Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 1166)

Annual Report **2007**

Contents

Corporate Information

Directors

Executive Directors

CHAU Lai Him
(Chairman and Managing Director)
ZHOU Jin Hua
(Deputy Chairman)
CHOW Kin Ming
LIU Jin Rong
CHAN Kwan Hung

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

Company Secretary

CHOW Kin Ming

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Auditors

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

Legal Advisor

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

Bermuda Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
26/F Tesbury Centre
28 Queen Road East
Wanchai
Hong Kong

Principal Banks (in alphabetical order)

Banco de Oro-EPCI Inc.,
Hong Kong Branch
Bank of Communications Co., Ltd,
Hong Kong Branch
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited
Wing Hang Bank, Limited

Chairman's Statement

Results

For the year ended 30 June 2007, the Company and its subsidiaries (the "Group") recorded a turnover of approximately HK$3,859,828,000, representing an increase of 82.5% against last year's HK$2,115,548,000. During the year under review, the Group had actively consolidated its business to achieve more efficient allocation of resources and to capture more profitable business opportunities. Although the Group's new factories in Kunshan and Shang Hang county, Fujian province had started their early stage of production operation, which profitability was premature to absorb depreciation expenses, staff cost and related expenses incurred in the new plants. Profitability of the Group was also affected by the increase in overall recurrent expenses and labour cost, notional interest charged for the zero-coupon convertible notes issued on 9 May 2006, plus drop in profit of the Group's subsidiary, Hua Yi Copper Holdings Limited ("Hua Yi Copper"). Moreover, during the business consolidation, the Group decided to terminate or sell part of its non-core businesses and that led to impairment in value of business operations as required under Hong Kong Accounting Standards. With the magnitude of asset impairment exceeding operating profit, the Group registered loss for the year under review. The Group's pre-tax profit decreased from last year's approximately HK$135,356,000 to about HK$1,007,000, and it recorded an after-tax loss of approximately HK$4,916,000 for the year (2006: profit of about HK$114,002,000). Profit attributable to shareholders decreased from last year's approximately HK$78,856,000 to approximately HK$782,000. Basic earnings per share were approximately HK0.16 cent (2006: HK19.54 cents). Excluding the special write off and provision for bad and doubtful debts already included in the balance sheet amounting to HK$34,065,000 in total, the Group recorded profit of approximately HK$29,149,000.

Business Review

For the year under review, sales of cable and wire business approximated at HK$739,232,000, representing about 19.2% of the Group's total turnover, while sales of copper rod products was approximately HK$2,363,605,000, making up about 61.2% of the total turnover. After the Group completed the acquisition of the entire equity interest in Brascabos Componentes Eletricos e Eletronicos Ltda. ("Brascabos"), originally an indirect subsidiary of Whirlpool, in late July 2006, the sales of connectors and terminals/wire harnesses business for the year under review grew significantly to approximately HK$641,032,000, accounting for 16.6% of the Group's total turnover.

By market, turnover from Mainland China and Hong Kong grew 67.7% to approximately HK$2,924,240,000 against the previous year, representing about 75.8% of the Group's total turnover. Subsequent to the acquisition of Brascabos, the Group has extended its reach to South America which reported approximately HK$482,268,000 in turnover, accounting for 12.5% of the total turnover. Therefore, the Americas market recorded approximately HK$690,279,000 in turnover, 267.0% more than in the previous year, accounting for 17.9% of the total turnover. Other markets in Asia showed a year-on-year growth of 35.0% in turnover to about HK$196,396,000, accounting for 5.1% of the Group total, while turnover from Europe increased by 28.7% to approximately HK$48,913,000 against the previous year, accounting for 1.3% of the total turnover.

Cable and Wire

During the year under review, many smaller manufacturers were ousted from the market because of persistently high metal prices. As for the Group's core cable and wire business, riding on a solid foundation, it was able to secure more customers and expand market share. Total turnover from the business grew by 16.3% to HK$869,661,000 against last year.

Increasing procurement costs of raw materials and high labour costs posed pressure on the Group's production costs. Furthermore, being still in their initial stage of operation needing to secure safety certification and more customers, the Group's new factories in Shang Hang County, Fujian province and Kunshan had not been able to bring in significant contribution in the year under review and a start-up investment was needed to inject into those factories, which included expenses in relation to the application of the safety certification for different products and the sales and marketing, causing the overall segment to record a decrease in profit.

Business Review (Continued)

Connectors and Terminals/Wire Harnesses

Total turnover from connectors and terminal/wire harnesses business for the year soared 354.3% to HK$641,426,000, mainly attributable to expansion of the segment. The Group completed the acquisition of Brascabos, the leading wire and automobile harness manufacturer in Brazil, in July 2006. This new member of the Solartech family provided profit contribution to the Group in the year under review. In addition to supplying to Brascabos' major customer Whirlpool, the Group also expanded its sales and marketing department to facilitate full exploitation of Brascabos' presence in the South America market. Since then, Brascabos had made remarkable progress in developing new domestic customers in South America. The Group will also make use of its extensive international customer network to promote Brascabos' wire products, so as to boost its profitability and contribution to the Group.

Furthermore, the Group will continue to ride on Brascabos to expand the automobile harness business. The extensive experience of Brascabos in the business area, complemented by the advanced technology the Group intends to bring in will enable the Group to tap opportunities in the automobile harness markets in Latin America and other regions in the world.

Our new factory in Chonburi, Thailand started operation in April 2006, with an annual production capacity of 45,600,000 sets of connectors and terminals/wire harnesses. Apart from satisfying the demands of local production facilities of Electrolux, Sony and Thompson Electric, etc., it also laid the milestone for the Group foothold in Thailand market. The Group will continue to actively develop the customer network in this market.

Copper Rod

The Group's copper rod business continued to be operated through its listed subsidiary Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a specialist in manufacturing and selling copper rods and copper wires products for use primarily to produce wires and cables for home electrical appliances and electronic products.

During the year under review, the booming Chinese economy and domestic and overseas manufacturers expanding their production scale in the PRC had fueled demand for copper rod products. However, with copper price standing persistently high, translating into higher procurement cost in relation to purchase of copper cathode, many small factories with limited capital were ousted. The industry consolidation worked in favor of Hua Yi Copper's copper rod business. During the year under review, turnover from copper rods and related products increased by approximately 87.22% to HK$2,666,903,000 when compared with the previous year (2006: HK$1,424,450,000). Hua Yi Copper processed approximately 3,500 tonnes of copper products per month manufactured for and sold by itself, compared with approximately 2,800 tonnes per month in the previous year.

Hua Yi Copper also continued to develop high value-added downstream products including annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires. These products accounted for approximately 12% of its total turnover.

Copper price came down slightly from the record high of US$8,788 per tonne in May last year, but continued to linger on high levels. During the period between July 2006 and June 2007, the average cash settlement price of London Metal Exchange ("LME") copper was US$7,078 per tonne, 40.1% higher when compared to US$5,052 per tonne in the previous 12 months.

Business Review (Continued)

Copper Rod (Continued)

During the year under review, the average utilization rate of Hua Yi Copper's Dongguan plant for products manufactured for and sold by itself surged from approximately 60% in the previous year to 70%. As Hua Yi Copper uses letters of credit and trust receipt loans to settle copper cathode purchases for its copper rod manufacturing and trading business, the higher copper prices in the year increased its finance costs in relation to purchasing and selling copper cathodes, and in turn limited its profit. As for the processing service business, since Hua Yi Copper does not need to purchase copper cathodes for customers, rise in the cost of copper cathodes had no significant impact on the production and operation costs of the business.

In the past two years, Hua Yi Copper had strived to expand production scale so as to satisfy huge market demand for copper products as well as support business development. Currently, in addition to the production facilities in Dongguan, Hua Yi Copper has set up two new production plants namely Kunshan Hua Yi Copper Products Co. Ltd. ("Kunshan Hua Yi") in Kunshan City of Jiangsu Province and Fujian Jinyi Copper Products Co. Ltd. ("Fujian Jinyi"), a joint venture with Zijin Mining Group Co., Ltd. ("Zijin Mining"), in Shang Hang County of Fujian Province.

Kunshan Hua Yi

The factory of Kunshan Hua Yi, which commenced operation in late July 2006, manufactures mainly high value-added downstream products including annealed copper wires, tin-coated copper wires, stranded copper wires and copper wires of different specifications and has a designed output capacity of 10,000 tonnes per annum. In its first year of operation, it already brought turnover of HK$283,262,000 to Hua Yi Copper. With many domestic and foreign manufacturers and enterprises locating their production base in the Yangtze River Delta Region, Hua Yi Copper sees potential in securing more orders from manufacturers of electrical appliances, electronic products and wires in the region. When Kunshan Hua Yi's operation matures and more customers are secured, it is expected to bring more significant contribution. Hua Yi Copper will continue to identify new customers and strive to increase the sales of its high value-added downstream products.

Fujian Jinyi

Hua Yi Copper signed an agreement with Zijin Mining to establish Fujian Jinyi in Shang Hang County, Fujian Province. The joint venture company, 45% held by Hua Yi Copper, mainly manufactures and distributes copper pipes in the region. Construction of the factory was completed in early 2007 with machines tuned and trial production has been in progress since October 2007.

When fully operational, the factory will have an annual production capacity of around 10,000 tonnes of copper pipes for use in refrigerators and air-conditioners. As Shang Hang County has rich copper mine resources, Fujian Jinyi enjoys lower production costs and higher price competitiveness than its peers.

Copper Recycling Business

Taking into consideration the impacts of environmental protection regulations, purchasing and taxation issues on the efficiency and profit of the business, Hua Yi Copper decided to shelve related development plan for the time being and focus resources on developing other businesses with higher returns.

Life-like plant

Hua Yi Copper signed an agreement on 19 May 2007 to sell its non-core life-like plant business at a total consideration of HK$60,000,000. Upon the completion of the transaction, Hua Yi Copper will be able to focus resources and management efforts on its core business.

Prospects

The Group raised approximately HK$63,800,000 from a share placement in August 2007. The move significantly enhanced the Group's shareholder base and financial situation, giving it a strong foundation for business expansion. Out of the proceeds raised, around HK$25,000,000 was intended for use as general capital to expand sales of all business segments, while the balance of approximately HK$38,800,000 would be invested in growing the business in Brazil.

For cable and wire business, the Group expects demands for its products to grow at steady pace and the business to gain market share as the sector continues to consolidate. With the Kunshan and Shang Hang factories having started operation and enjoying concessions from local governments and relatively lower production cost when compared with other parts in the Pearl River Delta, the Group will actively seek to increase the proportion of high margin products in its output and expand its customer base. To elevate the new factories' turnover and profit, the Group would negotiate with certain large enterprises on possible co-operation. Furthermore, the Group has recently set up an international sale and market department targeting at the South America and Europe markets and also a new representative office in Italy to develop the market. To accelerate expansion in those markets, the Group is considering acquiring local production facilities.

The Group's connectors and terminals/wire harnesses business has prospered in recent years and is expected to turn into a major growth driver of the Group in the future. To capitalize on the growing white goods market in South America, the Group will keep on introducing international customers to Brascabos' in order to strengthen the domestic customer base. The Group will also study the feasibility of spinning off Brascabos via mergers or acquisitions to speed up its development.

Being the ninth largest automobile producer in the world, Brazil is a major automobile harness market with strong growth potential for the Group. As for Thailand dubbed "Detroit of the East" where the Group has a plant, it also has a thriving automobile industry presenting abundance opportunities to the Group. Drawing on Brascabos' advanced technology for manufacturing automobile harnesses and our strategic presence in Thailand, we will actively expand our automobile harness business in South America and Southeast Asia, and eventually expand the mature business to cover also Mainland China.

Mining Business

The Group entered into a share purchase agreement on 7 October 2007 to acquire two iron-ore mines in Chengde City, Long Hua County of Hebei Province in cash and by way of issuance of consideration shares and call option agreement valued at approximately HK$167,000,000 in total. The transaction covers 95% benefit from the mining exploration rights in one iron-ore mine, and 90.25% effective interests in the mining rights in another one and ownership of its iron-ore concentrated powder processing facility with an estimated annual processing capacity of 300,000 tonnes. The purpose of the acquisition is to derive income from sales of minerals resources to be extracted from the two mines, thereby generating immediate cash flow and revenue.

Armed with abundant industry experience, quality products, solid customer relationship and an expanded production scale, the Group will continue to develop its core copper rod business and explore opportunities for developing the metal mining business so as to generate satisfactory returns for shareholders. With the iron core mining business to be undertaken by Hua Yi Copper through the issuance of consideration shares under the agreement which would reduce the Group's interest in Hua Yi Copper to less than 50%, Hua Yi Copper will change from a subsidiary of the Group to an associated company. Solartech will ensure this dilution of shareholding will bring more reasonable returns to shareholders.

In addition, the Group will reinforce the foundation of its different businesses by consolidating resources and targeting to increase operational efficiency and profit margin. It also plans to increase automation and streamline work procedures, so as to enhance efficiency and reduce costs. Looking forward, on the firm foundation of the core cable and wire business and benefiting from the synergies resulting from the acquisition of Brascabos, the Group will strive to increase its market shares and grow its businesses globally, thereby assuring better returns for shareholders.

Final Dividend

The Directors resolved not to pay any final dividend for the year ended 30 June 2007.

Annual General Meeting

The 2007 Annual General Meeting of the Company ("2007 Annual General Meeting") will be held on Friday, 23 November 2007.

Closure of Register of Members

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2007 Annual General Meeting, the register of members of the Company will be closed from Wednesday, 21 November 2007 to Thursday, 22 November 2007, both days inclusive, during which no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Tuesday, 20 November 2007.

