to assets and obligation for the liabilities of the joint arrangement.

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

Joint arrangements (continued)

In assessing the classification of interests in joint arrangements, the Group consideres:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements)

The Group accounts for its interests in joint ventures using the equity method.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Group on the basis of dividends received and receivable.

Cash and cash equivalents

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

Inventories

Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses incurred in bringing the inventories to their present location and codition, is assigned to inventories by the method most appropriate to the particular class of inventories, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Buildings are depreciated over the shorter of the term of the lease or fifty years using the straight-line method.

Leasehold improvements are depreciated over the shorter of the remaining term of the lease or at 10% per annum using the straight-line method.

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

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

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Investment properties

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

Prepaid lease payments for land

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

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

Mining rights

Mining rights are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses and reserves of the mines on the unit-of-production method.

Exploration and evaluation assets

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

Impairment of exploration and evaluation assets

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

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

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

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

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

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

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

Impairment of assets excluding goodwill and exploration and evaluation assets

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

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

If the recoverable amount of an asset (or 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.

Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes (continued)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Assets held under finance leases are capitalised at their fair values at the inception of the leases or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the consolidated statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

Foreign currencies

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

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

Foreign currencies (continued)

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

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

Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

The Group's non-derivative financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

Financial instruments (continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

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

Financial instruments (continued)

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

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

Revenue recognition

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

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

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

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

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

Borrowing costs

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

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

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

Employees' benefits

Short term benefits

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

Defined contribution pension obligations

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

Related parties

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

Reserve estimates and amortisation of mining right

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

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

Income taxes

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of property, plant and equipment

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

Estimated impairment of trade and loan receivables

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

Impairment of mining right

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

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

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

Foreign currency risk

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

Credit risk

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

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

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 23.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk which relates primarily to the Group's floating-rate bank borrowings and the details of borrowings are disclosed in Note 32. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 32.

At 30 June 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and the accumulated losses by approximately HK$1,582,000 (2013: increase/decrease the loss and accumulated losses by HK$1,774,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2013.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**
2014				
Borrowings	**158,219**	**164,273**	**164,273**	—
Obligations under finance leases	**146**	**149**	**149**	—
Creditors, other advances and accrued charges, and bills payable	**162,653**	**162,653**	**162,653**	—
	321,018	**327,075**	**327,075**	—

The Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
2013				
Borrowings	177,433	180,819	180,819	—
Obligations under finance leases	332	347	198	149
Creditors, other advances and accrued charges, and bills payable	129,171	129,171	129,171	—
	306,936	310,337	310,188	149
Derivative financial liabilities	1,813	1,813	1,813	—

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Company	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**
2014				
Other advances and accrued charges	**605**	**605**	**605**	—
Financial guarantee issued and maximum amount guaranteed	—	—	**38,716**	—

The Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
2013				
Other advances and accrued charges	651	651	651	—
Financial guarantee issued and maximum amount guaranteed	—	—	42,740	—

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 26.

At 30 June 2014, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by approximately HK$776,000 (2013: decrease/increase the loss and accumulated losses by HK$2,874,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2013.

Price risk

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

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

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2014, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by HK$5,018,000 (2013: decrease/increase the loss and the retained profits by HK$4,433,000).

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions; and
- the fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials according to professional valuation report, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value (continued)

At 30 June 2014, the Group's derivatives are measured at fair value. During the year, there is no significant transfer between Level 1 and Level 2.

	Group 2014			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Copper future contracts	**778**	—	—	**778**
Financial assets at fair value through profit or loss	**50,186**	—	—	**50,186**
	50,964	—	—	**50,964**
Liabilities				
Copper future contracts	—	—	—	—

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

6. TURNOVER

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

7. SEGMENTAL INFORMATION

(a) Reportable segments

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

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

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

(ii) manufacture and trading of copper rods.

On 4 May 2010, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business, details of which are set out in the Company's announcements dated 30 November 2009 and 4 May 2010, and circular dated 9 April 2010. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2014 and 2013 and for the years then ended for the purpose of segment reporting.

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

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

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

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2014

	Cables and wires HK$'000	Copper rods HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	224,879	531,674	47,731	804,284	—	804,284
Inter-segment revenue	—	9,852	—	9,852	(9,852)	—
Reportable segment revenue	224,879	541,526	47,731	814,136	(9,852)	804,284
Reportable segment loss	(35,460)	(12,041)	19,271	(28,230)	—	(28,230)
Finance costs	(3,273)	(8,734)	—	(12,007)	—	(12,007)
Change in fair value of derivative financial instruments	—	(603)	1,331	728	—	728
Change in fair value of financial assets at fair value through profit or loss	—	—	5,852	5,852	—	5,852
Change in fair value of investment properties, net	—	—	5,614	5,614	—	5,614
Reversal of impairment loss on mining right	—	—	54,000	54,000	—	54,000
Reversal of impairment loss recognised for doubtful debts, net	234	—	—	234	—	234
Share of results of joint ventures	—	—	(15,538)	(15,538)	—	(15,538)
Depreciation of property, plant and equipment	(10,460)	(5,799)	(12,698)	(28,957)	—	(28,957)
Taxation	670	311	(1,106)	(125)	—	(125)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2013

