國藏集團有限公司

Guocang Group Limited

(Incorporated in Bermuda with limited liability)

(香港聯合交易所上市編號｜HK Stock code：559)

2015 ANNUAL REPORT

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

CHIU Wai On
MAN Kwok Leung
WONG Yun Kuen

COMPANY SECRETARY

CHI Chi Hung, Kenneth

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK CODE

559

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www.guocanggroup.com

AUDITOR

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Hong Kong

LEGAL ADVISER

Michael Li & Co.
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39 Queen's Road Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Bank of Communications Co., Ltd.
Hang Seng Bank Limited
The Bank of East Asia, Limited

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Guocang Group Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2015.

BUSINESS REVIEW AND PROSPECTS

Profit for the year ended 30 June 2015 attributable to shareholders of the Company amounted to approximately HK$12.1 million as compared to the loss of approximately HK$41.3 million for the same financial period of 2014. Basic earnings per share was approximately HK0.33 cent as compared to basic loss per share of HK1.15 cents in the previous year. The turnaround was mainly due to (i) the gain on change in fair value of financial assets at fair value through profit or loss and (ii) the gain on disposal of subsidiaries, which were partly offset by (a) the share-based payment expenses, (b) impairment loss on trade receivables and (c) increase in interest on corporate bonds.

During the year under review, the Group's turnover of the liquor and wine business was decreased by approximately 63.1% to approximately HK$33.5 million (2014: approximately HK$90.9 million), representing 67.4 % of the Group's total turnover, and recorded a segment loss of approximately HK$32.7 million (2014: approximately HK$647.8 million). The decline in segment loss in 2015 compared with 2014 was mainly due to the absence of one-off impairment of intangible asset and goodwill in the last year. The performance of the liquor and wine business for the year under review was still affected by the industrial adjustment and a number of frugality policies enforced by the Chinese government, especially the high-end liquor products. The demand of high-end liquor products remained at low level. In view of the challenges in high-end liquor market in the People's Republic of China (the "PRC"), the Group has adjusted its product structure from high-end liquor to wine and other alcoholic beverages and expects the turnover of the liquor and wine business will be steadily improved in coming years. Collaboration with various well-known wine and other alcoholic beverages manufacturers and increasing the publicity are the short-term targets to the Group in relation to the liquor and wine business.

The Group's money lending business experienced rapid growth during the year. The turnover of money lending business significantly increased by approximately 294.3 % to approximately HK$13.8 million compared to that of HK$3.5 million in the previous year and recorded a segment profit of approximately HK$14.4 million (2014: approximately HK$4.0 million). Such growth was mainly attributed to the expansion of our loan portfolio and loan balance. All the borrowers have been carefully evaluated by the Group on their repayment capability and securities provided. The Group will continue to explore other money lending opportunities under cautious granting loan approach.

Reduction of emission and save of energy were highly be aware by the global recently and the Chinese government has released a number of supportive policies to facilitate the development of the new energy sector, the Group has grasped the opportunity in stepping into the green energy industry by acquiring the electric cycles business in May 2015 successfully. Solar powered electric cycle is one of the major products in the newly acquired electric cycles business. The Group will accelerate to promote the solar-powered electric cycles in domestic market, enhance its quality and enrich product models. It is expected that the Group will experience a rapid development in clean energy industry together with its related business.

Chairman's Statement

Furthermore, the Group planned to diversify its business in construction and operation of liquefied natural gas ("LNG") stations. On 28 July 2015, the Company entered into a non-binding memorandum of understanding (the "Memorandum") in relation to the possible acquisition of entire interest of Cosmos Rich Global Limited. Cosmos Rich Global Limited together with its subsidiaries will be engaged in construction and operation of LNG stations in the PRC. The Company will negotiate with the vendor aggressively to enter into a formal sale and purchase agreement.

The Group foresees a good prospect with high and sustainable growth within the new energy sector and in view of recent clean energy related engagements, the Directors proposed to change the Company's name from "Guocang Group Limited" to "DeTai New Energy Group Limited" in order to reflect the Group's plan to focus on businesses in clean energy sector.

On the other hand, in view of the fact that both the cable and wires business and copper rods business have been affected by increasing labour costs and the competitive market in recent years, the financial and operating performance of these two segments remained lack of satisfaction. On 25 November 2014, the Group has disposed of Hua Yi Copper (BVI) Company Limited and its subsidiaries (collectively referred to as the "Hua Yi Group") which engaged in copper rods business and cable and wires business. The Hua Yi Group recorded a profit for the year ended 30 June 2015 of approximately HK$40.4 million (2014: loss of approximately HK$12.7 million). Upon the disposal, the Group recorded a gain of approximately HK$43.2 million which included in the profit for the year ended 30 June 2015. Upon the completion of the disposal, the Group can utilise its existing resources in the other segments more effectively and efficiently.

With the continuous growth of tourism and the potential momentum and prospects of the hotel and resort industry in Japan, Noble Advantage Limited ("Noble Advantage"), a direct wholly-owned subsidiary of the Company entered into a subscription agreement with Integrated Capital Investments Limited ("Integrated Capital") in relation to the subscription of the 3-year 3.65% coupon convertible bonds in a principal amount of HK$388 million on 4 September 2015. Upon the full conversion of the convertible bonds, the Group will hold 95% equity interest of the direct wholly-owned subsidiary of Integrated Capital, which is established in Japan and engaged in the operation of resort in Niseko, Hokkaido, Japan. Niseko is one of the famous ski resort areas in Japan and is well known for its heavy light powder snow and spectacular backcountry. The subscription provides an attractive and unique opportunity to the Group to be positioned in the Japan resort industry.

Looking forward, the Group will continue to proactively seize strategic investment opportunities with an aim to further strengthen the asset base and strive for the best return to the shareholders.

APPRECIATION

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

Wong Hin Shek
Chairman

Hong Kong, 18 September 2015

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Group was engaged in four business segments, (i) manufacturing and trading of electric cycles; (ii) trading and distribution of liquor and wine; (iii) provision of money lending services; and (iv) investments in listed securities. For the year ended 30 June 2015, the Group recorded a turnover of approximately HK$49.7 million (2014: approximately HK$94.4 million). Profit for the year attributable to shareholders of the Company was approximately HK$12.1 million (2014: loss of approximately HK$41.3 million). The turnaround was mainly due to (i) the gain on change in fair value of financial assets at fair value through profit or loss and (ii) the gain on disposal of subsidiaries, which were partly offset by (a) the share-based payment expenses, (b) impairment loss on trade receivables and (c) increase in interest on corporate bonds. Basic earnings per share were approximately HK0.33 cent (2014: basic loss per share of approximately HK1.15 cents).

On 25 November 2014, the Group has disposed of the Hua Yi Group which engaged in copper rods and cable and wires business. The Hua Yi Group recorded a profit for the year ended 30 June 2015 of approximately HK$40.4 million (2014: loss of approximately HK$12.7 million). Upon the disposal, the Group recorded a gain of approximately HK$43.2 million which included in the profit for the year ended 30 June 2015. The Group will further utilise its existing resources in the development of other business segments.

Electric Cycles Business

On 29 May 2015, the Group acquired 85% equity interest in Delta Prestige Holdings Limited and its subsidiaries (the "Delta Prestige Group"), which was principally engaged in the research and development, manufacturing and trading of electric cycles. Delta Prestige Group currently has a portfolio of solar-powered electric cycles to meet different users' needs and increasing demand.

The electric cycles business recorded a segment loss of approximately HK$2.6 million for 1 month from the date of completion of the acquisition, i.e. 29 May 2015. Pursuant to the terms of the sale and purchase agreement dated 26 April 2015 in relation to the acquisition of electric cycles business, the vendor has irrevocably warranted and guaranteed to the Company that the after-tax audited consolidated net profit of Delta Prestige Group for the year ending 30 June 2016 shall not be less than HK$100 million. The Directors are of the view that the solar-powered electric cycles would be a good substitute of traditional motorcycle which bring energy saving and cost saving for end users and expect the electric cycles business would further strengthen the revenue stream of the Group in near future.

Liquor and Wine Business

The turnover for the year ended 30 June 2015 of the liquor and wine business dropped significantly by approximately HK$57.4 million to approximately HK$33.5 million (2014: approximately HK$90.9 million) and a segment loss of approximately HK$32.7 million (2014: approximately HK$647.8 million) was recorded. The performance of the liquor and wine business for the year under review was still affected by the industrial adjustment and a number of frugality policies enforced by the Chinese government, especially the high-end liquor products. The demand of high-end liquor products remained at low level. During the year under review, the repayment capability of certain customers declined as they had requested for delay payment for their accumulated inventories and drop of sales. Taking into account of the market situation and the repayment pattern of the Group's customers, the Group has further provided impairment on the long overdue trade receivables during the year under review. The Group has adjusted its product structure from high-end liquor to wine and other alcoholic beverages and expects the turnover of the liquor and wine business will be steadily improved in coming years.

Management Discussion and Analysis

Pursuant to the terms of sale and purchase agreement dated 1 November 2012 and the supplemental agreement dated 23 January 2013 entered into between the Group and the vendor in relation to the acquisition of liquor and wine business, if the profits of the acquired liquor and wine business for the three years ended/ending 31 December 2013, 2014 and 2015 in aggregate shall be less than RMB300 million, the number of the convertible preference shares to be released to the vendor will be adjusted downward. Based on the preliminary assessment of the Company, the estimated profit of the acquired liquor and wine business for the three years ended/ending 31 December 2013, 2014 and 2015 in aggregate is likely to be lower than RMB300 million. Therefore, a gain on change in fair value of contingent share consideration payable of approximately HK$10.6 million was recognised and contingent share consideration payable was fully reversed for the year ended 30 June 2015.

Money Lending Services

As at 30 June 2015, the Group had loans receivable with principal amount of approximately HK$206.9 million (2014: approximately HK$73.7 million). The Group recorded interest income from loans receivable of approximately HK$13.8 million for the year ended 30 June 2015 (2014: approximately HK$3.5 million). All the borrowers have been carefully evaluated by the Group on their repayment capability and securities provided.

Listed Securities Investments

As at 30 June 2015, the Group managed a portfolio of listed securities with fair value of approximately HK$215.5 million (2014: approximately HK$85.5 million). During the year under review, the Group recorded a gain on fair value change of investments in listed securities of approximately HK$ 67.4 million (2014: approximately HK$134.1 million) due to favorable performance of listing securities as at the record date.

PROSPECTS

In view of the challenges in high-end liquor market in the PRC, the Group has adjusted its product structure to wine and other alcoholic beverages. Collaboration with various well-known wine and other alcoholic beverages manufacturers and increasing the publicity are the short-term targets to the Group in relation to the liquor and wine business.

Reduction of emission and save of energy were highly be aware by the global recently and the Chinese government has released a number of supportive policies to facilitate the development of the new energy sector, the Group has grasped the opportunity in stepping into the green energy industry by acquiring the electric cycles business in May 2015 successfully. Solar-powered electric cycle is one of the major products in the newly acquired electric cycles business. The Group will accelerate to promote the solar-powered electric cycles in domestic market, enhance its quality and enrich product models. It is expected that the Group will experience a rapid development in clean energy industry together with its related business.

Furthermore, the Group planned to diversify its business in construction and operation of LNG stations. On 28 July 2015, the Company entered into the Memorandum in relation to the possible acquisition of entire interest of Cosmos Rich Global Limited. Cosmos Rich Global Limited together with its subsidiaries will be engaged in construction and operation of LNG stations in the PRC. The Company will negotiate with the vendor aggressively to enter into a formal sale and purchase agreement.

Apart from the above, the Group will continue to procure the completion of the acquisition of the businesses engaged in the development and sale of new energy automobiles.

Management Discussion and Analysis

On 4 September 2015, Noble Advantage, a direct wholly-owned subsidiary of the Company entered into a subscription agreement with Integrated Capital in relation to the subscription of the 3-year 3.65% coupon convertible bonds in a principal amount of HK$388 million. Upon the full conversion of the convertible bonds, the Group will hold 95% equity interest of the direct wholly-owned subsidiary of Integrated Capital, which is established in Japan and engaged in the operation of resort in Niseko, Hokkaido, Japan. Niseko is one of the famous ski resort areas in Japan and is well known for its heavy light powder snow and spectacular backcountry. The subscription provides a unique opportunity to the Group to be positioned in the Japan resort industry.

The Group foresees a good prospect with high and sustainable growth within the new energy sector and in view of recent clean energy related engagements, the Directors proposed to change the Company's name from "Guocang Group Limited" to "DeTai New Energy Group Limited" in order to reflect the Group's plan to focus on businesses in clean energy sector.

Looking ahead, the Group will continue to cautious in its investment approach on listed securities investments, closely monitor the electric cycles and liquor and wine business and money lending services and seize other growth opportunities to enhance competitiveness to strive for the best return to the shareholders.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 30 June 2015 (2014: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 30 June 2015, the Group had cash and bank balances amounting to approximately HK$179.6 million (2014: approximately HK$528.1 million) and net current assets value was approximately HK$960.7 million (2014: approximately HK$717.9 million).

The Group's gearing ratio as at 30 June 2015 was 0.14 (2014: 0.33), being a ratio of total debts, including bills payable, borrowings, corporate bonds and contingent share consideration payable under financial liabilities of approximately HK$179.7 million (2014: approximately HK$246.9 million) to the shareholders' fund of approximately HK$1,299.7 million (2014: approximately HK$747.4 million).

During the year, a direct wholly-owned subsidiary issued 3-year 8% and 10% coupon unlisted straight guaranteed bonds with principal amount of HK$102.0 million and HK$84.5 million respectively (2014: HK$15.5 million and HK$57.5 million respectively). The bonds are guaranteed by the Company.

