



## **Solartech International Holdings Limited**

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

**2017** ANNUAL  
REPORT

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

CHAU Lai Him (*Chairman and Managing Director*)

ZHOU Jin Hua (*Deputy Chairman*)

LIU Dong Yang

CHAU Chi Ho

### Independent Non-Executive Directors

CHUNG Kam Kwong

LO Wai Ming

LO Chao Ming

## COMPANY SECRETARY

CHAN Kam Yee

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2601-05, 26/F

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

## STOCK CODE

1166

## WEBSITE

[www.1166hk.com](http://www.1166hk.com)

## AUDITOR

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## LEGAL ADVISOR

Herbert Smith Freehills

23/F, Gloucester Tower

15 Queen's Road Central

Hong Kong

## BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM 08

Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## PRINCIPAL BANKS (IN ALPHABETICAL ORDER)

Bank of China Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

# CHAIRMAN'S STATEMENT

## FINANCIAL RESULTS

The Board of Directors (the “**Directors**” or “**Board**”) of Solartech International Holdings Limited (the “**Company**”) announces that for the year ended 30 June 2017 (the “**year under review**”), total turnover of the Group was approximately HK\$442,522,000, representing a decrease of 40.3% as compared to approximately HK\$740,979,000 recorded for the corresponding period last year. During the year under review, loss attributable to owners of the Company was approximately HK\$70,197,000, as compared to the loss attributable to owners of the Company of approximately HK\$274,945,000 for the corresponding period last year. Loss per share for the year under review was approximately HK\$0.03 (Loss per share for 2015/16: HK\$0.15 (Restated)).

## BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK\$442,522,000, representing a decrease of 40.3% as compared to approximately HK\$740,979,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK\$166,669,000, representing a decrease of 5.3% as compared to approximately HK\$175,918,000 for the same period of last year and accounted for 37.7% of the Group's total turnover. Turnover of the copper rod business was approximately HK\$217,272,000, representing a decrease of 46.0% as compared to approximately HK\$402,665,000 for the same period of last year and accounted for 49.1% of the Group's total turnover. Turnover of the metallurgical grade bauxite trading business was approximately HK\$28,932,000, representing a decrease of 79.4% as compared to approximately HK\$140,761,000 for the same period of last year and accounted for 6.5% of the Group's total turnover. Turnover of the leasing business was approximately HK\$16,328,000, representing a decrease of 16.3% as compared to approximately HK\$19,500,000 for the same period of last year and accounted for 3.7% of the Group's total turnover. Turnover of other business was approximately HK\$13,321,000 and accounted for 3.0% of the Group's total turnover, as compared to approximately HK\$2,135,000 for the same period of last year.

By geographical market segments, turnover from the business in the Americas decreased by 42.4% to approximately HK\$22,035,000 from approximately HK\$38,262,000 for the same period of last year, accounted for 5.0% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 43.0% to approximately HK\$371,815,000 from approximately HK\$652,288,000 for the same period of last year, accounted for 84.0% of the Group's total turnover. Turnover from the business in Europe increased by 1.7% to approximately HK\$36,011,000 from approximately HK\$35,395,000 for the same period of last year, accounted for 8.1% of the Group's total turnover. Turnover from the business in other regions decreased by 15.8% to approximately HK\$12,661,000 from approximately HK\$15,034,000 for the same period of last year, accounted for 2.9% of the Group's total turnover.

### Cables and Wires

The Group's turnover of the cables and wires business for the year under review was approximately HK\$166,669,000, representing a decrease of 5.3% as compared to approximately HK\$175,918,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the year under review, the economy in Mainland China and the global economy continued to recover and the operating conditions in the manufacturing industry has been improving. The Group has been proactively monitoring the development of the global market as well as the upcoming policies in Mainland China, and has carried out research and adjustments accordingly to adopt appropriate market strategies.

# CHAIRMAN'S STATEMENT

## Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and their related products. During the year under review, the turnover of the copper rod business was approximately HK\$217,272,000, representing a decrease of 46.0% as compared to approximately HK\$402,665,000 for the same period of last year. The copper rods and copper wires are primarily used in the production of electric wires or cables for household appliances, electronic products and power supply in infrastructure facilities. International copper prices have rebounded from a low point during the year under review and the 3-month London Metal Exchange copper price increased from approximately US\$4,800 at the beginning of the year under review to approximately US\$5,900 at the end of the year under review. However, this has not led to a corresponding growth in the copper rod business, as an increase in copper price allows certain major upstream copper companies to lower their copper rod processing fees to attract clients during the year, resulting in a poor operating environment for the copper rod business. After considering the cost efficiency of the business, the Group suspended the processing service and focused on copper wires trading during the year.

## Metallurgical Grade Bauxite Trading Business

Turnover of the metallurgical grade bauxite trading business was approximately HK\$28,932,000, representing a decrease of 79.4% as compared to approximately HK\$140,761,000 for the same period of last year. Commodities for this business were mainly imported from Malaysia. Due to pollution caused by mining of bauxite to the environment, the local authority in Malaysia has implemented a suspension order on bauxite mining from the beginning of 2016 in order to monitor mining operations and to alleviate water pollution problems, which will be extended till the end of 2017. Implementation of the suspension order by Malaysia and overcapacity in the Chinese electrolytic aluminum industry have, amongst other factors, caused a substantial decrease in the trading volume of the Group's bauxite commodities trade. The Group expects that the above factors will cause continuing negative impacts on the trading volume and the prospects of the business.

On 28 March 2017, the Group completed the disposal of 51% equity interest in Henan Shengxiang Industry Co., Ltd. (河南盛祥實業有限公司). The details of the disposal were set out in the Group's announcements dated 9 February 2017 and 28 March 2017.

## Rental Income

During the year under review, rental income was approximately HK\$16,328,000, representing a decrease of approximately 16.3% as compared with approximately HK\$19,500,000 for the same period of last year. Investment properties of the Group include a plant property in Qiaozi, Santai Industrial Zone, a residential property in Changping Town, Dongguan, an industrial property in Kowloon Bay.

The Group's factory property and land in Qingpu District, Shanghai were formally changed to investment properties in March 2017 and it will provide rental income in 2017/2018.

On 24 August 2017, the Group completed the disposal of the entire issued share capital of China Glory Management Limited ("China Glory") (which holds Santai Industrial Zone indirectly). The details of the disposal were set out in the Group's announcements dated 16 October 2016 and 24 August 2017.

# CHAIRMAN'S STATEMENT

## Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. As there are still many uncertainties in the Mongolian and the international mineral markets, apart from carrying out additional exploration work and the necessary work to maintain mining rights, no large scale capital investment was made during the year under review. The management will closely monitor the investment risks of Mongolia and make adjustments to the investment strategies accordingly.

As at 30 June 2017, a reversal of impairment loss on mining rights previously recognised of HK\$84,961,000 was recorded. The reversal of impairment loss recognised in the current year is primarily due to the significant increase in the expected selling price of copper according to the prevailing market conditions, which is attributed to the increase in the recoverable amount of the mining right. Details are set out in note 18 to the consolidated financial statements.

## Securities Business

The performance of securities business during the year under review looked grim, with turnover of approximately HK\$13,321,000. It was mainly due to fierce competition in the industry with competitors lowering their brokerage fee in order to attract clients, and the Group has also reduced its brokerage fee in line with the market to retain clients, resulting in a lower turnover than expected.

As at 28 September 2017, Pico Zeman Securities (HK) Limited ("**Pico Zeman**") is licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance ("**SFO**") and it is also an Exchange Participant and a Direct Clearing Participant. The Group has prepared and planned in respect of its licenses to seek relevant opportunities, and it is expected to increase income for the Group.

## Advertising Business

The Group owns 49% of the issued capital of Idea International Holdings Limited ("**Idea**"). The business scope of Idea includes acting as an integrated brand marketing and advertising company based on media agency, column placement, media delivery and advertisement design and provision of advertising and media related services for clients with famous brands in beverage, IT and motor industries. Even though competition faced by the advertising business was fierce, the growth in the business of Idea during the year under review was relative stable. The audited net profit after tax of Idea for the financial year ended 31 December 2016 prepared under the HKFRSs exceeded its profit guarantee of RMB18,000,000.

## PROSPECTS

The Group will pay close attention to market information, cautiously monitoring global economic conditions and economic conditions in the major markets of the PRC. Along with the continuing recovery of the PRC economy and the new automatic mechanic production equipment, the Group is confident that the cables and wires business market will gradually turn stable, and the Group will make operational plans in response to market changes to strengthen its market position in the cables and wires business.

Even though the U.S. economy has stepped into the upward cycle and the PRC economy is gradually recovering, coupled with the commencement of the Shenzhen-Hong Kong Stock Connect, the Group's view on the outlook of the securities industry is more prudent than expected, given the fierce competition of the securities industry.

# CHAIRMAN'S STATEMENT

The Group will re-inject funds from the disposal of China Glory into the business of the Group, and will prudently seek new opportunities to diversify our income. The Group will also plan and explore other existing investment properties to maximize its potential value.

The Group acquired 80% interests of a company in Lianjiang, Guangdong in July 2017, and successfully bid two lands with approximately 170 mu in aggregate in Lianjiang in September 2017. The Group will use the lands to establish a stone industry one-stop distribution and trading center and a stone industry base. Such development project is also one of key projects in Lianjiang, Guangdong, it is expected to generate new income for the Group. Moreover, Lianjiang City is strategically located in the Guangdong-Hong Kong-Macao Greater Bay Area, which could bring another opportunity for the Group in future.

The Directors expect that a balanced development will be achieved through diversified development with the existing business to increase shareholders' values. It implements the Group's mindset of progressing in stability to create room of sustainable development for the Group.

## FINAL DIVIDEND

The Board resolved not to pay any final dividend for the year ended 30 June 2017.

## ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company (the "2017 AGM") will be held on Friday, 8 December 2017.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company (the "Shareholders") to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Wednesday, 6 December 2017 to Friday, 8 December 2017, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the 2017 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Tuesday, 5 December 2017.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had approximately 600 employees in Hong Kong, the People's Republic of China (the "PRC") and overseas (30 June 2016: 800). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 30 June 2017, the Group implemented a prudent financial management policy. As at 30 June 2017, the Group had cash and bank balances amounting to approximately HK\$62 million (30 June 2016: HK\$181 million) and value of net current assets was approximately HK\$309 million (30 June 2016: HK\$331 million). The Group's gearing ratio as at 30 June 2017 was 0.08 (30 June 2016: 0.15), being a ratio of total bank borrowings and promissory notes of approximately HK\$122 million (30 June 2016: HK\$213 million) to shareholders' funds of approximately HK\$1,478 million (30 June 2016: HK\$1,414 million).

# CHAIRMAN'S STATEMENT

## EXCHANGE RISKS

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

## CHARGES ON GROUP ASSETS

As at 30 June 2017, the Group had pledged investment properties with an aggregate net book value of approximately HK\$274 million to secure general banking facilities granted to the Group.

As at 30 June 2016, the Group had pledged certain properties, plant and machinery, land use rights and investment properties with an aggregate net book value of approximately HK\$305 million to secure general banking facilities granted to the Group.

## CONTINGENT LIABILITIES

As at 30 June 2017, the Company had not issued guarantees to banks to secure general banking facilities granted to its subsidiaries.

As at 30 June 2016, the Company had issued guarantees to the extent of approximately HK\$17.0 million to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$17.0 million was utilised.

## Financial instruments for hedging purposes

For the year under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2017 and the changes in fair value were charged to the income statement. The net gain from the Derivative Financial Instruments for the year under review was approximately HK\$1,506,000 (2015/16: net loss of HK\$5,791,000).

## CAPITAL STRUCTURE

### First Placing of New Shares under the General Mandate granted at the 2015 AGM

On 22 April 2016, the Company and Kingston Securities Limited ("**Kingston**"), as the placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 326,560,000 new ordinary shares of the Company at nominal value of HK\$0.01 each ("**Shares**") to not less than six placees (who are independent professional, institutional or other investors) at the price of HK\$0.195 per placing share (the "**First Placing**"), in order to raise capital for the Company and to broaden its Shareholders and capital base. The closing market price of the Shares on the Stock Exchange was HK\$0.239 per Share on 22 April 2016, which was the date on which the terms of the First Placing were fixed. The First Placing was completed on 12 May 2016. The 326,560,000 placing shares placed under the First Placing were issued under the general mandate (the "**General Mandate**") which was granted to the Directors at the 2015 annual general meeting (the "**2015 AGM**") which was held on 22 December 2015. The gross and net proceeds from the First Placing amounted to approximately HK\$63.7 million and approximately HK\$61.8 million, respectively. The net proceeds raised per placing share were approximately HK\$0.189 per Share.



# CHAIRMAN'S STATEMENT

The utilisation of the net proceeds from the First Placing as at 30 June 2017 are summarised as follows:

Intended use of net proceeds from the First Placing	Actual use of net proceeds from the First Placing
- Approximately HK\$22 million for redemption of the promissory note (which was issued on 18 April 2016); and	- approximately HK\$22 million was utilised for redemption of the promissory note (which was issued on 18 April 2016); and
- Approximately HK\$39.8 million for repayment of trust receipt loans and general working capital of the Group	- approximately HK\$24 million was utilised for repayment of trust receipt loans and approximately HK\$15.8 million was utilised for general working capital of Hong Kong office and the PRC operations of the Group

The details of the First Placing were set out in the announcements of the Company dated 22 April 2016 and 12 May 2016 and were disclosed in the Company's 2016 annual report.

## Refreshment of the General Mandate to Allot and Issue Shares

The 326,560,000 placing shares placed under the First Placing were issued under the General Mandate which was granted to the Directors at the 2015 AGM. After the issue and allotment of the 326,560,000 placing shares, the total number of Shares in issue was increased from 1,632,812,340 Shares to 1,959,372,340 Shares. Thereafter, approximately 99.99% of the General Mandate was utilised and only 2,468 Shares were authorised to be allotted and issued under the General Mandate, which was approximately 0.0001% of the issued share capital of the Company.

In order to provide flexibility for the Company to raise funds for its future business development and/or opportunities to be identified by the Company through equity financing, the Board proposed to seek refreshment of the General Mandate (the **"Refreshment of the General Mandate"**) at a special general meeting of the Company for the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of such special general meeting. The Board believed that the Refreshment of the General Mandate was in the best interests of the Company and the Shareholders as a whole. The Board considered that equity financing (i) does not incur any interest expenses on the Group as compared with bank financing; (ii) is less costly and time consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising and/or prospective investment opportunity as and when it arises.

At the special general meeting held on 14 July 2016 (the **"July 2016 SGM"**), the Refreshment of the General Mandate was approved by the Shareholders and the refreshed general mandate (the **"Refreshed General Mandate"**) was granted to the Directors to allot and issue up to 391,874,468 new Shares, being 20% of the total issued share capital of the Company as at the date of the July 2016 SGM.

The details of the Refreshment of the General Mandate were set out in the circular of the Company dated 24 June 2016 and the announcement of the Company dated 14 July 2016 and were disclosed in the Company's 2016 annual report.

## Second Placing of New Shares under the Refreshed General Mandate

On 9 November 2016, the Company and Kingston, as the placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 391,860,000 new Shares to not less than six placees (who are independent professional, institutional or other investors) at the price of HK\$0.30 per placing share (the **"Second Placing"**), in order to raise capital for the Company and to broaden its Shareholders and capital base. The closing market price of the Shares on the Stock Exchange was HK\$0.365 per Share on 9 November 2016, which was the date on which the terms of the Second Placing were fixed. The Second Placing was completed on 25 November 2016. The 391,860,000 placing shares placed under the Second Placing were issued under the Refreshed General Mandate which was granted to the Directors at the July 2016 SGM. The gross and net proceeds from the Second Placing amounted to approximately HK\$117.56 million and approximately HK\$114.4 million, respectively. The net proceeds raised per placing share were approximately HK\$0.292 per Share.

# CHAIRMAN'S STATEMENT

The utilisation of the net proceeds from the Second Placing as at 30 June 2017 and 28 September 2017 are summarised as follows:

Intended use of net proceeds from the Second Placing	Actual use of net proceeds from the Second Placing
<ul style="list-style-type: none"><li>– Approximately HK\$35 million for redemption of the promissory note (which was issued on 16 May 2016);</li></ul>	As at 30 June 2017, <ul style="list-style-type: none"><li>– approximately HK\$35 million was utilised for redemption the promissory note (which was issued on 16 May 2016); and</li></ul>
<ul style="list-style-type: none"><li>– Approximately HK\$34 million for repayment of bank loans and trust receipt loans; and</li></ul>	<ul style="list-style-type: none"><li>– approximately HK\$22 million was utilised for repayment of bank loans and approximately HK\$12 million was utilised for repayment of trust receipt loans.</li></ul>
<ul style="list-style-type: none"><li>– Approximately HK\$45.4 million for general working capital of the Group</li></ul>	As at 30 June 2017, <ul style="list-style-type: none"><li>– approximately HK\$37.4 million was utilised for general working capital of Hong Kong office and the PRC operations of the Group and the remaining was deposited at the banks.</li></ul>
	As at 28 September 2017, <ul style="list-style-type: none"><li>– approximately HK\$45.4 million was utilised for general working capital of Hong Kong office and the PRC operations of the Group.</li></ul>

The details of the Second Placing were set out in the announcements of the Company dated 9 November 2016 and 25 November 2016.

## DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN PICO ZEMAN SECURITIES (HK) LIMITED

The details and completion of the acquisition of the entire issued share capital in Pico Zeman were set out in the announcements of the Company dated 19 October 2015, 20 October 2015 and 18 April 2016 and were disclosed in the Company's 2016 annual report.

On 5 August 2016, the Company announced that the Securities and Futures Commission (the "SFC") has agreed to add Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities to the licence of Pico Zeman under section 127(1) of the SFO with effect from 25 July 2016. The approval is subject to a licensing condition that for Type 9 regulated activity, Pico Zeman shall not conduct business involving the discretionary management of any collective investment scheme (as defined under the SFO). Details of the SFC approval were set out in the announcement of the Company dated 5 August 2016.

As at 28 September 2017, Pico Zeman is licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO and it is also an Exchange Participant and a Direct Clearing Participant.

## DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN CHINA GLORY MANAGEMENT LIMITED

On 16 October 2016, the Company announced that on 15 October 2016, Chau's Industrial Investments Limited (a wholly-owned subsidiary of the Company) (the "Vendor") entered into a conditional sale and purchase agreement (the "Sale Agreement") with Key State Global Limited (the "Purchaser A"), pursuant to which the Purchaser A has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of China Glory Management Limited (the "Target Company A") at a cash consideration of HK\$140,000,000 ("Disposal A").