Employees

As at 30 June 2007, the Group had approximately 7,000 employees in Hong Kong, the PRC and overseas. 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 and Financial Resources

During the year ended 30 June 2007, the Group had implemented a prudent financial management policy. As at 30 June 2007, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$383 million (30 June 2006: HK$426 million) and net current assets value being over approximately HK$378 million (30 June 2006: HK$558 million). The Group's gearing ratio as at 30 June 2007 was 0.77 (30 June 2006: 0.58), being a ratio of total bank borrowings of approximately HK$726 million (30 June 2006: HK$546 million) to shareholders' funds of approximately HK$938 million (30 June 2006: HK$941 million).

On 24 April 2006, the Company entered into the subscription agreements with the subscribers which are third parties independent of the Company for the issue of zero coupon convertible notes (the "convertible notes") with the maturity date being the first business day after the second anniversary from 6 May 2006, the date of issue of the convertible notes. The aggregate principal amount of the zero coupon convertible notes (the "convertible notes") is US$10,000,000 (equivalent to HK$78,000,000). The subscribers are entitled to convert the convertible notes commencing on and excluding the 14th day after the issue date up to and including the date which is 14 days prior to the maturity date. In the event that the average closing price for any 30 consecutive dealing days representing 150% or more of the conversion price, the outstanding principal amount of the convertible notes will be mandatorily converted into the ordinary shares of the Company at the conversion price of HK$1.10 per share. The Company is required to redeem the convertible notes at its face value for the outstanding principal amount of the convertible notes at the maturity date.

As at 30 June 2007, the Group had pledged certain property, plant and machinery, land use rights, fixed bank deposits and trade debtors with an aggregate net book value of approximately HK$265 million (30 June 2006: HK$197 million) to secure general banking facilities granted to the Group.

Liquidity and Financial Resources (Continued)

During the year ended 30 June 2007, the Group's finance costs increased by approximately HK$30 million to approximately HK$67 million. The increase was due to (i) a notional interest of HK$6 million being charged in respect of the convertible notes issued by the Company on 9 May 2006; and (ii) increased turnover of copper products which led to higher working capital and higher finance costs having been incurred.

As at 30 June 2007, the Company had issued guarantees to the extent of approximately HK$223 million (30 June 2006: HK$243 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$738 million (30 June 2006: HK$543 million) was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK$39 million (30 June 2006: HK$39 million) in respect of commodity trading of copper by its subsidiaries.

For the year ended 30 June 2007, the Group entered into copper forward contracts, foreign exchange forward contracts and interest rates swap contracts (collectively referred as "derivative financial instruments" thereafter) to manage the copper price risks, foreign exchange risks and interest rate risks. These derivative financial instruments were entered into in accordance with the Group's hedging policies, but they were not qualified for hedge accounting under the new HKFRS which became effective from 1 January 2006. Therefore, the outstanding derivative financial instruments have to be revalued and stated at their fair value at the balance sheet date and the changes in fair value were charged to current year's income statement.

The Group's overall financial risk management focuses on the unpredictability of the financial markets, controls the level of financial risks that the Group can bear, and minimised any potential adverse effects on the financial performance of the Group. The purpose of the financial risk management is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose. The net loss of the derivative financial instruments for the year ended 30 June 2007 was approximately HK$269,000 (net gains for the year ended 30 June 2006: HK$79,146,000).

Acquisition of Brascabos

On 30 May 2006, the Company entered into the Quota Purchase Agreement with Whirlpool S.A. and Brasmotor, for the acquisition (the "Acquisition") of their 100% interest in Brascabos Componentes Elétricos e Eletrônicos Ltda. ("Brascabos") for an aggregate consideration of US$10,000,000 (approximately HK$78,000,000) and guaranteeing the repayment of the shareholders' loan in an amount of not more than US$4,000,000 (approximately HK$31,200,000). Brascabos is one of the leading manufacturer of power cords and wire harness for white goods (large electrical home appliances) and automotive parts in Brazil. The Acquisition constituted a major transaction for the Company under the Listing Rules and was subject to the approval of Shareholders of the Company. At the special general meeting held on 24 July 2006, Shareholders approved the Acquisition. The Acquisition had been completed and its completion was announced by the Company in an announcement dated 2 August 2006. The details of the Acquisition were set out in the circular dated 26 June 2006.

Proposed Transaction – Establishment of a Joint Venture Company with Beijing Force Automotive Wire Co. Ltd

On 16 February 2007, the Company and 北京福斯汽車電線有限公司 (Beijing Force Automotive Wire Co. Ltd.) entered into a memorandum of understanding ("MOU"), pursuant to which the parties agreed conditionally to the establishment of a joint venture company in the People's Republic of China to engage in the manufacturing and sales of automotive harness and cables. The formation of the joint venture company was subject to various conditions and the entering into of definitive legally binding documentation. The details of the material terms of the MOU were set out in the announcement dated 21 February 2007. On 28 September 2007, the Company announced that, as the conditions under the MOU had not been fulfilled, the parties have agreed not to proceed with the proposed transaction.

Proposed Acquisition from Jiangxi Huagan Leixin Copper Co., Ltd

On 10 April 2007, Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited) (the "Stock Exchange") entered into a letter of intent ("LOI") with 江西華贛磊鑫銅業有限公司 (Jiangxi Huagan Leixin Copper Co., Ltd.). Pursuant to LOI, Hua Yi Copper agreed conditionally to enter into formal binding sale and purchase documentation to acquire 51% equity interests in 江西鴻陽銅業有限公司 (Jiangxi Hongyang Copper Co., Ltd), a company which was engaged in the production of copper materials and sulphuric acid with plans to engage in the copper mining business ("Proposed Acquisition"). Hua Yi Copper was not legally bound under the LOI to proceed with the Proposed Acquisition. The details of the material terms of the LOI were set out in the joint announcement made by Hua Yi Copper and the Company on 11 April 2007. On 28 September 2007, Hua Yi Copper and the Company jointly announced that, as the conditions under the LOI had not been fulfilled, the parties to the LOI had agreed not to proceed with the Proposed Acquisition.

Discloseable Transaction – Disposal of Certain Subsidiaries of Hua Yi Copper under Conditional Sale and Purchase Agreement

On 21 May 2007, Hua Yi Copper and the Company jointly announced that Brightpower Assets Management Limited (the "Vendor", a company incorporated in BVI and an indirect wholly-owned subsidiary of Hua Yi Copper), Eternal Gain Investments Limited (the "Purchaser", a company incorporated in BVI) and Kong Sun Holdings Limited ("Kong Sun", a company whose shares are listed on the Stock Exchange and which holds 100% of the Purchaser) entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") on 19 May 2007. Upon completion of the Sale and Purchase Agreement, the entire issued share capital of each of FT Far East Limited ("FTE") and FT China Limited ("FTC"), being the Sale Companies and directly wholly-owned subsidiaries of the Vendor, will be sold to the Purchaser, and an indebtedness in the sum of HK$80,786,000 owed by FTFE to the Vendor will be assigned to the Purchaser, for an aggregate consideration of HK$60 million. The aggregate consideration will be settled by way of Kong Sun executing upon the completion date a promissory note in the amount of HK$20 million to the Vendor and partly by way of Kong Sun issuing upon the completion date the convertible bonds for an aggregate principal amount of HK$40 million to the Vendor or its nominees as the Vendor may direct.

FTE is principally engaged in trading of life-like decorative plants and FTC is principally engaged in manufacture of life-like decorative plants through its wholly owned subsidiary. The life-like decorative plants and related business, as engaged by the Sale Companies, is a non-core business operation of the Group of Hua Yi Copper (the "Hua Yi Group") and that it operates in a totally different business model when compared with the core copper business of the Hua Yi Group. It occupies financial and management resources of the Hua Yi Group in a higher proportional weight than it should have occupied in the Hua Yi Group. At the same time, this operation had not generated sufficient cash flow to the Hua Yi Group. Accordingly, the directors of Hua Yi Copper decided to dispose of this non-core business operation and concentrate its resources and management effort in its core copper business. The directors of Hua Yi Copper considered that the disposal will generate a much higher cash flow in coming three to four years than keeping the Sale Companies within the Hua Yi Group. In conclusion, the Hua Yi Group will not only benefit from a stronger working capital position after realizing the proceeds from disposal, but also could direct all its corporate resources previously occupied by the Sale Companies towards the development of the core copper business. This will enhance the capability of the Hua Yi Group in horizontal expansion and vertical integration in the core copper business. The details of the material terms of the Sales and Purchase Agreement were set out in the circular dated 8 June 2007.

On 20 September 2007, Hua Yi Copper and the Company jointly announced that the parties of the Sales and Purchase Agreement have entered into a supplemental agreement (the "Supplement Agreement") on 19 September 2007 to amend certain provisions of the Sale and Purchase Agreement. The details of the material terms of the Supplemental Agreement were set out in the joint announcement of Hua Yi Copper and the Company dated 20 September 2007.

Post Balance Sheet Events

Placing of Existing Shares and Subscription of New Shares of the Company

Pursuant to the placing and subscription agreement dated 13 August 2007 between Mr. Chau Lai Him and Chau's Family 1996 Limited which is wholly-owned by the Chau's Family 1996 Trust (the "Vendors") and Kingston Securities Limited, the Vendors placed 97,000,000 ordinary shares of HK$0.01 each in the capital of the Company to independent investors at a price of HK$0.68 per share and subscribed for 97,000,000 new ordinary shares of HK$0.01 each in the capital of the Company at a price of HK$0.68 per share (the "Top-Up placing"). The net proceeds from the Top-Up placing amounted to approximately HK$63.8 million. Approximately HK$25 million of the net proceeds was intended to be used for general working capital of the Group and the remaining approximately HK$38.8 million was intended to be used for implementation of business expansion in the Group's business operation in Brazil. The Top-Up Placing was completed on 22 August 2007. Details of the Top-Up Placing were set out in the joint announcement of the Company and Hua Yi Copper dated 13 August 2007.

Placing of New Shares of Hua Yi Copper

On 25 June 2007, Hua Yi Copper and CCB International Capital Limited (the "Placing Agent") entered into the Placing Agreement pursuant to which the Placing Agent placed 30,000,000 ordinary shares of HK$0.20 each in the capital of Hua Yi Copper a price of HK$1.20 per share on a best effort basis (the "Placing"). The Placing was completed on 10 July 2007 and a total of 30,000,000 ordinary shares of HK$0.20 each in Hua Yi Copper were placed. The details of the Placing were set out in the circular dated 19 July 2007.

As at 30 June 2007, Skywalk held 402,131,875 shares in Hua Yi Copper, representing approximately 59.74% of the issued share capital of Hua Yi Copper. Prior to the Placing, Skywalk held 402,131,875 shares in Hua Yi Copper, representing approximately 59.74% of the issued share capital of Hua Yi Copper. Upon completion of the Placing, Skywalk held 402,131,875 shares in Hua Yi Copper, representing 57.19% of the then enlarged issued share capital of Hua Yi Copper.

Placing of Existing Shares and Top-up Subscription of New Shares of Hua Yi Copper

On 29 August 2007, Skywalk Assets Management Limited ("Skywalk"), a wholly owned subsidiary of the Company, entered into the placing and subscription agreement (the "agreement") to place and subscribe for new shares in Hua Yi Copper (the "Placing and Top-Up Subscription"). Pursuant to the agreement, Skywalk placed 80,000,000 ordinary shares of HK$0.20 each in the capital of Hua Yi Copper to independent investors at a price of HK$0.96 per share and subscribed for 80,000,000 new ordinary shares of HK$0.20 each in the capital of Hua Yi Copper at a price of HK$0.96 per share. The Placing and Top-Up Subscription were completed on 7 September 2007. Details of the Placing and Top-Up Subscription were set out in the joint announcement of Hua Yi Copper and the Company dated 31 August 2007.

Prior to the Placing and Top-Up Subscription, Skywalk held 402,131,875 shares in Hua Yi Copper, representing approximately 57.19% of the issued share capital of Hua Yi Copper. Upon completion of the Placing and Top-Up Subscription, Skywalk held 402,131,875 shares in Hua Yi Copper, representing 51.35% of the then enlarged issued share capital of Hua Yi Copper.

Post Balance Sheet Events (Continued)

Major Transaction and Very Substantial Disposal

On 7 October 2007, Hua Yi Copper entered into a share purchase agreement with Belleview Global Limited ("Belleview") pursuant to which Hua Yi Copper agreed to acquire (the "Acquisition") the entire issued share capital of Yeading Enterprises Limited ("Yeading") for a consideration which comprises of (i) a cash amount of a HK$ equivalent of RMB55,000,000 (subject to adjustment, if applicable); (ii) HK$110,000,000 payable by the issuance of 100,000,000 Hua Yi Copper Shares (the "Consideration Shares") to Belleview at completion; and (iii) the grant by the Company to Belleview at completion of an option to subscribe for up to 50,000,000 Hua Yi Copper Shares (the "Option Shares") at the exercise price of HK$1.10 per Hua Yi Copper Shares during the period of 5 years from the business day immediately following the date of the option agreement.

On 7 October 2007, HYC Finance Company Limited, a wholly-owned subsidiary of Hua Yi Copper, ("HYC"), Meyton Investment Limited, a wholly-owned subsidiary of Yeading, ("Meyton") and Yeading entered into a loan agreement (the "Loan Agreement") pursuant to which HYC agreed to lend to Meyton HK$30,000,000 which shall be applied for the sole purpose of contribution to the registered capital of 青島華鑫礦業有限公司 (Qingdao Hua Xin Mining Industry Limited). Details of the Acquisition and the Loan Agreement were set out in the joint announcement of the Company and Hua Yi Copper dated 15 October 2007.