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

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

As at 30 June 2014

	Cables and wires HK$'000	Copper rods HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	**213,051**	**335,150**	**1,430,383**	**1,978,584**
Additions to non-current assets	**8,243**	**6,270**	**27,902**	**42,415**
Reportable segment liabilities	**89,191**	**196,944**	**34,759**	**320,894**

As at 30 June 2013

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

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

	For the year ended 30 June 2014 HK$'000	2013 HK$'000
Loss before taxation		
Reportable segment loss	**(28,230)**	(404,097)
Unallocated corporate expenses	**(9,360)**	(9,080)
Consolidated loss before taxation	**(37,590)**	(413,177)

	30 June 2014 HK$'000	30 June 2013 HK$'000
Assets		
Reportable segment assets	**1,978,584**	1,765,703
Unallocated corporate assets	**52,134**	74,975
Consolidated total assets	**2,030,718**	1,840,678

7. SEGMENTAL INFORMATION (continued)

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

	30 June 2014 HK$'000	30 June 2013 HK$'000
Liabilities		
Reportable segment liabilities	**320,894**	308,622
Tax payable	**135**	157
Deferred tax liabilities	**35,956**	36,951
Unallocated corporate liabilities	**124**	127
Consolidated total liabilities	**357,109**	345,857

(c) Geographical information

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

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

	2014 HK$'000	2013 HK$'000
PRC	**673,792**	488,761
Americas	**46,792**	37,608
Europe	**32,648**	27,144
Hong Kong	**28,376**	22,264
Other Asian regions	**22,676**	25,834
	804,284	601,611

	Specified non-current assets	
	30 June 2014 HK$'000	30 June 2013 HK$'000
PRC	**213,528**	387,168
Hong Kong	**204,089**	25,397
The State of Mongolia	**960,146**	927,628
	1,377,763	1,340,193

The revenue information above is based on the location of customers.

7. SEGMENTAL INFORMATION (continued)

(d) Information about major customers

During the year, no customer with whom the transactions exceed 10% of the Group's manufacturing and trading of cables and wires segment, whereas one customer contributed revenue of HK$145,055,000 to the Group's manufacturing and trading of copper rods segment.

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

8. LOSS BEFORE TAXATION

	2014 HK$'000	2013 HK$'000
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**1,428**	1,280
Depreciation of property, plant and equipment	**28,957**	26,673
Cost of inventories (Note)	**785,400**	587,421
Provision made for inventories	**153**	70
Charge of prepaid lease payments for land	**2,755**	2,740
Operating lease rentals in respect of rented premises	**596**	712
Loss on disposal of property, plant & equipment	—	115
Exchange differences, net	**3,072**	—
Wages, salaries and retirement benefit scheme contributions including directors' remuneration (Notes 9 and 39)	**39,642**	35,938
and after crediting:		
Rental income	**10,483**	6,496
Gain on disposal of property, plant and equipment, net	**2,184**	—
Reversal of allowance for doubtful debts	**273**	108
Exchange differences, net	—	5,989

Note:

Cost of inventories includes HK$29,208,000 (2013: HK$25,424,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above. Cost of inventories also includes provision made for inventories of HK$153,000 (2013: HK$70,000).

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

Name of director	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Mr. Chau Lai Him	**—**	—	**5,662**	5,662	**15**	15	**5,677**	5,677
Mr. Zhou Jin Hua	**—**	—	**1,422**	1,406	**16**	2	**1,438**	1,408
Mr. Liu Dong Yang	**264**	204	**154**	124	**68**	27	**486**	355
Mr. Buyan-Otgon Narmandakh	**140**	140	**—**	—	**—**	—	**140**	140
Mr. Chung Kam Kwong	**300**	285	**—**	—	**—**	—	**300**	285
Mr. Lo Wai Ming	**180**	171	**—**	—	**—**	—	**180**	171
Mr. Lo Chao Ming	**72**	69	**—**	—	**—**	—	**72**	69
Total	**956**	869	**7,238**	7,192	**99**	44	**8,293**	8,105

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

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

The five highest paid individuals of the Group include two (2013: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2013: three) non-director individuals were as follows:

	2014	2013
	HK$'000	HK$'000
Salaries and other benefits	**2,452**	2,352
Contributions to retirement benefit schemes	**165**	158
	2,617	2,510

Remuneration of these individuals was within the following bands:

	Number of individuals	
	2014	2013
Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**1**	1

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

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

	Number of individuals	
	2014	2013
Nil – HK$1,000,000	**6**	6

10. FINANCE COSTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Interest on bank and other borrowings wholly repayable within five years	**11,995**	13,202
Interest on finance leases	**12**	25
	12,007	13,227

11. TAXATION

	The Group	
	2014	2013
	HK$'000	HK$'000
Hong Kong profits tax:		
Current year	**—**	—
Taxation in other jurisdictions:		
Current year	**460**	314
Under-provision in respect of prior years	**85**	276
	545	590
Deferred taxation (Note 33)	**(420)**	1,304
Taxation for the year	**125**	1,894

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

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

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the years ended 30 June 2014 and 2013.