The Purchaser A is a third party independent of each of the Company, its subsidiaries and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

## CHAIRMAN'S STATEMENT

The Target Company A holds the entire issued share capital of Santai Electronics Company Limited (the “**HK Company**”), which holds the entire interest in Dongguan Santai Electronics Company Limited (東莞三泰電器有限公司) (the English name for identification purpose only) (the “**Operating Company**”) (the Target Company A, the HK Company and the Operating Company are collectively referred to as the “**Target Group**”). The Operating Company is the legal and beneficial holder of the land use rights in respect of a parcel of land located at Qiaozi Road, Qiaozi Village, Chang Ping Town, Dongguan City, Guangdong Province, the PRC, having a site area of approximately 72,292 square meters and an industrial complex with a total gross floor area of approximately 91,095 square meters erected thereon (the “**Land**”). The industrial complex erected on the Land, together with the tenancy, will be transferred to the Purchaser A on an as-is basis.

The consideration of HK\$140,000,000 (“**Consideration A**”) was determined after arm’s length negotiation between the Purchaser A and the Vendor, taking into account various factors, amongst others, (a) the carrying value of the Target Group and the Land; (b) a valuation report on the Land in its existing status as of 30 June 2016 with the current market value of RMB104,700,000 (equivalent to approximately HK\$122,284,000) prepared by an independent valuer; (c) the audited net assets of the Target Group of HK\$44,710,000 as at 30 June 2016, the total amount of a shareholder’s loan for the Target Group of approximately HK\$60,900,000 and a loan of approximately HK\$8,500,000 due to a fellow subsidiary of the HK Company provided by the Vendor previously to be waived at completion of Disposal A; and (d) other factors as set out in the paragraph headed “Reasons and Benefits for the Disposal” in the announcement of the Company dated 16 October 2016. The Company intends to apply the net proceeds from Disposal A for repayment of bank loans and as general working capital for the Group.

The Land is designated for industrial use under the terms of the existing land grant contract. It was noted that the maintenance costs of the industrial complex erected on the Land has been increased due to the higher standard of environmental protections under the relevant regulations in the PRC. It was expected that in long run, it would incur substantial costs if the industrial complex has to be renovated or improved to meet the said requirements. Further, Disposal A allows the Group to receive the total amount of the present value of the Land with a premium.

The Directors considered that the terms of the Sale Agreement are on normal commercial terms, fair and reasonable and Disposal A is in the interests of the Company and its Shareholders as a whole.

Completion of the Sale Agreement was conditional on the conditions being satisfied or waived by the Purchaser on or before the long stop date which was the date on which 12 months after the date of the Sale Agreement or such other date as the Vendor and the Purchaser A may agree. The details of the conditions were set out in the announcement of the Company dated 16 October 2016.

As certain applicable percentage ratios of Disposal A exceeds 5% but are less than 25%, Disposal A constitutes a discloseable transaction of the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

On 24 August 2017, the Company announced that all the conditions of Disposal A have been satisfied or waived by the Purchaser and completion of Disposal A took place on 24 August 2017. Following the completion of Disposal A, (i) the Vendor ceased to have any interest in the Target Group; and (ii) all members of the Target Group ceased to be subsidiaries of the Group.

The details and completion of Disposal A were set out in the announcements of the Company dated 16 October 2016 and 24 August 2017.

## CHAIRMAN'S STATEMENT

### DISCLOSEABLE TRANSACTION AND EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 51% OF THE EQUITY INTEREST IN HENAN SHENGXIANG INDUSTRY CO., LTD.

On 9 February 2017, Dongguan Hua Yi Brass Products Co., Ltd. (an indirect wholly-owned subsidiary of the Company) (東莞華藝銅業有限公司) (the English name for identification purpose only) ("**Dongguan Hua Yi**") entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Mr. Zhou Wei (the "**Purchaser B**"), pursuant to which the Purchaser has conditionally agreed to acquire and Dongguan Hua Yi has conditionally agreed to sell 51% of the equity interest in Henan Shengxiang Industry Co., Ltd. (河南盛祥實業有限公司) (the English name for identification purpose only) (the "**Target Company B**") (representing the entire interest of the Target Company B held by Dongguan Hua Yi) at the consideration of RMB8,200,000 (equivalent to approximately HKD9,233,000 as at 9 February 2017) in cash ("**Disposal B**").

Dongguan Hua Yi is an indirect wholly-owned subsidiary of the Company and is principally engaged in the manufacture and trading of copper products and trading of metallurgical grade bauxite.

The consideration of RMB8,200,000 (the "**Consideration B**") was determined after arm's length negotiation between the Purchaser B and Dongguan Hua Yi, taking into account various factors, amongst others, (a) the capital previously injected by Dongguan Hua Yi to the Target Company B; (b) the audited net assets of the Target Company B as at 30 June 2016; and (c) other factors as set out in the paragraph headed "Reasons and Benefits for the Disposal" in the announcement of the Company dated 9 February 2017. The Company intends to apply the net proceeds of Disposal B for the general working capital of the Group.

The Target Company B is a company incorporated under the laws of the PRC on 22 December 1999 with limited liability. The Target Company B is principally engaged in the trading of metallurgical grade bauxite, commodities of which were mainly imported from Malaysia. Due to pollution caused by the mining of bauxite to the environment, the local authority in Malaysia imposed a moratorium on bauxite mining in early 2016 in an attempt to regulate mining practices and tackle water pollution. The moratorium led to a substantial decrease in the trading volume of bauxite commodities of the Target Company B after its enforcement.

As the Directors expect that the said moratorium would have continuous adverse effect on the Company's trading volume and the prospect of its metallurgical grade bauxite trading business, the Directors consider that Disposal B would allow the Group to re-allocate its financial resources to other businesses with better prospect.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of Disposal B exceed 5%, but are all less than 25%, Disposal B constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Purchaser B is a director and minority shareholder of the Target Company B holding 39% equity interest in the Target Company B and is thus a connected person of the Company at the subsidiary level. Disposal B constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. On 9 February 2017, the Directors (including the independent non-executive Directors) have approved Disposal B, and the independent non-executive Directors have also confirmed that the terms of the Equity Transfer Agreement are fair and reasonable, the Equity Transfer Agreement is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. By virtue of Rule 14A.101 of the Listing Rules, Disposal B is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

## CHAIRMAN'S STATEMENT

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors have a material interest in the Equity Transfer Agreement and Disposal B, and none of the Directors have abstained from voting on the resolutions approving the Equity Transfer Agreement and Disposal B.

On 28 March 2017, the Company announced that all conditions of Disposal B have been fulfilled and completion of Disposal B took place on 28 March 2017. Following the completion of Disposal B, Dongguan Hua Yi ceased to have any interest in the Target Company B and the Target Company B ceased to be a subsidiary of the Group.

The details and completion of Disposal B were set out in the announcements of the Company dated 9 February 2017 and 28 March 2017.

### ACQUISITION OF 80% OF THE REGISTERED CAPITAL OF LIANJIANG ZHOU'S MARBLE LIMITED

On 2 March 2017, Dongguan Hua Lin Real Estate Investment Development Limited (東莞市華麟房地產投資開發有限公司) (the English name for identification purpose only) ("**Dongguan Hua Lin**"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreements (the "**Agreements**") with the shareholders of Lianjiang Zhou's Marble Limited (廉江市周氏石材有限公司) (the English name for identification purpose only) ("**Zhou's Marble**"). Pursuant to the Agreements, Dongguan Hua Lin agreed to acquire 80% of the registered capital of Zhou's Marble at a consideration of RMB25,000,000 (approximately HK\$28,200,000) (the "**Acquisition**"). Zhou's Marble is principally engaged in the business of processing and trading of marble related products.

The sellers are third parties independent of each of the Company, its subsidiaries and its connected persons (as defined under the Listing Rules).

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition less than 5%, the Acquisition does not a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore not subject to the reporting and announcement requirements under the Listing Rules.

Completion of the Acquisition took place on 17 July 2017. Following the completion of the Acquisition, Zhou's Marble has become a direct subsidiary of Dongguan Hua Lin and an indirect non-wholly subsidiary of the Group.

### SIGNIFICANT INVESTMENT

Save as disclosed above, the Group did not make any other significant investment during the year under review and the Group does not have any other plans for material investments or capital assets as at 28 September 2017.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2017.

### COMPLIANCE WITH THE CODE PROVISIONS

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

# CHAIRMAN'S STATEMENT

## Code provision A.2.1

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

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

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

## Code provision A.4.1

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

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

## Code provision A.4.3

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

Mr. Chung Kam Kwong has been an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung retired from office by rotation at the 2016 annual general meeting of the Company held on 2 December 2016 (the "2016 AGM") and offered himself for re-election at the 2016 AGM. An ordinary resolution was passed at the 2016 AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company.

Mr. Lo Wai Ming has been an independent non-executive Director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the 2014 annual general meeting of the Company held on 19 November 2014 (the "2014 AGM") and offered himself for re-election at the 2014 AGM. An ordinary resolution was passed at the 2014 AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive Director of the Company. Mr. Lo Wai Ming will retire from office by rotation at the 2017 AGM and offer himself for re-election.

Mr. Lo Chao Ming has been an independent non-executive Director of the Company for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming retired from office by rotation at the 2015 AGM and offered himself for re-election at the 2015 AGM. An ordinary resolution was passed at the 2015 AGM to approve the appointment of Mr. Lo Chao Ming as an independent non-executive Director of the Company.

# CHAIRMAN'S STATEMENT

## AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive Directors of the Company. It has adopted terms of reference which are in line with the Code provisions. The Audit Committee has reviewed the annual results of the Group for the year under review.

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the “**Remuneration Committee**”) comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive Directors of the Company. It has adopted terms of reference which are in line with the Code provisions. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of executive Directors and senior management and making recommendations to the Board from time to time.

## NOMINATION COMMITTEE

The nomination committee of the Company (the “**Nomination Committee**”) comprises Mr. Chau Lai Him, an executive director and Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive Directors of the Company. It has adopted terms of reference which are in line with the Code provisions. The duties of the Nomination Committee include reviewing the composition of the Board at least annually, identifying and recommending suitable board members, monitoring the implementation of the board diversity policy, assessing independence of independent non-executive Directors and making recommendations on appointments and re-appointments of Directors.

## COMPLIANCE WITH THE MODEL CODE

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

## APPRECIATION

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

On behalf of the Board

**Chau Lai Him**  
*Chairman*

28 September 2017

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

*Mr. CHAU Lai Him*, aged 66, is the chairman and managing director of the Company and the founder of the Group. Mr. Chau has been appointed as an executive director of the Company since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 30 years' experience in the cable and wire industry and extensive experience in the mining industry.

*Mr. ZHOU Jin Hua*, aged 59, is the deputy chairman of the Company and the general manager of the Group's Dongguan manufacturing facilities. Mr. Zhou has been appointed as an executive director of the Company since November 1996. He is responsible for the operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 30 years' experience in the manufacturing of cable and wire products.

*Mr. LIU Dong Yang*, aged 43, has been appointed as an executive director since January 2010. Mr. Liu is the general manager of Shanghai Chau's Electrical Company Limited and is responsible for the financial matters for the trading and manufacturing operations in the PRC. He holds a college diploma in international finance from Hunan Finance and Economics College and a bachelor degree in business administration from the distance education college of Renmin University of China. He has more than 20 years' experience in finance and accounting.

*Mr. CHAU Chi Ho*, aged 35, has been appointed as an executive director since April 2015. He is the finance manager of Chau's Electrical Company Limited. He is responsible for accounting and financial management of the subsidiaries of the Group in Hong Kong and Dongguan. He holds a bachelor's degree in Business Administration from the California State Polytechnic University Pomona, United States and has more than 10 years' experience in finance and accounting. He is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

*Mr. CHUNG Kam Kwong*, aged 60, has been appointed as an independent non-executive director of the Company since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a supervisory council member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics, major in Accounting, from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management. He is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

*Mr. LO Wai Ming*, aged 65, has been appointed as an independent non-executive director of the Company since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has more than 30 years' experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a fellow of the Chartered Management Institute of the United Kingdom.

*Mr. LO Chao Ming*, aged 52, has been appointed as an independent non-executive director of the Company since November 2006. He is the general manager of Sunf Pu Technology Co., Ltd, a company incorporated in Taiwan, Republic of China. He has more than 25 years' experience in the cable and wire industry.



# ***DIRECTORS AND SENIOR MANAGEMENT***

## **COMPANY SECRETARY**

*Ms. CHAN Kam Yee, Shirley*, aged 57, has been appointed as the company secretary of the Company since November 2007. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She has more than 25 years' experience in finance and accounting and more than 20 years' experience in company secretarial affairs.

## **SENIOR MANAGEMENT**

*Ms. LAM Sui Lan, Miranda*, aged 48, rejoined the group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 20 years' experience in sales and marketing in the field of cable and wire products.

*Mr. TSUI Lok Kin*, aged 36, joined the group in April 2016 and is the accounting manager of Chau's Electrical Co., Ltd and is responsible for accounting and financial management. He holds a bachelor degree in Business from the Monash University, Melbourne. He is a member of the CPA Australia and has more than 10 years' experience in auditing, finance and accounting.

*Mr. ZHOU Qi Qin*, aged 53, joined the group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's Electrical Co., Ltd ("**Dongguan Qiaozi**"). He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 25 years' experience in manufacturing management.

*Mr. YUEN Hoi Cheung*, aged 50, joined the group in March 1985 and is the operations manager of Dongguan Hua Yi Brass Products Co., Ltd ("**Dongguan Hua Yi**"). He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 30 years' experience in operations management.

# ***DIRECTORS' REPORT***

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 30 June 2017 (the “**Financial Statements**”).

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The activities of its principal subsidiaries, associates and joint ventures are set out in notes 21, 22 and 23, to the Financial Statements, respectively.

## **RESULTS**

The results of the Group for the year ended 30 June 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 49 and 50 of this report.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2017.

## **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Group as at 30 June 2017 are set out in note 33 to the Financial Statements.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 132 of this report.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of additions and other movements during the year ended 30 June 2017 in the property, plant and equipment of the Group are set out in note 15 to the Financial Statements.

## **SHARE CAPITAL**

Details of changes in the share capital of the Company during the year ended 30 June 2017 are set out in (a) the paragraph headed “Capital Structure” in the Chairman’s Statement and (b) note 36 to the Financial Statements.

## **RESERVES**

The Company’s distributable reserve at 30 June 2017 was Nil (30 June 2016: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2017 are set out in the consolidated statement of changes in equity on pages 53 and 54 of this report.

## **RELATED PARTY TRANSACTIONS**

During the year ended 30 June 2017, related party transactions which do not constitute connected transaction under the Listing Rules was Nil as disclosed in note 45 to the Financial Statements. Other than disclosed in the paragraph headed “Discloseable Transaction and Exempted Connected Transaction in relation to the Disposal of 51% of the Equity Interest in Henan Shengxiang Industry Co., Ltd.” in the Chairman’s Statement, there was no other connected transaction of the Company and the Group during the year ended 30 June 2017.

# ***DIRECTORS' REPORT***

## **CONTINGENT LIABILITIES**

There was no significant contingent liability as at 30 June 2017.

## **DIRECTORS AND DIRECTORS' SERVICE CONTRACTS**

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

### **Executive Directors:**

Mr. Chau Lai Him (*Chairman and Managing Director*)

Mr. Zhou Jin Hua (*Deputy Chairman*)

Mr. Liu Dong Yang

Mr. Chau Chi Ho

### **Independent non-executive Directors:**

Mr. Chung Kam Kwong

Mr. Lo Wai Ming

Mr. Lo Chao Ming

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

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

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

## **PROFILES OF DIRECTORS AND SENIOR MANAGEMENT**

Profiles of Directors and senior management of the Group are set out on pages 15 to 16 to this report.

## SHARE OPTIONS

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

Purpose of the Share Option Scheme	The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible persons thereunder for their contributions and continuing efforts to promote the interests of the Group and to enable the Group to recruit and retain high calibre employees.
Participants	The participants of the Share Option Scheme (“ <b>Participants</b> ”) include (a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work fulltime or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the foregoing persons.
Total number of securities available for issue under the Share Option Scheme	11,234 Shares (The maximum number of Shares subject to the Existing Scheme Mandate Limit under the Share Option Scheme is 113,391,234, which was approved by an ordinary resolution of the Shareholders at the special general meeting of the Company held on 9 June 2015 representing 0.0005% of the issued shares as at the date of this report).
Maximum entitlement of each Participant	No Option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company’s issued share capital from time to time.
Period within which the securities must be taken up under an Option	10 years commencing from the date on which the offer in relation to such Option is accepted or otherwise determined and notified by the Board to the Grantee.
The minimum period, if any, for which an option must be held before it can be exercised	The Board has discretion to set a minimum period for which a Share Option has to be held before the exercise of the subscription rights attaching thereto.

## DIRECTORS' REPORT

The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

HK\$1.00 is to be paid by each Grantee as consideration for the grant of Share Option within 28 days from the date of offer.

Basis of determining the exercise price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine but the subscription price shall be at least the highest of:

- (a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day;
- (b) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a share.

Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional.

On 7 October 2016 ("**Date of Grant**"), the Company resolved to grant share options (the "**Options**") to subscribe for a total of 113,380,000 shares to 7 directors of the Company and certain eligible persons (collectively, the "**Grantees**"), subject to acceptances of the Grantees, under the Share Option Scheme.

The Details of the Options granted as set out in the announcement of the Company dated 7 October 2016 are as follows:

Date of grant	7 October 2016
Exercise price of Options granted	HK\$0.355 per share, which represents the highest of (i) the closing price of HK\$0.350 per share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant; (ii) the average closing price of HK\$0.355 per share as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.01 per share
Number of Options granted	113,380,000 Options (each Option shall entitle the Grantee to subscribe for one share)
Closing price of the Shares on the Date of Grant	HK\$0.350 per share
Validity period of the Options	7 October 2016 to 6 October 2018 (both days inclusive) subject to certain vesting conditions applicable to the relevant Grantees

## DIRECTORS' REPORT

Among the 113,380,000 Options granted as referred to the above, 72,580,000 Options were granted to the following Directors, details of which are as follows:

Name of Director	Position	Number of Options granted
Chau Lai Him	Executive director	18,580,000
Zhou Jin Hua	Executive director	17,000,000
Liu Dong Yang	Executive director	17,000,000
Chau Chi Ho	Executive director	17,000,000
Chung Kam Kwong	Independent non-executive director	1,000,000
Lo Wai Ming	Independent non-executive director	1,000,000
Lo Chao Ming	Independent non-executive director	1,000,000
	Total:	<u>72,580,000</u>

The details of the Options granted were set out in the announcement of the Company dated 7 October 2016.