The proposed issuance of the Consideration Shares and the Option Shares is subject to the approval of the shareholders of Hua Yi Copper to grant a specific mandate in respect of such issuance. As the Acquisition constitutes a major transaction and is deemed to be a very substantial disposal for the Company under the Listing Rules, and the Acquisition will be subject to the approval of shareholders of the Company.

As at the date of the publication of the announcement on 15 October 2007, the Company (through its interest in Skywalk) beneficially owned approximately 51.35% of the issued share capital of Hua Yi Copper. The beneficial interest of the Company in the issued share capital of Hua Yi Copper will be reduced from approximately 51.35% to approximately 45.53% immediately upon completion, and may further be reduced to approximately 43.09% upon the allotment and issue of the Option Shares. As a result, Hua Yi Copper will cease to be a subsidiary of the Company upon completion.

Purchase, Sale Or Redemption of the Company's Listed Securities

During the year ended 30 June 2007, the Company repurchased 910,000 ordinary shares of the Company ("Shares") on the Stock Exchange at an aggregate consideration of HK$918,000. All of the Shares were subsequently cancelled.

Details of the repurchases are, as follows:

Month of the Repurchases	Total number of the ordinary shares repurchased	Purchase price per share		Aggregate consideration
		Highest price paid per share	Lowest price paid per share	
		HK$	*HK$*	*HK$'000*
November 2006	910,000	1.01	1.00	918

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

Compliance with the Code on Corporate Governance Practices

During the year ended 30 June 2007, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Listing Rules, save and except that there has not been separation between the roles of the chairman and chief executive officer.

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the year ended 30 June 2007.

Audit Committee

The Audit Committee comprises the three independent non-executive directors of the Company. The audited results for the year ended 30 June 2007 have been reviewed by the Audit Committee. The Audit Committee is satisfied with the Group's internal control procedures and financial reporting disclosures.

Remuneration Committee

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises the three independent non-executive directors of the Company.

Appreciation

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

On behalf of the Board

Chau Lai Him
Chairman

17 October 2007

Directors and Senior Management

Executive Directors

Mr. CHAU Lai Him, aged 55, is the chairman and managing director of the Group and the founder of the Group. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 25 years' experience in the manufacturing of cable and wire products.

Mr. ZHOU Jin Hua, aged 49, joined the Group in 1986 and is the deputy chairman of the Group and the general manager of the Group's Dongguan manufacturing facilities. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 20 years' experience in the manufacturing of cable and wire products.

Mr. CHOW Kin Ming, aged 45, joined the Group in March 2007 and is the finance director and company secretary of the Group. He is responsible for the overall management of the Group's finance matters. He holds a bachelor degree in social science from the University of Hong Kong. He has more than 20 years' accounting and financial experience. He 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.

Mr. LIU Jin Rong, aged 33, joined the Group in 1998 and is the administration manager of Qiaozi Chau's Electrical Company Limited. He has more than 5 years' experience in human resources management in PRC. He is the son-in-law of the sister of Mr. Chau Lai Him.

Mr. CHAN Kwan Hung, aged 52, has been appointed as executive director of the Company since 2 October 2007. Mr. Chan is responsible for identifying and evaluating new investment opportunities and strategic partnership and also providing strategic support and guidance to the Board. He holds a bachelor degree in social sciences from the University of Hong Kong. Mr. Chan has over 20 years' experience in corporate and project finance. In the past five years, Mr. Chan has focused on resources and environmental investments and finance. Mr. Chan has been appointed as an executive director of Hua Yi Copper Holdings Limited, a subsidiary of the Company, with effect from 2 October 2007.

Independent Non-executive Directors

Mr. CHUNG Kam Kwong, aged 50, is a practising Certified Public Accountant in Hong Kong and is a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia, and a council member of the Macau Society of Certified Practising Accountants. Mr. Chung has extensive experience in accounting and financial management and is independent non-executive director of listed companies in Hong Kong.

Mr. LO Wai Ming, Paulus, aged 56, is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has over 30 years' extensive experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in Business Administration of the Chinese University of Hong Kong. He is a member of the Chartered Institute of Marketing and the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 42, joined the Group in November 2006. He is the deputy general manger of Sunf Pu Electric Wire & Cable Co., Ltd., a company incorporated in Taiwan, Republic of China. He has more than 20 years' experience in the cable and wire industry.

Senior Management

Ms. CHAN Kam Yee, Shirley, aged 47, rejoined the Group in February 2001 and is the group financial controller of the Group. She is responsible for accounting, financial management and company secretarial affairs of the group. She has more than 15 years' experience in finance and accounting and more than 10 years' experience in company secretarial affairs. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. YEUNG Kam Tung, aged 50, rejoined the Group in October 2006 and is the marketing director of Chau's Electrical Co., Ltd. He is responsible for overseeing all sales and marketing activities including strategy and policy developments. He has more than 20 years' experience in sales and marketing in the field of cable and wire products.

Mr. Silvio POLLO, aged 56, joined the Group in May 2007 as the International Business Development Director and the President of Brascabos. He is responsible for the overall management, strategic planning and business development in Europe, Brazil and USA. He holds a master degree in Industrial Engineering from the Politecnico di Torino (Italy). Mr. Pollo has extensive experience in the electrical and manufacturing industry with wide exposure in international business development.

Ms. LAM Sui Lan, Miranda, aged 38, 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 10 years' experience in sales and marketing in the field of cable and wire products.

Mr. KAN Wai Kee, Ernest, aged 41, joined the Group in October 2001 and is the head of financial operations of the Group. He is responsible for internal audit function for the Group. He holds a bachelor's degree in Accountancy from the City University of Hong Kong and has more than 15 years' auditing, finance and accounting experience.

Mr. WONG Kam Wah, George, aged 45, joined the Group in July 1997 and is the information technology manager of the Group. He holds a master degree of science in information technology with internet applications from the Open University of Hong Kong, a bachelor's degree of computing science from the University of Ulster, the United Kingdom and a higher diploma in computer studies from the City Polytechnic of Hong Kong. He has more than 15 years' experience in information technology and computerized manufacturing management.

Mr. Robert J. MORTON, aged 42, joined the Group in March 1997 and is the general manager of Chau's Electrical International, Inc. He holds a bachelor's degree in science, major in technical business management from Johnson & Wales University, USA and a technical degree from New England Institute of Technology, USA. He has over 20 years of design engineering, manufacturing, purchasing, sales and marketing, and business development experience in the electrical products industry.

Mr. HO Pang Cheng, Vincent, aged 50, joined the Group in February 1999 and is the general manager of the Group's Singapore and Malaysia trading and manufacturing operations in Malaysia, Thailand and Qing Dao, the PRC. He holds a master degree in business administration from the University of Strathclyde, the United Kingdom; a professional diploma in marketing from the Chartered Institute of Marketing, the United Kingdom; a technical diploma in electrical & electronic engineering and a post graduate diploma in marketing management from Singapore. He has over 20 years of sales and marketing, business development and management experience in the electrical & electronics industries.

Senior Management (continued)

Mr. ZHOU Qi Qin, aged 43, joined the Group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's Electrical Co., Ltd. He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 15 years' experience in manufacturing management.

Mr. KANG Jian, aged 38, joined the Group in December 2003 and is the general manager of Shanghai Chau's Electrical Co., Ltd. He is responsible for the day-to-day operations of the Shanghai manufacturing facilities including production, sales and marketing and business development. He holds a profession diploma in Accountancy and Management. He has more than 8 years' experience in management.

Mr. LIU Dong Yang, aged 33, joined the Group in September 1995 and is the deputy general manager of Shanghai Chau's Electrical Company Limited. He is responsible for the financial matters for the trading and manufacturing operations in Shanghai. He holds a professional diploma in international finance from Hunan Finance and Economics College, a bachelor degree in business administration from the Renmin University of China. He is a member of the Chinese Institute of Certified Public Accountants.

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2007.

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 43, 16 and 17 to the consolidated financial statements, respectively.

Results

The results of the Group for the year ended 30 June 2007 are set out in the consolidated income statement on page 29.

The directors do not recommend the payment of a final dividend.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 86.

Property, Plant and Equipment

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

Share Capital

Details of changes in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

Reserves

During the year, the Company's distributable reserve at 30 June 2007 was HK$690,039,000 (2006: HK$724,086,000). Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity on page 32 to the consolidated financial statements.

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	
Mr. Lau Man Tak	(resigned on 31 March 2007)
Mr. Liu Jin Rong	
Mr. Chow Kin Ming	(appointed on 31 March 2007)
Mr. Chan Kwan Hung	(appointed on 2 October 2007)

Independent non-executive directors:

Mr. Lo Kao Cheng	(retired on 16 November 2006)
Mr. Lo Wai Ming	
Mr. Chung Kam Kwong	
Mr. Lo Chao Ming	(appointed at the 2006 AGM on 16 November 2006)

Messrs. Zhou Jin Hua, Chow Kin Ming and Chan Kwan Hung will retire from office as directors at the annual general meeting and Messrs. Zhou Jin Hua and Chan Kwan Hung being eligible, will offer themselves for re-election pursuant to Articles 86(2) and 87 of the Bye-laws. Mr. Chow Kin Ming will not offer himself for re-election at the annual general meeting.

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

Directors' Interests in Securities

As at 30 June 2007, the interests of the directors and their associates in the shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in the shares of the Company

Name of director	Number of issued ordinary shares beneficially held	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	123,202,000	25.19% *(Note)*

Note: 41,210,000 shares are held by Mr. Chau Lai Him directly and 81,992,000 shares were held by Chau's Family 1996 Limited which was wholly owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau Lai Him was a discretionary object.

Directors' Interests in Securities (Continued)

Other than as disclosed above, as at 30 June 2007, none of the directors, nor their associates had any interests or short position in the securities of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

The Company

On 16 September 2002, the Company adopted a new share option scheme (the "New Share Option Scheme") which replaced the Company's old share option scheme adopted in 1996 (the "Old Share Option Scheme"). Particulars of these share option schemes are set out in note 39 to the consolidated financial statements.

The following table discloses movements in the Company's New Share Option Scheme during the year:

				Number of share options					
Capacity	Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.7.2006	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2007	Exercisable period	Number of share options exercisable for the period
Others	26 May 2005	26 May 2005 to 25 May 2008	0.32	18,950,000	–	–	18,950,000	26 May 2005 to 25 May 2008	18,950,000
Others	5 January 2006	1 February 2006 to 31 January 2009	0.24	39,230,000	(5,000,000)	(10,580,000)	23,650,000	1 February 2007 to 31 January 2008	10,570,000
								1 February 2008 to 31 January 2009	13,080,000
				58,180,000	(5,000,000)	(10,580,000)	42,600,000		

No share options have been granted to the directors of the Company.

At the balance sheet date, the Company had 42,600,000 share options outstanding under the New Share Option Scheme, which represented approximately 8.71% of the Company's shares in issue as at that date. The exercise in full in the remaining share options would, under the present capital structure of the Company, result in the issue of 42,600,000 additional ordinary shares of the Company and additional share capital of HK$426,000 and share premium of HK$11,314,000 (before issue expenses).

The details of fair value of the options under the New Share Option Scheme are disclosed in note 39 to the consolidated financial statements.

Share Options (Continued)

Subsidiary

On 4 December 2003, Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a subsidiary of the Company, adopted a new share option scheme (the "Hua Yi Share Option Scheme") which replaced its old share option scheme adopted in 1996.

The following table discloses movements in the Hua Yi Share Option Scheme during the year:

For the year ended 30 June 2007

				Number of share options					
Capacity	Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.7.2006	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2007	Exercisable period	Number of share options exercisable for the period
Employees	9 December 2005	1 January 2006 to 31 December 2008	0.275	2,336,000	(996,000)	(332,000)	1,008,000	1 January 2007 to 31 December 2007	8,000
								1 January 2008 to 31 December 2008	1,000,000
Others	9 December 2005	1 January 2006 to 31 December 2008	0.275	12,000,000	(5,000,000)	(1,500,000)	5,500,000	1 January 2007 to 31 December 2007	1,500,000
								1 January 2008 to 31 December 2008	4,000,000
Others	6 April 2006	1 May 2006 to 30 April 2011	0.495	51,000,000	–	(10,200,000)	40,800,000	1 May 2007 to 30 April 2008	10,200,000
								1 May 2008 to 30 April 2009	10,200,000
								1 May 2009 to 30 April 2010	10,200,000
								1 May 2010 to 30 April 2011	10,200,000
Total				65,336,000	(5,996,000)	(12,032,000)	47,308,000		

Arrangement to Purchase Shares or Debentures

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

Directors' Interests in Contracts of Significance

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

Substantial Shareholders' and Other Shareholders' Interests in the Company and the Group

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, pursuant to the register kept by the Company under Section 336 of the SFO, as at 30 June 2007, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares of the Company

Name	Number of shares of the Company	Capacity	Percentage of issued share capital of the Company
Chau's Family 1996 Limited	81,992,000 *(Note 1)*	beneficial owner	16.76%
Newcorp Holdings Ltd.	81,992,000	interest of corporation controlled by substantial shareholder	16.76%
Hill David Henry Christopher	81,992,000	interest of corporation controlled by substantial shareholder	16.76%
Hill Rebecca Ann	81,992,000	interest of substantial shareholder's child under 18 or spouse	16.76%
David William Roberts	81,992,000	interest of corporation controlled by substantial shareholder	16.76%
Credit Suisse Group	59,430,000	interest of controlled corporation	12.15%
Deutsche Bank Aktiengesellschaft	25,970,000	security interest in shares	5.31%
Penta Investment Advisers Ltd	28,002,727	investment manager	5.72%
Zwaanstra John	28,002,727	interest of controlled corporation	5.72%
Stark Investments (Hong Kong) Limited	28,363,636	investment manager	5.80%
Yin Jin Hua	55,700,000	beneficial owner	11.39%

Substantial Shareholders' and Other Shareholders' Interests in the Company and the Group (continued)

Note:

1. These shares were held by Chau's Family 1996 Limited which was wholly-owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau Lai Him was a discretionary object.