PLEDGE OF ASSETS

As at 30 June 2015, the Group had not pledged any property, plant and equipment and prepaid lease payments for land to secure general banking facilities granted to the Group (2014: approximately HK$43.9 million). As at 30 June 2015, the Group had not pledged any bank deposits for the bank loans (2014: approximately HK$121.5 million).

Save as disclosed above, no other group assets were charged or pledged to secure any loans or borrowings.

Management Discussion and Analysis

CAPITAL STRUCTURE

On 21 January 2015, the Board granted 359,000,000 share options to the eligible participants as defined in the share option scheme adopted by the Company on 13 December 2013 at the exercise price of HK$0.32 per share.

During the year ended 30 June 2015, 182,700,000 share options were exercised and 52,700,000 share options were lapsed/cancelled.

On 29 May 2015, 700,000,000 ordinary shares were allotted and issued at an issued price of HK$0.4 per share upon the completion of the acquisition of 85% equity interest of Delta Prestige Group, which was engaged in electric cycles business pursuant to the terms of the sale and purchase agreement dated 26 April 2015.

Save as disclosed above, the Company had no other changes in capital structure during the year ended 30 June 2015.

INVESTMENT POSITION AND PLANNING

On 5 September 2014, Noble Advantage entered into a non-legally binding memorandum of understanding (the "MOU") with Integrated Capital, in connection with a possible subscription of convertible bonds. Pursuant to the terms of the MOU, a refundable deposit of HK$180 million has been paid in cash to Integrated Capital upon signing of the MOU. On 4 September 2015, a subscription agreement was entered into between Noble Advantage and Integrated Capital in relation to the subscription of the 3-year 3.65% coupon convertible bonds in a principal amount of HK$388 million. Integrated Capital has a direct wholly-owned subsidiary which was engaged in the operation of resort in Niseko, Hokkaido, Japan. Details of the transaction are set out in the Company's announcement dated 4 September 2015.

On 25 November 2014, the Group completed the disposal of its entire interest in Hua Yi Group, which carried out copper rods and cable and wires businesses, to an independent third party at cash consideration of HK$136.2 million. Upon the disposal, the Group's resources were reallocated to other businesses.

On 4 February 2015, the Company as purchaser entered into a sale and purchase agreement (the "SPA") with Mr. Yam Tak Cheung ("Mr. Yam") as vendor and Mr. He Yumin ("Mr. He") as executive. Both Mr. Yam and Mr. He are independent third parties of the Group. Pursuant to the terms of the SPA, (i) the Company has conditionally agreed to acquire and Mr. Yam has conditionally agreed to sell the entire issued share capital of Green Flourish Enterprises Limited ("Green Flourish") and all the liabilities, loans and obligations owing by Green Flourish and its subsidiaries at completion in an aggregate consideration of HK$193,777,200, which shall be satisfied to Mr. Yam by allotment and issue of 538,270,000 shares at an issue price of HK$0.36 per share at completion; and (ii) Mr. He has agreed to enter into a services agreement with a company to be established as a wholly foreign-owned enterprise in the PRC pursuant to the terms and conditions of the SPA at completion. Green Flourish and its subsidiaries intend to be principally engaged in new energy business including but not limited to electric vehicle business. Details of the transaction are set out in the Company's announcements dated 4 February 2015 and 4 August 2015.

Management Discussion and Analysis

On 30 March 2015, Tech Bloom Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser entered into a framework agreement with Mr. He and Ms. Zhao Yanjun (Mr. He and Ms. Zhao collectively referred to as vendors) and 深圳市星美新能源汽車有限公司 (in English, for identification purpose only, Shenzhen Xingmei New Energy Automobile Limited) ("Shenzhen Xingmei") as the target company. The vendors and Shenzhen Xingmei are independent third parties of the Group. Pursuant to the terms of the framework agreement, the purchaser agreed to acquire and the vendors agreed to sell the entire equity interest of Shenzhen Xingmei in cash consideration of RMB200 million. The business scope of Shenzhen Xingmei includes the development and sales of new energy automobiles, batteries and battery charging equipment; corporate management and advisory; and permitted operations of manufacture of new energy automobiles and batteries. Details of the transaction are set out in the Company's announcement dated 31 March 2015.

On 29 May 2015, the Group completed the acquisition of Delta Prestige Group, which was principally engaged in the research and development, manufacturing and trading of electric cycles. Pursuant to the terms of the sale and purchase agreement dated 26 April 2015 in relation to the acquisition of electric cycles business, the Company has allotted and issued 700,000,000 ordinary shares at an issue price of HK$0.4 per share to the vendor and his nominees as the consideration of the acquisition.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no significant contingent liabilities (2014: Nil).

COMMITMENTS

As at 30 June 2015, the Group had capital commitments, which are contracted but not provided for, in respect of purchase of plant and machinery and motor vehicles amounting to approximately HK$1.5 million (2014: approximately HK$0.64 million).

FOREIGN CURRENCY RISK

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had approximately 80 (2014: 480) employees in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for PRC employees and share option scheme.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. Wong Hin Shek ("Mr. Wong"), aged 45, has been appointed as the Chairman and Executive Director of the Company since July 2009. He has over 21 years of experience in the investment banking industry. Mr. Wong holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. Mr. Wong is also a responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. He has been involved in the management, business development and strategic investment of listed companies in Hong Kong. Mr. Wong is currently an executive director of each of Excel Development (Holdings) Limited (stock code: 1372) and Sino Golf Holdings Limited (stock code: 361). Mr. Wong was an executive director of KuangChi Science Limited (formerly known as "Climax International Company Limited") (stock code: 439) from June 2007 to August 2014.

Mr. Chi Chi Hung, Kenneth ("Mr. Chi"), aged 47, has been appointed as the Chief Executive Officer and the Executive Director of the Company since January 2010. Mr. Chi has over 20 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is currently an executive director of Ceneric (Holdings) Limited (stock code: 542). He is also an independent non-executive director of each of Aurum Pacific (China) Group Limited (stock code: 8148), Silk Road Energy Services Group Limited (stock code: 8250), Perfect Shape (PRC) Holdings Limited (stock code: 1830), Noble Century Investment Holdings Limited (stock code: 2322) and L'sea Resources International Holdings Limited (stock code: 195). Mr. Chi was an executive director of each of e-Kong Group Limited (stock code: 524) from September 2014 to July 2015 and GET Holdings Limited (formerly known as "M Dream Inworld Limited") (stock code: 8100) from July 2010 to June 2014. Mr. Chi was an executive director and a non-executive director of China Sandi Holdings Limited (stock code: 910) from May 2010 to January 2015 and from January 2015 to August 2015 respectively. Mr. Chi was also an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) from January 2010 to August 2015.

Directors' Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Wai On ("Mr. Chiu"), aged 45, joined the Company since June 2009. Mr. Chiu is also the chairman of each of the audit committee, remuneration committee and nomination committee of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chiu possesses over 10 years of professional experience in accounting and auditing services. Mr. Chiu is also an independent non-executive director of New Times Energy Corporation Limited (stock code: 166).

Mr. Man Kwok Leung ("Mr. Man"), aged 68, joined the Company since May 2009. Mr. Man is also the member of each of the audit committee, remuneration committee and nomination committee of the Company. He is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. He is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. Mr. Man is currently an independent non-executive director of Noble Century Investment Holdings Limited (stock code: 2322). He was an independent non-executive director of each of KuangChi Science Limited (formerly known as "Climax International Company Limited") (stock code: 439) from May 2008 to August 2014 and Kong Sun Holdings Limited (stock code: 295) from June 2009 to September 2014.

Dr. Wong Yun Kuen ("Dr. Wong"), aged 58, joined the Company since June 2009. Dr. Wong is also the member of each of the audit committee, remuneration committee and nomination committee of the Company. He received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is the chairman of the board and an executive director of UBA Investments Limited (stock code: 768), and an independent non-executive director of each of Far East Holdings International Limited (stock code: 36), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), GT Group Holdings Limited (stock code: 263), Kingston Financial Group Limited (stock code: 1031), China Sandi Holdings Limited (stock code: 910) and Sincere Watch (Hong Kong) Limited (stock code: 444). Dr. Wong was an independent non-executive director of each of KuangChi Science Limited (formerly known as "Climax International Company Limited") (stock code: 439) from June 2007 to August 2014, Huajun Holdings Limited (formerly known as "New Island Development Holdings Limited") (stock code: 377) from October 2010 to September 2014, Huge China Holdings Limited (formerly known as "Harmony Asset Limited") (stock code: 428) from September 2004 to January 2015 and Kong Sun Holdings Limited (stock code: 295) from April 2007 to November 2014.

SENIOR MANAGEMENT

The executive directors of the Company are also members of senior management of the Group.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The existing independent non-executive Directors were not appointed for a specific term as required under the code provision A.4.1 but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company (the "Bye-laws"). As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

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

The Board meets regularly throughout the financial year. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the company secretary 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.

Corporate Governance Report

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

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

Appointment, Re-election and Removal of Directors

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

According to Bye-law 87 of the Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every 3 years, and shall then be eligible for re-election.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD COMMITTEES

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

Audit Committee

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

Corporate Governance Report

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

The Audit Committee held 2 meetings during the year ended 30 June 2015. The attendance record of each member of the Audit Committee is set out in the sub-section "Directors' and Committees' Meeting Attendance" below.

Remuneration Committee

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

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

The Remuneration Committee held 2 meetings during the year ended 30 June 2015. The attendance record of each member of the Remuneration Committee is set out in the sub-section "Directors' and Committees' Meeting Attendance" below.

Nomination Committee

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

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

The Nomination Committee held 1 meeting during the year ended 30 June 2015. The attendance record of each member of the Nomination Committee is set out in the sub-section "Directors' and Committees' Meeting Attendance" below.

Corporate Governance Report

DIRECTORS' AND COMMITTEES' MEETING ATTENDANCE

During the year ended 30 June 2015, the Board held 52 Board meetings.

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

	No. of meetings attended/held					
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Special General Meeting
Executive Directors						
Mr. Wong Hin Shek	50/52	–	–	–	1/1	2/3
Mr. Chi Chi Hung, Kenneth	50/52	–	–	–	1/1	3/3
Independent non-executive Directors						
Mr. Chiu Wai On	18/52	2/2	2/2	1/1	1/1	3/3
Mr. Man Kwok Leung	17/52	2/2	2/2	1/1	1/1	2/3
Dr. Wong Yun Kuen	16/52	2/2	2/2	1/1	1/1	3/3

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

For the year ended 30 June 2015, the executive Directors, Mr. Wong Hin Shek and Mr. Chi Chi Hung, Kenneth and the independent non-executive Directors, Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen confirmed their participation in continuous professional development as follows:

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

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 30 June 2015, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the external auditor of the Company regarding their reporting responsibilities on the financial statements of the Company is set out in the "Independent Auditor's Report" of this annual report.

DIRECTORS' AND OFFICERS' LIABILITIES

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

COMPANY SECRETARY

The Company Secretary, Mr. Chi Chi Hung, Kenneth, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of directors.

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

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services for the year ended 30 June 2015 provided by the Company's auditor, BDO Limited, are as follows:

	HK$'000
Audit services	1,300
Non-audit services (Note)	800
Total	2,100

Note:

The non-audit services mainly included professional fees in relation to a notifiable transaction.

SHAREHOLDERS' RIGHTS

(I) Convene a Special General Meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at the general meetings of the Company can at all times submit a signed written requisition, specifying the purpose, to the Board or the Company Secretary to require the convening of a special general meeting ("SGM"). If within 21 days of such deposit the Board fails to proceed to convene the SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, themselves may convene a SGM, but any SGM so convened shall not be held after the expiration of three months from 21 days of the deposit.

Corporate Governance Report

(II) Send Enquiries to the Board

Enquiries of shareholders can be sent to the Company either by email at info.gc@guocanggroup.com or by post to the Company's Hong Kong head office at 12/F., Henley Building, 5 Queen's Road Central, Hong Kong. Shareholders can also make enquires with the Board directly at the general meetings.

(III) Make Proposals at General Meetings

Shareholders representing not less that one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the general meeting or who are no less than 100 shareholders can submit a written requisition to the Board or the Company Secretary to propose a resolution at a general meeting. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form). Such requisition must be deposited to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda not less than 6 weeks before the general meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the general meeting in the case of any other requisition and be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules.

INVESTOR RELATIONS

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

During the year ended 30 June 2015, there has not been any change in the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the Company's website and the Stock Exchange's website.

INTERNAL CONTROL

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

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are engaged in the businesses of (i) electric cycles; (ii) liquor and wine; (iii) money lending services and (iv) investments in listed securities.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 June 2015 are set out in the consolidated statement of comprehensive income on page 25 and 26.

The Board resolved not to pay any final dividend for the year ended 30 June 2015.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2015, the five largest customers of the Group together accounted for approximately 44% (2014: approximately 38%), with the largest customer accounted for approximately 19% (2014: approximately 10%) of the Group's total turnover. The five largest suppliers of the Group together accounted for approximately 88% (2014: approximately 62%), with the largest supplier accounted for approximately 61% (2014: approximately 25%) of the Group's total purchases during the year.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements during the year in the share capital and share options of the Company are set out in respective note 31 and 39 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 30 June 2015, the Company had no reserves available for distribution (2014: Nil).

Directors' Report

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 104.

EVENTS AFTER THE REPORTING PERIOD

Memorandum of understanding in relation to the possible acquisition of LNG station business

On 28 July 2015, the Company entered into the Memorandum in relation to the possible acquisition of entire interest of Cosmos Rich Global Limited. Cosmos Rich Global Limited together with its subsidiaries will be engaged in construction and operation of LNG stations in PRC. Pursuant to the terms of the Memorandum, the parties to the Memorandum shall negotiate in good faith towards one another in ensuring that a formal sale and purchase agreement will be entered into on or before 31 October 2015. Details of the transaction are set out in the Company's announcement dated 28 July 2015.