11. TAXATION (continued)

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Loss before taxation	**(37,590)**	(413,177)
Tax at the PRC income tax rate of 25% (2013: 25%)	**(9,397)**	(103,294)
Tax effect of expenses not deductible for tax purpose	**7,868**	107,094
Tax effect of income not taxable for tax purpose	**(15,787)**	(6,594)
Tax effect of tax losses not recognised	**12,156**	1,587
Utilisation of tax losses previously not recognised	**(672)**	(452)
Under-provision in respect of prior years	**85**	276
Effect of different tax rates of the Company's subsidiaries operating outside the PRC	**1,987**	3,225
Tax effect on share of results of joint ventures	**3,885**	52
Taxation for the year	**125**	1,894

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

The consolidated loss from ordinary activities attributable to owners of the Company for the year ended 30 June 2014 includes a loss of HK$6,498,000 (2013: HK$5,564,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 30 June 2014 and 2013.

14. LOSS PER SHARE

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

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

Loss

	2014 HK$'000	2013 HK$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(37,709)	(415,071)

Number of shares

	2014	2013
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	610,578,217	157,144,497

During the year ended 30 June 2013 and 2014, the Company did not have any significant dilutive potential ordinary shares.

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

	Buildings 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 2012	255,179	24,880	52,736	384,379	30,554	747,728
Currency realignment	8,857	739	1,594	7,719	568	19,477
Additions	—	1,658	1,099	13,438	1,161	17,356
Disposals	—	—	—	(5,712)	(1,143)	(6,855)
At 30 June 2013 and 1 July 2013	264,036	27,277	55,429	399,824	31,140	777,706
Currency realignment	(3,003)	(378)	(626)	(2,752)	(363)	(7,122)
Additions	394	639	6,249	34,132	1,001	42,415
Written off	(942)	—	(542)	(1,873)	—	(3,357)
Disposals	—	—	(110)	(24,753)	(828)	(25,691)
At 30 June 2014	**260,485**	**27,538**	**60,400**	**404,578**	**30,950**	**783,951**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2012	142,156	14,567	44,184	346,124	14,585	561,616
Currency realignment	5,183	467	1,385	6,704	381	14,120
Provided for the year	13,585	1,062	1,872	6,759	3,395	26,673
Eliminated on disposals	—	—	—	(5,712)	(1,028)	(6,740)
At 30 June 2013 and 1 July 2013	160,924	16,096	47,441	353,875	17,333	595,669
Currency realignment	(1,985)	(186)	(497)	(2,057)	(192)	(4,917)
Provided for the year	13,847	1,172	2,072	8,898	2,968	28,957
Written off	(942)	—	(542)	(1,873)	—	(3,357)
Eliminated on disposals	—	—	(69)	(24,753)	(542)	(25,364)
At 30 June 2014	**171,844**	**17,082**	**48,405**	**334,090**	**19,567**	**590,988**
NET CARRYING AMOUNT:						
At 30 June 2014	**88,641**	**10,456**	**11,995**	**70,488**	**11,383**	**192,963**
At 30 June 2013	103,112	11,181	7,988	45,949	13,807	182,037

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

At 30 June 2014, the net carrying amount of property, plant and equipment of the Group includes motor vehicles of HK$146,000 (2013: HK$332,000) that were held under finance leases. None of the leases includes contingent rentals.

The Group has pledged buildings with aggregate net carrying amount as at 30 June 2014 of HK$77,500,000 (2013: HK$90,955,000) to secure banking facilities granted to the Group (Note 27).

At 30 June 2014, the Group was in the process of obtaining the relevant title documents of certain of its buildings with aggregate carrying amount of HK$7,374,000 (2013: HK$8,073,000).

During the year ended 30 June 2014, the Group's cables and wires segment and copper rods segment incurred segment losses, before impairment of HK$35,460,000 (2013: HK$29,670,000) and HK$12,041,000 (2013: HK$5,707,000) respectively. These conditions indicated that the assets of these segments may be impaired. In this regard, the recoverable amounts of the Group's cables and wires and copper rods cash-generating units were determined by the directors of the Company on the basis of value in use, by using a discounted cash flow projection covering a period of 5 years based on latest financial budgets approved by the management. Zero growth rate is used to extrapolate cash flow projection beyond the period covered by the recent financial budget whereas the discount rate applied to the cash flow projection is 5.5%. Based on the result of the above impairment testing, the recoverable amount of each of the cash-generating units within the Group's cables and wires segment and copper rods segment determined was higher than the carrying amount of the respective total assets as at 30 June 2014. Accordingly no impairment loss was recognised in profit or loss for the current year.