Save as disclosed above, the Directors and chief executive of the Company are not aware of any person who, as at 30 June 2007, had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Other persons having interests or short positions in the Company and the Group

So far as is known to any Director, as at 30 June 2007, the following persons, other than a director or a chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital are, as follows:

Name of the Company's subsidiary	Substantial shareholder of such subsidiary	Nature of interest	Number of Existing Shares/fully paid registered capital	Percentage of issued share capital/ registered capital
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.	Luckyman Assets Management Limited	Beneficial owner	HK$6,750,000	15%
FT Multi-Media Limited	Nobleman Holdings Limited	Beneficial owner	4,000 shares	40%

Major Customers and Suppliers

For the year ended 30 June 2007, the five largest customers of the Group together accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 76% of the Group's total purchases during the year, with the largest supplier accounted for approximately 52% of the Group's total purchases during the year.

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

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, the Company repurchased 910,000 of its own shares through the Stock Exchange, details of which are set out in note 30 to the consolidated financial statements.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 39 to the consolidated financial statements.

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.

Corporate Governance

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rule"), except that there has not been separation between the roles of the chairman and the chief executive officer.

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Audit Committee

The Company's audit committee comprises the three independent non-executive directors of the Company.

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Group's internal control procedures and the financial reporting disclosures.

During the year, the audit committee met with the external auditors twice to understand and evaluate the financial risk associated to the Group and review the effectiveness of the Group's internal control.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 30 June 2007.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 42 of the consolidated financial statements.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chau Lai Him
Chairman

17 October 2007

Corporate Governance Principles

The Group is committed to promoting good corporate governance, and has applied the principles in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Compliance of the Code Provisions

Throughout the financial year ended 30 June 2007 (the "Financial Year"), the Company has complied with the Code except for the deviation from code provision A.2.1 of the Code which is explained below.

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

During the Financial Year, Mr. Chau Lai Him acts as the Chairman and Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive industry experience. Mr. Chau is responsible for effective running of the Board and for formulating business strategies. The Directors believe that it is the best interest of the Group to have Mr. Chau remained to be the executive chairman and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they had complied throughout the year with the required standard as set out therein.

Board of Directors

The Board is entrusted with the overall responsibility for 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 eight Directors, with five Executive Directors, Messrs. Chau Lai Him (Chairman), Zhou Jin Hua (Deputy Chairman), Chow Kin Ming, Liu Jin Rong and Chan Kwan Hung and three independent Non-executive Directors, Messrs. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming. Mr. Liu Jin Rong is the son-in-law of the sister of Mr. Chau Lai Him. Save as disclosed herein, there is no relationship among members of the Board. More details of the Directors are disclosed on page 13.

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

Board of Directors (Continued)

The roles of Chairman and Managing Director are not separate, please refer to the explanation in connection with Code provision A.2.1 as set out under the heading "Compliance with the Code Provisions". The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and all Directors receive adequate, complete and reliable information.

During the Financial Year, the Board has at all times complied with the Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and one of the Independent Non-executive Directors having the appropriate professional qualifications or accounting or related financial management expertise. Each of the Independent Non-executive Director 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.

Board Operation

During the Financial Year, the Board held 16 meetings and the attendance record of each member of the Board is set out below:

Executive Directors	**Attendance/eligible to attend**
Chau Lai Him, *Chairman and Managing Director*	15/16
Zhou Jin Hua, *Deputy Chairman*	8/16
Chow Kin Ming (appointed on 31 March 2007)	5/5
Liu Jin Rong	9/16
Independent Non-executive Directors	
Chung Kam Kwong	7/16
Lo Wai Ming	6/16
Lo Chao Ming	5/16
Resigned Director	
Lau Man Tak (resigned on 31 March 2007)	11/11

Remuneration of Directors

The Remuneration 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 Remuneration Committee is Mr. Chau Lai Him. The role and function of the Remuneration Committee included the determination of the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee should consider factors such as the salaries paid by comparable companies, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee shall meet at least once a year.

One meeting was held in the Financial Year to adopt the terms of reference of the Remuneration Committee and all the committee members were present at the meeting. Details of the emoluments of the Directors are set out in note 9 to the financial statements.

Nomination of Directors

The Company has not established a Nomination Committee. The Board is responsible for all matters relating to the appointment of Directors either to fill a casual vacancy or as an addition to the existing Board. Any director so appointed will retire and offer himself for re-election at next annual general meeting and every director appointed shall be subject to retirement at least once every three years in accordance with the Bye-laws of the Company.

Directors are responsible for identifying suitable qualified candidates and make recommendation to the Board for consideration. The process of selecting and recommending candidates for directorship includes the consideration of referrals and engagement of external recruitment professionals. The selection criteria are mainly based on the assessment of their professional qualifications and experience relevant to the Company's businesses.

During the Financial Year, Directors reviewed the structure, size and composition of the Board and recommended the appointment of Mr. Chow Kin Ming as Executive Director following the resignation of Mr. Lau Man Tak from the Board.

Auditors' Remuneration

During the Financial Year, the remuneration paid and payable to the auditors of the Company, Deloitte Touche Tohmatsu, for the provision of the Group's audit services and non-audit related services were HK$1,600,000 and HK$1,418,000 respectively.

Audit Committee

The Audit Committee of the Company currently comprises three Independent Non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. The primary duties of the Audit Committee include the review of the Group's financial reporting system, the nature and scope of audit review as well as the effectiveness of the system of internal control procedures and risk management. The Audit Committee is also responsible for making recommendation in relation to the appointment, reappointment and removal of the external auditors, and reviews and monitors the external auditors independence and objectivity. In addition, the Audit Committee discusses matters raised by the external auditors and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year.

During the Financial Year, the Audit Committee held 3 meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matter 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 2007 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.

System of Internal Control

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

General

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards.

The responsibilities of the auditors with respect to the financial reporting are set out in the Auditor's Report on page 28 of this Annual Report.

On behalf of the Board

Chau Lai Him
Chairman

17 October 2007

Deloitte.
德勤

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

We have audited the consolidated financial statements of Solartech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 85, which comprise the consolidated balance sheet as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 October 2007

Consolidated Income Statement

For the year ended 30 June 2007

	NOTES	Continuing operations 2007 HK$'000	Continuing operations 2006 HK$'000	Discontinued operations 2007 HK$'000	Discontinued operations 2006 HK$'000	Total 2007 HK$'000	Total 2006 HK$'000
Turnover	6	3,778,692	2,026,832	81,136	88,716	3,859,828	2,115,548
Cost of sales		(3,540,442)	(1,812,471)	(67,383)	(73,619)	(3,607,825)	(1,886,090)
Gross profit		238,250	214,361	13,753	15,097	252,003	229,458
Other income		29,555	16,493	1,264	3,281	30,819	19,774
Interest income		24,158	9,039	705	612	24,863	9,651
General and administrative expenses		(168,368)	(149,781)	(10,180)	(11,384)	(178,548)	(161,165)
Selling and distribution expenses		(32,669)	(17,362)	(2,871)	(4,339)	(35,540)	(21,701)
Change in fair value of derivative financial instruments		(269)	79,146	–	–	(269)	79,146
Change in fair value of conversion option of convertible notes		5,325	–	–	–	5,325	–
Allowance for doubtful debts		(5,884)	(3,956)	(181)	–	(6,065)	(3,956)
Impairment loss arising from adjustment to fair value less cost to sell	32	–	–	(28,000)	–	(28,000)	–
Finance costs	10	(64,132)	(34,219)	(2,742)	(2,346)	(66,874)	(36,565)
Share of results of associates		148	236	–	–	148	236
Share of result of a jointly controlled entity		(369)	10	–	–	(369)	10
Discount on acquisition of additional interests in subsidiaries	34	4,581	892	–	–	4,581	892
(Loss) gain on deemed disposal of a listed subsidiary	34	(1,067)	19,576	–	–	(1,067)	19,576
Profit (loss) before taxation	8	29,259	134,435	(28,252)	921	1,007	135,356
Taxation	11	(5,796)	(18,964)	(127)	(2,390)	(5,923)	(21,354)
Profit (loss) for the year		23,463	115,471	(28,379)	(1,469)	(4,916)	114,002
Profit (loss) attributable to:							
Equity holders of the parent		29,161	80,325	(28,379)	(1,469)	782	78,856
Minority interests		(5,698)	35,146	–	–	(5,698)	35,146
		23,463	115,471	(28,379)	(1,469)	(4,916)	114,002
Dividends	12						
paid		29,249	–	–	–	29,249	–
proposed		–	19,403	–	–	–	19,403
Earnings per share	13						
from continuing and discontinued operations							
– Basic						0.16 HK cent	19.54 HK cents
– Diluted						0.26 HK cent	18.76 HK cents
from continuing operation							
– Basic						5.99 HK cents	19.90 HK cents
– Diluted						5.05 HK cents	19.10 HK cents

Consolidated Balance Sheet

At 30 June 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**611,996**	412,049
Prepaid lease payments for land – non-current portion	15	**80,220**	92,149
Prepayment for property, plant and equipment		**22,648**	151,519
Interests in associates	16	**11,196**	10,509
Interests in jointly controlled entities	17	**18,023**	17,485
Deferred tax assets	31	**6,275**	–
Goodwill	18	**23,389**	–
Loans receivable	24	**46,898**	–
		820,645	683,711
Current assets			
Inventories	19	**512,092**	371,218
Debtors, other loans and receivables, deposits and prepayments	20	**516,946**	539,393
Bills receivable	21	**62,733**	34,717
Prepaid lease payments for land – current portion	15	**1,801**	2,173
Derivative financial assets	22	**2,034**	6,063
Notes receivable	23	**55,000**	55,000
Tax recoverable		**454**	1,249
Pledged deposits	37	**96,650**	67,180
Bank balances and cash		**286,070**	358,508
		1,533,780	1,435,501
Assets classified as held for sale	32	**79,744**	–
		1,613,524	1,435,501
Current liabilities			
Creditors, other advances and accrued charges	25	**232,468**	218,772
Bills payable	26	**161,019**	89,311
Taxation		**11,289**	11,447
Obligations under finance leases	27	**3,185**	1,030
Bank overdrafts	28	**–**	280
Borrowings	28	**717,719**	543,105
Derivative financial liabilities	22	**9,967**	1,478
Convertible notes – debt component	29	**72,128**	–
Conversion option of convertible notes	29	**7,167**	12,492
		1,214,942	877,915
Liabilities associated with assets classified as held for sale	32	**20,332**	–
		1,235,274	877,915
Net current assets		**378,250**	557,586
Total assets less current liabilities		**1,198,895**	1,241,297

Consolidated Balance Sheet *(continued)*

At 30 June 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Borrowings	*28*	**20,408**	–
Convertible notes – debt component	*29*	**–**	66,068
Obligations under finance leases	*27*	**4,821**	1,649
Deferred consideration	*33*	**16,297**	–
Deferred tax liabilities	*31*	**20,743**	19,974
		62,269	87,691
		1,136,626	1,153,606
Capital and reserves			
Share capital	*30*	**4,892**	4,851
Reserves		**933,534**	936,240
Equity attributable to equity holders of parent		**938,426**	941,091
Share option reserve of listed subsidiary		**4,128**	3,565
Minority interests		**194,072**	208,950
		1,136,626	1,153,606

The consolidated financial statements on pages 29 to 85 were approved and authorised for issue by the Board of Directors on 17 October 2007 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 2007

	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve	Retained profits	Share option reserve	Total	Share option reserve of listed subsidiary	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2005	3,924	71,253	587,012	(15,936)	4,474	108,196	–	758,923	–	102,977	861,900
Exchange differences arising on translation of foreign operations	–	–	–	11,655	–	–	–	11,655	–	318	11,973
Profit for the year	–	–	–	–	–	78,856	–	78,856	–	35,146	114,002
Total recognised income for the year	–	–	–	11,655	–	78,856	–	90,511	–	35,464	125,975
Placement of new shares	930	92,070	–	–	–	–	–	93,000	–	–	93,000
Repurchase of shares	(3)	(247)	–	–	–	–	–	(250)	–	–	(250)
Expenses incurred in relation to the issue of new shares	–	(2,876)	–	–	–	–	–	(2,876)	–	–	(2,876)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(2,499)	(2,499)
Recognition of equity-settled share based payments	–	–	–	–	–	–	1,783	1,783	3,565	–	5,348
Increase in minority interests arising from deemed disposal of a listed subsidiary	–	–	–	–	–	–	–	–	–	73,008	73,008
At 30 June 2006	4,851	160,200	587,012	(4,281)	4,474	187,052	1,783	941,091	3,565	208,950	1,153,606

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 30 June 2007

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000	Share option reserve of listed subsidiary HK$'000	Minority interests HK$'000	Total equity HK$'000
Exchange differences arising on translation of foreign operations and share of reserve of jointly controlled entities	–	–	–	23,337	–	–	–	23,337	–	7,597	30,934
Profit (loss) for the year	–	–	–	–	–	782	–	782	–	(5,698)	(4,916)
Total recognised income for the year	–	–	–	23,337	–	782	–	24,119	–	1,899	26,018
Repurchase of shares	(9)	(912)	–	–	–	–	–	(921)	–	–	(921)
Issue of shares upon exercise of share options	50	1,150	–	–	–	–	–	1,200	–	–	1,200
Transfer upon exercise of share options	–	362	–	–	–	–	(362)	–	(438)	438	–
Forfeiture of share options	–	–	–	–	–	1,847	(646)	1,201	(1,201)	–	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(10,539)	(10,539)
Recognition of equity-settled share based payments	–	–	–	–	–	–	985	985	2,202	–	3,187
Increase in minority interests arising from deemed disposal of a listed subsidiary	–	–	–	–	–	–	–	–	–	2,716	2,716
Dividends paid	–	–	–	–	–	(29,249)	–	(29,249)	–	–	(29,249)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(9,392)	(9,392)
Appropriation	–	–	–	–	616	(616)	–	–	–	–	–
At 30 June 2007	**4,892**	**160,800**	**587,012**	**19,056**	**5,090**	**159,816**	**1,760**	**938,426**	**4,128**	**194,072**	**1,136,626**

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

The contributed surplus represented the net balance after setting off accumulated losses of the Company as at 1 April 2002 from reduced share capital and cancelled share premium of the Company in accordance with the Company's capital reorganisation in September 2002.