Transaction relating to subscription of convertible bonds

On 4 September 2015, a subscription agreement was entered into between Noble Advantage and the Integrated Capital in relation to the subscription of the 3-year 3.65% coupon convertible bonds in a principal amount of HK$388 million. Integrated Capital has a direct wholly-owned subsidiary which is engaged in the operation of resort in Niseko, Hokkaido, Japan. Details of the transaction are set out in the Company's announcement dated 4 September 2015.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

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

Independent non-executive Directors:

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

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

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

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

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 30 June 2015, which do not constitute connected transactions in accordance with the requirements of the Listing Rules, are disclosed in note 40 to the consolidated financial statements.

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

As at 30 June 2015, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Long positions in the shares of the Company

Name of Directors	Capacity	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the issued share capital
Mr. Wong Hin Shek	Beneficial owner	–	29,900,000	29,900,000	0.67%
Mr. Chi Chi Hung, Kenneth	Beneficial owner	23,000,000	–	23,000,000	0.51%

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

Directors' Report

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

As at 30 June 2015 , the following shareholders (other than the Directors or the chief executive of the Company) had an interest or short positions in the shares or underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follows:

Long positions in the shares of the Company

Name of substantial shareholders	Capacity	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the issued share capital
Goldsure Limited (Note 1)	Beneficial owner	–	1,238,095,238	1,238,095,238	27.65%
Mr. Tang Tong (Note 1)	Interest of controlled corporation	–	1,238,095,238	1,238,095,238	27.65%
Intense Rise Holdings Limited (Note 2)	Beneficial owner	870,007,125	–	870,007,125	19.43%
Mr. Choy Shiu Tim (Note 2)	Beneficial owner and Interest of controlled corporation	1,050,007,125	–	1,050,007,125	23.45%
Wise Profit Group Limited (Note 3)	Beneficial owner	418,210,000	–	418,210,000	9.34%
Mr. Wong Yat Fai (Note 3)	Beneficial owner and Interest of controlled corporation	420,510,000	–	420,510,000	9.40%

Notes:

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

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

3. The 418,210,000 Shares out of the 420,510,000 Shares are held by Wise Profit Group Limited, which is wholly-owned by Mr. Wong Yat Fai. Thus, he is deemed to be interested in the 418,210,000 Shares held by Wise Profit Group Limited pursuant to the SFO.

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

Directors' Report

CORPORATE GOVERNANCE

Full details on the Company's corporate governance practices are set out on page 12 to 17.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management of the Company and the external auditor the Group's annual results for the year ended 30 June 2015, and was of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements for the year have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Hin Shek
Chairman and Executive Director

Hong Kong, 18 September 2015

Independent Auditor's Report

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

We have audited the consolidated financial statements of Guocang Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 103, which comprise the consolidated and company statements of financial position as at 30 June 2015, 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 Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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

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

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 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Hung Yun, Andrew
Practising Certificate Number P04092
Hong Kong, 18 September 2015

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Continuing operations			
Turnover	6	**49,698**	94,353
Cost of sales		**(21,453)**	(72,446)
Gross profit		**28,245**	21,907
Interest income		**2,528**	6,713
Other income		**20**	2,075
Selling and distribution expenses		**(3,190)**	(5,027)
General and administrative expenses		**(119,230)**	(110,556)
Finance costs	9	**(17,100)**	(5,751)
Reversal of impairment loss on loans receivable	22	**600**	550
Impairment loss on intangible assets	17	**–**	(178,511)
Impairment loss on goodwill	18	**–**	(429,617)
Change in fair value of financial assets at fair value through profit or loss	23	**67,414**	134,118
Change in fair value of financial liabilities at fair value through profit or loss	28	**10,575**	490,854
Loss before income tax	7	**(30,138)**	(73,245)
Income tax credit	10	**1,216**	44,627
Loss after income tax from continuing operations		**(28,922)**	(28,618)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	35.1	**40,445**	(12,658)
Profit/(loss) for the year		**11,523**	(41,276)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of financial statements of foreign operations		**(4,638)**	566
Release of exchange reserve to profit or loss upon disposal of subsidiaries	35.2	**(35,890)**	–
Other comprehensive income for the year		**(40,528)**	566
Total comprehensive income for the year		**(29,005)**	(40,710)

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**12,055**	(41,276)
Non-controlling interests		**(532)**	–
		11,523	(41,276)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(28,471)**	(40,710)
Non-controlling interests		**(534)**	–
		(29,005)	(40,710)
Earnings/(loss) per share attributable to owners of the Company:	13		
From continuing and discontinued operations			
— Basic		**0.33HK cent**	(1.15)HK cents
— Diluted		**N/A**	N/A
From continuing operations			
— Basic		**(0.77)HK cent**	(0.80)HK cent
— Diluted		**N/A**	N/A
From discontinued operations			
— Basic		**1.10HK cents**	(0.35)HK cent
— Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**26,648**	87,022
Prepayments for acquisition of property, plant and equipment	14	–	582
Prepaid lease payments for land	15	–	9,762
Intangible assets	17	**116,112**	–
Goodwill	18	**388,766**	–
Prepayments	19	**12,880**	2,370
Total non-current assets		**544,406**	99,736
Current assets			
Inventories	20	**97,286**	138,577
Trade receivables, other receivables, deposits and prepayments	19	**300,412**	197,605
Bills receivable	21	–	12,182
Loans receivable	22	**200,164**	65,610
Prepaid lease payments for land	15	–	248
Financial assets at fair value through profit or loss	23	**215,519**	85,489
Pledged deposits	24	–	121,534
Bank balances and cash	24	**179,585**	406,578
Total current assets		**992,966**	1,027,823
Current liabilities			
Trade payables, other advances and accruals	25	**21,756**	123,492
Bills payable	26	–	1,460
Borrowings	27	–	165,278
Tax payable		**10,413**	9,007
Financial liabilities at fair value through profit or loss	28	–	10,675
Total current liabilities		**32,169**	309,912
Net current assets		**960,797**	717,911
Total assets less current liabilities		**1,505,203**	817,647

Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Corporate bonds	29	**179,704**	69,526
Deferred tax liabilities	30	**25,817**	690
Total non-current liabilities		**205,521**	70,216
Net assets		**1,299,682**	747,431
EQUITY			
Share capital	31	**223,856**	179,721
Reserves		**1,035,938**	567,597
Equity attributable to owners of the Company		**1,259,794**	747,318
Non-controlling interests		**39,888**	113
Total equity		**1,299,682**	747,431

These consolidated financial statements are approved and authorised for issue by the board of directors on 18 September 2015 and are signed on its behalf by:

Wong Hin Shek
DIRECTOR

Chi Chi Hung, Kenneth
DIRECTOR

Statement of Financial Position

As at 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	**1,173,538**	567,902
Property, plant and equipment	14	**930**	1,198
Total non-current assets		**1,174,468**	569,100
Current assets			
Prepayments		**3,446**	199
Bank balances and cash		**12**	14
Total current assets		**3,458**	213
Current liabilities			
Accruals		**294**	232
Amounts due to subsidiaries	16	**7,059**	12,522
Financial liabilities at fair value through profit or loss	28	**–**	10,575
Total current liabilities		**7,353**	23,329
Net current liabilities		**(3,895)**	(23,116)
Net assets		**1,170,573**	545,984
EQUITY			
Share capital	31	**223,856**	179,721
Reserves	32	**946,717**	366,263
Total equity		**1,170,573**	545,984

These financial statements are approved and authorised for issue by the board of directors on 18 September 2015 and are signed on its behalf by:

Wong Hin Shek
DIRECTOR

Chi Chi Hung, Kenneth
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Equity attributable to owners of the Company										
	Share capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000 (note (a))	Exchange reserve* HK$'000 (note (b))	Statutory reserve fund* HK$'000 (note (c))	Special reserve* HK$'000 (note (d))	Share option reserve* HK$'000 (note (e))	Accumulated losses* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2013	179,721	610,635	340,932	36,961	16,900	(43,246)	49,999	(448,404)	743,498	113	743,611
Recognition of equity-settled share-based payments expense	–	–	–	–	–	–	44,530	–	44,530	–	44,530
Lapsed of share options	–	–	–	–	–	–	(16,491)	16,491	–	–	–
Transactions with owners	–	–	–	–	–	–	28,039	16,491	44,530	–	44,530
Comprehensive income											
Loss for the year	–	–	–	–	–	–	–	(41,276)	(41,276)	–	(41,276)
Other comprehensive income											
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	566	–	–	–	–	566	–	566
Total comprehensive income for the year	–	–	–	566	–	–	–	(41,276)	(40,710)	–	(40,710)
At 30 June 2014	179,721	610,635	340,932	37,527	16,900	(43,246)	78,038	(473,189)	747,318	113	747,431

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Equity attributable to owners of the Company										
	Share capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000 (note (a))	Exchange reserve* HK$'000 (note (b))	Statutory reserve fund* HK$'000 (note (c))	Special reserve* HK$'000 (note (d))	Share option reserve* HK$'000 (note (e))	Accumulated losses* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2014	179,721	610,635	340,932	37,527	16,900	(43,246)	78,038	(473,189)	747,318	113	747,431
Arising from acquisition of subsidiaries (note 34)	–	–	–	–	–	–	–	–	–	40,309	40,309
Issue of shares for acquisition of subsidiaries (note 34)	35,000	413,000	–	–	–	–	–	–	448,000	–	448,000
Share issued upon exercise of share options	9,135	67,370	–	–	–	–	(17,780)	–	58,725	–	58,725
Release of statutory reserve fund to profit or loss upon disposal of subsidiaries	–	–	–	–	(14,005)	–	–	14,005	–	–	–
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	34,222	–	34,222	–	34,222
Cancelled of share options	–	–	–	–	–	–	(6,452)	6,452	–	–	–
Transactions with owners	44,135	480,370	–	–	(14,005)	–	9,990	20,457	540,947	40,309	581,256
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	12,055	12,055	(532)	11,523
Other comprehensive income											
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	(4,636)	–	–	–	–	(4,636)	(2)	(4,638)
Release of exchange reserve to profit or loss upon disposal of subsidiaries	–	–	–	(35,890)	–	–	–	–	(35,890)	–	(35,890)
Total comprehensive income for the year	–	–	–	(40,526)	–	–	–	12,055	(28,471)	(534)	(29,005)
At 30 June 2015	223,856	1,091,005	340,932	(2,999)	2,895	(43,246)	88,028	(440,677)	1,259,794	39,888	1,299,682

* These reserve accounts comprise of the consolidated reserves of HK$1,035,938 (2014: HK$567,597,000) in the consolidated statement of financial position.

Notes:

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

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

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

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

(e) Share option reserve represents the fair value of the share options granted to the eligible parties at the grant date.

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before taxation			
Continuing operations		**(30,138)**	(73,245)
Discontinued operations		**(218)**	(12,324)
Total		**(30,356)**	(85,569)
Adjustments for:			
Depreciation of property, plant and equipment		**7,706**	14,861
Amortisation of intangible assets	7	**1,489**	4,148
Amortisation of issuance cost of corporate bonds	7	**2,353**	176
Written off on inventories		**1,103**	–
Amortisation of prepaid lease payments for land		**104**	249
Impairment loss on trade receivables	7	**19,133**	28,451
Reversal of impairment loss on loans receivable	22	**(600)**	(550)
Impairment loss on property, plant and equipment	14	**–**	9,461
Impairment loss on intangible assets	17	**–**	178,511
Impairment loss on goodwill	18	**–**	429,617
Share-based payment expenses	7	**34,222**	44,530
Change in fair value of financial assets at fair value through profit or loss	23	**(67,414)**	(134,118)
Change in fair value of financial liabilities at fair value through profit or loss		**(10,671)**	(491,167)
Loss on disposal of property, plant and equipment	7	**14**	851
Bank interest income	7	**(2,528)**	(3,205)
Finance costs		**19,047**	8,576
Operating (loss)/profit before working capital changes		**(26,398)**	4,822
Decrease/(increase) in inventories		**17,026**	(62,736)
(Increase)/decrease in trade receivables, other receivables, deposits and prepayments		**(39,058)**	25,720
Increase in bills receivable		**(5,767)**	(5,640)
Increase in loans receivable		**(133,954)**	(17,616)
(Increase)/decrease in financial assets at fair value through profit or loss		**(62,616)**	160,892
Decrease in trade payables, other advances and accruals		**(59,234)**	(88,289)
(Decrease)/increase in bills payable		**(1,460)**	1,460
Cash (used in)/generated from operations		**(311,461)**	18,613
Tax paid		**–**	(1,788)
Net cash (used in)/generated from operating activities		**(311,461)**	16,825

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Investing activities			
Net cash inflow from disposal of subsidiaries	35	**130,094**	–
Bank interest income received		**2,528**	3,205
Net cash inflow from acquisition of subsidiaries	34	**1,339**	–
Purchase of property, plant and equipment		**(14,311)**	(2,017)
Proceeds on disposal of financial liabilities at fair value through profit or loss		**–**	386
Increase in prepayments for acquisition of property, plant and equipment	14	**–**	(582)
Deposits paid for subscription of convertible bonds	19.2	**(180,000)**	–
Decrease/(increase) in pledged deposits		**121,534**	(121,534)
Net cash generated from/(used in) investing activities		**61,184**	(120,542)
Financing activities			
Interest paid on borrowings and corporate bonds		**(19,047)**	(8,576)
Net proceeds from issue of shares upon exercise of share options		**58,725**	–
Net proceeds from issue of corporate bonds		**107,825**	69,350
Proceeds from borrowings		**16,425**	262,304
Repayments of borrowings		**(135,859)**	(141,126)
Net cash generated from financing activities		**28,069**	181,952
Net (decrease)/increase in cash and cash equivalents		**(222,208)**	78,235
Effect of foreign exchange rate, net		**(4,785)**	94
Cash and cash equivalents at beginning of the year		**406,578**	328,249
Cash and cash equivalents at end of the year		**179,585**	406,578
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	24	**179,585**	406,578

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

1. GENERAL INFORMATION

Guocang Group Limited (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 Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 12/F., Henley Building, 5 Queen's Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 16 to the consolidated financial statements.