The following table discloses movements in the Company's Share Option Scheme during the period under review:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK\$ <i>Note (1)</i>	Number of Share Options					Outstanding at 30.06.2017
				Outstanding at 1.7.2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
<b>Directors</b>									
Chau Lai Him	7 October 2016	14 October 2016 to 6 October 2018	0.355	—	18,580,000	—	—	—	18,580,000
Zhou Jin Hua	7 October 2016	14 October 2016 to 6 October 2018	0.355	—	17,000,000	—	—	—	17,000,000
Liu Dong Yang	7 October 2016	14 October 2016 to 6 October 2018	0.355	—	17,000,000	—	—	—	17,000,000
Chau Chi Ho	7 October 2016	14 October 2016 to 6 October 2018	0.355	—	17,000,000	—	—	—	17,000,000
Chung Kam Kwong	7 October 2016	14 October 2016 to 6 October 2018	0.355	—	1,000,000	—	—	—	1,000,000
Lo Wai Ming	7 October 2016	14 October 2016 to 6 October 2018	0.355	—	1,000,000	—	—	—	1,000,000
Lo Chao Ming	7 October 2016	14 October 2016 to 6 October 2018	0.355	—	1,000,000	—	—	—	1,000,000
<b>Employees</b>	7 October 2016	14 October 2016 to 6 October 2018	0.355	—	7,300,000	—	—	—	7,300,000
<b>Others</b>	7 October 2016	14 October 2016 to 6 October 2018	0.355	—	33,500,000	—	—	—	33,500,000
				—	<u>113,380,000</u>	—	—	—	<u>113,380,000</u>

# ***DIRECTORS' REPORT***

## *Note (1)*

The closing price per share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant was HK\$0.350 and the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the Date of Grant was HK\$0.355.

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

Save for the Share Options granted, as at 30 June 2017, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules.

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

So far as is known to any of the Directors and chief executives of the Company, as at 30 June 2017, there were no persons who had a notifiable interest or short position in the Shares or underlying Shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

## **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed in the section headed "Share Options" of this report, at no time during the year ended 30 June 2017 were rights to acquire benefits by means of acquisition of shares or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2017 or at any time during the year.

## **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended 30 June 2017, the five largest customers of the Group together accounted for approximately 39.5% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 62.3% of the Group's total purchases, with the largest customer accounted for approximately 16.7% of the Group's total turnover and the largest supplier accounted for approximately 19.3% of the Group's total purchases during the year.

At no time during the year ended 30 June 2017 did any of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or five largest suppliers.

## **PERMITTED INDEMNITY**

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

## **EMOLUMENT POLICY**

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

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

The Company has adopted the Share Option Scheme to provide incentive to eligible persons, including Directors of the Company and eligible employees of the Group, for their contribution and continuing efforts to the Group.

Particulars of the Group's retirement scheme are set out in note 44 to the Financial Statements.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities during the year ended 30 June 2017.

## **PRE-EMPTIVE RIGHTS**

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

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **EVENTS AFTER THE REPORTING PERIOD**

Details of significant events occurring after the reporting period are set out in note 51 of the Financial Statements.



# ***DIRECTORS' REPORT***

## **AUDITOR**

A resolution will be submitted to the 2017 Annual General Meeting to re-appoint Messrs. BDO Limited as auditor of the Company.

On behalf of the Board

**Chau Lai Him**  
*Chairman*

28 September 2017

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 to the Listing Rules.

## COMPLIANCE WITH THE CODE PROVISIONS

Throughout the financial year ended 30 June 2017, the Company complied with the code provisions of the Code except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 which are explained below.

### Code provision A.2.1

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

During the year ended 30 June 2017, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for the effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective for the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

### Code provision A.4.1

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

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

### Code provision A.4.3

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

Mr. Chung Kam Kwong has been an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung retired from office by rotation at the 2016 annual general meeting of the Company held on 2 December 2016 (the “2016 AGM”) and offered himself for re-election at the 2016 AGM. An ordinary resolution was passed at the 2016 AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company.

# CORPORATE GOVERNANCE REPORT

Mr. Lo Wai Ming has been an independent non-executive Director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the 2014 annual general meeting of the Company held on 19 November 2014 (the “**2014 AGM**”) and offered himself for re-election at the 2014 AGM. An ordinary resolution was passed at the 2014 AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive Director of the Company. Mr. Lo Wai Ming will retire from office by rotation at the 2017 AGM and offer himself for re-election.

Mr. Lo Chao Ming has been an independent non-executive Director of the Company for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming retired from office by rotation at the 2015 annual general meeting of the Company held on 22 December 2015 (the “**2015 AGM**”) and offered himself for re-election at the 2015 AGM. An ordinary resolution was passed at the 2015 AGM to approve the appointment of Mr. Lo Chao Ming as an independent non-executive Director of the Company.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the year ended 30 June 2017, complied with the required standards set out therein.

## BOARD OF DIRECTORS

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

The Board currently comprises a total of seven Directors, with four executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Zhou Jin Hua (Deputy Chairman), Liu Dong Yang and Chau Chi Ho and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Mr. Chau Chi Ho is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship among members of the Board. More details of the Directors are disclosed on page 15 of this annual report. The Board has published and maintained on its website and on the Stock Exchange’s website an updated list of the Directors identifying their role and function. The Board met regularly throughout the year ended 30 June 2017. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the company secretary of the Company (the “**Company Secretary**”) to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder of the Company or Director, the approval of the interim and final results, other disclosures to the public or regulators and the internal control systems 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 Managing Director.

# CORPORATE GOVERNANCE REPORT

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

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

During the year ended 30 June 2017, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board; one of the independent non-executive Directors is required to possess appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Each of Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming served as an independent non-executive Director for more than nine years and explanation in connection with such deviation from Code provision A.4.3 is set out in the section headed “Compliance with the Code Provisions” of this report.

## DIRECTORS’ AND OFFICERS’ LIABILITIES INSURANCE

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

## BOARD OPERATION

During the year ended 30 June 2017, the Board held 7 Board meetings. The attendance records of each member of the Board at Board meetings, audit committee meetings, nomination committee meetings, remuneration committee meetings and the 2016 AGM are set out below:

	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	Board meetings	2016 AGM
<b>Executive Directors</b>					
Chau Lai Him	—	1	—	7	1
Zhou Jin Hua	—	—	—	7	1
Liu Dong Yang	—	—	—	7	—
Chau Chi Ho	—	—	—	7	1
<b>Independent non-executive Directors</b>					
Chung Kam Kwong	3	1	1	7	1
Lo Wai Ming	3	1	1	7	1
Lo Chao Ming	3	1	1	7	—

# CORPORATE GOVERNANCE REPORT

During the year ended 30 June 2017, the Company also held one special general meeting (the “SGM”). The SGM was held on 14 July 2016 and three Directors were present.

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

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

## CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the year ended 30 June 2017, all Directors received regular updates and presentations on changes and developments to the Group’s business and on the latest developments in the laws, rules and regulations relating to directors’ duties and responsibilities (including but not limited to, the ESG Guide (see definition below)). Directors’ training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company’s expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

### Attended Seminars or Briefing/Read Materials

#### Executive Directors

Chau Lai Him  
Zhou Jin Hua  
Liu Dong Yang  
Chau Chi Ho

✓  
✓  
✓  
✓

#### Independent non-executive Directors

Chung Kam Kwong  
Lo Wai Ming  
Lo Chao Ming

✓  
✓  
✓

## REMUNERATION COMMITTEE

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

# CORPORATE GOVERNANCE REPORT

During the year ended 30 June 2017, the Remuneration Committee held one meeting and all committee members were present at the meeting. The Remuneration Committee has reviewed the remuneration packages of all executive Directors and senior management, assessed performance of executive Directors and senior management and made recommendations to the Board in connection with the remuneration of the non-executive Directors. Details of the emoluments of the Directors are set out in note 9 to the Financial Statements.

## NOMINATION COMMITTEE

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

During the year ended 30 June 2017, the Nomination Committee held one meeting and all committee members were present at the meeting. The Nomination Committee has determined the policy for the nomination of Directors, the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and senior management.

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

The Board recommended the re-appointment of the Directors standing for re-election at the 2017 AGM. The Company’s circular to be despatched to the Shareholders will contain detailed information of the Directors standing for re-election.

## AUDITOR’S REMUNERATION

During the year ended 30 June 2017, the remunerations paid and payable to the auditor of the Group, BDO Limited, for the provision of the Group’s audit services and non-audit related services were HK\$1,650,000 and HK\$147,000 respectively.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

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

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

During the year ended 30 June 2017, the Audit Committee held 3 meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management and the external auditor, the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including the review of the Company’s interim and annual financial statements before submission to the Board. The Group’s financial statements for the year ended 30 June 2017 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 30 June 2017.

## SUMMARY OF THE BOARD DIVERSITY POLICY

On 28 August 2013, the Board adopted a board diversity policy (the “**Policy**”) in compliance with Code provision A.5.6, which came into effect on 1 September 2013.

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

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCION

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

- (a) to develop, review and implement the Company's policy and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (e) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (f) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 30 June 2017, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

## SHARE INTERESTS OF SENIOR MANAGEMENT

On 7 October 2016, the Company resolved to grant share options (the "Options") to subscribe for a total of 113,380,000 shares to 7 directors of the Company and certain eligible persons under the Share Option Scheme.

Among the 113,380,000 Options granted as referred to the above, 7,300,000 Options were granted to certain members of the senior management of the Company.

Save for the Options granted, as at 30 June 2017, none of the senior management of the Company (whose biographical details are disclosed on page 16 of this annual report) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## INVESTOR RELATIONS

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

There was no significant change in the Company's constitutional documents during the year ended 30 June 2017.



# ***CORPORATE GOVERNANCE REPORT***

## **COMPANY SECRETARY**

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

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

During the year ended 30 June 2017, Ms. Chan has attended relevant professional seminars to update her skills and knowledge and has complied with the Listing Rules to take no less than 15 hours of relevant professional training.

## **SHAREHOLDERS' RIGHTS**

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

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

## **PROCEDURES BY WHICH SHAREHOLDERS MAY CONVENE A SPECIAL GENERAL MEETING**

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

# CORPORATE GOVERNANCE REPORT

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

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

Solartech International Holdings Limited  
Room 2601-05, 26/F., China Resources Building,  
26 Harbour Road, Wanchai,  
Hong Kong  
E-mail: [enquiry@solartechhk.com](mailto:enquiry@solartechhk.com)  
Tel no.: (852) 2796 1628  
Fax no.: (852) 2799 9835

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

## VOTING BY POLL

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

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board ensures the maintenance of sound and effective risk management and 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 risk management and internal control systems of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, and risk management functions, and takes into account the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and the extent of risks for achieving the Group's strategic objectives and has the overall responsibilities for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Company also has an internal audit function to assist the Audit Committee and the senior management to carry out analysis and independent appraisal of the adequacy and effectiveness of the systems periodically.

During the year ended 30 June 2017, the Company engaged an external independent consultant to conduct a review on the effectiveness of the risk management and internal control systems over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and effectiveness of financial reporting and compliance with the Listing Rules. The Board considered that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate. The Board has reached the conclusion that the Group's risk management and internal control systems were adequate and effective.

# CORPORATE GOVERNANCE REPORT

## THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

In January 2016, the Stock Exchange amended the Environmental, Social and Governance (“ESG”) Reporting Guide (the “ESG Guide” or the “Guide”) set out in Appendix 27 to the Listing Rules.

The amendments to the ESG Guide and related Listing Rules will come into effect in two phases.

The Listing Rule amendments and the upgrade of the general disclosures in the Guide from recommended to “comply or explain”, as well as the revised recommended disclosures, will be effective for the Company’s financial year commencing on or after 1 January 2016.

The upgrade of the KPIs in the “Environmental” Subject Area of the Guide from recommended to “comply or explain” will be effective for the Company’s financial year commencing on or after 1 January 2017.

The ESG Report of the Company for the year ended 30 June 2017 is set out on pages 35 to 42 of this report.

## GENERAL

The Directors acknowledge their responsibility in preparing the Group’s financial statements for each financial period to give a true and fair view of the state of affairs of the Company and in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 30 June 2017, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor’s Report on pages from 43 to 48 of this annual report.

On behalf of the Board

**Chau Lai Him**

*Chairman*

28 September 2017

# ***ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT***

The Environmental, Social and Governance Report (“**ESG Report**”) is compiled in accordance with the guidelines laid down in Appendix 27 of the Environmental, Social and Governance Reporting Guide (the “**Reporting Guide**”) of the Listing Rules.

The Group’s operations are divided into various business segments, namely (i) manufacture and trading of cables and wires, (ii) manufacturing and trading of copper rods, (iii) trading of metallurgical grade bauxite, (iv) investment properties, (v) securities brokerage in Hong Kong, and (vi) holding of mining right.

This ESG Report mainly covers data and activities of the operations for the year ending 30 June 2017 (the “**Reporting Period**”). Key policies relating to areas covered by this ESG Report are summarized below:

- (1) The Group is committed to be a successful operator in our business operations, bringing returns to our investors and supporters, giving a healthy and safe working environment to our employees, and helping to provide sustainable development of local communities and the Group.
- (2) The Board has approved its updated strategies and policies which have incorporated the related environmental and social issues contained in the Reporting Guide. The Board has assigned various company heads to implement its policies. Through their normal and routine channels, they report directly to the Group’s Managing Director, who has the overall responsibility to ensure that the Board’s approved strategies and policies are implemented.
- (3) It is incumbent on the Group’s Managing Director and the management to examine and address all the environmental and social issues set out in the aspects and areas in the Reporting Guide. They are duty bound to explore and develop Key Performance Indicators (“**KPIs**”) where appropriate and necessary for future reference and action in line with the Group’s policy and goals.

## **(A) ENVIRONMENTAL ASPECTS**

The Group has a relatively comprehensive environmental protection and management system which spells out its policy and approach. Through the adoption and application of Quality Management System (ISO 9001: 2000) which the Group has its certification since 2003, staff at various levels are aware of their respective roles and responsibilities in conserving energy and natural resources. Pragmatic and continuing education and training programmes are the key approach which the Group believes to be most pertinent to the Group’s operation such that staff are guided to take heed of the importance of energy and natural resources and their conservation in all aspects of their activities and business operation.

The Group, in the longer term, aims to excel by setting a more comprehensive policy for environmentally friendly production and operating processes. The Group has committed in environmental protection matters and undertaken all practicable and possible measures to comply with the relevant national and provincial laws. Compliance of statutory or legal requirements is the priority and bottom line of the Group as far as the operation of the Group is concerned. The Group is committed to making every effort to fulfill our legal obligations.

The Group has been issued with a valid Pollutant Discharge License of Guangdong Province (Licence No. 4419602016000053, valid from 11 November 2016 till 10 November 2017). In parallel, the Group also actively assumes social responsibilities to reduce pollution through installation of new production equipment.

# ***ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT***

## **(A1) Emissions**

### **(I) Gas and Vapour Emission to Air**

Melting of copper and other materials is achieved by natural gas fire which provides a relatively clean emission. Gases and vapours from the melting plants are the main emission to the air which consist broadly of various oxides of Sulphur and Nitrogen. They are captured and treated in capsulated collecting system before being discharged through an exhaust stack of 20m in height.

Greenhouse gas emissions from the Group's businesses are taken care of except the indirect gas emission of carbon dioxide (CO<sub>2</sub>) as a result of electricity consumption.

The Group complied with all local government rules and regulations on emissions and had no record of warning nor fine.

### **(II) Waste Water Management**

Cooling water is the main source of the Group's waste water. By adopting a close circulating system without releasing and only occasional replenishment, no significant waste water is discharged. Town supply is the only viable water source available to the Group as far as our production process is concerned and there is no other practicable and viable sources available. All other waste water discharge is connected to the municipal systems with proper authorization.

### **(III) Noise**

Noise comes mainly from the machinery and plant operations which broadly include mechanical drills, exhaust and pumping systems. Strong and undesirable noise emissions are either reduced at source, insulated or reduced by shock absorption measures.

### **(IV) Solid Waste**

Arrangements are in place for solid waste arising from the production plants to be returned to the respective upstream suppliers for disposal or recycling.

There are small quantities of hazardous waste arising from the Group's business but they have been collected and disposed by licensed collectors. Non-hazardous wastes from our offices are taken care of by the local waste collector. Consideration is given to recycle and reuse in the various processes and stage of production.

# ***ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT***

## **(A2) Use of Resources**

For office administration, factory production and general living of the resident workers, the Group consumed electricity, water, and packaging materials of paper and plastic. The Group has guidelines and instructions on the efficient use of resources.

All levels of the Group are constantly made mindful of the importance of energy saving and its implications to the community and the earth. Staff at all levels are made responsible for and conscientious of the importance of energy conservation and may be liable to different corrective measures as spelt out in the Staff Handbook.

To save energy which also saves costs, the Group has invested in installing energy saving tools such as LED lights and controlling meters. However, the most effective means of energy saving will be smart and responsible use of energy by our employees. The Group has promulgated rules and requested the employees to co-operate such as:

- Lights and equipment must be turned off if not in use;
- Encouraging the use of natural ventilation instead of air-conditioning whenever the conditions allow; and

The office and factory supervisors have been assigned to be responsible to maintain the working environment temperature at a pre-determined degree, and to turn off the heating and unused tools when no works are in progress. The factory is now studying a possible use of solar panel systems to provide hot water especially for living uses.

For water, the main consumption is coming from the living uses of the resident workers. The Group again requests the employees to use resources smartly and be responsible. Inspectors have been assigned to ensure there is no unwarranted uses and waste. Also as a means to monitor, special meters have been installed to record the water usage pattern.

Regarding packaging paper and plastic raw materials, the Group has required the use of recycled paper and plastic wraps. Any scraps will be collected and sold as scrap materials to recycling and recoverable resources operators.

In our office and factory, the Group has encouraged the office staff and factory workers to reduce paper consumption as much as possible through use of electronic tools such as emails, messages and USB storage to replace paper files, sketches and letters; to print paper on both sides, and to use only recycled paper.

Measures will be explored and implemented for more appropriate ways and means to reduce, reuse and recycle all energy resources in connection with societal changes and our operational needs and goals. Educational programs and supervision and instructions are at present the main driving force in this aspect.