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	NOTES	2007 HK$'000	2006 HK$'000
Operating activities			
Profit before taxation		1,007	135,356
Adjustments for:			
Equity-settled share based payments		3,187	5,348
Loss on disposal of property, plant and equipment		3,242	595
Depreciation of property, plant and equipment		56,175	35,905
Charge of prepaid lease premium for land		2,183	2,334
Change in fair value of derivative financial instruments		269	(79,146)
Change in fair value of conversion option of convertible notes		(5,325)	–
Write down of inventories		3,798	7,925
Allowance for doubtful debts		6,065	3,956
Impairment loss arising from adjustment to fair value less cost to sell		28,000	–
Share of results of associates		(148)	(236)
Share of result of a jointly controlled entity		369	(10)
Loss (gain) on deemed disposal of a subsidiary		1,067	(19,576)
Discount on acquisition of additional interest in subsidiaries		(4,581)	(892)
Interest income		(24,863)	(9,651)
Finance costs		66,874	36,565
Operating cash flows before movements in working capital		137,319	118,473
Increase in inventories		(150,589)	(73,538)
Decrease (increase) in debtors, other loans and receivables, deposits and prepayments		40,560	(109,907)
Increase in bills receivable		(28,016)	(29,112)
(Decrease) increase in creditors, other advances and accrued charges		(27,566)	55,599
Increase in bills payable		78,021	79,562
Decrease in derivative financial instruments		12,249	75,855
Cash generated from operations		61,978	116,932
Hong Kong Profits Tax (paid) refund		(3,701)	2,331
Taxation in other jurisdictions paid		(4,430)	(11,080)
Net cash from operating activities		53,847	108,183

Consolidated Cash Flow Statement *(continued)*

For the year ended 30 June 2007

	NOTES	2007 HK$'000	2006 HK$'000
Investing activities			
Interest received		**24,863**	9,651
Purchase of property, plant and equipment		**(101,459)**	(56,766)
Additions of prepaid lease premium for land		**(959)**	(10,914)
Prepayment for property, plant and equipment		**(22,648)**	(192,495)
Proceeds from disposal of property, plant and equipment		**3,277**	–
Loan advanced to a third party		**(15,338)**	–
Acquisition of subsidiaries	33	**(61,629)**	–
Acquisition of additional interests in subsidiaries		**(5,958)**	(1,607)
Capital contribution to a jointly controlled entity		**–**	(17,475)
Increase in pledged deposits		**(34,858)**	(18,849)
Net cash used in investing activities		**(214,709)**	(288,455)
Financing activities			
Interest paid on bank borrowings		**(56,450)**	(35,421)
Interest paid on finance leases		**(1,035)**	(184)
Proceeds from issue of shares		**1,200**	93,000
Proceeds from issue of convertible notes		**–**	77,600
Proceeds from placement of shares of a listed subsidiary		**–**	92,584
Proceeds from issue of shares of a listed subsidiary		**1,649**	–
Expenses incurred in connection with the issue of shares		**–**	(2,876)
Repurchase of shares		**(921)**	(250)
Repayment of obligations under finance leases		**(2,617)**	(1,525)
New bank loans raised		**610,966**	481,683
Repayment of bank loans		**(600,467)**	(381,235)
New trust receipt loans raised		**1,672,346**	1,001,467
Repayment of trust receipt loans		**(1,498,994)**	(927,972)
Additions of other loans		**1,937**	737
Dividends paid		**(29,249)**	–
Dividends paid to minority shareholders		**(9,392)**	–
Net cash from financing activities		**88,973**	397,608

Consolidated Cash Flow Statement *(continued)*

For the year ended 30 June 2007

	NOTES	2007 HK$'000	2006 HK$'000
Net (decrease) increase in cash and cash equivalents		**(71,889)**	217,336
Cash and cash equivalents at beginning of the year		**358,228**	139,491
Effect of foreign exchange rate changes		**4,456**	1,401
Cash and cash equivalents at end of the year		**290,795**	358,228
Analysis of the balances of cash and cash equivalents			
Being:			
Bank balances and cash		**286,070**	358,508
Bank overdrafts		**–**	(280)
		286,070	358,228
Bank balances and cash attributable to assets classified as held for sale		**4,725**	–
		290,795	358,228

Notes to the Consolidated Financial Statements

For the year ended 30 June 2007

1. General

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 register 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, copper rods, connectors and terminals, life-like plants and production, distribution and licensing of television programmes. Its associate is principally engaged in the manufacture of optical fibre cable and its major jointly controlled entity is engaged in the manufacture and sales of copper wires.

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the current accounting period. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC)-INT 12	Service Concession Agreements[5]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[6]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 November 2006
4 Effective for annual periods beginning on or after 1 March 2007
5 Effective for annual periods beginning on or after 1 January 2008
6 Effective for annual periods beginning on or after 1 July 2008

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

3. Significant Accounting Policies (continued)

Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

3. Significant Accounting Policies (continued)

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("Discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combinations. Discount on acquisition, after reassessment, is recognised immediately in profit or loss.

Acquisition of additional interests in subsidiaries is recorded based on the book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interests over the cost of acquisition, after reassessment, is recognised as discount on acquisition.

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 and discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time 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.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Borrowing costs

All borrowing costs are expensed and included in finance costs in the income statement in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress and leasehold improvement over their estimated useful lives.

Properties in the course of construction for production, rental or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

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

Prepaid lease payments on land use right

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

3. Significant Accounting Policies (continued)

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

Taxation

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

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

3. Significant Accounting Policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the inception of the lease 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 balance sheet 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 charged to the income statement 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.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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 purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits schemes

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

The Group's 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 each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, other loans and receivables, bills receivable, notes receivable and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised as 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

Borrowings

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

Convertible notes

Convertible notes issued by the Company, which conversion options were not at fixed amount for a fixed number of equity instruments, are recognised as hybrid financial instruments in form of financial liability with embedded derivatives. Conversion option which will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option components are recognised at fair value and the liability component of convertible notes is recognised as the residual amount after separating the conversion option derivative.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The embedded conversion option is accounted for in accordance with the accounting policy for embedded derivatives described below.

Other financial liabilities

Other financial liabilities including creditors, bills payable and deferred consideration are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derivatives not qualified for hedging

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

Derivatives financial instruments is initially measured at fair value on the contract date, and is remeasured to fair value at subsequent reporting date.

Derecognition

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of share options has been recognised in the income statement 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.

Share options granted to others

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received unless that fair value cannot be estimated reliably, in which case, the fair value is estimated by reference to the fair value of the share options. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition of assets. Corresponding adjustment has been made to share option reserve.

4. Key Sources of Estimation Uncertainty

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

Fair value estimation

The fair value of conversion option of convertible notes is estimated by reference to the valuations carried out by professional valuers. Such valuation was based on assumptions using available market data. Any change in the assumptions will have an impact to the financial position in future.

5. Financial Instruments

a. Financial risk management objectives and policies

The Group's major financial instruments include debtors, other loans and receivables, deposits, bills receivable, derivative financial assets and liabilities, creditors, bills payable, borrowings, conversion option of convertible notes, convertible notes – debt component and deferred consideration. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. 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 each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

Except for the loans receivable to a third party, the Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers. The management considered that the credit risk on loans receivable is not significant as it is secured by the plant and machinery of the third party.

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

Cash flow 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 28. 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 interests so as to minimise the fair value interest rate risk.

5. Financial Instruments (continued)

a. Financial risk management objectives and policies (continued)

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to zero coupon convertible bonds. The management will consider hedging significant fair value interest rate exposure should the need arise.

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 future copper contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at balance sheet date are set out in note 29.

b. Fair value

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

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

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

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

6. Turnover

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

7. Segmental Information

Business segments

For management purposes, the Group is currently organised into five principal operating divisions – manufacture and trading of cables and wires, copper rods, connectors and terminals and manufacture and trading of life-like plants and production, distribution and licensing of television programmes.

Segment information about these businesses is presented below as primary segment information.

As detailed in note 32, on 21 May 2007, the Company announced a plan to dispose of its business of manufacture and trading of life-like plants. Accordingly, the business segment of manufacture and trading of life-like plants was classified as discontinued operation, and the comparative figures of this segment was re-classified from continuing operations to discontinued operation.

During the year, the Group has ceased all the operation relating to the production, distribution and licensing of television programmes. The related inventories, which were master tapes of television programmes, have been fully sold or written off and no further sales transaction will be generated from this business segment. Accordingly, the business segment of production, distribution and licensing of television programmes was classified as discontinued operation, and the comparative figures of this segment was re-classified from continuing operations to discontinued operation.

7. Segmental Information (continued)

Business segments (continued)

For the year ended 30 June 2007

	Continuing operations					Discontinued operations				
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER										
External sales	739,232	2,363,605	641,032	34,823	3,778,692	81,013	123	81,136	–	3,859,828
Inter-segment sales	130,429	303,298	394	–	434,121	–	–	–	(434,121)	–
Total sales	869,661	2,666,903	641,426	34,823	4,212,813	81,013	123	81,136	(434,121)	3,859,828

Inter-segment sales are charged at cost.

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Elimination	Consolidated
RESULT										
Segment result	1,663	62,423	30,861	2,165	97,112	2,336	(551)	1,785		98,897
Unallocated corporate income					13,215			705		13,920
Unallocated corporate expenses					(25,554)			–		(25,554)
Impairment loss arising from adjustment to fair value less cost to sell					–			(28,000)		(28,000)
Finance costs					(64,132)			(2,742)		(66,874)
Change in fair value of conversion option of convertible notes					5,325			–		5,325
Share of results of associates	148	–	–		148			–		148
Share of results of jointly controlled entities	–	(369)	–		(369)			–		(369)
Discount on acquisition of subsidiaries					4,581			–		4,581
Loss on deemed disposal of a listed subsidiary					(1,067)			–		(1,067)
Profit (loss) before taxation					29,259			(28,252)		1,007
Taxation					(5,796)			(127)		(5,923)
Profit (loss) for the year					23,463			(28,379)		(4,916)

7. Segmental Information (continued)

Business segments (continued)

At 30 June 2007

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET									
Assets									
Segment assets	855,989	887,393	236,818	40,829	2,021,029	74,930	938	75,868	2,096,897
Interests in associates	11,196	–	–	–	11,196			–	11,196
Interests in jointly controlled entities	–	18,023	–	–	18,023			–	18,023
Unallocated corporate assets					303,239			4,814	308,053
Consolidated total assets					2,353,487			80,682	2,434,169
Liabilities									
Segment liabilities	114,533	180,016	98,249	2,353	395,151	20,332	10,513	30,845	425,996
Unallocated corporate liabilities					871,547			–	871,547
Consolidated total liabilities					1,266,698			30,845	1,297,543

Other Information

	Continuing operations					Discontinued operations			
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	144,448	67,088	14,190	500	226,226	502	–	502	226,728
Depreciation	27,000	13,095	11,749	2,074	53,918	2,253	4	2,257	56,175
Allowance for doubtful debts	(1,014)	6,787	111	–	5,884	181	–	181	6,065
Write down of inventories	2,039	–	1,336	–	3,375	–	423	423	3,798

7. Segmental Information (continued)

Business segments (continued)

For the year ended 30 June 2006

	Continuing operations					Discontinued operations				
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER										
External sales	653,271	1,209,150	139,897	24,514	2,026,832	87,605	1,111	88,716	–	2,115,548
Inter-segment sales	94,460	215,300	1,284	–	311,044	–	–	–	(311,044)	–
Total sales	747,731	1,424,450	141,181	24,514	2,337,876	87,605	1,111	88,716	(311,044)	2,115,548

Inter-segment sales are charged at cost.