On 24 July 2014, the Group entered into an agreement to dispose of its 100% interest in Hua Yi Copper (BVI) Company Limited and its subsidiaries (together "Hua Yi Group" or "Discontinued Operations"), which carried out copper rods and cable and wires businesses. The disposal was completed on 25 November 2014 on which date control of Hua Yi Group was passed to the acquirer. Details of the disposal are set out in note 35 to the consolidated financial statements.

On 29 May 2015, the Group completed the acquisition of 85% the issued share capital of Delta Prestige Holdings Limited and its subsidiaries (together "Delta Prestige Group"). Delta Prestige Group principally engaged in the manufacturing and trading of electric cycles. Details of the acquisition are set out in note 34 to the consolidated financial statements.

The consolidated financial statements for the year ended 30 June 2015 were approved and authorised for issue by the board of directors on 18 September 2015.

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

(a) Adoption of new/revised HKFRSs

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 July 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

(a) Adoption of new/revised HKFRSs (continued)

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. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis.

Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not apply hedge accounting.

HK (IFRIC) 21 — Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively. The adoption of HK (IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

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

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

HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[3]
Amendments to HKAS 1	Disclosure Initiative[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

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

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

(c) Amended Main Board Listing Rules (as below-mentioned) relating to the presentation and disclosures in financial statements

The amended Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Amended Main Board Listing Rules") in relation to the presentation and disclosures in financial statements, including the amendments with reference to the new Hong Kong Companies Ordinance, Cap. 622, will first apply to the Group in its financial year ending on 30 June 2016.

The directors consider that there will be no impact on the Group's financial position or performance. However the Amended Main Board Listing Rules would have impacts on the presentation and disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Basis of measurement and going concern assumption

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

The Company's financial statements have been prepared on a going concern basis though the Company was in a net current liabilities position of HK$3,895,000 as at 30 June 2015. The directors are of the opinion, after considering the distribution of profits available from its subsidiaries when necessary, that the Company has sufficient cash resources to satisfy its future working capital and other financial requirements and the Company can be operated as a going concern for the next twelve months.

3.3 Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

3.4 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.4 Business combination and basis of consolidation (continued)

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.

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 interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests 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 interests. 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 is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

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

3.6 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 and the use by others of the Group's assets yielding interest and dividends, net of returns, discounts and other similar allowances and excludes value-added tax or other sales related taxes.

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

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

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

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.7 Property, plant and equipment (continued)

Leasehold improvements are depreciated over the shorter of the remaining term of the lease or at 5% per annum using the straight-line method.

Molds are depreciated over the expected production capacities and charged to profit or loss on the basis of actual production units during the year.

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

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

The assets' estimated useful lives, estimated residual values and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

3.8 Intangible assets (other than goodwill)

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

Patent	6.58 years
Patent use right	6.58 years

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

Intangible assets are tested for impairment as described in note 3.11.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.9 Goodwill

Goodwill represents the excess of the consideration transferred of a business combination, the amount recognised for non-controlling interests and the fair value of the Group's previously held equity interest over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities measure as at acquisition date. The consideration transferred of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (note 3.11).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.10 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.

3.11 Impairment of non-financial assets

Goodwill arising on acquisition of subsidiaries, property, plant and equipment, prepayments for acquisition of property, plant and equipment, prepaid lease payments for land, intangible assets and interests in subsidiaries are subject to impairment testing.

Goodwill and intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.11 Impairment of non-financial assets (continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other non-financial assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3.12 Inventories

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

3.13 Borrowing costs

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.14 Income taxes

Income taxes for the year comprise of 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.

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

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.

3.15 Leases

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

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.16 Foreign currencies

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

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

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

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

3.17 Financial instruments

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.17 Financial instruments (continued)

Financial assets (continued)

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) 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 selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

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.

(ii) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.17 Financial instruments (continued)

Financial assets (continued)

(iii) Impairment of financial assets

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

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.17 Financial instruments (continued)

Financial liabilities and equity instruments

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

(i) *Borrowings and corporate bonds*

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

(ii) *Other financial liabilities*

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

(iii) *Equity instruments*

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

(iv) *Derivatives not qualified for hedging*

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

(v) *Contingent share consideration payable*

Share-settled contingent consideration arrangements are classified as financial liabilities where the number of shares to be issued in settlement varies. They are initially recognised at their fair values at the date of issue. Changes in fair values in subsequent periods are recognised in profit or loss.

Effective interest method

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.17 Financial instruments (continued)

Derecognition

The Group derecognises a financial asset when the contractual right 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. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been previously recognised in other comprehensive income is recognised in profit or loss.

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

3.18 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 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.

3.19 Share-based payment transactions

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

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

The fair value of services received is determined by reference to the fair value of share options granted at the grant date is expensed in full when the equity instruments granted vest immediately unless the compensation qualifies for recognition as an asset with a corresponding increase in share option reserve.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.20 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.21 Employee benefits

Short-term employee 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

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme not previously covered by the ORSO Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The Scheme is responsible for the entire pension obligations payable to the retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the employer contributions. Contributions under the Scheme are charged to profit or loss as they become payable in accordance with the rules of the PRC.

3.22 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.22 Related parties (continued)

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

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

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

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

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

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

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

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

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

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

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

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

3.23 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

3.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The chief operating decision-maker has been identified as the Company's executive directors. The business components in the internal financial information reported to the executive directors are determined following the Group's major businesses.

The Group has identified the following reportable segments: (i) manufacturing and trading of electric cycles; (ii) trading and distribution of liquor and wine; (iii) provision of money lending services; and (iv) investments in listed securities.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

— expenses related to share-based payments

— finance costs

— change in fair value of contingent share consideration payable

— corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but deposits for subscription of convertible bonds. In addition, corporate assets and bank balances and cash which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities include all liabilities but tax payable, deferred tax liabilities and corporate bonds. In addition, corporate liabilities and financial liabilities at fair value through profit or loss which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed 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 either a straight-line basis, unit of production method or reducing balance method where appropriate over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives, depreciation method and the estimated residual values, if any, of the assets at least at the end of each reporting period in order to determine the amount of depreciation expense to be recorded during any reporting period. The depreciation method, useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Income taxes

The Group is subject to income taxes in Hong Kong and PRC. 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.

Estimated impairment of trade receivables, loans receivable and other receivables

Impairment loss on receivables of the Group is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Allowances for impairment are determined by management of the Group based on the repayment history of its debtors and the current market conditions. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. Management reassesses the amount of impairment allowances of receivables, if any, at each reporting date.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of impairment assessment are set out in note 18 to the consolidated financial statements.

Impairment of non-financial assets (other than goodwill)

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

Amortisation of intangible assets

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

Valuation of share options granted

The fair value of share options granted was calculated using Black-Scholes valuation model based on the Group management's significant inputs into calculation including an estimated life of share options granted to be five years, based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes no future dividends.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value measurement

Certain of the Group's assets and liabilities included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following items at fair value:

— Financial assets at fair value through profit or loss (note 23)

— Financial liabilities at fair value through profit or loss (note 28)

For more detailed information in relation to the fair value measurement of the items above, please refer to note 5(b).

5. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bills receivable, loans receivable, financial assets at fair value through profit or loss, deposits and pledged deposits, bank balances and cash, bills payable, trade payables, other advances, borrowings, financial liabilities at fair value through profit or loss and corporate bonds.

The main 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Foreign currency risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions denominated and settled in HK$ and Renminbi ("RMB"), which are the functional currencies of respective group companies. The Group's exposure to foreign currency risk primarily arise from certain financial instruments which are denominated in RMB, which are currencies other than the functional currency. The following table summarises the Group's major financial assets denominated in RMB other than the functional currencies of the respective group companies:

	2015	2014
	HK$'000	HK$'000
Denominated in RMB		
Pledged deposits	**–**	121,534
Bank balances and cash	**3,088**	5,932

The following table demonstrates the sensitivity at the reporting date to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's profit/(loss) for the year.

	2015	2014
	HK$'000	HK$'000
(Decrease)/increase in profit/(loss) for the year:		
5% strengthening in HK$	**(154)**	6,373
5% weakening in HK$	**154**	(6,373)

The Group currently does not have a foreign currency hedging policy.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

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 debtor 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 concentration risk on trade receivables and loans receivable.

At the end of reporting period, the Group has concentration of credit risk as HK$14,947,000 (2014: HK$11,052,000) and HK$44,313,000 (2014: HK$31,924,000) of total trade receivables due from the Group's largest trade debtor and the five largest trade debtors respectively.

The Group also has concentration of credit risk as HK$102,000,000 (2014: HK$30,770,000) and HK$200,164,000 (2014: HK$65,610,000) of total loans receivable due from the Group's largest borrower and the five largest borrowers respectively.

To monitor the credit risk exposure, the management of the Group has reviewed the recoverability of each debtor and borrower periodically.

The credit risk on bank balances is limited because the counterparts are banks with high credit-ratings or with good reputation.

Interest rate risk

The Group's interest rate risk arises primarily from bank balance and pledged deposits. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balance and pledged deposits with a floating interest rate. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

As at 30 June 2015, 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 profit after taxation and (decrease)/increase the accumulated losses by approximately HK$1,499,000 (2014: decrease/(increase) the Group's loss for the year and accumulated losses by HK$4,488,000) respectively.

The sensitivity analysis above was determined assuming that the change in interest rates had occurred at the reporting date 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 points 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 was performed on the same basis for 2014.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including 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, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2015						
Trade payables, other advances and accruals	**17,551**	**17,551**	**17,551**	**–**	**–**	**–**
Corporate bonds	**179,704**	**202,750**	**7,650**	**80,650**	**114,450**	**–**
	197,255	**220,301**	**25,201**	**80,650**	**114,450**	**–**
2014						
Trade payables, other advances and accruals	117,867	117,867	117,867	–	–	–
Bills payable	1,460	1,460	1,460	–	–	–
Borrowings	165,278	175,195	175,195	–	–	–
Corporate bonds	69,526	90,250	5,750	5,750	78,750	–
	354,131	384,772	300,272	5,750	78,750	–

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Copper price risk

The Group does not have copper price risk for the year ended 30 June 2015 as the relevant businesses have been disposed during the year.

For the year ended 30 June 2014, the Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper futures contracts to minimise the Group's risk exposure on the fluctuations of copper price. Details of the copper futures contracts outstanding at the end of reporting period are set out in note 28.

As at 30 June 2014, it was estimated that a general increase/(decrease) of 10% in copper futures contract price, with all other variables held constant, would decrease/(increase) the Group's loss after taxation and accumulated losses by HK$186,000.

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

Price risk

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

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

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

Sensitivity analysis

At 30 June 2015, it was estimated that a general increase/(decrease) of 10% in equity price, with all other variables held constant, would increase/(decrease) the Group's profit for the year and accumulated losses by HK$21,552,000 (2014: decrease/(increase) the Group's loss for the year and accumulated losses by HK$7,491,000) respectively.

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. The 10% increase or decrease represents management's assessment of a reasonably possible change in equity price over the period until the end of next reporting period. The analysis is performed on the same basis for 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value

The fair values of the Group's financial assets and financial liabilities are determined as follows:

- The fair value of listed securities and copper future contracts with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- The fair value of contingent share consideration payable is determined by the directors of the Company with reference to the valuation performed by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent professional qualified valuer and a member of The Hong Kong Institute of Surveyor, by reference to the adjusted number of convertible preference shares to be released to the vendor and the closing share price of the Company at the end of each reporting period.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value (continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 30 June 2015				
Assets				
Financial assets at fair value through profit or loss				
— Hong Kong listed equity investments	**215,519**	**–**	**–**	**215,519**
At 30 June 2014				
Assets				
Financial assets at fair value through profit or loss				
— Hong Kong listed equity investments	85,489	–	–	85,489
Liabilities				
Financial liabilities at fair value through profit or loss				
— Copper future contracts	100	–	–	100
— Contingent share consideration payable	–	–	10,575	10,575
	100	–	10,575	10,675

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods. There were no significant transfers of financial assets and liabilities between Level 1, Level 2 and Level 3 fair value hierarchy classifications.

The fair value of contingent share consideration payable is Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balances are provided as below.

	2015 **HK$'000**	2014 HK$'000
Opening balance (Level 3 recurring fair value)	**10,575**	501,429
Change in fair value recognised in profit or loss during the year	**(10,575)**	(490,854)
Closing balance (Level 3 recurring fair value)	**–**	10,575

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value (continued)

Contingent share consideration payable represented the fair value of convertible preference shares to be released to the vendor at the end of reporting period for the business combination. Pursuance to the acquisition agreements, if the total net profit of the acquired group fails to meet the sum of RMB300,000,000 for the three years ending 31 December 2015 (the "Profit Target"), the number of convertible preference shares to be released to the vendor shall be adjusted by a pre-defined formula as specified in the acquisition agreements. The pre-defined formula is as follow:

$$\text{Adjusted number of convertible preference shares} = \frac{\text{Actual total net profits}}{\text{RMB300,000,000}} \times 1{,}238{,}095{,}238$$

As at 30 June 2014, the directors of the Company are of the opinion that the acquired group is not likely to meet the Profit Target. The number of the convertible preference shares to be released to the vendor would be adjusted from 1,238,095,000 to 44,620,000 by the above mentioned pre-defined formula based on the result of profit forecast on the acquired group up to 31 December 2015. The profit forecast is involved in significant unobservable inputs as follows:

Significant unobservable inputs	
Average growth rate	15%
Average net profit ratio	11%

A higher in the growth rate and the net profit ratio would result in an increase in the fair value of the contingent consideration payable, and vice versa.