## **(A3) Environment and Natural Resources**

Fresh water and electricity for normal production operation are the only key elements which are considered to have an impact on the environment as far as the Group's business operations are concerned. Though not having a written policy, the Group supports all measures to reduce, reuse and recycle as far as possible and practicable as laid down in the Staff Handbook. The Group is constantly on the alert to look for ways and means to accomplish reduction, reuse and recycling goals. In addition, the Group is clearly driven by the cost saving incentive to reduce its electricity consumption. Reduction, reuse and recycle measures where appropriate and practicable remain the main approaches which the Group would consider to pursue.

# ***ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT***

## **(B) SOCIAL ASPECTS**

### **EMPLOYMENT AND LABOUR PRACTICES**

#### **(B1) Employment**

The Group has in place and implemented policies and regulations on labour protection emphasizing legal compliance of national laws and local stipulations for its employees in China and in Hong Kong. They are contained and spelled out in the Staff Handbook which is issued to each and every employee on joining. They cover, but are not limited to, recruitment, probation and resignation, compensation and dismissal, promotion, working hours, rest periods, equal opportunity, fairness and non-discrimination, health and safety and other benefits and welfare. Details of employment terms and conditions for employees in Hong Kong are covered in their employment letter.

The Group recognizes that its staff is an important asset to its success and sustainability and commits to providing equal opportunity to all staffs on recruitment, promotion, compensation and benefits; promoting a harmonious and respectful workplace.

All newly employed staff are entered into proper and standardized contracts in writing between the respective staff and Group. The Human Resources Department is charged with the prime responsibility and duty to ensure that statutory obligations of the Group are fulfilled and complied with in a timely manner.

In accordance with the requirements of the laws of Hong Kong and the PRC, where appropriate, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays.

Employee remunerations are determined with reference to the prevailing market level in line with their competency, qualifications and experience. Salary will be paid to the employee within the prescribed agreed period at the end of the wage period. No wage disputes or complaints have been recorded.

To ensure a fair and rational human resources structure, the Group has established job qualifications and requirements specific to the job posts within the Group. They are taken as criteria for recruitment, promotion and transfer. The recruitment and decision making will involve both the related department head and the HR Department.

The Group opens up opportunities for employees to move on in their vertical and horizontal career path. The Group finds its employee composition natural, normal and detects no anomalies in gender and age. In our 2 factories operation, the Group has employed more rural workers than city workers. Though it costs more to the Group as additional living support and training will need to be provided, it is worthwhile as it gives more economic support to rural communities.

No breach of labour laws or labour dispute has been recorded both internally and externally.

# ***ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT***

## **(B2) Health and Safety**

The Group undertakes to safeguard the health and safety of its employees. The Staff Handbook sets out detailed health and safety guidance and welfare provisions. All employees are required to strictly observe these guidelines.

The Group relies in part on its certified Quality Management System to implement its safety and health matters. Under the safety and health management system, the Safety Officers are charged with the duty for the safety of operations. In our Operation Manual and Staff Handbook we have stressed and insisted on production safety. Employees have been trained to understand the health safety system, fire prevention, emergency handling and protective equipment usage. The Safety Officers are duty-bound to constantly check operations. Clinical equipment and medicines are always in place and accessible.

In-house rules require all injuries or accidents to be promptly and properly dealt with and reported in accordance with the local or national laws as appropriate. Parallel remedial or compensatory actions arising from safety and health issues or work injuries are required to be taken where necessary in accordance with the in-house rules. Procedures are in place for reporting of accidents, regardless of minor or serious, to the respective superiors immediately or without delays, who will take appropriate measures to ensure safety is not being compromised. During the reporting period, 2 cases of accidents with minor injuries due to falling down from slippery surface and mishandling of machinery were recorded, and the injured workers were properly cared for immediately.

## **(B3) Development & Training**

It is the policy of the Group to employ only people with the required qualification, competency and skills for the position. Where necessary, for new recruits and existing employees, the Group has organized training in terms of skills, job knowledge and operation know-how internally. A total of 557 employees had been trained for 2,718 hours during the reporting period. Trainees will be assessed to ensure that they are able to perform their required job duties in a competent and capable manner and without risk to their health and safety or damage to plants and operations.

Staff can also apply for time and cost reimbursement for external training to improve their job skills and potential.

## **(B4) Labour Standards**

The Group adopts the national standard as its minimum labour safety standard on labour protection and welfare and is committed to ensuring its full compliance. In addition, the Group adopts a serious view and attaches great importance to the compliance of statutory duties and obligations as an employer.

### **(1) Child and Forced Employment**

Banning the employment of child labour and forced labour is achieved through the recruitment and employment process at source. The HR department has been fully charged with this statutory duty and is being oversighted by the senior levels with constant reviews at periodic intervals. No breach of the child labour and forced labour has been recorded.



# **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

## **(2) Equal Opportunities of Work**

The Group opens all vacancies to all with equal opportunities, to be decided with no discrimination on sex, religion, gender, age and disability, and to be selected on qualification, skill and competency basis. The Group regards the employment of rural workers as a part of social responsibility as they normally require additional living support and short-term training.

## **(3) Welfare**

The Group strictly adheres to the national laws on labour protection to ensure employee health, safety and welfare during their employment. The Group also pays wages and salaries, benefits and compensations, compensation payments and insurance on time within the prescribed period.

The Groups provides free lodging to a number of factory employees. Meals at subsidized prices are provided in the factory through the use of IC card system at meal times. Overtime work at night time is provided with night meal allowance and salary at overtime rate. Free uniforms are provided to all factory staff.

## **(B5) Supply Chain Management**

The Group has a very detailed supply and purchase management system adopting different approval authorities at different hierarchy levels of the management team. The Purchase Manager, Finance Director and Chief Executive Officer form the execution and supervision purchase chain at different monetary levels. Each level is accountable to the one above on their monetary limits they are authorized to purchase. Purchasers are required not to place an order when the authorization cannot meet its designated level. The approving level is required to ensure that requests for purchase are in order before authorizing.

The Group opens its purchase acquisitions to all suppliers on a fair and equitable manner. All purchase transactions are open and transparent. They are subject to the scrutiny of the internal hierarchy supervisions depending on their value and significance and to the overall scrutiny of the external independent audit checks. During the reporting period, owing to the special nature of raw materials - copper sheet, most of the copper sheet were purchased from overseas suppliers, whilst for general purpose use purchases, such purchases were concluded with suppliers in nearby areas whenever conditions permit, as a means to encourage and promote local economy in an unspoken manner.

All purchases are executed and recorded in accordance with the in-house rules which predominantly imposes concern and attaches importance on fitness for purpose, safety and reliability. Other secondary considerations are price and availability and reputation of the suppliers. The Group has maintained a list of approved suppliers and we have not entered into any long-term contract as we do not rely on any single supplier for supplies. Suppliers are chosen based on their continuous ability to guarantee satisfactory product quantity and quality, reasonable price and timely delivery, and new suppliers are required to provide relevant certifications/documents and track records.

Quality and standard of the raw materials are crucial and instrumental to our output quality and a stringent specification stipulation policy has been applied where applicable in the procurement process. Incoming key materials will be subjected to our own quality assurance check. As far as conditions warrant and permit, the Group may impose a condition in the procurement documents to reserve the right to inspect and examine the raw materials before purchase.

During the reporting period, the Group mainly purchases raw materials crucial to its production from reputable local suppliers with known supply source as far as practicable and possible.

# ***ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT***

## **(B6) Product Responsibilities**

### **(i) Product Quality**

The Group enjoys good product quality reputation in the business. The Quality Management System (ISO 9001: 2000) which the group has been certified since 2003 ensures that our product meets with recognized quality standards. We are committed to providing high quality end products as we believe that the quality and consistency of our products are critical to our ability to retain our customers and to expand market shares. In this regard, the Group is committed in investing in plant and equipment for high end production technology and quality to maintain our competitive edge. Great importance is attached to the safety standard of our products. The Group maintains close contact with our business peers in the trade to keep abreast of the latest product development and knowledge.

### **(ii) Handling of Complaints**

Policies and procedures are in place to ensure that all customer complaints or concerns are addressed at the appropriate levels in a timely manner. In our Sales Contract, there are clear clauses specifying our responsibilities under quality issues. The Sales Department will be the unit to handle all sales complaint issues including arrangement of product inspection onsite to substantiate and to find out the causes for the complaints by an independent third party, and thereafter based on an independent report, take the necessary remedial actions including returns and replacement of products or giving a discount as compensation. During the reporting period, we only had a minor amount of orders with quality issues which have been rectified without jeopardizing the relationship with our clients.

### **(iii) Privacy**

The Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operation status and financial positions, commercial terms of contracts, general background information, etc., These types of information are extremely sensitive and important, and by law, have to be cautiously safeguarded and protected. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures. Our employees have been trained to handle the sensitive information during the course of business with due care. The Group has incorporated the Confidential Clause into the Staff Handbook and Employment Contract, under which all employees are obligated to follow.

The Group received no complaint on any breach of privacy or leakage of information during the reporting period.

### **(iv) Intellectual Property Right**

The Group normally manufactures and sells wire products according to the design given by customers, or standardised designs approved by the relevant countries industry requirements. Although we are not involved to a great extent in intellectual property right issues, we have a standard practice to respect the intellectual property rights and have instructed our management to comply. We have not copied any patented designs of our competitors. We have installed genuine software in our computers to avoid vulnerabilities and legal disputes arising from software copyright.

# ***ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT***

## **(B7) Anti-corruption**

The Group is well aware of the importance of honesty, integrity and fairness in its operations and has in place an anti-corruption policy. Employees at all levels are constantly reminded in meetings and documents like the Staff Handbook of corruption prevention, giving and taking of interests. Staff are required to declare any conflicts of interest in the execution of their roles. Through the establishment of these rules and regulations, we encourage all employees to discharge their duties with integrity and comply with the relevant laws and regulations. Transactions in large monetary sums are processed through bank transactions which require authorized signatories of the appropriate levels depending on the amount involved. Checks and balances have been put in place by the Group for money transaction activities and are considered effective and adequate. An external independent auditor has no adverse comment on this aspect.

The Group recorded no bribery nor corruption charges during the reporting period.

## **(B8) Community Investment**

The Group fully understands and appreciates the importance of the need for community investment. Through the day to day contact with community officials and local leaders, the Group explores and examines what and how the Group can engage in the community. The Group is committed to developing more community investment opportunities in our development plans.

# INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## To the Shareholders of Solartech International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

### OPINION

We have audited the consolidated financial statements of Solartech International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 49 to 130, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

## Impairment of intangible asset - mining right

Refer to Note 18 in the consolidated financial statements.

### Key Audit Matter

As at 30 June 2017, the carrying value of the Group's mining right included in intangible assets, before impairment, amounted to HK\$481,196,000. There was a further delay in the Group's mining plan in the current year which indicates there may be a need for a write-down of the carrying amount of the Group's mining right.

Following a detailed impairment review of the Group's cash-generating unit related to the mining right (the "Mining CGU"), management has estimated that a reversal of impairment loss on mining right of HK\$84,961,000 for the year ended 30 June 2017.

This conclusion was based on a fair-value-less-costs-of-disposal basis that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

### Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- (i) Evaluating and checking the composition of the Group's future cash flow forecast in the Mining CGU, and the process by it was drawn up, including testing the underlying fair-value-less-costs-of-disposal calculation and comparing it to the latest production plan and approved budget;
- (ii) Checking the key assumptions included in the calculation, comparing the current year actual results with last year's forecast; and
- (iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the calculation.

## Impairment of interests in associates and interests in joint ventures

Refer to Note 22 and Note 23 in the consolidated financial statements.

### Key Audit Matter

As at 30 June 2017, the carrying value of the Group's interests in associates and interests in joint ventures, before impairment, amounted to HK\$112,670,000 and HK\$30,184,000 respectively. The Group is exposed to risk of impairment of its equity accounted associates and joint ventures.

Following a detailed impairment review of the Group's cash-generating units ("CGUs") related to the associates and joint ventures, the recoverable amounts exceeding the carrying amounts of the respective CGU. Accordingly, management has concluded that no impairment in respect of the Group's interests in associates and joint ventures is necessary.

This conclusion was based on value-in-use basis that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the models.

# INDEPENDENT AUDITOR'S REPORT

## Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- (i) Evaluating the reasonableness of management's assumptions and estimates used in determining the recoverable amounts of the CGUs related to the associates and joint ventures. We have benchmarked these assumptions against external data and assessed them based on our knowledge of the Group and the industry; and
- (ii) Checking the key assumptions included in the calculations, comparing the current year actual results with last year's forecasts; and
- (iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the calculations.

## Impairment assessment of property, plant and equipment

Refer to Note 15 in the consolidated financial statements.

### Key Audit Matter

As at 30 June 2017, the carrying value of the Group's property, plant and equipment, before impairment, amounted to HK\$122,306,000. The Group sustained a loss for the current year and accordingly management considered that there were indicators of impairment of the Group's property, plant and equipment.

Following a detailed impairment review of the Group's CGUs, management has estimated impairment loss on the Group's property, plant and equipment in the amount of HK\$23,351,000 for the year ended 30 June 2017.

This conclusion was based on a value-in-use and/or fair-value-less-costs-of-disposal models, where appropriate, that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

## Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- (i) Evaluating and checking the composition of the Group's future cash flow forecasts in CGUs, and the bases by which they were drawn up, including testing the underlying value-in-use and/or fair-value-less-costs-of-disposal calculations and comparing them to the latest approved budgets;
- (ii) Considering the appropriateness of the resale values provided by the potential buyers based on our knowledge of the manufacturing industry; and
- (iii) Checking the key assumptions included in the calculations, comparing the current year actual results with last year's forecast.

# INDEPENDENT AUDITOR'S REPORT

## Impairment assessment of goodwill

Refer to Note 18 to the consolidated financial statements

### Key Audit Matter

As at 30 June 2017, the carrying value of the Group's goodwill arising from business combination, before impairment, amounted to HK\$57,570,000.

Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment.

Following a detailed impairment review of the Group's CGU related to the goodwill, the recoverable amount exceeding the carrying amount of the relevant CGU including the goodwill. Accordingly, management has concluded that no impairment in respect of the goodwill is necessary.

This conclusion was based on value-in-use basis that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

### Our response:

- (i) Assessing the appropriateness of the valuation methodologies used;
- (ii) Assessing the reasonableness of key assumptions based on our knowledge of the business and industry;
- (iii) Performing sensitivity analyses on the key assumptions where we flexed the growth rate and discount rate as these are the key assumptions against which the value-in-use calculation are most sensitive to; and
- (iv) Testing sourced data to supporting evidence on a sample basis, such as approved budget and available market data and considering the reasonableness of these budgets.

## OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), Corporate Information, Directors and Senior Management, Directors' Report, Corporate Governance Report and Financial Summary, which we obtained prior to the date of this auditor's report, and Chairman's Statement, Environmental, Social and Governance Report and Particulars of Properties, which are expected to be made available to us shortly after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, Environmental, Social and Governance Report and Particulars of Properties if we conclude that there is a material misstatement therein, we are required to communicate the matter to audit committee of the Company (the "Audit Committee") and take appropriate action considering our legal rights and obligations.

# **INDEPENDENT AUDITOR'S REPORT**

## **DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



# ***INDEPENDENT AUDITOR'S REPORT***

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **BDO Limited**

*Certified Public Accountants*

## **Chan Kam Wing, Clement**

Practising Certificate Number: P02038

Hong Kong, 28 September 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 HK\$' 000	2016 HK\$' 000
Turnover	6 and 7	442,522	740,979
Cost of sales		(405,975)	(691,306)
Gross profit		36,547	49,673
Interest income		3,560	2,704
Other income and gains	12	3,122	3,482
General and administrative expenses		(137,927)	(134,717)
Selling and distribution expenses		(9,507)	(15,241)
Finance costs	10	(16,091)	(11,459)
Change in fair value of derivative financial instruments, net	28	1,506	(5,791)
Change in fair value of investment properties, net	16	34,191	48,008
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	27	(28,667)	(8,191)
Change in fair value of profit guarantee	47	(7,620)	(90)
Impairment loss for doubtful debts, net	25	(8,446)	(3,336)
Reversal of impairment loss/(impairment loss) on intangible assets	18	84,961	(193,650)
Impairment loss on property, plant and equipment	15	(23,351)	—
Loss on disposal of a subsidiary	41	(1,017)	—
Share of results of associates	22	2,350	(18)
Share of results of joint ventures	23	(5,354)	(3,394)
Loss before taxation	8	(71,743)	(272,020)
Taxation	11	(7,166)	(4,981)
Loss for the year		(78,909)	(277,001)
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Surplus on transfer from prepaid lease payments for land and property, plant and equipment to investment properties, net of deferred tax	15	2,172	6,181
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(2,034)	4,544
Share of other comprehensive income of associates	22	(152)	—
Reclassification adjustment on exchange differences for a foreign operation disposed of during the year	41	1,689	—
Other comprehensive income for the year		1,675	10,725
Total comprehensive income for the year		(77,234)	(266,276)

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 HK\$' 000	2016 HK\$' 000
Loss attributable to:			
Owners of the Company		<b>(70,197)</b>	(274,945)
Non-controlling interests		<b>(8,712)</b>	(2,056)
		<b>(78,909)</b>	(277,001)
Total comprehensive income attributable to:			
Owners of the Company		<b>(68,333)</b>	(263,528)
Non-controlling interests		<b>(8,901)</b>	(2,748)
		<b>(77,234)</b>	(266,276)
Loss per share:			
– Basic and diluted (HK\$)	14	<b>(0.03)</b>	(Restated) (0.15)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Notes	2017 HK\$' 000	2016 HK\$' 000
<b>Non-current assets</b>			
Property, plant and equipment	15	98,955	124,540
Investment properties	16	259,889	348,856
Prepaid lease payments for land	17	49,338	53,701
Intangible assets	18	624,357	539,948
Prepayments for acquisition of a subsidiary and property, plant and equipment	19	29,464	20,075
Other assets	20	200	13,700
Interests in associates	22	112,670	110,472
Interests in joint ventures	23	30,184	35,346
Total non-current assets		1,205,057	1,246,638
<b>Current assets</b>			
Inventories	24	26,207	58,298
Debtors, other loans and receivables, deposits and prepayments	25	221,203	193,781
Bills receivable	26	12,507	9,579
Financial assets at fair value through profit or loss	27	54,935	79,577
Prepaid lease payments for land	17	1,671	1,758
Bank balances held on behalf of brokerage clients	30	10,147	17,995
Bank balances and cash	30	61,987	181,247
Assets of a disposal group classified as held for sale	31	134,728	—
Total current assets		523,385	542,235
<b>Current liabilities</b>			
Creditors, other advances and accrued charges	32	70,612	93,703
Derivative financial liabilities	28	76	435
Borrowings	33	97,904	116,288
Promissory notes	34	23,871	—
Taxation		113	470
Liabilities of a disposal group classified as held for sale	31	21,742	—
Total current liabilities		214,318	210,896
<b>Net current assets</b>		309,067	331,339
<b>Total assets less current liabilities</b>		1,514,124	1,577,977