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Elimination	Consolidated
RESULT										
Segment result	9,837	151,834	5,372	(312)	166,731	839	1,816	2,655		169,386
Unallocated corporate income					7,030			612		7,642
Unallocated corporate expenses					(25,821)			–		(25,821)
Finance costs					(34,219)			(2,346)		(36,565)
Share of results of associates	236	–	–	–	236			–		236
Share of results of jointly controlled entities	–	10	–	–	10			–		10
Discount on acquisition of subsidiaries					892			–		892
Gain on deemed disposal of subsidiaries					19,576			–		19,576
Profit before taxation					134,435			921		135,356
Taxation					(18,964)			(2,390)		(21,354)
Profit (loss) for the year					115,471			(1,469)		114,002

7. Segmental Information (continued)

Business segments (continued)

At 30 June 2006

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET									
Assets									
Segment assets	727,255	758,254	66,491	43,801	1,595,801	90,682	1,469	92,151	1,687,952
Interests in associates	10,509	–	–		10,509	–	–	–	10,509
Interests in jointly controlled entities	17,485	–	–		17,485	–	–	–	17,485
Unallocated corporate assets									403,266
Consolidated total assets									2,119,212
Liabilities									
Segment liabilities	111,374	144,800	23,248	2,357	281,779	14,399	4,379	18,778	300,557
Unallocated corporate liabilities									665,049
Consolidated total liabilities									965,606

Other Information

	Continuing operations					Discontinued operations			
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	23,687	29,296	2,813	714	56,510	256	–	256	56,766
Depreciation	20,889	8,073	2,522	2,475	33,959	1,934	12	1,946	35,905
Allowance for doubtful debts	3,956	–	–	–	3,956	–	–	–	3,956
Write down of inventories	7,925	–	–	–	7,925	–	–	–	7,925

7. Segmental Information (continued)

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC"), Americas, Europe and other Asian regions.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Continuing operations		Discontinued operations		Total turnover by geographical market	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**2,824,541**	1,704,186	**–**	–	**2,824,541**	1,704,186
Americas	**617,576**	108,255	**72,703**	79,843	**690,279**	188,098
Europe	**42,779**	32,649	**6,134**	5,364	**48,913**	38,013
Hong Kong	**97,444**	36,536	**2,255**	3,220	**99,699**	39,756
Other Asian regions	**196,352**	145,206	**44**	289	**196,396**	145,495
	3,778,692	2,026,832	**81,136**	88,716	**3,859,828**	2,115,548

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property plant and equipment	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**1,385,101**	1,092,534	**202,250**	47,123
Hong Kong	**429,931**	486,388	**10,375**	7,253
Americas	**218,565**	49,108	**12,869**	–
Other Asian regions	**63,300**	59,922	**1,234**	2,390
	2,096,897	1,687,952	**226,728**	56,766

8. Profit (Loss) Before Taxation

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:						
Auditors' remuneration						
Current year	**2,281**	2,246	**340**	300	**2,621**	2,546
Underprovision in prior years	**166**	74	**–**	–	**166**	74
	2,447	2,320	**340**	300	**2,787**	2,620
Depreciation of property, plant and equipment						
Owned assets	**52,979**	33,850	**2,257**	1,520	**55,236**	35,370
Assets held under finance leases	**939**	535	**–**	–	**939**	535
	53,918	34,385	**2,257**	1,520	**56,175**	35,905
Charge of prepaid lease premium for land	**1,720**	1,943	**463**	391	**2,183**	2,334
Operating lease rentals in respect of rented premises	**4,971**	5,261	**481**	416	**5,452**	5,677
Research and development expenditure	**208**	2,158	**–**	–	**208**	2,158
Loss on disposal of property, plant and equipment	**3,242**	595	**–**	–	**3,242**	595
Write down of inventories	**3,375**	7,925	**423**	–	**3,798**	7,925
Provision for compensation to labour *(note)*	**4,737**	–	**–**	–	**4,737**	–
Staff costs including directors' emoluments	**122,104**	85,497	**9,821**	9,392	**131,925**	94,889
Share-based payment expense	**145**	243	**–**	–	**145**	243
	122,249	85,740	**9,821**	9,392	**132,070**	95,132
and after crediting:						
Exchange gain	**2,726**	4,973	**144**	49	**2,870**	5,022
Interest on bank deposits	**19,336**	4,407	**705**	612	**20,041**	5,019
Interest on notes receivables	**4,822**	4,632	**–**	–	**4,822**	4,632

Note: During the year, the Group has recognised to profit and loss account an expense of HK$4,737,000 (2006: Nil) in respect of provision for claims relating to dispute of labour compensation with the labour union for a Brazilian subsidiary which has been included in the cost of sales of the continuing operations. The provision charge is estimated based on legal counsel's opinion and after considering the likelihood of actual payment.

9. Emoluments of Directors and Five Highest Paid Individuals

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

Name of Director	Fees	Salaries and other benefits	Discretionary performance bonus	Retirement benefit scheme contributions	2007 Total	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chau Lai Him	–	5,111	6,102	19	**11,232**	5,045
Mr. Zhou Jin Hua	–	1,357	–	–	**1,357**	1,200
Mr. Lau Man Tak	–	3,010	150	9	**3,169**	1,430
Mr. Liu Jin Rong	–	134	–	–	**134**	102
Mr. Lo Chao Ming	53	–	–	–	**53**	–
Mr. Lo Wai Ming	96	–	–	–	**96**	96
Mr. Chung Kam Kwong	160	–	–	–	**160**	160
Mr. Chow Kin Ming	–	1,075	–	7	**1,082**	–
Total	309	10,687	6,252	35	**17,283**	8,033

The five highest paid individuals of the Group include four (2006: three) executive directors of the Company, details of whose emoluments are included above. The emoluments of the remaining one (2006: two) individual(s) for the year ended 30 June 2007 were as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**1,446**	1,442
Discretionary performance bonus	**638**	91
Contributions to retirement benefits schemes	**873**	114
	2,957	1,647

Emoluments of these individuals were within the following bands:

	Number of employees 2007	2006
Nil – HK$1,000,000	**–**	2
HK$2,500,001 – HK$3,000,000	**1**	–

10. Finance Costs

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**57,037**	33,075	**2,742**	2,346	**59,779**	35,421
Interest on finance leases	**1,035**	184	**–**	–	**1,035**	184
Imputed interest on convertible notes	**6,060**	960	**–**	–	**6,060**	960
	64,132	34,219	**2,742**	2,346	**66,874**	36,565

11. Taxation

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Profits Tax						
Current year	**1,273**	2,749	**127**	2,390	**1,400**	5,139
Underprovision in respect of prior years	**976**	1,760	**–**	–	**976**	1,760
Taxation in other jurisdictions						
Current year	**8,420**	5,640	**–**	–	**8,420**	5,640
(Over)underprovision in respect of prior years	**(3,242)**	274	**–**	–	**(3,242)**	274
	7,427	10,423	**127**	2,390	**7,554**	12,813
Deferred taxation *(Note 31)*						
Current year	**(1,631)**	8,541	**–**	–	**(1,631)**	8,541
	5,796	18,964	**127**	2,390	**5,923**	21,354

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Taxation in other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

11. Taxation (continued)

The tax charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation	**1,007**	135,356
Tax at the domestic income tax rate of 27% (2006: 27%)	**272**	36,546
Tax effect of expenses not deductible for tax purpose	**15,161**	1,273
Tax effect of income not taxable for tax purpose	**(6,749)**	(8,216)
Tax effect of tax losses not recognised	**609**	–
Utilisation of tax losses previously not recognised	**(923)**	(6,281)
(Over)underprovision in respect of prior years	**(2,266)**	2,034
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(241)**	(3,873)
Tax effect on share of result of associates	**(40)**	(64)
Tax effect of share of result of jointly controlled entities	**100**	–
Others	**–**	(65)
Tax charge for the year	**5,923**	21,354

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operation of the Group is substantially based. Pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, Mainland China, can enjoy tax benefit and are entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore, subject to a tax rate of 27%.

12. Dividends

	2007	2006
	HK$'000	*HK$'000*
Final dividend paid in respect of year 2005/2006 at HK$0.04 per share (2004/2005: Nil)	**19,466**	–
Interim dividend paid in respect of year 2006/2007 at HK$0.02 per share (2005/2006: Nil)	**9,783**	–
	29,249	–
Proposed final dividend in respect of year 2006/2007 at HK$Nil per share (2005/2006: HK$0.04 per share)	**–**	19,403

The Directors do not recommend the payment of a dividend for the year ended 30 June 2007.

13. Earnings Per Share

For continuing and discontinued operations

The calculation of the earnings per share is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Results for the year attributable to equity owners of parents for the purpose of basic earnings per share	782	78,856
Imputed interest on convertible notes	6,060	960
Change in fair value of conversion option of convertible notes	(5,325)	–
Earnings for the purpose of diluted earnings per share	1,517	79,816

	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	486,852,609	403,575,321
Effect of dilutive potential ordinary shares:		
Share options	34,965,647	11,908,534
Convertible notes	70,545,455	10,050,311
Weighted average number of ordinary shares for the purpose of diluted earnings per share	592,363,711	425,534,166

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2007

13. Earnings Per Share (continued)

For continuing operation

The calculation of the basic earnings per share from continuing operations are based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share from continuing operations	**29,161**	80,325
Imputed interest on convertible notes	**6,060**	960
Change in fair value of conversion option of convertible notes	**(5,325)**	–
Earnings for the purposes of diluted earnings per share for continuing operations	**29,896**	81,285

The denominators used are the same as those detailed above for basic and diluted earnings per share.

From discontinued operations

Basic loss per share for discontinued operations is 5.83 HK cents (2006: 0.36 HK cent) per share, and diluted loss per share for discontinued operations is 4.79 HK cents (2006: 0.34 HK cent per share) based on the loss for the year from discontinued operations of HK$28,379,000 (2006: HK$1,469,000). The denominators used are the same as those detailed above for basic and diluted loss per share.

14. Property, Plant and Equipment

	Construction in progress	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*	*HK$'000*
THE GROUP							
COST OR VALUATION							
At 1 July 2005	14,944	234,592	18,326	66,955	344,885	17,097	696,799
Currency realignment	586	7,834	525	1,393	5,822	144	16,304
Additions	28,193	6,225	6,666	2,938	8,597	4,147	56,766
Reclassification	–	–	–	2,439	(2,439)	–	–
Disposals	–	–	–	–	–	(2,625)	(2,625)
At 30 June 2006	43,723	248,651	25,517	73,725	356,865	18,763	767,244
Currency realignment	2,105	11,048	1,150	3,028	17,547	1,030	35,908
Acquisition of subsidiaries	–	–	–	3,642	42,292	660	46,594
Additions	55,171	31,482	5,596	8,230	119,064	7,185	226,728
Reclassification	(62,099)	37,054	–	5,174	19,871	–	–
Transfer to assets classified as held for sales	–	(28,922)	–	(2,831)	(8,718)	(171)	(40,642)
Disposals	(697)	–	–	(10,097)	(2,159)	(413)	(13,366)
At 30 June 2007	**38,203**	**299,313**	**32,263**	**80,871**	**544,762**	**27,054**	**1,022,466**
ACCUMULATED DEPRECIATION							
At 1 July 2005	–	68,180	7,990	46,366	181,177	10,427	314,140
Currency realignment	–	2,584	211	969	3,355	61	7,180
Provided for the year	–	8,972	1,459	4,652	19,065	1,757	35,905
Reclassification	–	–	–	1,268	(1,268)	–	–
Eliminated on disposals	–	–	–	–	–	(2,030)	(2,030)
At 30 June 2006	–	79,736	9,660	53,255	202,329	10,215	355,195
Currency realignment	–	3,279	412	1,653	6,023	524	11,891
Provided for the year	–	12,388	2,532	5,944	32,633	2,678	56,175
Transfer to assets classified as held for sales	–	(1,463)	–	(1,678)	(2,632)	(171)	(5,944)
Eliminated on disposals	–	–	–	(5,787)	(978)	(82)	(6,847)
At 30 June 2007	**–**	**93,940**	**12,604**	**53,387**	**237,375**	**13,164**	**410,470**
CARRYING VALUES							
At 30 June 2007	**38,203**	**205,373**	**19,659**	**27,484**	**307,387**	**13,890**	**611,996**
At 30 June 2006	43,723	168,915	15,857	20,470	154,536	8,548	412,049

14. Property, Plant and Equipment (continued)

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

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

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

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

	2007	2006
	HK$'000	*HK$'000*
Buildings situated in the PRC land held under		
– medium term leases	**202,167**	165,638
– long leases	**1,684**	1,724
Buildings situated in Hong Kong land held under medium term leases	**1,522**	1,553
	205,373	168,915

At 30 June 2007, the carrying value of property, plant and equipment of the Group includes plant and machinery of HK$5,106,000 (2006: HK$3,928,000) and motor vehicles of HK$4,714,000 (2006: HK$696,000) and equipment, furniture and fixtures of HK$16,000 (2006: Nil) in respect of assets held under finance leases.

15. Prepaid Lease Payments for Land

	2007	2006
	HK$'000	*HK$'000*
Leasehold land situated in the PRC held under		
– medium term lease	**72,646**	84,723
– long leases	**7,650**	7,830
Buildings situated in Hong Kong held under medium term lease	**1,725**	1,769
	82,021	94,322
Analysed for reporting purposes as:		
Non-current	**80,220**	92,149
Current	**1,801**	2,173
	82,021	94,322

16. Interests in Associates

	2007 HK$'000	2006 HK$'000
Cost of unlisted investment	**490,697**	490,697
Share of post-acquisition losses and reserve, net of impairment	**(479,501)**	(480,188)
	11,196	10,509

The following list contains only the particulars of the associate at 30 June 2007 which principally affects the Group's results for the year or form a substantial portion of the net assets or liabilities of the Group, as the directors are of the opinion that a full list of all the associates would be of excessive length.