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

16. INVESTMENT PROPERTIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Fair value:		
At beginning of year	**131,771**	119,564
Fair value gains, net	**5,614**	12,207
Currency realignment	**(1,444)**	—
At end of year	**135,941**	131,771

Investment properties were valued at 30 June 2014 by Peak Vision Appraisals Limited ("Peak Vision"), an independent firm of professionally qualified valuers, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties, including the industrial building and the residential building, was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies using the investment approach. For the portion of the property which are currently vacant, direct comparison approach is used by making reference to comparable sales evidence as available in the relevant market. This valuation gave rise to net fair value gains of HK$5,614,000 (2013: HK$12,207,000) during the year.

16. INVESTMENT PROPERTIES (continued)

The fair value of the investment properties is a level 3 recurring fair value measurement. For the significant unobservable inputs used under the investment approach, term yield of 7.5%, reversionary yield of 8% and average market unit rent per month of RMB7.7 per square meter are adopted for the industrial building whereas term yield of 5%, reversionary yield of 5.25% and average market unit rent per month of RMB24.6 per square meter are used for the residential building. Under the direct comparison approach, significant inputs of the industrial building include price per square meter ranges from RMB450 per square meter to RMB615 per square meter adjusted for premiums range from 5% to 30% specific to the location of the Group's industrial building compared to recent sales on the comparable transactions, whereas significant inputs of the residential building include price per square meter ranges from RMB5,700 per square meter to RMB8,300 per square meter adjusted for discounts range from 10% to 20% specific to the location and age of the Group's residential building compared to recent sales on the comparable transactions. The fair value measurement of investment properties is negatively correlated to the term yield, reversionary yield and positively correlated to average market unit rent per month under the investment approach, and is positively correlated to the price per square meter and a favourable adjustment on the comparable transactions.

The fair value measurement is based on the above properties highest and best use, which does not differ from their current use.

Fair value adjustments of investment properties are recognised in the line item "Change in fair value of investment properties, net" on the face of consolidated statement of comprehensive income. All the gains recgonised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

There was no transfer between levels 1, 2 and 3 during the year.

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

	2014	2013
	HK$'000	HK$'000
Situated in the PRC held under		
– medium term lease	**135,941**	131,771

17. PREPAID LEASE PAYMENTS FOR LAND

	Note	The Group 2014 HK$'000	2013 HK$'000
Carrying amount:			
At beginning of year		**95,788**	95,291
Charge to the profit or loss for the year	8	**(2,755)**	(2,740)
Currency realignment		**(864)**	3,237
At end of year		**92,169**	95,788

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

	2014 HK$'000	2013 HK$'000
Leasehold land situated in the PRC held under		
– medium term lease	**90,756**	94,330
Leasehold land situated in Hong Kong held under		
– medium term lease	**1,413**	1,458
	92,169	95,788
Analysed for reporting purposes as:		
Non-current	**89,475**	93,001
Current	**2,694**	2,787
	92,169	95,788

The Group has pledged prepaid lease payments for land with aggregate carrying amount as at 30 June 2014 of HK$77,129,000 (2013: HK$93,414,000) to secure banking facilities granted to the Group (Note 27).

18. MINING RIGHT

	The Group HK$'000
COST:	
At 1 July 2012	1,170,425
Currency realignment	(418)
At 30 June 2013 and 1 July 2013	1,170,007
Currency realignment	(1,074)
At 30 June 2014	**1,168,933**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:	
At 1 July 2012	6,207
Impairment loss	360,600
Currency realignment	(10)
At 30 June 2013 and 1 July 2013	366,797
Reversal of impairment loss	(54,000)
Currency realignment	(24)
At 30 June 2014	**312,773**
NET CARRYING AMOUNT:	
At 30 June 2014	**856,160**
At 30 June 2013	803,210

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

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

In performing the impairment testing for the year, the directors of the Company have engaged Peak Vision in determining the recoverable amount of the mining right. Given the current development status of mining right, management has determined that recoverable amount of the mining right on a fair-value-less-costs-of-disposal basis. The calculation has incorporated assumptions that a typical market participant would use in estimating mining right's fair value, which adopted cash flow projection for a period of 9 years. Zero growth rate is used to extrapolate cash flow projection beyond the period covered by the recent financial budget whereas the post-tax discount rate applied to the cash flow projection is 20.19%. In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the coal market are taken as reference.

18. MINING RIGHT (continued)

The fair value of the mining right is a level 3 non-recurring fair value measurement.

In view of the increase in the market price of copper ore during the year, there was an increase in the value of the mining right as at 30 June 2014 which resulted in the reversal of impairment loss on mining right of HK$54 million for the year ended 30 June 2014. In the prior year, downward adjustment was noted on the estimated net cash inflows and the recoverable amount of the mining right. An impairment loss of HK$360,600,000 was charged to profit or loss for the financial year ended 30 June 2013. The impairment loss was primarily due to revision of expected selling price of copper and delay in the mining plan which reduced the recoverable amount of the mine.