The share price used to compute the fair value of the contingent share consideration payable is HK$0.237 per share, being the closing share price of the Company's share on 30 June 2014. If the closing share price of the Company changed by 10%, the impact on the profit or loss would be approximately HK$1,057,000. An increase in closing share price would result in an increase in the fair value of contingent share consideration payable, and vice versa.

For the year ended 30 June 2015, a supplement agreement between the Group and the vendor was entered to terminate the existing cooperation relationship. As such, the directors of the Company are of the opinion that no convertible preference shares would be issued to the vendor. The directors of the Company are of the opinion that the Profit Target would not be achieved by the acquired group in the remaining period. The fair value gain of contingent share consideration payable amounting to HK$10,575,000 has been recognised in the consolidated statement of comprehensive income for the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

6. TURNOVER AND SEGMENT REPORTING

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

	2015	2014
	HK$'000	HK$'000
Liquor and wine	**33,516**	90,929
Money lending services	**13,845**	–
Investment in listed securities	**2,337**	3,424
	49,698	94,353

(b) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the Company's executive directors.

During the year, the Group has completed the disposal of the businesses of (i) manufacture and trading of cable and wires and (ii) manufacture and trading of copper rods. In accordance with HKFRS 5, the segments of (i) manufacture and trading of cable and wires and (ii) manufacture and trading of copper rods for the years ended 30 June 2015 and 2014 were presented as discontinued operations in the Group's consolidated financial statements. Further details regarding the results of the discontinued operations are set out in note 35 to the consolidated financial statements.

In addition, the Group has completed the acquisition of electric cycles business, which has been identified as reportable segment as a result of its importance to the total assets of the Group.

Money lending services business becomes the reportable segment as a result of the growing importance of the money lending services business to the total revenue and assets of the Group. Certain comparatives in the segment information as presented in this note are re-presented accordingly during the year to conform to current year's presentation.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

6. TURNOVER AND SEGMENT REPORTING (continued)

(b) Reportable segments (continued)

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

(i) manufacturing and trading of electric cycles;

(ii) trading and distribution of liquor and wine;

(iii) provision of money lending services; and

(iv) investments in listed securities.

There were no inter-segment transactions between different operating segments for the year (2014: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-maker for assessment of segment performance.

(c) Segment revenue and results

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

For the year ended 30 June 2015

	Electric cycles HK$'000	Liquor and wine HK$'000	Money lending services HK$'000	Investments in listed securities HK$'000	Total HK$'000
Segment revenue	–	33,516	13,845	2,337	49,698
Segment (loss)/profit	(2,648)	(32,691)	14,358	69,710	48,729
Unallocated corporate income and expenses, net					(38,120)
Finance costs					(17,100)
Share-based payment expenses					(34,222)
Change in fair value of contingent share consideration payable					10,575
Loss before income tax from continuing operations					(30,138)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

6. TURNOVER AND SEGMENT REPORTING (continued)

(c) Segment revenue and results (continued)

For the year ended 30 June 2014

	Liquor and wine HK$'000	Money lending services HK$'000 (Re-presented)	Investments in listed securities HK$'000	Total HK$'000 (Re-presented)
Segment revenue	90,929	3,508	3,424	97,861
Segment (loss)/profit	(647,824)	3,978	137,387	(506,459)
Unallocated corporate income and expenses, net				(7,359)
Finance costs				(5,751)
Share-based payment expenses				(44,530)
Change in fair value of contingent share consideration payable				490,854
Loss before income tax from continuing operations				(73,245)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

6. TURNOVER AND SEGMENT REPORTING (continued)

(d) Segment assets and liabilities

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

	2015 HK$'000	2014 HK$'000
Segment assets		
Continuing operations		
Electric cycles	520,424	–
Liquor and wine	223,929	434,569
Money lending services	293,131	71,679
Investments in listed securities	215,705	321,546
Discontinued operations		
Cable and wires	–	135,447
Copper rods	–	101,597
Total segment assets	1,253,189	1,064,838
Deposits for subscription of convertible bonds (note 19.2)	180,000	–
Unallocated bank balances and cash	70,824	57,637
Unallocated corporate assets	33,359	5,084
Consolidated total assets	1,537,372	1,127,559

	2015 HK$'000	2014 HK$'000
Segment liabilities		
Continuing operations		
Electric cycles	8,618	–
Liquor and wine	7,609	185,594
Money lending services	3,025	85
Investments in listed securities	144	140
Discontinued operations		
Cable and wires	–	75,824
Copper rods	–	27,780
Total segment liabilities	19,396	289,423
Tax payable	10,413	9,007
Deferred tax liabilities	25,817	690
Corporate bonds	179,704	69,526
Unallocated financial liabilities at fair value through profit or loss	–	10,575
Unallocated corporate liabilities	2,360	907
Consolidated total liabilities	237,690	380,128

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

6. TURNOVER AND SEGMENT REPORTING (continued)

(e) Other segment information

For the year ended 30 June 2015

	Electric cycles HK$'000	Liquor and wine HK$'000	Money lending services HK$'000	Investments in listed securities HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets	2,933	6,772	–	–	4,906	14,611
Depreciation of property, plant and equipment	(51)	(774)	–	–	(1,422)	(2,247)
Amortisation of intangible assets	(1,489)	–	–	–	–	(1,489)
Impairment loss on trade receivables	–	(19,133)	–	–	–	(19,133)
Reversal of impairment loss on loans receivable	–	–	600	–	–	600
Change in fair value of financial liabilities at fair value through profit or loss	–	–	–	–	10,575	10,575
Change in fair value of financial assets at fair value through profit or loss	–	–	–	67,414	–	67,414
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:						
Income tax credit	331	–	885	–	–	1,216
Finance costs	–	(4,247)	–	–	(12,853)	(17,100)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

6. TURNOVER AND SEGMENT REPORTING (continued)

(e) Other segment information (continued)

For the year ended 30 June 2014

	Liquor and wine HK$'000	Money lending services HK$'000 (Re-presented)	Investment in listed securities HK$'000	Unallocated HK$'000 (Re-presented)	Total HK$'000 (Re-presented)
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	489	–	–	–	489
Depreciation of property, plant and equipment	(1,270)	–	–	(353)	(1,623)
Amortisation of intangible assets	(4,148)	–	–	–	(4,148)
Reversal of impairment loss on loans receivable	–	550	–	–	550
Impairment loss on trade receivables	(28,451)	–	–	–	(28,451)
Impairment loss on intangible assets	(178,511)	–	–	–	(178,511)
Impairment loss on goodwill	(429,617)	–	–	–	(429,617)
Change in fair value of financial liabilities at fair value through profit or loss	–	–	–	490,854	490,854
Change in fair value of financial assets at fair value through profit or loss	–	–	134,118	–	134,118
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:					
Income tax credit/(expense)	45,173	(546)	–	–	44,627
Finance costs	(4,987)	–	–	(764)	(5,751)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

6. TURNOVER AND SEGMENT REPORTING (continued)

(f) Geographic information

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

The Group's revenue from external customers and information about its non-current assets by geographical markets are detailed as below:

	Revenue from external customers (including continuing and discontinued operations)		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Re-presented)		
Hong Kong	**16,182**	6,932	**20,568**	5,876
PRC	**168,682**	435,892	**523,838**	93,860
	184,864	442,824	**544,406**	99,736

The geographical location of customers is based on the location at which the goods and services are delivered. For goodwill and intangible assets, the geographical location is based on the areas of operation. The geographical location of other non-current assets is based on the physical location of the assets.

(g) Major customers

Revenue from a customer of the corresponding years contributing over 10% of the total turnover (including continuing and discontinued operations) of Group is as follow:

	2015	2014
	HK$'000	HK$'000
Customer A	**35,492**	44,454

This is a customer of copper rods segment in the discontinued operations.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

7. LOSS BEFORE INCOME TAX

	2015 HK$'000	2014 HK$'000
Continuing operations		
Loss before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**1,300**	1,100
Depreciation of property, plant and equipment	**2,247**	1,623
Cost of inventories recognised as expense	**21,453**	72,446
Amortisation of issuance cost of corporate bonds	**2,353**	176
Amortisation of intangible assets	**1,489**	4,148
Impairment loss on trade receivables	**19,133**	28,451
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**23,156**	11,090
Contributions to retirement benefit schemes	**314**	369
Share-based payment expenses to staff	**4,061**	2,934
Share-based payment expenses to consultants of the Group	**30,161**	41,596
Operating lease rentals in respect of:		
Office premises	**7,173**	5,433
Factory premises	**86**	–
Exchange losses/(gains), net	**1,975**	(1)
Bank interest income	**(2,528)**	(3,205)
Loss on disposal of property, plant and equipment	**14**	851

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

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

Year ended 30 June 2015

	Fees HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors			
Mr. Wong Hin Shek	1,632	18	1,650
Mr. Chi Chi Hung, Kenneth	1,932	18	1,950
Independent non-executive directors			
Dr. Wong Yun Kuen	110	–	110
Mr. Chiu Wai On	110	–	110
Mr. Man Kwok Leung	110	–	110
Total	3,894	36	3,930

Year ended 30 June 2014

	Fees HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors			
Mr. Wong Hin Shek	2,950	15	2,965
Mr. Chi Chi Hung, Kenneth	2,450	15	2,465
Independent non-executive directors			
Dr. Wong Yun Kuen	100	–	100
Mr. Chiu Wai On	100	–	100
Mr. Man Kwok Leung	100	–	100
Total	5,700	30	5,730

During the year, no share options (2014: Nil) were granted to directors in respect of their services to the Group. No other emolument was paid to the directors of the Company and there was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 30 June 2015 and 2014.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

The five highest paid individuals of the Group include two (2014: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2014: three) individuals for the year ended 30 June 2015 were as follows:

	2015 HK$'000	2014 HK$'000
Salaries	**13,842**	1,357
Contributions to retirement benefit schemes	**17**	30
Share-based payment expenses	**3,289**	2,543
	17,148	3,930

Their emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HK$500,001 – HK$1,000,000	**–**	2
HK$2,000,001 – HK$2,500,000	**2**	–
HK$2,500,001 – HK$3,000,000	**–**	1
HK$12,000,001 – HK$12,500,000	**1**	–

34,500,000 share options (2014: 20,500,000) were granted to two (2014: one) of the non-director, highest paid individuals in respect of his services to the Group for the year ended 30 June 2015.

There was no arrangement under which the above non-director, highest paid individuals waived or agreed to waive any remuneration for the year ended 30 June 2015 and 2014. The Group had paid HK$12,471,000 (2014: Nil) to one of the highest paid individuals as compensation for loss of office for the year ended 30 June 2015.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

9. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Continuing operations		
Interest on corporate bonds	**12,853**	764
Interest on bank loans wholly repayable within five years	**4,247**	4,987
	17,100	5,751

10. INCOME TAX (CREDIT)/EXPENSE

For both years ended 30 June 2015 and 2014, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. The subsidiaries established in the PRC are subject to income taxes at tax rate of 25% (2014: 25%).

	2015		2014	
	Continuing operations HK$'000	**Discontinued operations HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000
Current tax for the year				
Hong Kong	**122**	**–**	545	–
PRC	**–**	**2,508**	729	–
(Over)/under-provision for prior years				
Hong Kong	**(1,007)**	**–**	–	–
PRC	**–**	**–**	(102)	363
Deferred taxation	**(331)**	**(12)**	(45,799)	(29)
Total income tax (credit)/expense	**(1,216)**	**2,496**	(44,627)	334

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

10. INCOME TAX (CREDIT)/EXPENSE (continued)

Income tax (credit)/expense for the year can be reconciled to the loss before income tax per the consolidated statement of comprehensive income as follows:

	2015		2014	
	Continuing operations HK$'000	Discontinued operations HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000
Loss before income tax	(30,138)	(218)	(73,245)	(12,324)
Tax calculated at PRC enterprise income tax of 25% (2014: 25%)	(7,534)	(55)	(18,311)	(3,081)
Effect of different tax rates of subsidiaries operating in other jurisdictions	7,992	4	5,772	12
Tax effect of expenses not deductible for tax purposes	13,540	630	125,584	3,115
Tax effect of income not taxable for tax purposes	(22,952)	(229)	(158,256)	(29)
Tax effect of tax losses not recognised	8,745	–	686	–
Utilisation of tax losses previously not recognised	–	(271)	–	(46)
(Over)/under-provision for prior years	(1,007)	–	(102)	363
Withholding tax regarding the disposal of subsidiaries	–	2,417	–	–
Total income tax (credit)/expense	(1,216)	2,496	(44,627)	334

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

The consolidated profit/loss attributable to owners of the Company for the year ended 30 June 2015 includes a profit of HK$72,864,000 (2014: a loss of HK$84,362,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2015 (2014: Nil).