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Notes	2017 HK\$' 000	2016 HK\$' 000
<b>Non-current liabilities</b>			
Promissory notes	34	—	96,900
Deferred tax liabilities	35	44,264	58,087
Total non-current liabilities		44,264	154,987
<b>Total net assets</b>		1,469,860	1,422,990
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	36	23,512	19,594
Reserves		1,454,732	1,394,450
<b>Equity attributable to owners of the Company</b>		1,478,244	1,414,044
<b>Non-controlling interests</b>	40	(8,384)	8,946
<b>Total equity</b>		1,469,860	1,422,990

The consolidated financial statements on pages 49 to 130 were approved and authorised for issue by the Board of Directors on 28 September 2017 and are signed on its behalf by:

CHAU LAI HIM  
DIRECTOR

ZHOU JIN HUA  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Share capital HK\$'000 (Note 36)	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Property revaluation reserve HK\$'000 (Note 15)	Share option reserve HK\$'000 (Note 37)	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2015	11,339	1,569,581	612,360	(20,414)	4,866	58,122	—	(703,005)	1,532,849	11,694	1,544,543
Loss for the year	—	—	—	—	—	—	—	(274,945)	(274,945)	(2,056)	(277,001)
Exchange difference on translation of foreign operations	—	—	—	5,236	—	—	—	—	5,236	(692)	4,544
Surplus on transfer from property, plant and equipment to investment properties, net of deferred tax	—	—	—	—	—	6,181	—	—	6,181	—	6,181
Total comprehensive income for the year	—	—	—	5,236	—	6,181	—	(274,945)	(263,528)	(2,748)	(266,276)
Placements of new shares	8,255	136,468	—	—	—	—	—	—	144,723	—	144,723
At 30 June 2016	19,594	1,706,049	612,360	(15,178)	4,866	64,303	—	(977,950)	1,414,044	8,946	1,422,990

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Share capital HK\$' 000 (Note 36)	Share premium HK\$' 000	Contributed surplus HK\$' 000	Exchange reserve HK\$' 000	Statutory reserve fund HK\$' 000	Property revaluation reserve HK\$' 000 (Note 15)	Share option reserve HK\$' 000 (Note 37)	Accumulated losses HK\$' 000	Total HK\$' 000	Non- controlling interests HK\$' 000	Total equity HK\$' 000
At 1 July 2016	19,594	1,706,049	612,360	(15,178)	4,866	64,303	—	(977,950)	1,414,044	8,946	1,422,990
Loss for the year	—	—	—	—	—	—	—	(70,197)	(70,197)	(8,712)	(78,909)
Exchange difference on translation of foreign operations	—	—	—	(1,845)	—	—	—	—	(1,845)	(189)	(2,034)
Share of other comprehensive income of associates	—	—	—	(152)	—	—	—	—	(152)	—	(152)
Surplus on transfer from prepaid lease payments for land and property, plant and equipment to investment properties, net of deferred tax (Note 15)	—	—	—	—	—	2,172	—	—	2,172	—	2,172
Reclassification adjustment on exchange differences for a foreign operation disposed of during the year (Note 41)	—	—	—	1,689	—	—	—	—	1,689	—	1,689
Total comprehensive income for the year	—	—	—	(308)	—	2,172	—	(70,197)	(68,333)	(8,901)	(77,234)
Disposal of a subsidiary (Note 41)	—	—	—	—	—	—	—	—	—	(8,429)	(8,429)
Share-based payment expenses (Note 37)	—	—	—	—	—	—	17,919	—	17,919	—	17,919
Placements of new shares	3,918	110,696	—	—	—	—	—	—	114,614	—	114,614
At 30 June 2017	23,512	1,816,745	612,360	(15,486)	4,866	66,475	17,919	(1,048,147)	1,478,244	(8,384)	1,469,860

## Notes:

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

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

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

The property revaluation reserve represents the gains arising on the revaluation of properties (other than investment properties) on the date of transfer from property, plant and equipment and prepaid lease payments for land to investment properties.

Share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, net of issuing expenses in accordance with the accounting policy set out in Note 3.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 HK\$' 000	2016 HK\$' 000
<b>Cash flows from operating activities</b>			
Loss before taxation		(71,743)	(272,020)
Adjustments for:			
Interest income		(3,560)	(2,704)
Finance costs	10	16,091	11,459
Share-based payment expenses	8	17,919	—
Change in fair value of derivative financial instruments, net	28	(1,506)	5,791
Change in fair value of investment properties, net	16	(34,191)	(48,008)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	27	28,667	8,191
Change in fair value of profit guarantee	47	7,620	90
Impairment loss on property, plant and equipment	15	23,351	—
Impairment loss for doubtful debts, net	25	8,446	3,336
(Reversal of impairment loss)/impairment loss on intangible assets	18	(84,961)	193,650
Share of results of associates	22	(2,350)	18
Share of results of joint ventures	23	5,354	3,394
Depreciation of property, plant and equipment	15	20,822	19,026
(Reversal of write-down)/write-down of inventories	24	(1,231)	888
Charge of prepaid lease payments for land	17	1,734	1,886
Loss on disposal of a subsidiary	41	1,017	—
Loss on disposal of property, plant and equipment	8	—	1,640
Operating loss before working capital changes		(68,521)	(73,363)
Decrease/(increase) in inventories		29,545	(13,097)
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments		(57,659)	87,959
Increase in bills receivable		(2,928)	(2,642)
Decrease in bank balances held on behalf of brokerage clients		7,848	2,611
Purchases of financial assets at fair value through profit or loss		(4,025)	(39,736)
Decrease in creditors, other advances and accrued charges		(4,358)	(26,305)
Increase/(decrease) in derivative financial instruments		1,151	(5,498)
<b>Cash used in operations</b>		(98,947)	(70,071)
Taxation paid		(702)	(1,450)
<b>Net cash used in operating activities</b>		(99,649)	(71,521)



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 HK\$' 000	2016 HK\$' 000
<b>Investing activities</b>			
Interest received		3,560	2,704
Purchases of property, plant and equipment		(5,621)	(7,550)
Proceeds from disposal of property, plant and equipment		—	291
Increase in prepayments of property, plant and equipment		—	(20,075)
Net cash outflows from acquisition of a subsidiary		—	(23,730)
Net cash outflows from acquisition of associates		—	(30,000)
Proceeds from disposal of a subsidiary	41	5,464	—
Prepayment for acquisition of a subsidiary	19	(28,795)	—
Decrease in pledged deposits and bank balances		—	362
<b>Net cash used in from investing activities</b>		<b>(25,392)</b>	<b>(77,998)</b>
<b>Financing activities</b>			
Interest paid on borrowings		(7,309)	(7,573)
Net proceeds from issue of new shares	36	114,614	144,723
Redemption of promissory notes	34	(79,000)	(40,000)
Interest paid on promissory notes	34	(2,811)	(32)
Increase in other loans		—	9,928
New borrowings raised		156,633	188,189
Repayment of borrowings		(173,645)	(132,381)
<b>Net cash generated from financing activities</b>		<b>8,482</b>	<b>162,854</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(116,559)</b>	<b>13,335</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>181,247</b>	<b>162,463</b>
<b>Effect of foreign exchange rate changes</b>		<b>3,297</b>	<b>5,449</b>
<b>Cash and cash equivalents at end of the year</b>		<b>67,985</b>	<b>181,247</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		61,987	181,247
Bank balances and cash held for sale	31	5,998	—
		<b>67,985</b>	<b>181,247</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, trading of metallurgical grade bauxite, investment properties, trading of securities, provision of financing and management service and holding of mining right. Its associates are engaged in advertising and media services, branding and marketing services, corporate image and strategy services and innovating strategy services in the PRC. Its joint ventures are engaged in holding of mining permits. Further details are set out in Notes 21, 22 and 23. The Company, together with its subsidiaries, associates and joint ventures are collectively referred to as the “Group”.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

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

### a) Adoption of new/revised HKFRSs – effective 1 July 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAs 28	Investment Entities: Applying the Consolidation Exemption
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

#### Annual Improvements 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

#### Amendments to HKAS 1 - Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity’s share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### a) Adoption of new/revised HKFRSs – effective 1 July 2016 (continued)

#### 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. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

#### 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. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

#### Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary’s main purpose is to provide services that relate to the investment entity’s investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### a) Adoption of new/revised HKFRSs – effective 1 July 2016 (continued)

#### Amendments to HKFRS 11- Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendment are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle <sup>5</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
HKAS 40	Transfer of Investment Property <sup>2</sup>
Amendments to HKFRS 2	Share-Based Payment <sup>2</sup>
HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

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

#### Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

#### Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

#### Amendments to HKFRS 2 – Share-based Payment

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

#### HKFRS 9 - Financial Instruments

HKFRS 9 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 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

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

#### Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

#### 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-step 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 HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

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

#### Amendments to HKFRS 15 – Clarifications to HKFRS 15 Revenue from Contracts with Customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

#### HKFRS 16 - Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

### Basis of preparation of financial statements

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

### Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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 profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Business combination and basis of consolidation (continued)

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

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

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

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

### Goodwill

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### 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 stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### Associates

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

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

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

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

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

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

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

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

### Cash and cash equivalents

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Inventories

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

### Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Property, plant and equipment

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

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

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

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

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

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

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

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

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

### Investment properties

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

### Prepaid lease payments for land

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Mining right

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

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life on the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

### Impairment of assets excluding goodwill

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

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

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

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

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2017

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

### **Income taxes**

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Leases

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

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

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

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

### Foreign currencies

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Financial instruments

#### (i) Financial assets

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

#### Financial assets at fair value through profit or loss

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

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

#### Loans and receivables

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

#### (ii) Impairment loss on financial assets

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Financial instruments (continued)

#### (iii) Financial liabilities

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

##### **Financial liabilities at fair value through profit or loss**

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

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

##### **Financial liabilities at amortised cost**

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

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

##### **Promissory notes**

Promissory notes are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

#### (iv) Effective interest method

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

#### (v) Equity instruments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Financial instruments (continued)

#### (vi) Derecognition

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

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

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

### Provisions and contingent liabilities

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

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

### Equity-settled share-based payment transactions

#### Share options granted to employees of the Company

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Revenue recognition

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

- (i) Sales of goods are recognised on transfer of risk and rewards of ownership which is at the time of delivery and title has passed to customer.
- (ii) Interest income from a financial asset is accrued on a time-apportioned basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (iii) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.
- (iv) Revenue from provision of services is recognised when the services have been rendered.

### Borrowing costs

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

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

### Employees' benefits

#### Short term benefits

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

#### Defined contribution pension obligations

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

### Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel service to the Group's or the Group's parent.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimation and assumptions concerning the future in the application of the Group's accounting policies. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed 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 reassesses the estimations at the end of each reporting period.

### Depreciation of property, plant and equipment

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

### Reserve estimates and amortisation of mining right

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

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

### Income taxes

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Impairment of property, plant and equipment

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

### Estimated impairment of trade and loan receivables

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

### Impairment of mining right

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

### Estimated recoverable amount of CGUs with goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the recoverable amounts of the cash-generating units to which the goodwill has been allocated. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from the CGU and an appropriate discount.

Had the parameters for the projected future cash flows of the CGUs of the goodwill and the discount rates been different, the estimated recoverable amount of goodwill would have been significantly different and further impairment may arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 5. FINANCIAL RISK MANAGEMENT

### a. Financial risk management objectives and policies

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

#### Foreign currency risk

Most of the Group's assets and liabilities are denominated in HK\$, United States dollars ("**U.S. Dollars**") and Renminbi ("**RMB**"), which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

#### Credit risk

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

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

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 25.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

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

#### Interest rate risk

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

At 30 June 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and the accumulated losses by approximately HK\$979,000 (2016: HK\$1,163,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2016.

#### Liquidity risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

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

#### Liquidity risk (continued)

	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
<b>2017</b>				
Borrowings	97,904	99,580	99,580	—
Promissory notes	23,871	25,760	25,760	—
Creditors, other advances and accrued charges	70,612	70,612	70,612	—
	<b>192,387</b>	<b>195,952</b>	<b>195,952</b>	—
Derivative financial liabilities	76	76	76	—
	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
<b>2016</b>				
Borrowings	116,288	119,280	119,280	—
Promissory notes	96,900	105,900	—	105,900
Creditors, other advances and accrued charges	93,703	93,703	93,703	—
	<b>306,891</b>	<b>318,883</b>	<b>212,983</b>	<b>105,900</b>
Derivative financial liabilities	435	435	435	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

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

#### Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 28.

At 30 June 2017, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by approximately HK\$408,000 (2016: HK\$1,149,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2016.

#### Equity price risk

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

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

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2017, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by HK\$5,494,000 (2016: HK\$7,958,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

### b. Fair value

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

### b. Fair value (continued)

At 30 June 2017, the Group's derivatives are measured at fair value. During the year, there is no significant transfer between Level 1 and Level 2.

	2017			Total HK\$' 000
	Level 1 HK\$' 000	Level 2 HK\$' 000	Level 3 HK\$' 000	
Assets				
Profit guarantee (included in debtors, other loans and receivables, deposits and prepayments)	—	—	5,880	5,880
Financial assets at fair value through profit or loss	54,935	—	—	54,935
	54,935	—	5,880	60,815
Liabilities				
Copper future contracts	76	—	—	76
	2016			Total HK\$' 000
	Level 1 HK\$' 000	Level 2 HK\$' 000	Level 3 HK\$' 000	
Assets				
Profit guarantee (included in other assets)	—	—	13,500	13,500
Financial assets at fair value through profit or loss	79,577	—	—	79,577
	79,577	—	13,500	93,077
Liabilities				
Copper futures contracts	435	—	—	435

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

### b. Fair value (continued)

The movements of the profit guarantee during the year are set out below:

	HK\$'000
At issue date	13,590
Fair value change recognised in profit or loss (Note)	(90)
At 30 June 2016	13,500
Fair value change recognised in profit or loss (Note)	(7,620)
At 30 June 2017	5,880

Note: The amounts are unrealised loss related to financial instruments held at the end at the end of the respective reporting periods.

The profit guarantee was valued by using discounted cash flow method with reference to the significant unobservable input, the estimated profits of Guangzhou Yi Dian Advertising Company Limited, subsidiary of Idea International Holdings Ltd for the years ended 31 December 2016 and 2017 (the “**estimated profits**”) and discounted at a rate to reflect the risk of the arrangement. The higher the estimated profits, the lower the fair value of the profit guarantee.

## 6. TURNOVER

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 7. SEGMENTAL INFORMATION

### (a) Reportable segments

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

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

- (i) manufacture and trading of cables and wires;
- (ii) manufacture and trading of copper rods;
- (iii) trading of metallurgical grade bauxite; and
- (iv) investment properties.

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2016 and 2017 and for the years then ended for the purpose of segment reporting.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 7. SEGMENTAL INFORMATION (continued)

### (a) Reportable segments (continued)

For the year ended 30 June 2017

	Cables and wires HK\$' 000	Copper rods HK\$' 000	Metallurgical grade bauxite HK\$' 000	Investment properties HK\$' 000	Others HK\$' 000	Total HK\$' 000	Elimination HK\$' 000	Total HK\$' 000
Revenue from external customers	166,669	217,272	28,932	16,328	13,321	442,522	—	442,522
Inter-segment revenue	—	23,950	—	—	—	23,950	(23,950)	—
Reportable segment revenue	166,669	241,222	28,932	16,328	13,321	466,472	(23,950)	442,522
Reportable segment profit/(loss)	4,208	(36,800)	(1,045)	6,595	(43,467)	(70,509)	(14,632)	(85,141)
Finance costs	(2,888)	(4,033)	(388)	—	—	(7,309)	—	(7,309)
Change in fair value of derivative financial instruments, net	—	1,624	—	—	(118)	1,506	—	1,506
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	—	—	—	—	(28,667)	(28,667)	—	(28,667)
Change in fair value of investment properties, net	9,938	—	—	24,253	—	34,191	—	34,191
Change in fair value of profit guarantee	—	—	—	—	(7,620)	(7,620)	—	(7,620)
Reversal of impairment loss/(impairment loss) for doubtful debts, net	449	(6,838)	—	(1,760)	(297)	(8,446)	—	(8,446)
Impairment loss on property, plant and equipment	(302)	—	—	(23,009)	(40)	(23,351)	—	(23,351)
Loss on disposal of a subsidiary	—	—	—	—	(1,017)	(1,017)	—	(1,017)
Share of results of associates	—	—	—	—	2,350	2,350	—	2,350
Depreciation of property, plant and equipment								
– allocated	(7,449)	(5,933)	(117)	(3,479)	(3,762)	(20,740)	—	(20,740)
– unallocated								(82)
								(20,822)
Taxation	(1,939)	376	(27)	(5,576)	—	(7,166)	—	(7,166)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 7. SEGMENTAL INFORMATION (continued)

### (a) Reportable segments (continued)

For the year ended 30 June 2016

	Cables and wires HK\$' 000	Copper rods HK\$' 000	Metallurgical grade bauxite HK\$' 000	Investment properties HK\$' 000	Others HK\$' 000	Total HK\$' 000	Elimination HK\$' 000	Total HK\$' 000
Revenue from external customers	175,918	402,665	140,761	19,500	2,135	740,979	—	740,979
Inter-segment revenue	—	29,222	—	—	23,679	52,901	(52,901)	—
Reportable segment revenue	175,918	431,887	140,761	19,500	25,814	793,880	(52,901)	740,979
Reportable segment profit/(loss)	6,132	(43,435)	1,176	23,625	(40,948)	(53,450)	2,247	(51,203)
Finance costs	(3,057)	(4,424)	(304)	—	(284)	(8,069)	496	(7,573)
Change in fair value of derivative financial instruments, net	—	(4,466)	—	—	(1,325)	(5,791)	—	(5,791)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	—	—	—	—	(8,191)	(8,191)	—	(8,191)
Change in fair value of investment properties, net	34,375	—	—	13,633	—	48,008	—	48,008
Change in fair value of profit guarantee	—	—	—	—	(90)	(90)	—	(90)
Reversal of impairment loss/ (impairment loss) for doubtful debts, net	539	(3,875)	—	—	—	(3,336)	—	(3,336)
Share of results of associates	—	—	—	—	(18)	(18)	—	(18)
Depreciation of property, plant and equipment								
– allocated	(8,265)	(6,280)	(114)	(3,990)	(129)	(18,778)	—	(18,778)
– unallocated								(248)
								(19,026)
Taxation	457	369	(625)	(5,182)	—	(4,981)	—	(4,981)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 7. SEGMENTAL INFORMATION (continued)