19. EXPLORATION AND EVALUATION ASSETS

	The Group	
	2014	2013
	HK$' 000	HK$' 000
Exploration permits		
Cost:		
At beginning of year	**23,447**	25,355
Currency realignment	**(4,909)**	(1,908)
At end of year (Note)	**18,538**	23,447

Note:

At 30 June 2014, the amount represented exploration permits in the locations of Uguujit of Orkhontuul soum in Selenge province and Undur of Bugat soum in Gobi-Altai province, the State of Mongolia. These exploration permits were granted for an initial periods of 3 years. During the year, the valid period of the permits was extended to April 2015. In the opinion of the directors, in the event that the exploration and evaluation works have not been completed before the respective expiry dates of the exploration permits, the Group is confident that it can renew all exploration permits before the respective expiry dates.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$' 000	HK$' 000
Unlisted shares, at cost	**8**	8
Amounts due from subsidiaries	**3,116,774**	3,020,581
	3,116,782	3,020,589
Less: impairment loss on investment cost	**(8)**	(8)
impairment loss on amounts due from subsidiaries	**(1,797,832)**	(1,797,832)
	1,318,942	1,222,749

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.

20. INTERESTS IN SUBSIDIARIES (continued)

Accumulated impairment losses on investment cost and amounts due from subsidiaries of HK$8,000 (2013: HK$8,000) and HK$1,797,832,000 (2013: HK$1,797,832,000) respectively were recognised as at 30 June 2014 because the related recoverable amounts of the investment cost and the amounts due from subsidiaries with reference to the higher of fair value less costs of disposal and value in use of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment cost and amounts due therefrom are reduced to their recoverable amounts.

The following list contains only the particulars of the principal subsidiaries as at 30 June 2014 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or establishment/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Group	Principal activities
Aberdeen Investments Limited	Samoa	1 share of US$1	100%	Property holding
Chau's Electrical (BVI) Company Limited	British Virgin Islands/PRC	1 share of US$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK$1,000 ordinary HK$500,000 non-voting deferred (Note (a))	100%	Manufacture and trading of cable and wire products
Chau's Industrial Investments Limited	British Virgin Islands	US$1,000	100%	Investment holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. #	PRC	US$14,925,000	100%	Manufacture and trading of copper products
東莞三泰電器有限公司 Dongguan Santai Electrical Appliances Co., Ltd. #	PRC	HK$64,000,000	100%	Property holding
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd. #	PRC	HK$6,810,000	100%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.*	PRC	HK$65,000,000	90%	Manufacture and trading of chemical products
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks

20. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation or establishment/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Group	Principal activities
Great Measure Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Hua Yi Copper Products Company Limited	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products
Ikh Shijir Erdene LLC	The State of Mongolia	US$100,000	100%	Mining business (not yet commenced)
Santai Electronics Limited	Hong Kong	HK$2	100%	Investment holding
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd. #	PRC	US$2,500,000	100%	Manufacture and trading of cable and wire products
Sun Progress Limited	British Virgin Islands	US$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding
東莞市帝象高分子科技有限公司 Dongguan Dixiang Polymer Technology Co Ltd * ("Dongguan Dixiang")	PRC	RMB3,000,000	51%	Manufacture and trading of plastic products

\# Wholly-owned foreign enterprise
* Equity joint venture

Notes:

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

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

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

21. INTERESTS IN JOINT VENTURES

	The Group	
	2014	2013
	HK$'000	HK$'000
Shares of net assets	**84,686**	99,781

Particulars of the Group's joint ventures are as follows:-

Name of company	Place of establishment and operation	Proportion of effective interest held by the Group	Principal activities
Venture Max Limited	British Virgin Islands	10% (direct)	Investment holding
Mongolian Copper Mining LLC	The State of Mongolia	10% (indirect)	Mining business (not yet commenced)

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

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

21. INTERESTS IN JOINT VENTURES (continued)

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

	2014 HK$'000	2013 HK$'000
At 30 June		
Total non-current assets	**860,715**	1,015,201
Cash and cash equivalents	**1,612**	15
Other current assets	**1,240**	1
Total current assets	**2,852**	16
Current financial liabilities	**(2,765)**	—
Other current liabilities	**(35)**	(23)
Total current liabilities	**(2,800)**	(23)
Total non-current financial liabilities	**(13,909)**	(17,388)
Net assets	**846,858**	997,806
Reconciliation to the Group's interest in joint venture:		
Proportion of effective interest held by the Group	**10%**	10%
Share of net assets	**84,686**	99,781
Other income	**6**	228
Impairment on mining right	**(154,486)**	—
Exploration expenses	**(642)**	(2,144)
Other expenses	**(258)**	(175)
Loss and total comprehensive income for the year	**(155,380)**	(2,091)

22. INVENTORIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**51,201**	53,943
Work in progress	**3,334**	4,116
Finished goods	**30,789**	22,105
	85,324	80,164

During the year, the Group has carried out regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. As a result, inventories of HK$153,000 (2013: HK$70,000) have been determined that their carrying amount falls below their estimated net realisable value and a full write-down in profit or loss of the year was recorded.