13. EARNINGS/(LOSS) PER SHARE

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

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

	2015	2014
	HK$'000	HK$'000
Profit/(loss) for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings/(loss) per share:		
Continuing operations	**(28,390)**	(28,618)
Discontinued operations	**40,445**	(12,658)
Total profit/(loss) from continuing operations and discontinued operations	**12,055**	(41,276)

	Number of shares	
	2015	2014
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**3,672,876**	3,594,414

Diluted earnings/(loss) per share amount for both years was not presented because the impact of the exercise of the share options and convertible preference shares was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company from continuing operations.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

14. 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$'000	Plant, molds and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST:						
At 1 July 2013	67,663	10,291	11,695	129,023	1,721	220,393
Additions	1,221	63	322	586	–	2,192
Disposals	–	(667)	(401)	–	–	(1,068)
Exchange realignment	(44)	(7)	(5)	(87)	(1)	(144)
At 30 June 2014	68,840	9,680	11,611	129,522	1,720	221,373
Additions	–	4,158	1,971	2,747	5,797	14,673
Acquired through acquisition of subsidiaries (note 34)	–	658	377	9,275	457	10,767
Disposals	–	–	–	(126)	–	(126)
Through disposal of subsidiaries	(68,320)	(7,951)	(7,728)	(127,888)	(1,002)	(212,889)
Exchange realignment	(520)	(9)	(62)	(1,179)	(10)	(1,780)
At 30 June 2015	–	6,536	6,169	12,351	6,962	32,018
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2013	31,385	2,667	8,049	67,636	605	110,342
Provided for the year	3,598	854	818	9,419	172	14,861
Impairment loss	–	–	–	9,461	–	9,461
Disposals	–	(125)	(92)	–	–	(217)
Exchange realignment	(22)	(1)	(4)	(68)	(1)	(96)
At 30 June 2014	34,961	3,395	8,771	86,448	776	134,351
Provided for the year	1,488	1,403	643	3,911	261	7,706
Disposals	–	–	–	(112)	–	(112)
Through disposal of subsidiaries	(36,251)	(2,458)	(6,837)	(89,567)	(558)	(135,671)
Exchange realignment	(198)	(1)	(42)	(657)	(6)	(904)
At 30 June 2015	–	2,339	2,535	23	473	5,370
NET CARRYING AMOUNT:						
At 30 June 2015	–	4,197	3,634	12,328	6,489	26,648
At 30 June 2014	33,879	6,285	2,840	43,074	944	87,022

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

	Equipment, furniture and fixtures HK$'000
THE COMPANY	
COST:	
At 1 July 2013, 30 June 2014 and 30 June 2015	2,900
ACCUMULATED DEPRECIATION:	
At 1 July 2013	1,358
Provided for the year	344
At 30 June 2014	1,702
Provided for the year	268
At 30 June 2015	1,970
NET CARRYING AMOUNT:	
At 30 June 2015	930
At 30 June 2014	1,198

No impairment loss was recognised on the property, plant and equipment for the year ended 30 June 2015. As at 30 June 2014, the directors reviewed the recoverable amounts of certain property, plant and equipment in the business segments of cable and wires and copper rods as the businesses incurred losses for past several years. The recoverable amounts of the cash-generating unit of cable and wires and copper rods are based on the fair value less costs of disposal by reference to a valuation performed by Grant Sherman. As a result of such review, an impairment loss of HK$9,461,000 in aggregate was recognised in the consolidated statement of comprehensive income for the year ended 30 June 2014.

As at 30 June 2015, the Group did not pledge any building to secured banking facilities granted to the Group. The Group has pledged buildings with a carrying amount as at 30 June 2014 of HK$33,879,000 to secure banking facilities granted to the Group (note 38).

As at 30 June 2015, the Group did not have any prepayment for acquisition of property, plant and equipment. As at 30 June 2014, the prepayment of HK$582,000 represented prepayment made for acquisition of property, plant and equipment.

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15. PREPAID LEASE PAYMENTS FOR LAND — GROUP

	2015 HK$'000	2014 HK$'000
Net carrying amount:		
At beginning of year	**10,010**	10,264
Amortisation for the year	**(104)**	(249)
Exchange realignment	**(79)**	(5)
Through disposal of subsidiaries	**(9,827)**	–
At end of year	**–**	10,010

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

	2015 HK$'000	2014 HK$'000
Leasehold land under medium-term leases in the PRC	**–**	10,010
Analysed for reporting purposes as:		
Non-current	**–**	9,762
Current	**–**	248
	–	10,010

As at 30 June 2015, the Group did not pledge any prepaid lease payments for land to secure bank facilities of the Group. The Group has pledged prepaid lease payments for land with an aggregate carrying amount as at 30 June 2014 of HK$10,010,000 to secure banking facilities granted to the Group (note 38).

16. INTERESTS IN SUBSIDIARIES — COMPANY

	2015 HK$'000	2014 HK$'000
Unlisted shares, at cost	**448,001**	1
Deemed capital contributions	**607,863**	607,863
Amounts due from subsidiaries	**851,334**	666,254
	1,907,198	1,274,118
Less: Impairment losses on amounts due from subsidiaries	**(167,660)**	(140,216)
Impairment losses on deemed capital contributions	**(566,000)**	(566,000)
	1,173,538	567,902

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16. INTERESTS IN SUBSIDIARIES — COMPANY (continued)

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.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

As at 30 June 2015, in the view of poor financial performance of the liquor and wine business, the directors of the Company are of the opinion that it was appropriate to provide impairment of HK$566,000,000 (2014: HK$566,000,000) on the relevant deemed capital contribution for the year.

The following list contains only the particulars of the principal subsidiaries as at 30 June 2015 which principally affect the results, assets or liabilities of the Group as the directors of the Company are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities and place of operation
			Directly	Indirectly	
Max June Limited	British Virgin Islands	US$1	100%	–	Investment holding in the PRC
Brightpower Asset Management Limited	British Virgin Islands	US$1	100%	–	Investments in listed securities in Hong Kong
Castle Stream Limited	British Virgin Islands	US$1	100%	–	Issue of debt securities in Hong Kong
Cash Stand Investment Limited	Hong Kong	HK$1	–	100%	Money lending in Hong Kong
國藏酒莊有限公司 Guocang Liquor & Wine Merchant Limited * (note (a))	PRC	RMB50,000,000	–	100%	Trading and distribution of liquor and wine in the PRC
國灃酒業（四川）有限公司 Guofeng Liquor & Wine Business (Sichuan) Ltd. * (note (a))	PRC	US$1,500,000	–	100%	Trading and distribution of liquor and wine in the PRC
Delta Prestige Holdings Limited #	British Virgin Islands	US$100	85%	–	Investment holding in the PRC
江蘇友立電動車有限公司 Jiang Su Youli Electric Vehicle Co., Ltd. * # (note (b))	PRC	RMB10,000,000	–	59.5%	Manufacturing and trading of electric cycles in the PRC

Newly acquired during the year
* The English name is for identification only

Notes:

(a) These subsidiaries are registered as wholly foreign owned enterprises under the law of the PRC.

(b) This subsidiary is registered as limited liability companies under the law of the PRC. 70% equity interest in this subsidiary is indirectly held by Delta Prestige Holdings Limited. Thus, the Group effectively held 59.5% equity interest in this subsidiary.

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17. INTANGIBLE ASSETS — GROUP

	Distribution rights HK$'000 (note (a))	Distribution network HK$'000 (note (b))	Patent HK$'000 (note (c))	Patent use right HK$'000 (note (d))	Total HK$'000
COST:					
At 1 July 2013	170,075	14,861	–	–	184,936
Exchange realignment	(600)	(52)	–	–	(652)
At 30 June 2014	169,475	14,809	–	–	184,284
Acquired through acquisition of subsidiaries (note 34)	–	–	72,596	45,005	117,601
Exchange realignment	(1,174)	(103)	–	–	(1,277)
At 30 June 2015	168,301	14,706	72,596	45,005	300,608
ACCUMULATED AMORTISATION AND IMPAIRMENT:					
At 1 July 2013	2,074	–	–	–	2,074
Amortisation for the year	4,148	–	–	–	4,148
Impairment loss	163,667	14,844	–	–	178,511
Exchange realignment	(414)	(35)	–	–	(449)
At 30 June 2014	169,475	14,809	–	–	184,284
Amortisation for the year	–	–	919	570	1,489
Exchange realignment	(1,174)	(103)	–	–	(1,277)
At 30 June 2015	168,301	14,706	919	570	184,496
NET CARRYING AMOUNT:					
At 30 June 2015	–	–	71,677	44,435	116,112
At 30 June 2014	–	–	–	–	–

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17. INTANGIBLE ASSETS — GROUP (continued)

Notes:

(a) Distribution rights represented (i) the exclusive distribution right for 五糧液釀神 (excluding Niangshen 101 series) (in English, for identification purpose only, "Wuliangye Niangshen Liquor Series") granted by 四川五穀釀神酒業集團有限公司 (in English, for identification purpose only, "Sichuan Wugu Niangshen Wine Group Limited") for an indefinite period; and (ii) the non-exclusive distribution right for 五糧液 (in English, for identification purpose only, "Wuliangye Liquor Series") granted by 宜賓五糧液酒類銷售有限責任公司 (in English, for identification purpose only, "Yibin Wuliangye Liquor Sales Co., Ltd."), which was expired in June 2015.

As at 30 June 2014, exclusive distribution right with the net carrying amount of HK$163,275,000 is attributable to the same cash-generating unit with which the goodwill amount is recognised. As the recoverable amount of the cash-generating unit of the liquor and wine business is lower than its carrying amount, an impairment loss of HK$163,667,000 was recognised in the consolidated statement of comprehensive income for the year ended 30 June 2014. Details of the impairment assessment of that cash-generating unit are set out in note 18. The non-exclusive distribution right was fully amortised for the year ended 30 June 2014. No reversal of impairment loss was considered for the year ended 30 June 2015.

(b) Distribution network represented agreements in relation to the formation of certain joint-venture companies in various provinces of the PRC and wine distribution network between the Group and each of the provincial distributors.

As at 30 June 2014, distribution network with the net carrying amount of HK$14,809,000 is attributable to the same cash-generating unit with which the goodwill amount is recognised. As at 30 June 2014, the directors reviewed the recoverable amounts of distribution network in the liquor and wine business. Due to changes in market conditions, the Group gradually agreed with the provincial distributors to discontinue the cooperation agreements, including the formation of the joint-venture companies and the share of profits from the stores. The directors are of the opinion that such distribution network would not generate any economic benefit to the Group and the recoverable amount would be minimal. As a result of such review, an impairment loss of HK$14,844,000 was recognised in the consolidated statement of comprehensive income for the year ended 30 June 2014. No reversal of impairment loss was considered for the year ended 30 June 2015.

(c) Patent represented a technique in relation to an assembling structure for solar-powered electric cycles, which is allocated to the cash-generating unit of manufacturing and trading of electric cycles business (the "Electric Cycles CGU").

(d) Patent use right represented a use right of technique under a patent in relation to electric cycle wheel hub motors and electric cycle wheels. The patent is owned by an independent third party and a non-exclusive perpetual use right was granted to the Group. Patent use right is allocated to the Electric Cycle CGU.

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For the year ended 30 June 2015

18. GOODWILL — GROUP

	HK$'000
COST:	
At 1 July 2013	428,805
Exchange realignment	(216)
At 30 June 2014	428,589
Acquired through business combination (note 34)	388,766
Exchange realignment	(2,969)
At 30 June 2015	814,386
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 July 2013	–
Impairment loss	429,617
Exchange realignment	(1,028)
At 30 June 2014	428,589
Exchange realignment	(2,969)
At 30 June 2015	425,620
NET CARRYING AMOUNT:	
At 30 June 2015	388,766
At 30 June 2014	–

For the purpose of impairment testing, goodwill is allocated to the cash generating units identified as follows:

	HK$'000
Year ended 30 June 2014	
Liquor and wine business (note (a))	428,589

	HK$'000
Year ended 30 June 2015	
Electric cycles business (note (b))	388,766

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

18. GOODWILL — GROUP (continued)

Notes:

(a) **LIQUOR AND WINE BUSINESS**

The goodwill was arising from the acquisition of the trading and distribution of liquor and wine business in 2013. The goodwill with the net carrying amount of HK$428,589,000 as at 30 June 2014 is allocated to the cash-generating unit of liquor and wine business (the "Wine CGU").

With the impacts of economic slowdown in Mainland China and the enforcement of a number of frugality policies by the Chinese government for the year ended 30 June 2014, the liquor and wine business was under a challenging market condition. The high-end liquor market in Mainland China was tardy that distributors were facing the problem of slow liquidity flow.

With reference to the declined results of the Wine CGU for the year ended 30 June 2014 and slow-down of prevailing condition of liquor and wine market in Mainland China, the directors considered the goodwill and intangible assets arising from the acquisition of the trading and distribution of liquor and wine business should be impaired. As the recoverable amount of the Wine CGU amounting to HK$157,289,000 is lower than its carrying amount, an impairment loss on the goodwill of HK$429,617,000 was recognised in the consolidated statement of comprehensive income for the year ended 30 June 2014.

For the year ended 30 June 2014, the recoverable amount of the Wine CGU is determined by the directors with reference to a valuation report issued by Grant Sherman, an independent professional qualified valuer and a member of The Hong Kong Institute of Surveyer. The recoverable amount of the Wine CGU has been determined from value-in-use calculation. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 26%. The cash flow projections beyond the 5-year period are extrapolated using a growth rate of 3%. Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budgeted gross margins and growth rate have been determined based on past performance and the Group management's expectations for the market development and future performance of the Wine CGU. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the Wine CGU.

(b) **ELECTRIC CYCLES BUSINESS**

The goodwill was arising from the acquisition of manufacturing and trading of electric cycles business as set out in note 34. The goodwill with the net carrying amount of HK$388,766,000 as at 30 June 2015 is allocated to the Electric Cycles CGU.

For the year ended 30 June 2015, the recoverable amount of the Electric Cycles CGU is determined by the directors with reference to a valuation report issued by Grant Sherman. The recoverable amount of the Electric Cycles CGU has been determined from value-in-use calculation. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 24.35% (2014: N/A). The cash flow projections beyond the 5 years periods are extrapolated using a growth rate of 3% (2014: N/A). Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budgeted gross margins and growth rate have been determined based on past performance and the Group management's expectations for the market development and future performance of the Electric Cycles CGU. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the Electric Cycles CGU.