Name of company	Place of registration	Proportion of nominal value of issued capital indirectly held by the Company	Principal activities
侯馬普天榮盛光纜有限公司	PRC	20%	Manufacture and trading of optical fibre cable and related products

The summarised financial information in respect of the Group's associates for the year ended 30 June 2007 is as follows:

	2007 HK$'000	2006 HK$'000
Total assets	**115,784**	91,190
Total liabilities	**(59,804)**	(38,645)
	55,980	52,545
Group's share of net assets of associate	**11,196**	10,509
Revenue	**88,156**	81,665
Profit for the year	**739**	1,180
Group's share of results of associate for the year	**148**	236

17. Interests in Jointly Controlled Entities

	2007	2006
	HK$'000	*HK$'000*
Cost of unlisted investments	**66,626**	66,626
Share of post-acquisition profits and reserve, net of impairment	**(48,603)**	(49,141)
	18,023	17,485

Particulars of the Group's interest in the jointly controlled entities as at 30 June 2007 are as follows:

Name of company	**Place of incorporation**	**Proportion of registered capital indirectly held by the Company**	**Principal activities**
常州柏濤樓宇智能有限公司 Changzhou Bo Tao Lou Yu Zhi Neng Co., Ltd.	PRC	40%	Inactive
福建金藝銅業有限公司 Fujian Jingyi Copper Products Limited	PRC	45%	Manufacture and sales of copper wires

The summarised financial information in respect of the Group's interests in the jointly controlled entities for the year ended 30 June 2007 is as follows:

	2007	2006
	HK$'000	*HK$'000*
Current assets	**8,694**	9,525
Non-current assets	**30,864**	8,151
Current liabilities	**(7,759)**	(191)
Non-current liabilities	**(13,776)**	–
Income	**–**	10
Expenses	**(369)**	–

18. Goodwill

Goodwill of HK$ 23,389,000 arising from acquisition of subsidiaries during the year as mentioned in note 33 has been allocated to one cash generating unit (CGU), representing the manufacture and trading of connectors and terminals business in Brazil.

During the year ended 30 June 2007, management of the Group determines that there is no impairment of the CGU containing the goodwill.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, growth rate of 10% per annum and discount rate of 8%. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

19. Inventories

	2007	2006
	HK$'000	*HK$'000*
Raw materials	**355,923**	138,170
Work in progress	**26,069**	24,632
Finished goods	**130,100**	208,416
	512,092	371,218

20. Debtors, Other Loans and Receivables, Deposits and Prepayments

Included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$399,130,000 (2006: HK$368,949,000). The Group allows an average credit period of 45 days to its trade customers.

The aging analysis of trade debtors is as follows:

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**273,812**	196,331
31 – 60 days	**69,964**	93,099
61 – 90 days	**33,081**	45,946
Over 90 days	**22,273**	33,573
	399,130	368,949

At 30 June 2007, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$61,794,000 (2006: HK$86,363,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at year end. The amount has been fully settled subsequent to year end.

21. Bills Receivable

As at 30 June 2007 and 30 June 2006, bills receivable aged within 90 days.

22. Derivative Financial Assets/Liabilities

	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Future contracts	**–**	**(2,111)**	5,754	–
Interest rate swaps	**468**	**–**	–	(803)
Foreign exchange forward contracts	**1,566**	**(7,856)**	309	(675)
	2,034	**(9,967)**	6,063	(1,478)

Future contracts

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

	As at 30 June 2007	As at 1 July 2006
Quantities (in tonnes)	**2,500**	625
Average price per tonne	**7,599**	7,210
Delivery period	**From July 2007 to September 2007**	From August 2006 to October 2006
Fair value (loss) gain of copper future contracts recognised as current (liabilities) assets (in HK$'000)	**(2,111)**	5,754

Interest rate swap

			Fair value gain (loss) as at	
Notional amount	**Maturity**	**Swap**	**30 June 2007**	30 June 2006
			HK$'000	*HK$'000*
USD5,000,000	13 September 2009	Received USD at structured rate *(note)*	**468**	(803)
		Paid USD interest rate at LIBOR minus 0.8%		

Note: Structured rate is calculated at 6 months LIBOR x (number of days the reference spread > 0%)/(actual number of days in the calculation period) and reference spread is based on spread between 30-year and 10-year interest rate.

22. Derivative Financial Assets/Liabilities (continued)

Forward foreign exchange contracts

The forward foreign exchange contracts are settled at specific time intervals and the major terms of the forward foreign exchange contracts are as follows:

At 30 June 2007

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain (loss)	
			HK$'000	*HK$'000*
US$2,000,000 or US$4,000,000/year	24 January 2008	CNY7.2701 to 7.7755/US$1	74	–
US$3,750,000/ semi-annually	29 December 2008	BRL2.1765	–	(7,856)
US$1,500,000/ half month	22 February 2008	HK$7.739/US$1 and HK$7.885/US$1	383	–
US$1,000,000/ half month	5 July 2007	HK$7.738/US$1	78	–
US$1,000,000/month	20 December 2007	HK$7.728/US$1	409	–
US$500,000/month	20 December 2007	HK$7.7499/US$1	232	–
US$500,000/month	20 October 2007	HK$7.725/US$1	153	–
US$1,000,000/month	19 September 2007	HK$7.7295/US$1	237	–
			1,566	(7,856)

At 30 June 2006

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain (loss)	
			HK$'000	*HK$'000*
US$500,000/month	15 January 2007	HK$7.73/US$1	36	–
US$300,000/month	25 May 2007	HK$7.73/US$1	–	(62)
US$1,000,000/month	5 December 2006	HK$7.758/US$1	–	(101)
US$1,000,000/month	5 July 2007	HK$7.738/US$1	–	(305)
US$500,000/month	17 January 2007	HK$7.728/US$1	259	–
US$500,000/month	2 May 2007	HK$7.73/US$1	14	–
US$1,000,000/month	6 March 2007	HK$7.725/US$1	–	(113)
US$1,000,000/month	19 September 2007	HK$7.7295/US$1	–	(94)
			309	(675)

The above derivatives are measured at fair value at each balance sheet date. Their fair values of copper future contracts are determined based on the quoted market prices and the fair values of interest rate swap and foreign exchange forward contracts are provided by banks or financial institutions at the balance sheet date.

23. Notes Receivable

Pursuant to a sale and purchase agreement entered into between a Company's subsidiary and an independent third party in 2003, the Group had disposed of certain subsidiaries at a total consideration of HK$60,000,000 of which HK$5,000,000 was settled in cash and HK$55,000,000 will be settled by promissory notes. The notes are secured by assets owned by the notes issuer, carry interest at prime rate plus 2% per annum and are wholly repayable in June 2007.

The notes receivable has been fully settled subsequent to the balance sheet date.

24. Other Financial Assets

As disclosed in note 38, pursuant to a loan agreement entered into between the Group and an independent third party during the current financial year, a prepayment of HK$31,560,000 for acquisition of property, plant and equipment has been assigned and reclassified as loan to the third party during the year. In addition, the Group has advanced an additional HK$15,338,000 to such party during the year. The aggregate amount of loans receivable at 30 June 2007 amounted to HK$46,898,000 (2006: Nil), which was interest-bearing at 2.5% per annum and secured by the plant and machinery of the third party and has no fixed repayment terms. In the opinion of directors of the Company, the amount would not be recoverable within 12 months from the balance sheet date.

Bank balances and deposits comprise cash held by the Group and deposits with maturity of three months or less held with banks not restricted in use and carried at effective interest rates of bank balances and deposits range from 1% to 3% per annum.

25. Creditors, Other Advances and Accrued Charges

Included in the Group's creditors, other advances and accrued charges were trade creditors of HK$110,881,000 (2006: HK$90,046,000).

The aging analysis of trade creditors is as follows:

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**62,466**	50,776
31 – 60 days	**30,461**	26,061
61 – 90 days	**15,127**	8,712
Over 90 days	**2,827**	4,497
	110,881	90,046

26. Bills Payable

At 30 June 2007 and 30 June 2006, bills payable aged within 90 days.

27. Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases				
Within one year	**3,604**	1,177	**3,185**	1,030
In the second to fifth year inclusive	**5,365**	2,088	**4,821**	1,649
	8,969	3,265		
Less: Future finance charges	**(963)**	(586)		
Present value of lease obligations	**8,006**	2,679	**8,006**	2,679
Less: Amount due within one year			**(3,185)**	(1,030)
Amount due after one year			**4,821**	1,649

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates and the average effective borrowing rate was 6% (2006: 6.1%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

28. Borrowings/Bank Overdrafts

	2007 HK$'000	2006 HK$'000
Borrowings are analysed as follows:		
Bank loans	238,779	221,526
Trust receipt loans	483,827	307,995
Other loans	15,521	13,584
	738,127	543,105
Bank overdrafts	–	280
	738,127	543,385
Secured	330,358	264,996
Unsecured	407,769	278,389
	738,127	543,385
The carrying amounts of borrowings repayable:		
Within one year	717,719	543,385
More than one year but not exceeding two years	5,102	–
More than two years but not exceeding five years	15,306	–
	738,127	543,385
Amount due within one year shown under current liabilities	(717,719)	(543,385)
Amount due over one year shown under non-current liabilities	20,408	–

The average effective interest rates of the bank borrowings range from 5.6% to 9% (2006: 4.7% to 9.5%) per annum.

The average effective interest rates of other loans range from 7% to 36% per annum for both periods.

Over 95% 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.

29. Convertible Notes and Derivatives Financial Instruments

	2007	2006
	HK$'000	*HK$'000*
Amortised cost of the debts component of convertible notes	**72,128**	66,068
Fair value of conversion option	**7,167**	12,492
	79,295	78,560

On 24 April 2006, the Company entered into subscription agreements with 8 investors, which are third parties independent of the Company, for the issue of zero-coupon convertible notes with the maturity date being the first business day after the second anniversary from the date of issue. The aggregate principal amount of the convertible notes is US$10,000,000. The subscribers are entitled to convert the convertible notes at a conversion price of HK$1.1 per share using the specified exchange rate of US$1 to HK$7.8 commencing on and excluding the 14th day after the issue date up to and including the date which is 14 days prior to the maturity date. In the event that the average closing price for any 30 consecutive dealing days represents 150% or more of the conversion price, the outstanding principal amount of the convertible notes will be mandatorily converted into the ordinary shares of the Company at the conversion price of HK$1.1 per share using the specified exchange rate of US$1 to HK$7.8. The Company is required to redeem the convertible notes at its face value for the outstanding principal amount of the convertible notes which have not been converted on maturity.

The completion date of the issue of the convertible notes was on 9 May 2006. During the year, none of the investors have converted the convertible notes.

The fair value of the conversion options were valued by a professional valuer at the date of grant and the balance sheet date and the change in the fair value of the embedded derivatives amounted to HK$5,325,000 (2006: Nil) has been charged to income statement during the current year. The valuer has adopted the Black-Scholes option pricing model in measuring the fair value of the conversion option. The liability component of convertible notes is initially recognised as the residual amount after separating the conversion option derivatives and is carried at amortised cost subsequently. The effective interest rate of the liability component of convertibles notes is 8.81%.

The inputs into the Black-Scholes option pricing model were as follows:

	At 9 May 2006 (date of issue) and 30 June 2006	**At 30 June 2007**
Weighted average share price	HK$0.92	**HK$0.97**
Expected volatility	85%	**69%**
Expected life	1.86 years	**0.87 years**
Risk-free rate	4.15%	**4.19%**
Expected dividend yield	Nil	**6.19%**

The expected volatility was determined by taking into account the 180 days historical ordinary share prices of the Company before the date of valuation.

29. Convertible Notes and Derivatives Financial Instruments (continued)

The movement of the carrying amounts of the liability component of the convertible bonds is set out below:

	HK$'000
At the date of issue	65,108
Interest charge	960
At 1 July 2006	66,068
Interest charge	6,060
At 30 June 2007	72,128

The fair value of the liability component of the convertible bonds at 30 June 2007, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for equivalent non-convertible bonds at the balance sheet date of 6.49%, was HK$73,855,000 (2006: HK$65,880,000).

30. Share Capital

	Number of shares		Share capital	
	2007	2006	**2007**	2006
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised	**30,000,000**	30,000,000	**300,000**	300,000
Issued and fully paid				
At beginning of the year	**485,064**	392,364	**4,851**	3,924
Shares repurchase during the year	**(910)**	(300)	**(9)**	(3)
Placements of new shares	**–**	93,000	**–**	930
Exercise of share options	**5,000**	–	**50**	–
At end of the year	**489,154**	485,064	**4,892**	4,851

In prior year, pursuant to the subscription agreement entered into between the Company and Chau's Family 1996 Limited, in which Mr. Chau Lai Him has beneficial interest, 93,000,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$1 per share. All the new shares issued rank pari passu in all respects with the existing shares. Details of these transactions were set out in the Company's circular dated 17 May 2006.

In prior year, the Company repurchased 300,000 of its own shares of HK$0.01 each through the Stock Exchange at a price of HK$0.83 per share. The aggregate consideration paid by the Company was HK$250,000. The above shares were cancelled upon repurchase.

During the year, the Company repurchased 910,000 of its own shares of HK$0.01 each through the Stock Exchange at a price of HK$1.01 per share. The aggregate consideration paid by the Company was HK$921,000. The above shares were cancelled upon repurchase.

As a result of the exercise of the Company's share options during the year, 5,000,000 ordinary shares (2006: Nil) were issued by the Company as detailed in note 39. All the new shares issued rank pari passu in all respects with the existing shares.