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

At 30 June 2014, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$114,359,000 (2013: HK$74,077,000).

(i) The Group allows an average credit period of 30 to 60 days (2013: 90 days) to its trade customers.

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Within 30 days	**113,439**	71,069
31 - 60 days	**612**	2,344
61 - 90 days	**264**	593
Over 90 days	**44**	71
	114,359	74,077

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

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

	The Group	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**2,819**	3,035
Impairment loss recognised	**39**	277
Reversal of allowance for doubtful debts	**(273)**	(108)
Uncollectible amounts written off	**(44)**	(427)
Currency realignment	**558**	42
At end of year	**3,099**	2,819

At 30 June 2014, the Group's trade debtors of HK$3,099,000 (2013: HK$2,819,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**114,315**	74,006
Past due and not impaired	**44**	71
	114,359	74,077

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

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

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

(v) At 30 June 2014, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$3,388,000 (2013: HK$4,245,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

(vi) Due from a related company

At 30 June 2014, included in the Group's debtors, other loans and receivables, deposits and prepayments were amounts due from a related company in the aggregate amount of HK$3,518,000 (2013: HK$3,142,000). As at 30 June 2014 and 2013, the aggregate balance is unsecured, interest-free and has no fixed terms of repayment. The maximum outstanding balance due from the related company during the year was HK$6,003,000 (2013: HK$5,628,000). As at 30 June 2014 and 2013, a director of the Company is a close family member of certain directors of the above related companies.

(vii) Loans receivable

At 30 June 2014, included in the Group's debtors, other loans and receivables, deposits and prepayments were loans receivable and the related interest receivables of HK$21,338,000 (2013: HK$64,462,000) in aggregate due from two (2013: eight) independent third party. As at 30 June 2014, the loan was interest-bearing at a rate of 1% per annum and repayable by 26 August 2014. The balance has been subsequently settled. As at 30 June 2013, the loans were interest-bearing at 5% to 15% per annum and repayable in the period from August 2013 to February 2014.

24. BILLS RECEIVABLE

At 30 June 2014 and 2013, all bills receivable aged within 90 days.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2014	2013
	HK$'000	HK$'000
Equity securities held for trading and listed in Hong Kong	**50,186**	44,334

The fair values of the equity securities are determined based on the quoted market prices. During the year, a gain on change in fair value of HK$5,852,000 (2013: HK$17,733,000) was recognised in profit or loss.

26. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative not qualified for hedging

	The Group			
	2014		2013	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Copper future contracts	**778**	**—**	3	(1,813)

Copper future contracts

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

	As at 30 June 2014	As at 30 June 2013
Quantities (in tonnes)	**550**	1,365
Average price per tonne	**US$7,020**	US$6,869
Delivery period	**From July 2014 to March 2015**	From July 2013 to December 2013
Fair value gain/(loss) of copper future contracts recognised as current assets/(liabilities) (in HK$'000)	**778**	(1,810)

The above derivatives are measured at fair values at the end of each reporting period and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices at the end of reporting periods. The gain on change in fair value of derivative financial instruments of HK$728,000 (2013: loss of HK$5,385,000) has been recognised in profit or loss during the year.

27. PLEDGE OF ASSETS

At 30 June 2014, the Group has pledged the following assets to secure general banking facilities granted to the Group. The carrying amounts of these assets are analysed as follows:

		The Group	
	Notes	**2014**	2013
		HK$'000	HK$'000
Property, plant and equipment	15	**77,500**	90,955
Prepaid lease payments for land	17	**77,129**	93,414
Pledged deposits and bank balances		**47,553**	34,060
		202,182	218,429

28. BANK BALANCES AND CASH (INCLUDING THE PLEDGED BALANCES)

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Bank balances and cash and pledged deposits were denominated in the following currencies:		
Renminbi ("RMB")	**107,552**	79,306
HK$	**170,563**	61,996
U.S. Dollars	**37,791**	34,790
EURO	**144**	284
	316,050	176,376

	The Company	
	2014	2013
	HK$'000	HK$'000
Bank balances and cash were denominated in the following currencies:		
HK$	**128,632**	13,024
U.S. Dollars	**4,574**	574
	133,206	13,598

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.

29. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 30 June 2014, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$61,770,000 (2013: HK$22,668,000).

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Within 30 days	**36,643**	17,600
31 - 60 days	**21,602**	2,788
61 - 90 days	**927**	1,005
Over 90 days	**2,598**	1,275
	61,770	22,668

30. BILLS PAYABLE

At 30 June 2014 and 2013, all bills payable aged within 90 days, which are secured by certain pledged bank deposits, details of which are set out in Note 27.