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19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS — GROUP

	Notes	2015 HK$'000	2014 HK$'000
Trade receivables	19.1	**91,709**	113,507
Less: Provision for impairment loss		**(47,279)**	(28,383)
Trade receivables, net		**44,430**	85,124
Other receivables		**6,197**	19,914
Trade deposits paid		**19,427**	52,770
Prepayments for purchase		**36,213**	37,799
Other deposits and prepayments	19.2	**207,025**	4,368
		313,292	199,975
Less: Current portion		**(300,412)**	(197,605)
Non-current portion		**12,880**	2,370

Notes:

19.1 The Group allows an average credit period of 0 to 90 days to its trade receivables.

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

	2015 HK$'000	2014 HK$'000
Within 30 days	**63**	41,635
31–60 days	**25**	24,039
61–90 days	**135**	14,930
Over 90 days	**44,207**	4,520
	44,430	85,124

(ii) The movements in the impairment for trade receivables during the year are as follows:

	2015 HK$'000	2014 HK$'000
At the beginning of year	**28,383**	–
Impairment loss for the year	**19,133**	28,451
Exchange realignment	**(237)**	(68)
At the end of year	**47,279**	28,383

Included in the provision for impairment loss is individually impaired trade receivable with balance of HK$47,279,000 (2014:HK$28,383,000) from trade debtors who have been in severe financial difficulties.

Notes to the Consolidated Financial Statements

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19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS — GROUP (continued)

Notes: (continued)

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

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	53	76,993
Less than 1 month past due	10	3,724
1 to 3 months past due	160	19
More than 3 months past due	44,207	4,388
	44,430	85,124

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

Trade receivables that were past due but not impaired relate to 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.

19.2 As at 30 June 2015, other deposits and prepayments mainly represented the deposit paid of HK$180,000,000 (2014:Nil) in respect of subscription of convertible bonds. Details of the transaction are set out in the Company's announcement dated 5 September 2014 and 4 September 2015. The balances also included interest expenses of HK$19,320,000 (2014: HK$3,610,000) paid in advance for the corporate bonds issued. The prepaid interests are amortised over the maturity term of the corporate bonds.

20. INVENTORIES — GROUP

	2015 HK$'000	2014 HK$'000
Raw materials	645	7,685
Work in progress	–	12,068
Finished goods	924	5,922
Merchandise	95,717	112,902
	97,286	138,577

21. BILLS RECEIVABLE — GROUP

As at 30 June 2015, there is no outstanding bills receivable.

As at 30 June 2014, all bills receivable were aged within 180 days.

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22. LOANS RECEIVABLE — GROUP

	2015 HK$'000	2014 HK$'000
Gross loans and interest receivables	**208,940**	74,986
Less: Provision for impairment loss	**(8,776)**	(9,376)
	200,164	65,610

As at 30 June 2015, the loans receivable with gross principal amount of HK$206,875,000 (2014: HK$73,650,000) in aggregate and related gross interest receivables of HK$2,065,000 (2014: HK$1,336,000) were due from five (2014: seven) independent third parties. These loans are interest-bearing at rates ranging from 7% to 18% (2014: 5% to 15%) per annum. All the loans were repayable within twelve months from the end of the reporting period and therefore were classified as current assets at the reporting date.

The movements in the impairment loss for loans receivable during the year are as follows:

	2015 HK$'000	2014 HK$'000
At the beginning of year	**9,376**	9,926
Reversal of impairment loss	**(600)**	(550)
At the end of year	**8,776**	9,376

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	2015 HK$'000	2014 HK$'000
Hong Kong listed equity investments, at fair value	**215,519**	85,489

The fair values of listed securities are based on quoted market prices.

For the year ended 30 June 2015, a gain on change in fair value of financial asset at fair value through profit or loss of HK$67,414,000 (2014:HK$134,118,000) was recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

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24. PLEDGED DEPOSITS AND BANK BALANCES AND CASH — GROUP

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 twelve 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 pledged deposits and bank balances and cash approximate their fair values.

Pledged deposits as at 30 June 2014 of HK$121,534,000 and bank balances as at 30 June 2015 of HK$3,088,000 (2014: HK$21,791,000) are denominated in RMB, which are placed with banks in the PRC.

RMB is not freely convertible into other currencies. 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.

25. TRADE PAYABLES, OTHER ADVANCES AND ACCRUALS — GROUP

	2015	2014
	HK$'000	HK$'000
Trade payables	**2,233**	11,005
Receipts in advance	**4,205**	5,625
Other payables and accruals	**15,318**	106,862
	21,756	123,492

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

	2015	2014
	HK$'000	HK$'000
Within 30 days	**–**	3,467
31–60 days	**490**	3,173
61–90 days	**–**	1,930
Over 90 days	**1,743**	2,435
	2,233	11,005

Amount due to a non-controlling shareholder of a subsidiary amounted to HK$4,038,000 (2014:Nil) was included in other payables in the consolidated statement of financial position. The balance was unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

26. BILLS PAYABLE — GROUP

As at 30 June 2015, there is no outstanding bills payable.

All bills payable were guaranteed by pledged deposits as at 30 June 2014 (note 38).

27. BORROWINGS — GROUP

	2015 **HK$'000**	2014 HK$'000
Borrowings are due within one year are analysed as follows:		
Bank loans, secured	–	165,278

The average effective interest rates of the bank loans range from 6.1% to 7.5% (2014: 5% to 7.5%) per annum.

Details of the assets pledged for the Group's borrowings are set out in note 38.

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2015 **HK$'000**	2014 HK$'000
Copper futures contracts (note (a))	–	100
Contingent share consideration payable (note (b))	–	10,575
	–	10,675

The Company

	2015 **HK$'000**	2014 HK$'000
Contingent share consideration payable (note (b))	–	10,575

Notes to the Consolidated Financial Statements

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

Notes:

(a) COPPER FUTURES CONTRACTS

As at 30 June 2015, there is no outstanding copper futures contract. The major terms of the outstanding copper futures contracts of the Group as at 30 June 2014 which have not been designated as hedging instruments were as follows:

	As at 30 June 2014
Quantities (in tonnes)	40
Average price per tonne (in RMB)	49,300
Maturity period	October 2014
Fair value of liabilities arising from copper futures contracts (in HK$'000)	(100)

The fair value of above call contracts was determined with reference to the quoted market prices of the commodity at the end of reporting period. The gain on change in fair value of derivative financial instruments of HK$313,000 has been recognised in the result of discontinued operations for the year ended 30 June 2014.

(b) CONTINGENT SHARE CONSIDERATION PAYABLE

In 2013, the Company issued 1,238,095,000 convertible preference shares as the consideration for the business combination. Convertible preference share of notional value of HK$0.21 each shall be convertible into one new ordinary share, subject to adjustments in the customary manner, including share consolidations, share subdivision, capitalisation issues, capital distributions, rights issues and issues of other securities for cash. Before meeting the profit target, those convertible preference shares had not yet been released to the vendor and had been deposited with the escrow agent. The convertible preference shares are non-redeemable and not listed on any stock exchange.

The number of the convertible preference shares to be released to the vendor is subject to the downward adjustment. The fair value gain of contingent share consideration payable amounted to HK$10,575,000 (2014:HK$490,854,000) has been recognised in the consolidated statement of comprehensive income for the year ended 30 June 2015.

The fair value of contingent share consideration is a Level 3 recurring fair value measurement. The details of assessment are set out in note 5(b) to the consolidated financial statement.

29. CORPORATE BONDS — GROUP

	2015 HK$'000	2014 HK$'000
Corporate bonds	**179,704**	69,526

During the year ended 30 June 2015, the Group issued two fixed-rate corporate bonds. A corporate bond at principal amount of HK$102,000,000 (2014:HK$15,500,000) ("Bond A") bears interest at 8% per annum, and another corporate bond at principal amount of HK$84,500,000 (2014: HK$57,500,000) ("Bond B") bears interest at 10% per annum. The interests of Bond A are paid in advance while the interests of Bond B are paid in arrears. Both bonds are guaranteed by the Company and will mature on the date falling on the third anniversary of the date of first issue.

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29. CORPORATE BONDS — GROUP (continued)

Net proceeds from the issue of the corporate bonds, as reduced by transaction cost, amounted to approximately HK$107,825,000 (2014: HK$69,350,000).

The Company may, at any time falling on the first and the second anniversary of the issue dates of the corporate bonds, redeem the whole corporate bonds at 100% of the total principal amounts together with payments of interest accrued up to the dates of such early redemption by serving at least thirty days written notice.

30. DEFERRED TAX — GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the jurisdictions in which the Group operates.

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

	Revaluation of properties HK$'000	Fair value adjustment arising from business combination HK$'000	Total HK$'000
At 1 July 2013	719	45,715	46,434
Credited to profit or loss for the year (note 10)	(29)	(45,799)	(45,828)
Exchange realignment	–	84	84
At 30 June 2014	690	–	690
Acquired through acquisition of subsidiaries (note 34)	–	26,148	26,148
Credited to profit or loss for the year (note 10)	(12)	(331)	(343)
Through disposal of subsidiaries	(673)	–	(673)
Exchange realignment	(5)	–	(5)
At 30 June 2015	–	25,817	25,817

As at 30 June 2015, the Group has estimated tax losses arising in Hong Kong of HK$52,794,000 (2014: HK$17,107,000), subject to the agreement of Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 30 June 2015, the Group has estimated tax losses arising in the PRC amounted to HK$11,427,000 (2014: HK$2,770,000) which are available for offsetting against future taxable profits of the companies expiring from 2016 to 2020 (2014: 2015 to 2019). Deferred tax assets have not been recognised in respect of these estimated tax losses as these were incurred by the companies that have been loss-making for some time.

As at 30 June 2014 and 2015, the Group has not provided deferred taxation in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries as the Group's PRC subsidiaries incurred loss for the year and the profits earned in previous years have been set off.

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31. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.05 each at 30 June 2014 and 2015		
Authorised:		
At 1 July 2013, 30 June 2014 and 30 June 2015	30,000,000	1,500,000

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1 July 2014	3,594,414	179,721
Issue of shares for acquisition of subsidiaries (note 34)	700,000	35,000
Exercise of share options	182,700	9,135
At 30 June 2015	4,477,114	223,856

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32. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2013	610,635	414,226	49,999	(672,053)	402,807
Recognition of equity-settled share-based payments expense	–	–	44,530	–	44,530
Lapsed of share options	–	–	(16,491)	16,491	–
Loss and total comprehensive income for the year	–	–	–	(81,074)	(81,074)
At 30 June 2014	**610,635**	**414,226**	**78,038**	**(736,636)**	**366,263**
Shares issued upon exercise of share option	**67,370**	**–**	**–**	**–**	**67,370**
Issue of shares for acquisition of subsidiaries	**413,000**	**–**	**–**	**–**	**413,000**
Recognition of equity-settled share-based payments expense	**–**	**–**	**34,222**	**–**	**34,222**
Exercise of share options during the year	**–**	**–**	**(17,780)**	**–**	**(17,780)**
Cancelled of share options	**–**	**–**	**(6,452)**	**6,452**	**–**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**83,642**	**83,642**
At 30 June 2015	**1,091,005**	**414,226**	**88,028**	**(646,542)**	**946,717**

33. MAJOR NON-CASH TRANSACTIONS

The Group issued 700,000,000 ordinary shares to acquire 85% issued share capital of Delta Prestige Holdings Limited for the year ended 30 June 2015 (note 34).

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34. ACQUISITION OF SUBSIDIARIES

On 29 May 2015, the Group completed the acquisition of the 85% issued share capital of Delta Prestige Group. Delta Prestige Group principally engaged in the manufacturing and trading of electric cycles. The primary reason for the acquisition was to further expand and diversify the business portfolio within the new energy sector by entering into consumer market.

The fair values of identifiable assets and liabilities arising from the acquisition of Delta Prestige Group as at the date of acquisition were as follows:

	Fair value
	HK$'000
Property, plant and equipment (note 14)	10,767
Intangible assets (note 17)	117,601
Inventories	1,185
Other receivables	4,048
Bank balances and cash	1,339
Trade payables	(318)
Other payables and accruals	(8,931)
Deferred tax liabilities (note 30)	(26,148)
	99,543
Non-controlling interests	(40,309)
Fair value of net assets acquired	59,234
Net cash inflow from the acquisition of subsidiaries:	
Cash and cash equivalents in subsidiaries acquired	1,339
Consideration	448,000
Less: Fair value of net assets acquired	(59,234)
Goodwill (note 18)	388,766

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

34. ACQUISITION OF SUBSIDIARIES (continued)

The Company issued 700,000,000 consideration shares as the consideration for the acquisition. The fair value of the consideration shares issued of HK$448,000,000 was determined by reference to their quoted market price of HK$0.64 at the date of acquisition.

Pursuant to the acquisition agreement, the vendor has irrevocably warranted and guaranteed to the Company that the after-tax audited consolidated net profit of Delta Prestige Group in accordance with Hong Kong generally accepted accounting principles for the year ending 30 June 2016 shall not be less than HK$100,000,000 (the "Profit Target"). In case Delta Prestige Group cannot achieve the Profit Target, the vendor will compensate to the Company in cash. The compensation is calculated in accordance with the following formula:

The compensation = Profit Target – Audited net profit

If Delta Prestige Group records an audited net loss for the year ending 30 June 2016, the audited net profit will be deemed as zero for the purpose of calculation of the compensation.

The directors are of the opinion that Delta Prestige Group would achieve the Profit Target. As such, the fair value of compensation is considered as minimal.

The goodwill of HK$388,766,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of manufacturing and trading of electric cycles business in the PRC to diversify the revenue stream of the existing business of the Group.

Post-acquisition contribution to revenue and net loss of the Delta Prestige Group as included in the Group's consolidated statement of comprehensive income for the year ended 30 June 2015 is Nil and HK$1,785,000 respectively. Had the Acquisition been completed on 1 July 2014, the revenue and net profit of the Group for the year ended 30 June 2015 would have been HK$57,688,000 and HK$5,101,738 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the Group been completed on 1 July 2014 nor are they intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

35. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES

35.1 On 24 July 2014, the Group entered into an agreement to dispose of its 100% equity interest in the Hua Yi Group, which carried out copper rods and cable and wires businesses. The disposal was effected for the management of the Group to focus on the Group's other principal businesses. The disposal was completed on 25 November 2014 on which date control of Hua Yi Group was passed to the acquirer.