### (a) Reportable segments (continued)

As at 30 June 2017

	Cables and wires HK\$' 000	Copper rods HK\$' 000	Metallurgical grade bauxite HK\$' 000	Investment properties HK\$' 000	Others HK\$' 000	Total HK\$' 000
Reportable segment assets	231,970	190,115	22,022	205,996	331,470	981,573
Additions to non-current assets	6,168	2,984	466	—	15,409	25,027
Reportable segment liabilities	76,021	66,081	—	4,659	20,395	167,156

As at 30 June 2016

	Cables and wires HK\$' 000	Copper rods HK\$' 000	Metallurgical grade bauxite HK\$' 000	Investment properties HK\$' 000	Others HK\$' 000	Total HK\$' 000
Reportable segment assets	231,270	218,626	76,325	354,905	315,075	1,196,201
Additions to non-current assets	7,201	121	—	215	13	7,550
Reportable segment liabilities	75,355	88,047	18,031	6,466	21,120	209,019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 7. SEGMENTAL INFORMATION (continued)

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

	For the year ended 30 June	
	2017 HK\$' 000	2016 HK\$' 000
<b>Loss before taxation</b>		
Reportable segment loss	(85,141)	(51,203)
Reversal of impairment loss/(impairment loss) on intangible assets	84,961	(193,650)
Share of results of joint ventures	(5,354)	(3,394)
Unallocated finance costs	(8,782)	(3,886)
Share-based payment expenses	(17,919)	—
Unallocated corporate expenses	(39,508)	(19,887)
Consolidated loss before taxation	(71,743)	(272,020)
	30 June 2017 HK\$' 000	30 June 2016 HK\$' 000
<b>Assets</b>		
Reportable segment assets	981,573	1,196,201
Mining right	566,157	481,748
Interests in joint ventures	30,184	35,346
Unallocated bank balances and cash	34,443	63,441
Unallocated corporate assets	116,085	12,137
Consolidated total assets	1,728,442	1,788,873
	30 June 2017 HK\$' 000	30 June 2016 HK\$' 000
<b>Liabilities</b>		
Reportable segment liabilities	167,156	209,019
Promissory notes	23,871	96,900
Taxation	113	470
Deferred tax liabilities	44,264	58,087
Unallocated corporate liabilities	23,178	1,407
Consolidated total liabilities	258,582	365,883

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 7. SEGMENTAL INFORMATION (continued)

### (c) Geographical information

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

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

	2017 HK\$' 000	2016 HK\$' 000
PRC	343,643	634,954
Americas	22,035	38,262
Europe	36,011	35,395
Hong Kong	28,172	17,334
Other Asian regions	12,661	15,034
	<b>442,522</b>	<b>740,979</b>

  

	Specified non-current assets 30 June 2017 HK\$' 000	30 June 2016 HK\$' 000
PRC	445,172	560,283
Hong Kong	151,608	139,038
Mongolia	608,077	533,617
	<b>1,204,857</b>	<b>1,232,938</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 7. SEGMENTAL INFORMATION (continued)

### (d) Information about major customers

During the year, no customer with whom the transactions exceed 10% of the Group's manufacture and trading of cables and wires segment, trading of metallurgical grade bauxite segment, and investment properties segment; whereas one customer contributed revenue of HK\$73,963,000 to the Group's manufacture and trading of copper rods segment.

During the prior year, no customer with whom the transactions exceed 10% of the Group's manufacture and trading of cables and wires segment, trading of metallurgical grade bauxite segment, and investment properties segment; whereas one customer contributed revenue of HK\$81,139,000 to the Group's manufacture and trading of copper rods segment.

## 8. LOSS BEFORE TAXATION

This is arrived at after charging/(crediting):

	2017 HK\$'000	2016 HK\$'000
Auditor's remuneration	1,797	1,858
Depreciation of property, plant and equipment	20,822	19,026
Carrying amount of inventories sold	407,206	690,418
Write-down of inventories	—	888
Reversal of write-down of inventories (Note (i))	(1,231)	—
Cost of inventories recognised as expenses (Note (ii))	405,975	691,306
Charge of prepaid lease payments for land	1,734	1,886
Operating lease rentals in respect of rented premises	12,718	5,946
Loss on disposal of property, plant and equipment	—	1,640
Exchange differences, net	15,122	30,834
Share-based payment expenses (Note 37)	17,919	—
Wages, salaries and retirement benefit scheme contributions including directors' remuneration (Note 9)	46,341	39,516

Note:

- (i) The reversal of a write-down of inventories arising due to decrease in provision for slow moving stock from HK\$5,720,000 in 2016 to HK\$4,489,000.
- (ii) Cost of inventories includes HK\$11,368,000 (2016: HK\$14,152,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

Name of director	Fees		Salaries and other benefits		Share-based payment		Retirement benefit scheme contributions		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Mr. Chau Lai Him	—	—	6,603	6,312	2,998	—	3	18	9,604	6,330
Mr. Zhou Jin Hua	—	—	1,403	1,415	2,742	—	16	17	4,161	1,432
Mr. Liu Dong Yang	277	264	246	261	2,742	—	76	73	3,341	598
Mr. Buyan-Otgon Narmandakh	—	120	—	—	—	—	—	—	—	120
Mr. Chau Chi Ho	—	—	910	600	2,742	—	18	18	3,670	618
Mr. Chung Kam Kwong	360	336	—	—	161	—	—	—	521	336
Mr. Lo Wai Ming	228	216	—	—	161	—	—	—	389	216
Mr. Lo Chao Ming	84	84	—	—	161	—	—	—	245	84
<b>Total</b>	<b>949</b>	<b>1,020</b>	<b>9,162</b>	<b>8,588</b>	<b>11,707</b>	<b>—</b>	<b>113</b>	<b>126</b>	<b>21,931</b>	<b>9,734</b>

During the year ended 30 June 2017, 72,580,000 share options (2016: Nil) were granted to the directors of the Company, and the corresponding share-based payments expenses of HK\$11,707,000 (2016: HK\$ Nil) was recognised in profit or loss.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

The five highest paid individuals of the Group include four (2016: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining one (2016: three) non-director individual was as follows:

	2017 HK\$' 000	2016 HK\$' 000
Salaries and other benefits	1,731	2,453
Contributions to retirement benefit schemes	18	148
	<b>1,749</b>	<b>2,601</b>

Remuneration of these individuals was within the following bands:

	Number of individuals	
	2017	2016
HK\$Nil – HK\$1,000,000	—	2
HK\$1,000,001 – HK\$1,500,000	—	1
HK\$1,500,001 – HK\$2,000,000	1	—

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

	Number of individuals	
	2017	2016
HK\$Nil – HK\$1,000,000	7	8
HK\$1,000,001 – HK\$1,500,000	—	3
HK\$1,500,001 – HK\$2,000,000	1	—
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$3,500,001 – HK\$4,000,000	1	—
HK\$4,000,001 – HK\$4,500,000	1	—
HK\$9,500,001 – HK\$10,000,000	1	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 10. FINANCE COSTS

	2017 HK\$' 000	2016 HK\$' 000
Interest on borrowings	7,309	7,573
Imputed interest on promissory notes (Note 34)	8,782	3,886
	<b>16,091</b>	11,459

## 11. TAXATION

	2017 HK\$' 000	2016 HK\$' 000
Hong Kong profits tax:		
Current year	—	—
Taxation in other jurisdictions:		
Current year	243	1,233
Under-provision in respect of prior years	102	371
	<b>345</b>	1,604
Deferred taxation (Note 35)	<b>6,821</b>	3,377
Taxation for the year	<b>7,166</b>	4,981

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

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

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the years ended 30 June 2016 and 2017.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 11. TAXATION (continued)

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

	2017 HK\$' 000	2016 HK\$' 000
Loss before taxation	(71,743)	(272,020)
Tax at the PRC income tax rate of 25% (2016: 25%)	(17,936)	(68,005)
Tax effect of expenses not deductible for tax purpose	45,509	83,379
Tax effect of income not taxable for tax purpose	(22,941)	(10,587)
Tax effect of tax losses not recognised	2,586	279
Utilisation of deductible temporary differences previously not recognised	—	(631)
Utilisation of tax losses previously not recognised	(1,276)	(820)
Under-provision in respect of prior years	102	371
Tax effect of deductible temporary difference not recognised	372	—
Effect of different tax rate of subsidiaries operating in operating outside the PRC	—	141
Tax effect on share of results of associates	(588)	5
Tax effect on share of results of joint ventures	1,338	849
Taxation for the year	7,166	4,981

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 12. OTHER INCOME AND GAINS

	2017 HK\$' 000	2016 HK\$' 000
Other rental income	419	957
Others	2,703	2,525
	<b>3,122</b>	<b>3,482</b>

## 13. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2016 and 2017.

## 14. LOSS PER SHARE

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

### Loss

	2017 HK\$' 000	2016 HK\$' 000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(70,197)	(274,945)

### Number of shares

	2017	2016 (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>2,230,809,732</b>	1,819,278,073

The computation of diluted loss per share for the year ended 30 June 2017 does not assume the subscription of the Company's outstanding potential dilutive ordinary shares as they are anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the year ended 30 June 2017.

There was no potential dilutive share during the year ended 30 June 2016, therefore, the basic and diluted losses per share for the year ended 30 June 2016 were equal.

The comparative figures for the basic loss per share for the year ended 30 June 2016 are restated to take into account the effect of the bonus element embedded in the placements of new shares during the year retrospectively as if they had taken place since the beginning of the respective comparative period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
COST:						
At 1 July 2015	89,386	27,559	60,747	300,722	30,895	509,309
Currency realignment	(5,766)	(1,576)	(3,506)	(16,616)	(1,184)	(28,648)
Additions	—	1,166	64	5,801	519	7,550
Business combination (Note 48)	—	—	604	—	—	604
Written off	—	—	(1,583)	—	—	(1,583)
Revaluation	6,181	—	—	—	—	6,181
Transferred to investment properties (Note 16)	(7,190)	—	—	—	—	(7,190)
Elimination of accumulated depreciation	(520)	—	—	—	—	(520)
Disposals	—	(3,225)	(3,661)	—	(643)	(7,529)
At 30 June 2016 and 1 July 2016	82,091	23,924	52,665	289,907	29,587	478,174
Currency realignment	(1,126)	(361)	(527)	(3,222)	(304)	(5,540)
Additions	—	1,009	15,320	5,857	2,841	25,027
Revaluation	2,896	—	—	—	—	2,896
Transferred to investment properties (Note 16)	(5,704)	(378)	—	—	—	(6,082)
Elimination of accumulated depreciation	(3,528)	(1,687)	—	—	—	(5,215)
Disposal of a subsidiary (Note 41)	—	—	(148)	—	(1,199)	(1,347)
Transfer to assets held for sale (Note 31)	—	—	(39)	—	(758)	(797)
<b>At 30 June 2017</b>	<b>74,629</b>	<b>22,507</b>	<b>67,271</b>	<b>292,542</b>	<b>30,167</b>	<b>487,116</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2015	43,355	18,178	51,040	228,942	21,231	362,746
Currency realignment	(2,972)	(1,076)	(2,969)	(12,555)	(865)	(20,437)
Provided for the year	4,903	999	1,828	9,093	2,203	19,026
Written off	—	—	(1,583)	—	—	(1,583)
Elimination on revaluation	(520)	—	—	—	—	(520)
Eliminated on disposals	—	(2,123)	(3,084)	—	(391)	(5,598)
At 30 June 2016 and 1 July 2016	44,766	15,978	45,232	225,480	22,178	353,634
Currency realignment	(565)	(229)	(553)	(2,179)	(232)	(3,758)
Provided for the year	4,527	1,307	4,338	8,762	1,888	20,822
Impairment loss	—	—	53	23,281	17	23,351
Elimination on revaluation	(3,528)	(1,687)	—	—	—	(5,215)
Disposal of a subsidiary (Note 41)	—	—	(112)	—	(342)	(454)
Transfer to assets held for sale (Note 31)	—	—	(21)	—	(198)	(219)
<b>At 30 June 2017</b>	<b>45,200</b>	<b>15,369</b>	<b>48,937</b>	<b>255,344</b>	<b>23,311</b>	<b>388,161</b>
NET CARRYING AMOUNT:						
<b>At 30 June 2017</b>	<b>29,429</b>	<b>7,138</b>	<b>18,334</b>	<b>37,198</b>	<b>6,856</b>	<b>98,955</b>
At 30 June 2016	37,325	7,946	7,433	64,427	7,409	124,540

As at 30 June 2016, the Group pledged buildings with aggregate net carrying amount of HK\$3,598,000 to secure banking facilities granted to the Group. Such pledged buildings are released during the year ended 30 June 2017 (Note 29).

During the year, the use of certain previously self-used premises of the buildings of the Group was changed and the management decided to lease out the premises for rental income. Accordingly the carrying amounts of (i) buildings of HK\$5,704,000 (2016: HK\$7,190,000) (after revaluation upon the transfer), (ii) leasehold improvements of HK\$378,000 (2016: HK\$Nil); and (iii) related prepaid lease payments for land of HK\$1,934,000 (2016: HK\$1,035,000) as at the date of transfer were transferred to investment properties of the Group and a surplus on transfer from property, plant and equipment to investment properties, net of deferred taxation, of HK\$2,172,000 (2016: HK\$6,181,000) is credited to property revaluation reserve.

During the year, the items of plant and machinery relating to leasing activities and manufacturing activities were retired. Accordingly, an impairment loss of HK\$23,009,000 (2016: Nil) and HK\$342,000 (2016: Nil) were recognised in profit or loss respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 16. INVESTMENT PROPERTIES

	Notes	2017 HK\$'000	2016 HK\$'000
Fair value:			
At beginning of year		348,856	313,828
Transferred from property, plant and equipment	15	6,082	7,190
Transferred from prepaid lease payments for land	17	1,934	1,035
Fair value gains, net		34,191	48,008
Transferred to assets held for sale	31	(127,275)	—
Currency realignment		(3,899)	(21,205)
At end of year		259,889	348,856

The Group's investment properties were valued at 30 June 2017 by Peak Vision Appraisals Limited ("**Peak Vision**") and LCH (Asia-Pacific) Surveyors Limited ("**LCH**"), which are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties, including the industrial buildings and the residential buildings, was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies using the investment approach or using the direct comparison approach by making reference to comparable sales evidence available as in the relevant market. These valuations gave rise to net fair value gains of HK\$34,191,000 (2016: HK\$48,008,000) during the year.

The fair value of the investment properties is a Level 3 recurring fair value measurement.

For the significant unobservable inputs used under the investment approach, term yield ranging from 2.6% to 15% (2016: 7.75% to 9%), reversionary yield ranging from 3.1% to 9% (2016: 8.25% to 9%) and average market unit rent per month ranging from RMB4 to RMB24.2 (2016: RMB4.0 to RMB16.8) per square metre are adopted for the industrial buildings whereas term yield of 4% (2016: 4.75%), reversionary yield of 4.25% (2016: 5%) and average market unit rent per month ranging from RMB18 to RMB27 (2016: RMB17.7 to RMB26.6) per square metre are adopted for the residential buildings.

Under the direct comparison approach, significant inputs of the Group's industrial buildings in the PRC include price per square metre of RMB1,937 (2016: RMB2,395) adjusted for a mark-up of 7.8% (2016: discount of 14%) specific to the location of the Group's industrial building located in the PRC compared to recent sales on the comparable transactions.

As at 30 June 2016, under the direct comparison approach, significant inputs include price per square feet of HK\$4,740 adjusted for a discount of 14% specific to the location of the Group's industrial buildings located in Hong Kong compared to recent sales on the comparable transactions. As at 30 June 2017, no industrial building that located in Hong Kong was measured under direct comparison approach.

The fair value measurement of investment properties is negatively correlated to the term yield and reversionary yield and positively correlated to average market unit rent per month under the investment approach, and is positively correlated to the price per square feet and square metre where appropriate and a favourable adjustment on the comparable transactions under the direct comparison approach.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 16. INVESTMENT PROPERTIES (continued)

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

Fair value adjustments of investment properties are recognised in profit or loss. All the gains recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

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

The Group's investment properties are mainly situated in the PRC.

As at 30 June 2017, the Group pledged investment properties, including those under assets of a disposal group classified as held for sale, with aggregate carrying amount of HK\$274,265,000 (2016: HK\$300,895,000) to secure banking facilities granted to the Group (Note 29).

## 17. PREPAID LEASE PAYMENTS FOR LAND

	Note	2017 HK\$' 000	2016 HK\$' 000
Carrying amount:			
At beginning of year		55,459	62,348
Charged to the profit or loss for the year		(1,734)	(1,886)
Transferred to investment properties	16	(1,934)	(1,035)
Currency realignment		(782)	(3,968)
At end of year		51,009	55,459

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

	2017 HK\$' 000	2016 HK\$' 000
Leasehold land situated in the PRC	50,721	55,161
Leasehold land situated in Hong Kong	288	298
	51,009	55,459
Analysed for reporting purposes as:		
Non-current	49,338	53,701
Current	1,671	1,758
	51,009	55,459

As at 30 June 2016, the Group pledged prepaid lease payments for land with aggregate carrying amount of HK\$1,001,000 to secure banking facilities granted to the Group. Such pledged prepaid lease payments for land are released during the year ended 30 June 2017 (Note 29).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 18. INTANGIBLE ASSETS

	Mining right HK\$' 000	Trading right HK\$' 000	Goodwill HK\$' 000	Total HK\$' 000
COST:				
At 1 July 2015	1,168,889	—	—	1,168,889
Business combination (Note 48)	—	630	57,570	58,200
Currency realignment	(276)	—	—	(276)
At 30 June 2016 and 1 July 2016	1,168,613	630	57,570	1,226,813
Currency realignment	(565)	—	—	(565)
<b>At 30 June 2017</b>	<b>1,168,048</b>	<b>630</b>	<b>57,570</b>	<b>1,226,248</b>
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
At 1 July 2015	493,221	—	—	493,221
Addition impairment loss	193,650	—	—	193,650
Currency realignment	(6)	—	—	(6)
At 30 June 2016 and 1 July 2016	686,865	—	—	686,865
Reversal of impairment loss	(84,961)	—	—	(84,961)
Currency realignment	(13)	—	—	(13)
<b>At 30 June 2017</b>	<b>601,891</b>	<b>—</b>	<b>—</b>	<b>601,891</b>
NET CARRYING AMOUNT:				
<b>At 30 June 2017</b>	<b>566,157</b>	<b>630</b>	<b>57,570</b>	<b>624,357</b>
At 30 June 2016	481,748	630	57,570	539,948

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 18. INTANGIBLE ASSETS (continued)

### Mining right

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

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

In performing the impairment testing for the year, the directors of the Company have engaged Peak Vision in determining the recoverable amount of the cash-generating unit for which the mining right belongs to (the "Mining CGU"). Given the current development status of mining right, management has determined that recoverable amount of the Mining CGU on a fair-value-less-costs-of-disposal basis. The calculation has incorporated assumptions that a typical market participant would use in estimating the recoverable amount of the Mining CGU, which adopted cash flow projection for a period of 9 years which is estimated to be the entire period of mining activities, discounted by the post-tax discount rate of 25.72%. In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the commodity market are taken as reference.