31. OBLIGATIONS UNDER FINANCE LEASES

	The Group		
	Minimum lease payments	**Interest**	**Present value**
	2014	**2014**	**2014**
	HK$'000	**HK$'000**	**HK$'000**
Not later than one year	**149**	**3**	**146**

	The Group		
	Minimum lease payments	Interest	Present value
	2013	2013	2013
	HK$'000	HK$'000	HK$'000
Not later than one year	198	12	186
Later than one year and not later than five years	149	3	146
	347	15	332

31. OBLIGATIONS UNDER FINANCE LEASES (continued)

The present value of future lease payments are analysed as:

	The Group	
	2014	2013
	HK$'000	HK$'000
Current liabilities	**146**	186
Non-current liabilities	—	146
	146	332

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates and the average effective borrowing rate was 5% (2013: 4%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

32. BORROWINGS

	The Group	
	2014	2013
	HK$'000	HK$'000
Borrowings repayable within one year and are analysed as follows:		
Bank loans, secured	**87,445**	88,462
Trust receipt loans, secured	**70,774**	66,224
Other loans, unsecured	—	22,747
	158,219	177,433

The average effective interest rates of the bank borrowings range from 5.31% to 6.68% (2013: 5.99% to 7.00%) per annum.

Over 55% of the Group's bank borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

At 30 June 2014, the Group had available HK$128,810,000 (2013: HK$111,358,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

At 30 June 2013, other unsecured loan was borrowed from an independent third party and interest-bearing at 7% per month, and repayable on 25 July 2013. Subsequent to the end of reporting period, the other loan has been fully settled. There was no other unsecured loan as at 30 June 2014.

Details of the assets pledged for the Group's facilities are set out in Note 27. Certain borrowings are also secured by the corporate guarantees of the Company and its subsidiaries.

33. DEFERRED TAX

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

	The Group			
	Investment properties HK$'000	Accelerated tax depreciation HK$'000	Properties HK$'000	Total HK$'000
At 1 July 2012	14,906	13,540	6,673	35,119
Currency realignment	—	331	197	528
Charge/(credit) to profit or loss for the year (Note 11)	2,271	(538)	(429)	1,304
At 30 June 2013	17,177	13,333	6,441	36,951
Currency realignment	(361)	(145)	(69)	(575)
Charge/(credit) to profit or loss for the year (Note 11)	1,105	(1,089)	(436)	(420)
At 30 June 2014	**17,921**	**12,099**	**5,936**	**35,956**

At 30 June 2014, the Group has unused tax losses of HK$134,729,000 (2013: HK$130,846,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses of HK$134,729,000 (2013: HK$130,846,000) may be carried forward indefinitely.

At 30 June 2014 and 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with interests in subsidiaries in the PRC for which deferred tax liabilities have not been recognised is in total amount of approximately HK$1,834,000 (2013: HK$4,359,000).

34. SHARE CAPITAL

	Number of shares		Share capital	
	2014	2013	**2014**	2013
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each:				
Authorised (Note (i))	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning of the year	**187,486**	2,771,913	**1,875**	27,719
Capital reorganisation (Note (i))	—	(2,633,317)	—	(26,333)
Placements of new shares (Note (ii))	**127,490**	48,890	**1,275**	489
Open offer of new shares (Note (iii))	**1,574,878**	—	**15,749**	—
At end of the year	**1,889,854**	187,486	**18,899**	1,875

Notes:

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

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

(ii) During the year, aggregate number of 127,490,000 (2013: 48,890,000) new ordinary shares of par value of HK$0.01 (2013: HK$0.01) each were issued at subscription prices ranging from HK$0.3 each to HK$0.32 each (2013: subscription price ranging from HK$0.375 each to HK$0.4 each) to independent third parties of the Company at aggregate proceeds of HK$38,306,000 (2013: HK$18,425,000), net of issuing expenses directly related to respective placements of HK$990,000, of which HK$1,275,000 (2013: HK$489,000) was credited to share capital and the remaining balance of HK$37,031,000 (2013: HK$17,936,000) was credited to the share premium account.

(iii) During the year, 1,574,878,250 new ordinary shares of par value of HK$0.01 each were issued at subscription price of HK$0.12 per offer share on the basis of five offer shares for every one exsiting share at aggregate proceeds of HK$184,126,000, net of issuing expenses directly related to the open offer of HK$4,859,000, of which approximately HK$15,749,000 was credited to share capital and the remaining balance of approximately HK$168,377,000 was credited to the share premium account.