An analysis of the Group's results of the discontinued copper rods and cable and wires businesses for the years ended 30 June 2015 and 2014 is as follows:

	2015 HK$'000	2014 HK$'000
Turnover	135,166	344,963
Cost of sales	(126,178)	(327,083)
Gross profit	8,988	17,880
Other income	97	1,499
Selling and distribution expenses	(1,558)	(3,158)
General and administrative expenses	(5,798)	(25,720)
Finance costs	(1,947)	(2,825)
Loss before income tax	(218)	(12,324)
Gain on disposal of Hua Yi Group (note 35.2)	43,159	–
Income tax expense	(2,496)	(334)
Profit/(loss) for the year	40,445	(12,658)
Operating cash inflow	1,675	2,158
Investing cash inflow/(outflow)	571	(1,680)
Financing cash (outflow)/inflow	(9,912)	6,971
Effect of foreign exchange rate changes, net	(76)	(57)
Net cash (outflow)/inflow	(7,742)	7,392

Change in fair value of financial liabilities at fair value through profit or loss of discontinued copper rods and cable and wire businesses amounting to HK$96,000 (2014: HK$313,000) was included in other income for the year ended 30 June 2015.

No impairment loss was recognised on the property, plant and equipment of discontinued copper rods and cable and wire businesses for the year ended 30 June 2015. Impairment loss on property, plant and equipment amounting to HK$9,461,000 was included in general and administrative expenses for the year ended 30 June 2014.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

35. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (continued)

35.1 (continued)

Employee benefit expense of discontinued copper rods and cable and wires businesses for the year HK$10,689,000 (2014: HK$24,608,000) included total wages and salaries of HK$9,445,000 (2014: HK$21,998,000) and total pension cost of HK$1,244,000 (2014: HK$2,610,000). Wages and salaries of HK$7,676,000 (2014: HK$18,863,000) has been included in cost of sales, HK$270,000 (2014: HK$533,000) in selling and distribution expenses and HK$1,499,000 (2014: HK$2,602,000) in general and administrative expenses. Pension cost of HK$830,000 (2014: HK$1,975,000) has been included in cost of sales and HK$414,000 (2014: HK$635,000) in general and administrative expenses.

35.2 Gain on disposal of the discontinued operations, i.e. copper rods and cable and wires businesses, for the year ended 30 June 2015 was analysed as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	77,218
Prepaid lease payment for land	9,827
Bank balances and cash	6,106
Trade receivables, other receivables, deposits and prepayments	90,874
Bills receivable	17,949
Inventories	24,349
Trade payables, other advances and accruals	(51,747)
Borrowings	(44,972)
Deferred tax liabilities	(673)
	128,931
Less: Release of exchange reserve to profit or loss upon disposal	(35,890)
	93,041
Less: Proceeds from disposal of Hua Yi Group	(136,200)
Gain on disposal of Hua Yi Group	(43,159)

Net cash inflow arising on disposal of Hua Yi Group:

	HK$'000
Cash consideration received	136,200
Less: Cash and cash equivalents disposal of	(6,106)
Net cash inflow	130,094

The cash consideration of HK$136,200,000 from the disposal of Hua Yi Group has been fully received by the Group during the year.

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For the year ended 30 June 2015

36. CAPITAL COMMITMENTS — GROUP

	2015 HK$'000	2014 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**1,469**	640

37. LEASE COMMITMENTS — GROUP

As lessee

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

	2015 HK$'000	2014 HK$'000
Within one year	**12,704**	5,174
In the second to fifth years inclusive	**22,195**	5,847
	34,899	11,021

Leases are negotiated for terms of one to five years and rentals are fixed for such period. None of the leases include contingent rentals.

38. PLEDGE OF ASSETS — GROUP

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

	Notes	2015 HK$'000	2014 HK$'000
Property, plant and equipment	14	**–**	33,879
Prepaid lease payments for land	15	**–**	10,010
Pledged deposits	24	**–**	121,534
		–	165,423

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

39. SHARE OPTION SCHEME

A new share option scheme was adopted by the Company on 13 December 2013, which replaced its old share options scheme adopted in 2003. Under the share option scheme, the directors of the Company may, at their discretion, grant to full-time employees and executive directors of the Company and its subsidiaries the right to take up options to subscribe for shares of the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for services provided to the Group. The share option scheme, unless otherwise cancelled or amended, will expire on 12 December 2023. The subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

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

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

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

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

During the year, share-based payments expense of HK$34,222,000 (2014: HK$44,530,000) has been charged to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

39. SHARE OPTION SCHEME (continued)

The following table summarised movements of the Company's issued share options during the years:

For the year ended 30 June 2015

					Number of share options				
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding at 1 July 2014	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 30 June 2015
Other eligible persons	11 October 2012	12 October 2012 to 11 October 2015	Immediate on the grant date	0.255	269,100,000	–	(9,100,000)	–	260,000,000
Executive director — Mr. Wong Hin Shek	11 October 2012	12 October 2012 to 11 October 2015	Immediate on the grant date	0.255	29,900,000	–	–	–	29,900,000
Other eligible employees	4 July 2013	4 July 2013 to 3 July 2018 (note)	Immediate on the grant date	0.435	23,650,000	–	(1,100,000)	(21,500,000)	1,050,000
Other eligible persons	4 July 2013	4 July 2013 to 3 July 2018 (note)	Immediate on the grant date	0.435	235,750,000	–	(6,300,000)	(28,200,000)	201,250,000
Other eligible persons	19 July 2013	19 July 2013 to 11 July 2018 (note)	Immediate on the grant date	0.433	100,000,000	–	–	–	100,000,000
Other eligible employees	21 January 2015	21 January 2015 to 20 January 2020 (note)	Immediate on the grant date	0.320	–	42,600,000	(40,000,000)	–	2,600,000
Other eligible persons	21 January 2015	21 January 2015 to 20 January 2020 (note)	Immediate on the grant date	0.320	–	316,400,000	(126,200,000)	(3,000,000)	187,200,000
Total					658,400,000	359,000,000	(182,700,000)	(52,700,000)	782,000,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

39. SHARE OPTION SCHEME (continued)

For the year ended 30 June 2014

					Number of share options				
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding at 1 July 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 June 2014
Other eligible persons	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	234,190,000	–	–	(234,190,000)	–
Other eligible persons	11 October 2012	12 October 2012 to 11 October 2015	Immediate on the grant date	0.255	269,100,000	–	–	–	269,100,000
Executive director — Mr. Wong Hin Shek	11 October 2012	12 October 2012 to 11 October 2015	Immediate on the grant date	0.255	29,900,000	–	–	–	29,900,000
Other eligible employees	4 July 2013	4 July 2013 to 3 July 2018 (note)	Immediate on the grant date	0.435	–	23,650,000	–	–	23,650,000
Other eligible persons	4 July 2013	4 July 2013 to 3 July 2018 (note)	Immediate on the grant date	0.435	–	235,750,000	–	–	235,750,000
Other eligible persons	19 July 2013	19 July 2013 to 11 July 2018 (note)	Immediate on the grant date	0.433	–	100,000,000	–	–	100,000,000
Total					533,190,000	359,400,000	–	(234,190,000)	658,400,000

Note:

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

Grant date	4 July 2013	19 July 2013	21 January 2015
Share price on date of grant (HK$)	0.440	0.430	0.320
Exercise price (HK$)	0.435	0.433	0.320
Expected volatility	48.99%	47.71%	66.38%
Expected life	5 years	5 years	5 years
Risk-free interest rate	0.50%	0.45%	0.32%
Expected dividend yield	Nil	Nil	Nil

The volatility of share options granted during the year was generated from Bloomberg based on averages of industry annualised historical share price volatilities of the comparable companies at the date of valuation.

Notes to the Consolidated Financial Statements

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39. SHARE OPTION SCHEME (continued)

Note: (continued)

(b) Share options and weighted average exercise price were as follows:

	2015		2014	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 July	**658,400,000**	**0.353**	533,190,000	0.215
Granted	**359,000,000**	**0.320**	359,400,000	0.434
Exercised	**(182,700,000)**	**0.321**	–	–
Cancelled/Lapsed	**(52,700,000)**	**0.428**	(234,190,000)	0.163
Outstanding at 30 June	**782,000,000**	**0.340**	658,400,000	0.353

During the year ended 30 June 2015, the 182,700,000 share options (2014: Nil) exercised during the year resulted in an equal number of ordinary shares issued. The weighted average share price of these shares at the date of exercise was HK$0.34 (2014: N/A). The weighted average remaining contractual life of the options outstanding as at 30 June 2015 was 2.38 years (2014: 2.81 years).

At the end of reporting period, the Company had 782,000,000 (2014: 658,400,000) share options outstanding under the share option scheme, which represented 17.5% (2014: 18.3%) of the Company's ordinary shares in issue as at the end of reporting period. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 782,000,000 (2014: 658,400,000) additional ordinary shares of the Company and additional share capital of approximately HK$39,100,000 (2014: HK$32,920,000) and share premium account of approximately HK$226,861,000 (2014: HK$199,464,000) (before issuance expenses).

40. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, during the year, the following transaction was carried out with related party in normal course of the Group's business.

	2015 HK$'000	2014 HK$'000
Corporate service fees	**615**	514

Corporate service fees were paid to two related companies which are controlled by a director of the Company.

Compensation of key management

The key management of the Group comprises all directors of the Company. Details of their remuneration are disclosed in note 8.

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For the year ended 30 June 2015

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 net debts, which includes bills payable, borrowings, corporate bonds, pledged deposits and bank balances and cash and total equity as disclosed in the consolidated statement of changes in equity.

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

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

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

	2015 **HK$'000**	2014 HK$'000
Bills payable	–	1,460
Borrowings	–	165,278
Corporate bonds	**179,704**	69,526
Pledged deposits	–	(121,534)
Bank balances and cash	**(179,585)**	(406,578)
Net debts	**119**	(291,848)
Total equity	**1,299,682**	747,431
Net debts to equity ratio	–	(39%)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised as at 30 June 2015 and 2014 may be categorised as follows:

	2015	2014
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**215,519**	85,489
Loans and receivables (including bank balances and cash) at amortised cost	**636,342**	762,100
	851,861	847,589
Financial liabilities		
Financial liabilities at fair value through profit or loss	**–**	10,675
Financial liabilities at amortised cost	**197,255**	354,131
	197,255	364,806

43. EVENTS AFTER REPORTING PERIOD

On 28 July 2015, the Company entered into a non-legally binding memorandum of understanding ("Memorandum") with Mr. Chan Hon Kiu, ("the Vendor"), which is an independent third party of the Group, in relation to the possible acquisition of a company (the "Target Company"), which is principally engaged in the business of investment, construction new and operation of liquefied natural gas ("LNG") stations. Pursuant to the Memorandum, the Vendor and the Company shall negotiate in good faith towards one another in ensuring that the formal sale and purchase agreement (the "Formal Sale and Purchase Agreement") be entered into on or before 31 October 2015. Should the Formal Sale and Purchase Agreement be materialised and completed, the Vendor shall as beneficial owner sell and the Company shall purchase entire issued share capital of the Target Company and the consideration shall be satisfied by the Company by allotment and issue of consideration shares and warrants. Details of the transaction are set out in the Company's announcement dated 28 July 2015.

On 4 September 2015, Noble Advantage Limited ("Noble Advantage"), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with Integrated Capital Investments Limited ("Integrated Capital"), which is an independent third party of the Group. Pursuant to the terms of the Subscription Agreement, Noble Advantage has agreed to subscribe for and Integrated Capital has agreed to issue, convertible bonds at the subscription price which is equal to the principal amount of the convertible bonds of HK$388,000,000. Details of the transaction are set out in the Company's announcement dated 4 September 2015.

The above events are considered as non-adjusting events under HKAS 10 "Events After the Reporting Period" and therefore do not have any impact to the consolidated financial statements.

Financial Summary

RESULTS

	Years ended 30 June				
	2015	2014*	2013*	2012*	2011*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**49,698**	439,316	410,975	311,872	379,087
Loss before income tax	**(30,138)**	(85,569)	(64,442)	(52,789)	(46,205)
Income tax credit/(expense)	**1,216**	44,293	(8,144)	(308)	(514)
Loss for the year from continuing operations	**(28,922)**	(41,276)	(72,586)	(53,097)	(46,719)
Profit for the year from discontinued operations	**40,445**	–	–	–	–
Profit/(loss) for the year	**14,523**	(41,276)	(72,586)	(53,097)	(46,719)
Profit/(loss) for the year attributable to:					
Owners of the Company	**12,055**	(41,276)	(72,586)	(53,097)	(46,719)
Non-controlling interests	**(532)**	–	–	–	–
	11,523	(41,276)	(72,586)	(53,097)	(46,719)

ASSETS AND LIABILITIES

	At 30 June				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,537,372**	1,127,559	1,556,642	680,875	777,714
Total liabilities	**(237,690)**	(380,128)	(813,031)	(92,083)	(137,933)
	1,299,682	747,431	743,611	588,792	639,781

* The Group had disposed of its 100% equity interests in Hua Yi Copper (BVI) Company and its subsidiaries (together "Hua Yi Group") during the year ended 30 June 2015.

The copper rods and cable and wires businesses, which are carried out by Hua Yi Group have been presented as discontinued operations in the consolidated financial statements for the year ended 30 June 2015. For the purpose of this financial summary, the copper rods and cable and wires businesses have not been re-presented as discontinued operations for the four years ended 30 June 2011 to 2014.