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

As at 30 June 2017, the carrying amount of the Mining CGU was HK\$494,351,000, which was less than the recoverable amount of HK\$579,312,000 based on the above assessment, resulting in a reversal of impairment loss on mining right previously recognised of HK\$84,961,000. The reversal of impairment loss recognised in the current year is primarily due to the significant increase in the expected selling price of copper according to the prevailing market conditions, which is attributed to the increase in the recoverable amount of the mining right.

As at 30 June 2016, the carrying amount of the Mining CGU was HK\$675,398,000, which was higher than the recoverable amount of HK\$481,748,000 based on the above assessment, resulting in an impairment loss of HK\$193,650,000 on the mining right, which was the major asset of the Mining CGU as at 30 June 2016. The impairment loss is primarily due to the delay in the mining plan and hence a corresponding decrease in future cash inflows as well as the adverse change in expected selling price of copper according to the prevailing market conditions, which attributable to the reduction in the recoverable amount of the mining right.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 18. INTANGIBLE ASSETS (continued)

### Trading right and goodwill

Trading right confers a right to the Group to trade securities and options contracts on or through the Stock Exchange such that the Group can conduct the business of securities brokerage.

Trading right is considered by the directors of the Group as having indefinite useful life because there is no foreseeable limit on the period over which the trading right is expected to generate cash flows to the Group. Trading right is not amortised until its useful life is determined to be finite. Instead, it is tested for impairment annually and whenever there is an indication that it may be impaired. For such purposes, trading right is allocated to the businesses of securities brokerage, placing and underwriting services and margin financing as one CGU (the "Securities CGU"). For the purposes of impairment testing, goodwill arising from the related business combination is also allocated to the Securities CGU.

The recoverable amount of the Securities CGU has been determined from value-in-use calculations based on cash flow projections from formally approved budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated weighted average growth rate of 3%, which does not exceed the long-term growth rate for the relevant industry.

<b>Pre-tax discount rate</b>	<b>15.83%</b>
<b>Growth rate within the three-year period</b>	<b>3%</b>

The discount rate reflects specific risks relating to the Securities CGU. The growth rate within the three-year period have been based on past experience.

## 19. PREPAYMENTS FOR ACQUISITION OF A SUBSIDIARY AND PROPERTY, PLANT AND EQUIPMENT

	2017 HK\$' 000	2016 HK\$' 000
Prepayments made for acquisition of property, plant and equipment	669	20,075
Prepayments made for the acquisition of a subsidiary	28,795	—
	<b>29,464</b>	<b>20,075</b>

## 20. OTHER ASSETS

	2017 HK\$' 000	2016 HK\$' 000
Deposits and prepaid fees in relation to business of securities brokerage	200	200
Profit guarantee (Note 47)	—	13,500
	<b>200</b>	<b>13,700</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 21. PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries as at 30 June 2017 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or establishment/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Group	Principal activities
Aberdeen Investments Limited	Samoa	1 share of US\$1	100%	Property holding
Chau's Electrical (BVI) Company Limited	British Virgin Islands ("BVI")/PRC	1 share of US\$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK\$1,000 ordinary HK\$500,000 non-voting deferred (Note (a))	100%	Manufacture and trading of cable and wire products and property holding
Chau's Industrial Investments Limited	BVI	US\$1,000	100%	Investment holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.#	PRC	US\$20,025,000 (2016: US\$18,025,000)	100%	Manufacture and trading of copper products and trading of metallurgical grade bauxite
東莞三泰電器有限公司 Dongguan Santai Electrical Appliances Co., Ltd.#	PRC	HK\$64,000,000	100%	Property holding
東莞橋梓周氏電業有限公司 Dongguan Qiaozhi Chau's Electrical Co., Ltd.#	PRC	HK\$6,810,000	100%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.*	PRC	HK\$65,000,000	89.62%	Property holding
Gosberton Assets Limited	BVI	US\$1	100%	Holding of trademarks

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 21. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation or establishment/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Group	Principal activities
Great Measure Investments Limited	BVI	US\$1	100%	Investment holding
Hua Yi Copper Products Company Limited	Hong Kong	HK\$5,000,000	100%	Manufacture and trading of copper products and trading of metallurgical grade bauxite
Ikh Shijir Erdene LLC	The State of Mongolia	US\$100,000	100%	Mining business (not yet commenced)
Santai Electronics Limited	Hong Kong	HK\$2	100%	Investment holding
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd.#	PRC	US\$2,500,000	100%	Manufacture and trading of cable and wire products and property holding
Sun Progress Limited	BVI	US\$1	100%	Investment holding
Yellowstone Assets Limited	BVI	US\$1	100%	Investment holding
東莞市韻鑫高分子科技 有限公司 Dongguan Yunxin Polymer Technology Co., Ltd.#	PRC	RMB3,000,000	100%	Manufacture and trading of plastic products
Pico Zeman Securities (HK) Ltd ("PICO")	Hong Kong	HK\$35,000,000 (2016: HK\$25,000,000)	100%	Trading of securities
Grand Star Finance Ltd	Hong Kong	HK\$2,050,000 (2016: HK\$50,000)	100%	Provision of financing and management services

# Wholly-owned foreign enterprise

\* Equity joint venture

Notes:

- (a) The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up.
- (b) Except for Chau's Industrial Investments Limited and Great Measure Investments Limited, all the subsidiaries are indirectly held by the Company.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 22. INTERESTS IN ASSOCIATES

	2017 HK\$' 000	2016 HK\$' 000
Share of net assets	28,642	26,444
Goodwill (Note 47)	84,028	84,028
	<b>112,670</b>	110,472

Particulars of the Group's associates are as follows:-

Name of company	Place of incorporation/ establishment and operation	Proportion of effective interest held by the Group	Principal activities
Idea International Holdings Ltd. ("IDEA")	Cayman Islands	49% (direct)	Investment holding
Idea Advertising Holdings Ltd.	BVI	49% (indirect)	Investment holding
Idea Advertising Hong Kong Company Ltd.	Hong Kong	49% (indirect)	Investment holding
廣州市藝典廣告有限公司	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services
珠海藝典廣告有限公司	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 22. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in relation to the associates is presented below:

	2017 HK\$' 000	2016 HK\$' 000
At 30 June		
Total non-current assets	20,812	41,086
Total current assets	51,787	44,315
Total current liabilities	14,145	21,192
Total non-current liabilities	—	10,242
Net assets	58,454	53,967
Proportion of effective interest held by the Group	49%	49%
Share of net assets	28,642	26,444
Revenue	66,942	2,244
Profit/(loss) from operations	4,797	(37)
Other comprehensive income	(311)	—
Profit/(loss) and total comprehensive income for the period	4,486	(37)
Share of results of associates	2,350	(18)
Share of other comprehensive income of associates	(152)	—

## 23. INTERESTS IN JOINT VENTURES

	2017 HK\$' 000	2016 HK\$' 000
Shares of net assets	30,184	35,346

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 23. INTERESTS IN JOINT VENTURES (continued)

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

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

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

	2017 HK\$' 000	2016 HK\$' 000
At 30 June		
Total non-current assets	<b>321,587</b>	367,490
Cash and cash equivalents	<b>1,516</b>	2,306
Other current assets	<b>4,396</b>	3,266
Total current assets	<b>5,912</b>	5,572
Current financial liabilities	<b>(14,582)</b>	(6,700)
Other current liabilities	<b>(32)</b>	(26)
Total current liabilities	<b>(14,614)</b>	(6,726)
Total non-current liabilities	<b>(11,041)</b>	(12,872)
Net assets	<b>301,844</b>	353,464
Reconciliation to the Group's interests in joint ventures:		
Proportion of effective interest held by the Group	<b>10%</b>	10%
Share of net assets	<b>30,184</b>	35,346
Other income	<b>64</b>	1
Impairment loss on mining right	<b>(45,903)</b>	(33,782)
Exploration expenses	<b>(7,091)</b>	(45)
Other expenses	<b>(609)</b>	(118)
Loss and total comprehensive income for the year	<b>(53,539)</b>	(33,944)
Share of results of joint ventures	<b>(5,354)</b>	(3,394)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 24. INVENTORIES

	2017 HK\$' 000	2016 HK\$' 000
Raw materials	10,636	14,174
Work in progress	1,430	1,808
Finished goods	14,141	42,316
	<b>26,207</b>	<b>58,298</b>

During the year, the Group has carried out regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. As a result, a reversal of provision of inventories of HK\$1,231,000 (2016: provision of HK\$888,000) has been recognised in to profit or loss for the year.

## 25. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 30 June 2017, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK\$51,692,000 (2016: HK\$56,096,000).

- (i) The Group allows an average credit period of 30 to 60 days (2016: 30 to 60 days) to its trade customers.
- (ii) The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

	2017 HK\$' 000	2016 HK\$' 000
Within 30 days	31,661	47,075
31 - 60 days	10,969	3,705
61 - 90 days	7,366	1,031
Over 90 days	1,696	4,285
	<b>51,692</b>	<b>56,096</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

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

	2017 HK\$' 000	2016 HK\$' 000
At beginning of year	8,280	23,420
Allowance for doubtful debts	2,056	—
Reversal of allowance for doubtful debts	(448)	(539)
Uncollectible amounts written-off	(1,760)	(13,996)
Currency realignment	(119)	(605)
At end of year	<b>8,009</b>	8,280

As at 30 June 2017, the Group's trade debtors of HK\$8,009,000 (2016: HK\$8,280,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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

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

	2017 HK\$' 000	2016 HK\$' 000
Neither past due nor impaired	48,092	49,301
Past due and not impaired	3,600	6,795
	<b>51,692</b>	56,096

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

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

- (v) As at 30 June 2017, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK\$5,985,000 (2016: HK\$4,926,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

(vi) Impairment on other receivables

The movements in the allowance for other receivables during the year are as follows:

	2017 HK\$' 000	2016 HK\$' 000
At beginning of year	7,477	3,865
Impairment loss recognised	6,838	3,875
Currency realignment	(49)	(263)
At end of year	14,266	7,477

## 26. BILLS RECEIVABLE

As at 30 June 2016 and 2017, all bills receivable aged within 90 days.

## 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$' 000	2016 HK\$' 000
Equity securities held for trading and listed in Hong Kong	54,935	79,577

The fair values of the equity securities are determined based on the quoted market prices. During the year, a loss on change in fair value of HK\$28,669,000 (2016: a gain on change in fair value of HK\$3,113,000) and a net gain on disposal of HK\$2,000 (2016: net loss on disposal of HK\$11,304,000) were recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 28. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

### Derivative not qualified for hedging

	2017		2016	
	Assets HK\$' 000	Liabilities HK\$' 000	Assets HK\$' 000	Liabilities HK\$' 000
Copper futures contracts	—	76	—	435

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

	As at 30 June 2017	As at 30 June 2016
Quantities (in tonnes)	75	270
Average price per tonne	US\$7,027	US\$5,374
Delivery period	From July 2017 to August 2017	From July 2016 to August 2016
Fair value loss of copper futures contracts recognised as current liabilities (in HK\$' 000)	(76)	(435)

The above derivatives are measured at fair values at the end of each reporting period and are with financial institutions. The fair values of copper futures contracts are determined based on the quoted market prices at the end of reporting periods. The net gain on change in fair value of derivative financial instruments of HK\$1,506,000 (2016: net loss of HK\$5,791,000) has been recognised in profit or loss during the year.

## 29. PLEDGE OF ASSETS

As at 30 June 2017, save as disclosed elsewhere in these financial statements, the Group has pledged the following assets to secure general banking facilities granted to the Group. The carrying amounts of these assets are analysed as follows:

	Notes	2017 HK\$' 000	2016 HK\$' 000
Property, plant and equipment	15	—	3,598
Investment properties	16	274,265	300,895
Prepaid lease payments for land	17	—	1,001
		274,265	305,494

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 30. BANK BALANCES AND CASH AND BANK BALANCES HELD ON BEHALF OF BROKERAGE CLIENTS

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

	2017 HK\$' 000	2016 HK\$' 000
Bank balances and cash and bank balances held on behalf of brokerage clients were denominated in the following currencies:		
RMB	16,526	77,362
HK\$	45,966	94,768
U.S. Dollars	8,006	26,246
EURO	393	262
Mongolian Tughrik	1,243	604
	<b>72,134</b>	<b>199,242</b>

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

In respect of the Group's business of securities brokerage, the Group maintains segregated trust accounts and bank time deposits with authorised institutions to hold clients' monies. The Group has classified clients' monies separately under current assets in the consolidated statement of financial position and has recognised the corresponding trade creditors of HK\$11,211,000 (2016: HK\$16,271,000) to respective clients as included in the trade creditors in Note 32 on the ground that it is liable for any loss or misappropriation of clients' monies and does not have a currently enforceable right to offset those payables with the deposits placed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 31. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 October 2016, the Group, through a wholly-owned subsidiary, entered into an agreement with Key State Global Limited, an independent third party, to dispose of the entire issued share capital in a subsidiary, China Glory Management Limited (together with its subsidiaries are collectively referred to as the “Disposal Group”), at the consideration of HK\$140,000,000 in cash. The Disposal Group is principally engaged in holding of land use rights, and manufacturing and trading of cables and wires in the PRC.

The Disposal Group does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

The following major classes of assets and liabilities relating to the Disposal Group have been classified as held for sale in the consolidated statement of financial position.

	2017 HK\$'000
Property, plant and equipment (Note 15)	578
Investment properties (Note 16)	127,275
Debtors, other loans and receivables, deposits and prepayments	877
Bank balances and cash	5,998
Assets of a disposal group classified as held for sale	134,728
Creditors, other advances and accrued charges	(2,052)
Deferred tax liabilities (Note 35)	(19,690)
Liabilities of a disposal group classified as held for sale	(21,742)

On 24 August 2017, the disposal of equity interest in the Disposal Group has been completed. Details of the disposal are set out in Note 51.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 32. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

As at 30 June 2017, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$38,463,000 (2016: HK\$52,822,000).

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

	2017 HK\$' 000	2016 HK\$' 000
Current or within 30 days	24,916	35,533
31 - 60 days	7,332	2,984
61 - 90 days	1,175	1,339
Over 90 days	5,040	12,966
	<b>38,463</b>	<b>52,822</b>

As at 30 June 2016, included in the balances were an advance in the amount of HK\$1,168,000 from the non-controlling equity owner of a subsidiary and a loan of HK\$8,760,000 from an independent third party, which were unsecured, interest-free and had no fixed terms of repayment. During the current year, the above balances have been disposed of upon the disposal of a subsidiary (Note 41).

## 33. BORROWINGS

	2017 HK\$' 000	2016 HK\$' 000
Borrowings repayable within one year and are analysed as follows:		
Bank loans, secured	97,904	99,273
Trust receipt loans, secured	—	17,015
	<b>97,904</b>	<b>116,288</b>

The average effective interest rates of the bank borrowings range from 5.66% to 6.96% (2016: 5.12% to 6.35%) per annum.

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

As at 30 June 2017, the Group had available undrawn committed borrowing facilities in the amount of HK\$17,277,000 (2016: HK\$64,521,000) in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 29. Certain borrowings are also secured by the corporate guarantees of the Company and its certain subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 34. PROMISSORY NOTES

During the prior year, the Company issued promissory notes with principal amounts of HK\$42,000,000 and HK\$100,000,000 as part of the considerations to acquire 100% equity interest of PICO and 49% equity interest of IDEA respectively. The promissory notes are unsecured, bear interest at 6% per annum and matured at the second anniversary from the respective dates of issue, i.e. April and May 2018. Further details are set out in Notes 47 and 48.

The promissory notes were initially recognised at their fair values at the dates of issue and subsequently measured at amortised cost using the effective interest method. As at the respective dates of issue of the promissory notes, the aggregate fair value of the promissory notes was estimated at HK\$133,046,000 based on professional valuations conducted by Peak Vision using discounted cash flows method with discount rates ranging from 9.05% to 10.19%.

The movements of the promissory notes during the year are as follows:

	2017 HK\$' 000	2016 HK\$' 000
At 1 July 2016 or the respective dates of issue	96,900	133,046
Imputed interest on promissory notes	8,782	3,886
Redemption on promissory notes	(79,000)	(40,000)
Interest paid	(2,811)	(32)
At 30 June	23,871	96,900
Analysed for reporting purposes as:		
Non-current	—	96,900
Current	23,871	—
	23,871	96,900

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 35. DEFERRED TAX

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

	Investment properties HK\$' 000	Accelerated tax depreciation HK\$' 000	Properties HK\$' 000	Total HK\$' 000
At 1 July 2015	21,585	11,026	24,828	57,439
Currency realignment	(607)	(495)	(1,627)	(2,729)
Charge/(credit) to profit or loss for the year (Note 11)	5,182	(1,388)	(417)	3,377
At 30 June 2016	26,160	9,143	22,784	58,087
Currency realignment	(1,265)	(94)	(319)	(1,678)
Charge/(credit) to profit or loss for the year (Note 11)	7,346	(132)	(393)	6,821
Charge to other comprehensive income	—	—	724	724
Reclassified as held for sale (Note 31)	(19,690)	—	—	(19,690)
<b>At 30 June 2017</b>	<b>12,551</b>	<b>8,917</b>	<b>22,796</b>	<b>44,264</b>

As at 30 June 2017, the Group has unused tax losses of HK\$178,446,677 (2016: HK\$173,206,950) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

As at 30 June 2016 and 2017, the Group's subsidiaries established in the PRC have no unremitted earnings that are subject to withholding taxes.