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

35. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2012	1,171,588	763,907	(400,806)	1,534,689
Profit and total comprehensive income for the year	—	—	(344,990)	(344,990)
Capital reorganisation (Note 34 (i))	—	—	26,333	26,333
Placements of new shares (Note 34)	17,936	—	—	17,936
At 30 June 2013 and 1 July 2013	1,189,524	763,907	(719,463)	1,233,968
Loss and total comprehensive income for the year	—	—	(6,498)	(6,498)
Placements of new shares (Note 34 (ii))	37,031	—	—	37,031
Shares issued under open offer (Note 34 (iii))	168,377	—	—	168,377
At 30 June 2014	**1,394,932**	**763,907**	**(725,961)**	**1,432,878**

36. CAPITAL COMMITMENTS

	The Group	
	2014 HK$'000	2013 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	**887**	3,988

37. LEASE COMMITMENTS

The Group as lessor

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

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**8,330**	4,533
In the second to fifth year inclusive	**11,246**	17,950
	19,576	22,483

The Group as lessee

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**553**	671
In the second to fifth year inclusive	—	671
	553	1,342

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

38. SHARE OPTION SCHEME

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

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

During the year ended 30 June 2013 and 2014, no equity-settled share-based payment was recognised in profit or loss.

As at 30 June 2013 and 2014, no outstanding share option issued.

39. RETIREMENT BENEFIT SCHEME

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK$3,164,000 (2013: HK$3,149,000).

40. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group did not enter other material transactions with related companies.

Compensation of key management personnel of the Group

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

41. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes borrowings disclosed in Note 32, obligations under finance leases disclosed in Note 31, bank balances and cash disclosed in Note 28 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

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

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Debts	**158,365**	177,765
Cash and cash equivalents	**(316,050)**	(176,376)
Net debts	**(157,685)**	1,389
Equity	**1,671,278**	1,494,321
Net debts to equity ratio	**N/A**	0.09%

42. 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 2014 and 2013 may be categorised as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost	**513,973**	373,197
Financial assets at fair value through profit or loss	**50,186**	44,334
Derivative financial assets at fair value	**778**	3
Financial liabilities		
Financial liabilities at amortised cost	**321,018**	306,936
Derivative financial liabilities at fair value	—	1,813

43. CONTINGENT LIABILITIES

As at 30 June 2014, the Company had issued guarantees to the extent of approximately HK$15,466,000 (2013: HK$19,490,000) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$15,466,000 (2013: HK$19,490,000) was utilised. The Company had issued guarantee to a financial institution amounting to approximately HK$23,250,000 (2013: HK$23,250,000) in respect of commodity trading of copper by its subsidiary.

44. EVENT AFTER REPORTING PERIOD

(i) Subsequent to the end of the financial year, on 13 August 2014, the Group, through an indirect wholly-owned subsidiary, entered into an agreement with independent third parties to inject RMB8,200,000 into a PRC company. The principal activity of the PRC company is engaged in import of metallurgical grade bauxite and selling to a sizeable state-owned enterprise in Henan for production of aluminum oxide. Upon the completion of the injection, the Group owns 51% equity interest on the PRC company. In the opinion of the directors, the Group shall have control of a majority of the board of directors of the PRC company. Please refer to the Company's announcement on 13 August 2014 for further details.

(ii) On 15 August 2014, the Group, through an indirect wholly-owned subsidiary, entered into a share transfer agreement with the joint venture partner of Dongguan Dixiang to acquire 49% equity interest in Dongguan Dixiang in consideration of RMB1,470,000. Upon the completion of the share transfer, Dongguan Dixiang will be a wholly owned subsidiary of the Group.

FINANCIAL SUMMARY

RESULTS

The Group

	Year ended 30 June 2014 HK$'000	Year ended 30 June 2013 HK$'000	Year ended 30 June 2012 HK$'000	Year ended 30 June 2011 HK$'000	Year ended 30 June 2010 HK$'000
Turnover	**804,284**	601,611	612,863	707,535	1,404,280
(Loss)/profit before taxation	**(37,590)**	(413,177)	(91,840)	356,702	(106,305)
Taxation	**(125)**	(1,894)	(14,292)	1,522	(32,355)
(Loss)/profit for the year	**(37,715)**	(415,071)	(106,132)	358,224	(138,660)
(Loss)/profit attributable to:					
Owners of the Company	**(37,709)**	(415,071)	(106,132)	358,224	(138,660)
Non-controlling interests	**(6)**	—	—	—	—
	(37,715)	(415,071)	(106,132)	358,224	(138,660)

ASSETS AND LIABILITIES

	At 30 June 2014 HK$'000	At 30 June 2013 HK$'000	At 30 June 2012 HK$'000	At 30 June 2011 HK$'000	At 30 June 2010 HK$'000
Total assets	**2,030,718**	1,840,678	2,220,516	2,055,907	2,323,348
Total liabilities	**(357,109)**	(345,857)	(325,727)	(224,047)	(1,421,276)
	1,673,609	1,494,821	1,894,789	1,831,860	902,072
Attributable to:					
Owners of the Company	**1,671,278**	1,494,321	1,894,289	1,831,360	901,572
Non-controlling interests	**2,331**	500	500	500	500
	1,673,609	1,494,821	1,894,789	1,831,860	902,072