## 36. SHARE CAPITAL

	Number of shares		Share capital	
	2017 ' 000	2016 ' 000	2017 HK\$' 000	2016 HK\$' 000
Ordinary shares of HK\$0.01 each:				
Authorised	50,000,000	50,000,000	500,000	500,000
Issued and fully paid:				
At beginning of the year	1,959,372	1,133,912	19,594	11,339
Placements of new shares (Note)	391,860	825,460	3,918	8,255
At end of the year	2,351,232	1,959,372	23,512	19,594

Note:

In the prior year, an aggregate number of 825,460,000 new ordinary shares of par value of HK\$0.01 each were issued at subscription prices ranging from HK\$0.17 to HK\$0.195 each to the then independent third parties of the Company at aggregate proceeds of approximately HK\$144,723,000, net of issuing expenses directly related to respective placements, of which HK\$8,255,000 was credited to share capital and the remaining balance of HK\$136,468,000 was credited to the share premium account.

During the year, an aggregate number of 391,860,000 new ordinary shares of par value of HK\$0.01 each were issued at subscription price of HK\$0.3 each to the then independent third parties of the Company at aggregate proceeds of approximately HK\$114,614,000, net of issuing expenses directly related to respective placements, of which HK\$3,918,000 was credited to share capital and the remaining balance of HK\$110,696,000 was credited to the share premium account.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 37. SHARE OPTION SCHEME

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

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 113,391,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of the special general meeting on 9 June 2015.

During the year ended 30 June 2017, 113,380,000 share options were granted. Equity-settled share-based payment expenses amounted to HK\$17,919,000 (2016: HK\$Nil) was recognised in profit or loss accordingly. As at 30 June 2017, the Company had 113,380,000 (2016: Nil) share options outstanding under the Scheme.

All outstanding share options (2016: Nil) have vested and were exercisable with the exercise price of HK\$0.355 (2016: HK\$Nil) and none of them have been exercised at the end of the year (2016: Nil). The remaining contractual life of all the outstanding share options was 1.3 years (2016: Nil).

The weighted average fair value of each option granted during the year was HK\$0.16 (2016: HK\$Nil). The following information is relevant in the determination of the fair value of options granted during the year under the Scheme operated by the Company.

	2017 HK\$' 000
Option pricing model used	<b>Binomial lattice</b>
Weighted average share price at grant date	<b>0.35</b>
Exercise price	<b>0.355</b>
Weighted average contractual life	<b>2 years</b>
Expected volatility	<b>97%</b>
Expected dividend rate	<b>0%</b>
Risk-free interest rate	<b>0.45%</b>

The volatility assumption, measured at the standard deviation of expected share price returns, is based on the daily share price on the grant date of the share options.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>	21		
Interests in subsidiaries		799,105	763,079
Total non-current assets		799,105	763,079
<b>Current assets</b>			
Deposits and prepayments		2,692	3,092
Bank balances and cash		24,824	61,930
Total current assets		27,516	65,022
<b>Current liabilities</b>			
Other advances and accrued charges		1,057	1,119
Promissory notes		23,871	—
Total current liabilities		24,928	1,119
<b>Net current assets</b>		2,588	63,903
<b>Total assets less current liabilities</b>		801,693	826,982
<b>Non-current liabilities</b>			
Promissory notes		—	96,900
Total non-current liabilities		—	96,900
Total net assets		801,693	730,082
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		23,512	19,594
Reserves	39	778,181	710,488
<b>Total equity</b>		801,693	730,082

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 39. RESERVES OF THE COMPANY

	Share premium HK\$' 000	Contributed surplus HK\$' 000	Accumulated losses HK\$' 000	Share option reserve HK\$' 000	Total HK\$' 000
At 1 July 2015	1,569,581	763,907	(816,272)	—	1,517,216
Loss and total comprehensive income for the year	—	—	(943,196)	—	(943,196)
Placements of new shares	136,468	—	—	—	136,468
At 30 June 2016 and 1 July 2016	1,706,049	763,907	(1,759,468)	—	710,488
Loss and total comprehensive income for the year	—	—	(60,922)	—	(60,922)
Placements of new shares	110,696	—	—	—	110,696
Share-based payment expenses	—	—	—	17,919	17,919
<b>At 30 June 2017</b>	<b>1,816,745</b>	<b>763,907</b>	<b>(1,820,390)</b>	<b>17,919</b>	<b>778,181</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 40. NON-CONTROLLING INTERESTS

During the year ended and as at 30 June 2016, Henan Shengxiang Industry Co., Ltd. (“**HNSX**”), a 51%-owned subsidiary, has material non-controlling interest (“**NCI**”). The NCI of all other subsidiaries that are not wholly-owned by the Group are considered to be immaterial.

Upon the disposal of HNSX during the current year as set out in Note 41, Dongguan Xin Bao Fine Chemical Co., Ltd. (“**Xin Bao**”), a 89.62%-owned subsidiary of the Company, became the most significant NCI of the Group.

Summarised financial information in relation to the NCIs of HNSX and Xin Bao in the respective years, before intra-group eliminations, is presented below:

	2017 HK\$' 000	2016 HK\$' 000
<b>STATEMENT OF FINANCIAL POSITION</b>		
Current assets	2,501	38,630
Non-current assets	41,526	558
Current liabilities	(123,632)	(20,718)
Non-current liabilities	(5,985)	—
Net (liabilities)/assets	(85,590)	18,470
Accumulated NCI	(8,884)	9,050
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
Revenue	28,932	59,797
Loss and total comprehensive income for the year	(28,739)	(2,963)
Loss allocated to NCI	(8,712)	(1,452)
Cash flows generated from operating activities	2,853	12,433
Cash flows (used in)/generated from investing activities	(431)	13
Cash flows used in financing activities	(3,369)	(14,444)
Net cash outflows	(947)	(1,998)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 41. DISPOSAL OF A SUBSIDIARY

On 28 March 2017, the Group disposed of its interests in HNSX for a cash consideration of RMB8,200,000. HNSX is engaged in the provision of trading of metallurgical of bauxite in the PRC. The directors of the Company considered that disposal of HNSX does not constitute a discontinued operation as it does not represent the disposal of a separate major line of business or geographical area of operation. The net assets of HNSX at the date of disposal were as follows:-

	HK\$' 000
Property, plant and equipment (Note 15)	893
Inventories	2,762
Debtors, other loans and receivables, deposits and prepayments	28,189
Cash and cash equivalents	468
Creditors, other advances and accrued charges	(15,110)
Non-controlling interest	(8,429)
	<hr/>
	8,773
Reclassification adjustment on exchange reserve	1,689
Loss on disposal of a subsidiary	(1,017)
	<hr/>
Total cash consideration	9,445
	<hr/>
Net cash inflows arising from the disposal:	
Cash consideration (Note)	5,932
Cash and bank balances disposed of	(468)
	<hr/>
	5,464
	<hr/>

Note: During the year, HK\$5,932,000 out of the total consideration of RMB8,200,000 (equivalent to approximately HK\$9,445,000) has been received by the Group.

## 42. CAPITAL COMMITMENTS

	2017 HK\$' 000	2016 HK\$' 000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	852	2,905
	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 43. LEASE COMMITMENTS

### As lessor

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

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

	2017 HK\$'000	2016 HK\$'000
Within one year	10,662	10,832
In the second to fifth year inclusive	35,744	38,418
Beyond the fifth year	21,528	31,877
	<b>67,934</b>	<b>81,127</b>

### As lessee

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

	2017 HK\$'000	2016 HK\$'000
Within one year	10,135	8,071
In the second to fifth year inclusive	4,693	12,724
	<b>14,828</b>	<b>20,795</b>

Leases were negotiated for an average term of two years and rentals were fixed for such term.

## 44. RETIREMENT BENEFIT SCHEME

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK\$3,955,000 (2016: HK\$3,993,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 45. RELATED PARTY TRANSACTIONS

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

### Compensation of key management personnel of the Group

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

## 46. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes borrowings and promissory notes disclosed in Notes 33 and 34 respectively, bank balances and cash disclosed in Note 30 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

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

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

	2017 HK\$' 000	2016 HK\$' 000
Debts	121,775	213,188
Bank balances and cash	(72,134)	(199,242)
Net debts	49,641	13,946
Equity	1,478,244	1,414,044
Net debts to equity ratio	3.4%	1.0%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 47. ACQUISITION OF ASSOCIATES

During the prior year, the Group completed the acquisition of 49% equity interests in IDEA and its subsidiaries (collectively the “**Idea Group**”) at an aggregate nominal consideration of HK\$130,000,000 which was satisfied by (i) the initial payment of HK\$30,000,000 in cash; and (ii) issue of a promissory note of HK\$100,000,000 in favour of the vendor by the Company upon the date of completion of acquisition.

Pursuant to the sale and purchase agreement, the consideration would be adjusted if the audited net profit after tax of the operating company within the Idea Group for the years ended 31 December 2016 and 2017 is less than RMB18,000,000 and RMB23,000,000 (the “**Profit Guarantee**”) respectively. The consideration would be reduced by three times of the shortfall between the actual profit for the respective years and the Profit Guarantee. The Profit Guarantee will be settled on May 2018. On the completion date, the fair value of the Profit Guarantee is determined with reference to the professional valuation conducted by Peak Vision at HK\$13,590,000.

The fair values of the consideration and identifiable assets and liabilities of the Idea Group attributable to the Group, as at the completion date of the acquisition, are as below:

	HK\$' 000
Fair value of consideration:	
Cash paid	30,000
Promissory notes issued (Note 34)	94,080
	124,080
The Profit Guarantee	(13,590)
Fair value of identifiable assets and liabilities of the Idea Group attributable to the Group	(26,462)
	84,028

Further details are set out in the Company’s announcements dated 10 December 2015, 30 March 2016 and 16 May 2016.

Subsequent to the initial recognition, the Profit Guarantee is measured at fair value. As at 30 June 2017, the fair value of the Profit Guarantee, included in debtors, other loans and receivables, deposits and prepayments (2016: included in other assets) was measured at fair value of HK\$5,880,000 (2016: HK\$13,500,000) with defence to professional valuation conducted by Peak Vision and accordingly a loss on change in fair value of HK\$7,620,000 (2016: HK\$90,000) was recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 48. BUSINESS COMBINATION

During the prior year, the Group completed the acquisition of 100% equity interest of PICO, a company which is principally engaged in the business of securities brokerage in Hong Kong. Prior to the completion of the acquisition, it was licensed to carry on Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The acquisition was made with the aims to expand the Group's business into financial services sector and related businesses.

The fair values of consideration and identifiable assets and liabilities of PICO as at the date of acquisition are as follows:

	Notes	HK\$'000
Property, plant and equipment	15	604
Other intangible assets	18	630
Other assets		200
Debtors, other loans and receivables, deposits and prepayments		3,377
Financial assets at fair value through profit or loss		592
Bank balances held on behalf of brokerage clients		20,606
Bank balances and cash		6,270
Creditors, other advances and accrued charges		(20,883)
Total identifiable net assets		11,396
Goodwill	18	57,570
Consideration		68,966
Satisfied by:		
Cash		30,000
Promissory note issued	34	38,966
Consideration		68,966

Notes:

- Pursuant to the acquisition and subscription agreement, the acquisition involved an aggregate nominal consideration of HK\$72,000,000 which was satisfied by (i) the initial payment of HK\$30,000,000 in cash; and (ii) issue of a promissory note of HK\$42,000,000 in favour of the vendor by the Company upon the date of completion of acquisition.
- The fair value of debtors, other loans and receivables, deposits and prepayments approximated the gross carrying amount of these amounts as disclosed above. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.
- Goodwill arose from the acquisition of PICO, which comprised the acquired workforce and PICO's potential businesses upon its obtaining licenses of Type 4 (advising on securities) and Type 9 (asset management) regulated activities. The Group plans to use PICO as its initial platform in establishing its financial services and related businesses.
- Since the date of acquisition and up to 30 June 2016, PICO has contributed HK\$2,078,000 and loss of HK\$1,228,000 to Group's revenue and results, respectively. If the acquisition had occurred on 1 July 2015, the Group's revenue and loss for the year ended 30 June 2016 would have been HK\$761,252,000 and HK\$278,657,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2015, nor is it intended to be a projection of future performance.
- The acquisition-related costs of HK\$1,420,000 have been expensed and are included in general and administrative expenses.

Further details are set out in the Company's announcements dated 19 October 2015, 20 October 2015 and 18 April 2016.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 49. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2017 and 2016 may be categorised as follows:

	2017 HK\$' 000	2016 HK\$' 000
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost		
– Debtors, other loans and receivables and deposits	207,334	193,781
– Bills receivables	12,507	9,579
– Bank balances and cash	72,134	199,242
Financial assets at fair value through profit or loss at fair value		
– Equity investments	54,935	79,577
– Profit guarantee	5,880	13,500
Financial liabilities		
Financial liabilities at amortised cost		
– Creditors, other advances and accrued charges	70,612	93,703
– Borrowings	97,904	116,288
– Promissory notes	23,871	96,900
Derivative financial liabilities at fair value		
– Derivative financial liabilities	76	435

## 50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC on the same settlement date and the Company intends to set off on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### (a) Financial assets subject to offsetting, enforceable master netting arrangement or similar arrangements

As at 30 June 2017

Type of financial assets	Gross amount of recognised financial liabilities	Net amount of financial assets	Related amounts not offset in the statement of financial position			
	Gross amount of recognised financial assets HK\$' 000	offset in the statement of financial position HK\$' 000	presented in the statement of financial position HK\$' 000	Collateral received HK\$' 000	Financial instruments HK\$' 000	Net amount HK\$' 000
Trade receivables due from clearing houses	754,019	(752,084)	1,935	—	—	1,935

As at 30 June 2016

Type of financial assets	Gross amount of recognised financial liabilities	Net amount of financial assets	Related amounts not offset in the statement of financial position			
	Gross amount of recognised financial assets HK\$' 000	offset in the statement of financial position HK\$' 000	presented in the statement of financial position HK\$' 000	Collateral received HK\$' 000	Financial instruments HK\$' 000	Net amount HK\$' 000
Trade receivables due from clearing houses	252,848	(252,493)	355	—	—	355

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### (b) Financial liabilities subject to offsetting, enforceable master netting arrangement or similar arrangements

As at 30 June 2017

Type of financial liabilities	Gross amount	Gross amount	Net amount	Related amounts not offset in the statement		
	of recognised	of recognised	of financial	of financial position		
	financial	offset in	liabilities	Collateral	Financial	Net amount
	financial	the statement	presented in	received	instruments	
	liabilities	of financial	the statement	HK\$' 000	HK\$' 000	HK\$' 000
	HK\$' 000	position	of financial			
		HK\$' 000	position			
			HK\$' 000			
Trade payables due to clearing houses	752,084	(752,084)	—	—	—	—

As at 30 June 2016

Type of financial liabilities	Gross amount	Gross amount	Net amount	Related amounts not offset in the statement		
	of recognised	of recognised	of financial	of financial position		
	financial	offset in	liabilities	Collateral	Financial	Net amount
	financial	the statement	presented in	received	instruments	
	liabilities	of financial	the statement	HK\$' 000	HK\$' 000	HK\$' 000
	HK\$' 000	position	of financial			
		HK\$' 000	position			
			HK\$' 000			
Trade payables due to clearing houses	252,493	(252,493)	—	—	—	—

## 51. EVENT AFTER REPORTING PERIOD

On 24 August 2017, all the conditions with reference to the Company's announcement dated on 16 October 2016 in connection with the disposal of the Disposal Group (Note 31) have been satisfied and the Disposal Group had been disposed of at a consideration HK\$140,000,000.

During the year, 東莞市華麟房地產投資開發有限公司, an indirect wholly-owned subsidiary of the Company, paid prepayments of RMB25,000,000 for the acquisition of 80% equity interest of 廉江市周氏石材有限公司. The acquisition has been completed on 17 July 2017.

## PARTICULARS OF PROPERTIES

Properties held for investment	Type	Lease term
Flat A, B, C, D, E, F, G, H, I, J, K & L on each of 11th Floor and 15th Floor, Ping On Court, Peace Plaza, Shangzhong Yuan Road, Changping Town, Dongguan City, Guangdong Province, the PRC	Residential	Medium
An industrial complex located at Qiao Zi Road, Qiao Zi Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land known as Lot No. 1924130100054 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Qiaozi Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Butian, Tangjiao District, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
Workshop 7 on 2nd Floor and Car Park No. L5 on 1st Floor Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong	Industrial	Medium
A factory complex erected on a parcel of land known as Lot No. Zhujiajiao Town 3-1 Qiu, located at No. 6118 of Huqingping Highway, Zhujiajiao Town, Qingpu District, Shanghai, the PRC	Industrial	Medium

# FINANCIAL SUMMARY

## RESULTS

### The Group

	Year ended 30 June 2017 HK\$' 000	Year ended 30 June 2016 HK\$' 000	Year ended 30 June 2015 HK\$' 000	Year ended 30 June 2014 HK\$' 000	Year ended 30 June 2013 HK\$' 000
Turnover	442,522	740,979	782,197	813,073*	601,611
Loss before taxation	(71,743)	(272,020)	(366,304)	(37,590)	(413,177)
Taxation	(7,166)	(4,981)	(3,095)	(125)	(1,894)
Loss for the year	(78,909)	(277,001)	(369,399)	(37,715)	(415,071)
Loss attributable to:					
Owners of the Company	(70,197)	(274,945)	(370,292)	(37,709)	(415,071)
Non-controlling interests	(8,712)	(2,056)	893	(6)	—
	(78,909)	(277,001)	(369,399)	(37,715)	(415,071)

## ASSETS AND LIABILITIES

	At 30 June 2017 HK\$' 000	At 30 June 2016 HK\$' 000	At 30 June 2015 HK\$' 000	At 30 June 2014 HK\$' 000	At 30 June 2013 HK\$' 000
Total assets	1,728,442	1,788,873	1,771,053	2,030,718	1,840,678
Total liabilities	(258,582)	(365,883)	(226,510)	(357,109)	(345,857)
	1,469,860	1,422,990	1,544,543	1,673,609	1,494,821
Attributable to:					
Owners of the Company	1,478,244	1,414,044	1,532,849	1,671,278	1,494,321
Non-controlling interests	(8,384)	8,946	11,694	2,331	500
	1,469,860	1,422,990	1,544,543	1,673,609	1,494,821

\* represented