31. Deferred Tax Assets/Liabilities

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Tax losses	Allowance for doubtful debts	Write down of inventories	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
At 1 July 2005	18,652	(4,903)	(174)	(1,856)	(286)	11,433
Exchange realignment	52	–	28	(72)	(8)	–
Charge to income statement for the year	2,595	4,282	–	1,563	101	8,541
At 30 June 2006	21,299	(621)	(146)	(365)	(193)	19,974
Acquisition of subsidiaries	–	–	–	(1,359)	(2,672)	(4,031)
Exchange realignment	469	–	23	190	(526)	156
(Credit) charge to income statement for the year	(380)	382	123	359	(2,115)	(1,631)
At 30 June 2007	**21,388**	**(239)**	**–**	**(1,175)**	**(5,506)**	**14,468**

For the purpose of balance sheet presentation, certain of the above deferred tax assets and liabilities have been offset. The remaining amounts are presented in the consolidated balance sheet as follows:

	2007	2006
	HK$'000	*HK$'000*
Deferred tax liabilities	**20,743**	19,974
Deferred tax assets	**(6,275)**	–
	14,468	19,974

At 30 June 2007, the Group has unused tax losses of HK$65,205,000 (2006: HK$68,335,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,580,000 (2006: HK$3,548,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$63,625,000 (2006: HK$64,787,000) due to the unpredictability of future profit streams. Tax losses of HK$38,715,000 (2006: HK$40,006,000) may be carried forward indefinitely and the remaining amount of HK$26,490,000 (2006: HK$28,329,000) will expire in 2012.

32. Assets (Liabilities) Classified as held for Sale

On 21 May 2007, the Company announced that a conditional Sale and Purchase Agreement was entered into on 19 May 2007 by one of its wholly-owned subsidiaries and the purchaser, an independent third party, in respect of the disposal of the entire issued capital in FT China Limited and FT Far East Limited, both are indirect subsidiaries of the Company, which carried on business of manufacture and trading of life-like plants. In addition, pursuant to the Sale and Purchase Agreement, the benefits and rights of the amount owed to the vendor will also be assigned to the purchaser upon completion of the disposal. The aggregate consideration amounted to HK$60 million in which HK$20 million will be settled by way of promissory note and the remaining balance will be settled by the issue of convertible bonds upon the completion of the transaction. The transaction has not been completed up to 30 June 2007. Details of the disposal were set out in the circular of the Company dated 8 June 2007.

The major classes of assets and liabilities of the life-like plants operation as at 30 June 2007 are as follows:

	HK$'000
Property, plant and equipment	34,698
Prepaid lease payments for land	15,518
Inventories	42,096
Debtors, deposits and prepayments	5,230
Tax recoverable	89
Pledged deposits	5,388
Bank balances and cash	4,725
Impairment loss arising from adjustment to fair value less costs to sell	(28,000)
Assets classified as held for sale	79,744
Creditors and accrued charges	14,019
Bills payable	6,313
Liabilities associated with assets classified as held for sale	20,332

The trade debtor balances included in debtors, deposits and prepayments aged within 30 days. The trade creditor balances included in creditors and accrued charges aged within 30 days. The bills payable aged within 90 days.

The subsidiaries to be disposed of has constituted a cash outflow of HK$7,647,000 (2006: cash inflow of HK$12,410,000) in the Group's operating activities, cash outflow of HK$6,000 (2006: cash outflow of HK$2,552,000) in the Group's investing activities and cash outflow of HK$1,119,000 (2006: cash outflow of HK$1,011,000) in the Group's financing activities.

The subsidiaries to be disposed of contributed HK$81,013,000 to the Group's turnover and incurred a loss of HK$25,354,000 to the Group's loss for the year.

33. Acquisition of Subsidiaries

In May 2006, the Company entered into an agreement with an independent third party, pursuant to which the Company agreed to acquire the entire issued share capital of Brascabos Componentes Eletricoes e Eletronicos Ltda ("Brascabos"), at a total consideration of US$10,000,000 (equivalent to HK$77,600,000), together with cash paid for expenses related to acquisition of HK$7,426,000 and discount effect on deferred consideration of HK$4,179,000, the aggregate consideration was HK$80,847,000, which is paid by the Company on the following basis:

(i) part of the consideration amounting to HK$57,071,000 was satisfied by the Group by cash;

(ii) the remaining consideration of HK$20,529,000 will be paid in four instalments as follows:

First instalment due in July 2007: US$20,490 (equivalent to HK$159,000)
Second instalment due in July 2008: US$875,000 (equivalent to HK$6,790,000)
Third instalment due in July 2009: US$875,000 (equivalent to HK$6,790,000)
Forth instalment due in July 2010: US$875,000 (equivalent to HK$6,790,000)

The fair value of the deferred consideration of HK$16,350,000 was determined by discounting the amounts payable of HK$20,529,000 to their present value at a discount rate of 8% per annum.

The above transaction was completed on 2 August 2006.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	46,594	–	46,594
Deferred tax assets	4,031	–	4,031
Inventories	35,793	386	36,179
Debtors, deposits and prepayments	22,441	–	22,441
Bank balances and cash	2,868	–	2,868
Creditors and accrued charges	(51,805)	–	(51,805)
Taxation	(656)	–	(656)
Obligations under finance leases	(2,194)	–	(2,194)
	57,072	386	57,458
Goodwill			23,389
Total consideration			80,847
Satisfied by:			
Cash consideration			57,071
Cash paid for expenses related to acquisition			7,426
Deferred consideration			16,350
Total consideration			80,847
Deferred consideration:			
Due within one year included in creditors and accrued charges			147
Due after one year			16,203
			16,350
Net cash outflow arising on acquisition:			
Cash consideration paid			57,071
Cash paid for expenses related to acquisition			7,426
Bank balances and cash acquired			(2,868)
Net outflow of cash and cash equivalents in respect of the acquisition			61,629

33. Acquisition of Subsidiaries (continued)

The goodwill arising on the acquisition of Brascabos is attributable to the anticipated profitability of the business of manufacturing of power cords and wire harness for the automobile parts industry in Brazil.

Brascabos contributed approximately of HK$482.3 million and HK$17.2 million to the Group's revenue and profit, respectively, for the period between the date of acquisition and 30 June 2007.

If the acquisition had been completed on 1 July 2006, total group revenue for the period would have been HK$3,903.6 million, and loss for the period would have been HK$3.3 million. The pro forma information is for illustrative purposes only and is not necessarily an indicative of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2006, nor is it intended to be a projection of future results.

34. Discount on Acquisition of Subsidiaries/Loss on Deemed Disposal of Interest in a Listed Subsidiary

In prior year, a subsidiary of the Company, Skywalk Assets Management Limited ("Skywalk") entered into agreements to place and subscribe for new shares in the listed subsidiary, Hua Yi Copper Holdings Limited ("Hua Yi Copper"). Pursuant to the agreements, Skywalk has agreed to place 111,000,000 ordinary shares of HK$0.2 each in Hua Yi Copper at a price of HK$0.88 per share and to subscribe for 111,000,000 new ordinary shares of Hua Yi Copper at a price of HK$0.88 per share. Accordingly, the Group's interest in Hua Yi Copper has been diluted from 71.49% to 59.59%, resulting in a gain on deemed disposal of HK$19,576,000.

In prior year, the Company acquired 3,748,000 shares of Hua Yi Copper from the market at a total consideration of HK$1,607,000 and the Group's interest in Hua Yi Copper has been increased from 59.49% to 60.05%, resulting in a discount on acquisition of HK$892,000.

During the year, the Company has acquired 1,532,000 shares of Hua Yi Copper from the market at a total consideration of HK$975,000 and the Group's interest in Hua Yi Copper has been increased from 60.05% to 60.28%, resulting in a discount on acquisition of HK$192,000.

During the year, the Group has paid a consideration of HK$4,983,000 to acquire 35% additional equity interest in a subsidiary, which then become the wholly-owned indirect subsidiary of the Company. The excess of the carrying amounts of the net assets of the subsidiary attributable to the interests over the cost of acquisition amounting to HK$4,389,000 is recognised as discount on acquisition.

As a result of the exercise of 5,996,000 share options of Hua Yi Copper during the year, the Group's interest in Hua Yi Copper has been diluted from 60.28% to 59.74%, resulting in a loss on deemed disposal of partial interest in a listed subsidiary of HK$1,067,000.

35. Capital Commitments

	2007 HK$'000	2006 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Leasehold improvements	169	4,230
Plant and machinery	7,864	35,037
Equipment, furniture and fixtures	2,759	–
	10,792	39,267

36. Lease Commitments

The Group as lessee

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

	2007 HK$'000	2006 HK$'000
Within one year	2,511	4,081
In the second to third year inclusive	1,202	2,533
	3,713	6,614

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

37. Pledge of Assets

At 30 June 2007, the Group has pledged certain of its assets with carrying values of HK$265,331,000 (2006: HK$196,501,000) to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Land use rights	**27,081**	–
Property, plant and equipment	**130,904**	118,709
Fixed bank deposits	**96,650**	67,180
Trade debtors	**10,696**	10,612
	265,331	196,501

38. Major Non-Cash Transactions

During the year, the Group entered into finance lease in respect of motor vehicle with a total capital value at the inception of the lease of HK$5,310,000 (2006: Nil).

During the year, prepayment for acquisition of property, plant and equipment with carrying amount of HK$119,959,000 has been reclassified to property, plant and equipment which has been put into operation in the current year.

As disclosed in note 24, pursuant to a loan agreement entered into between the Group and an independent third party, a prepayment of HK$31,560,000 for acquisition of property, plant and equipment has been assigned, and reclassified as loan, to a third party during the year.

39. Share Option Schemes

The Company

The Company's share option scheme was adopted pursuant to a resolution passed on 16 September 2002 (the "Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 15 September 2012. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors, of the Company and any of its subsidiaries, associates and jointly controlled entities to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant together with a payment of HK$1 as consideration of grant. Options may be exercised at any time from the date of grant to the tenth anniversary of the date of the grant. The exercise price is determined by the directors of the Company, will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant, and the nominal value of a share.

39. Share Option Schemes (continued)

The Company (continued)

During the year, share-based payments of HK$3,187,000 (2006: HK$5,348,000) has been charged to income statement.

The following table discloses movements in the Company's Share Option Scheme in both years.

For the year ended 30 June 2007

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Number of share options: Outstanding at 1.7.2006	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2007	Exercisable period	Number of share options exercisable for the period
				HK$						
Others	26 May 2005	26 May 2005 to 25 May 2008	Fully vested at date of grant	0.32	18,950,000	–	–	18,950,000	6 May 2005 to 25 May 2008	18,950,000
Others	5 January 2006	1 February 2006 to 31 January 2009	5 January 2006 to 1 February 2006 5 January 2006 to 1 February 2007 5 January 2006 to 1 February 2008	0.24	39,230,000	(5,000,000)	(10,580,000)	23,650,000	1 February 2007 to 31 January 2008 1 February 2008 to 31 January 2009	10,570,000 13,080,000
					58,180,000	(5,000,000)	(10,580,000)	42,600,000		

For the year ended 30 June 2006

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Number of share options: Outstanding at 1.7.2005	Granted during the year	Outstanding at 30.6.2006	Exercisable period	Number of share options exercisable for the period
				HK$					
Others	26 May 2005	26 May 2005 to 25 May 2008	Fully vested at date of grant	0.32	18,950,000	–	18,950,000	26 May 2005 to 25 May 2008	18,950,000
Others	5 January 2006	1 February 2006 to 31 January 2009	5 January 2006 to 1 February 2006 5 January 2006 to 1 February 2007 5 January 2006 to 1 February 2008	0.24	–	39,230,000	39,230,000	1 February 2006 to 31 January 2007 1 February 2007 to 31 January 2008 1 February 2008 to 31 January 2009	13,070,000 13,080,000 13,080,000
					18,950,000	39,230,000	58,180,000		

No share options have been granted to the directors of the Company.

39. Share Option Schemes (continued)

The Company (continued)

The fair value of share options granted to employees of the Group and other parties, determined at the date of grant of the shares options, is expensed over the vesting period. These fair values were calculated using the Black-Scholes Options Pricing Model. The inputs into the model were as follows:

Date of grant	6 May 2005	5 January 2006
Share price on the date of grant	HK$0.31	HK$0.23
Exercise price	HK$0.32	HK$0.24
Expected volatility	84%	76%
Average expected life	1.5 years	1.07 to 3.07 years
Average risk-free rate	3.14% p.a.	3.78% to 3.92% p.a.
Expected dividend yield	Nil	Nil

The volatility was generated from Bloomberg based on the Company's 180 days historical shares prices before the dates of valuation.

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year was HK$0.96 (2006: Nil).

Hua Yi Copper

The existing share option scheme of Hua Yi Copper (the "Hau Yi Share Option Scheme") was adopted on 4 December 2003. Which replaced its old share option scheme adopted in 1996. The old share option scheme remained in force up to 6 March 2007. Under the Hua Yi Share Option Scheme, the directors may, at their discretion, grant to full-time employees and executive directors of Hua Yi Copper and its subsidiaries, the right to take up options to subscribe for shares of the Hua Yi Copper. Additionally, Hua Yi Copper may, from time to time, grant share options to outside third parties for services provided to the Hua Yi Copper. The Hua Yi Share Option Scheme, unless otherwise cancelled or amended, will expire on 3 December 2013. The subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

The maximum number of unexercised share options permitted to be granted under the Hua Yi Share Option Scheme must not exceed 10% of the shares of Hua Yi Copper in issue at any time. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Hua Yi Share Option Scheme exceeding 30% of the aggregate number of shares subject to the Hua Yi Share Option Scheme, at the time it is proposed to grant the relevant option to such person.

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

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

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

39. Share Option Schemes (continued)

Hua Yi Copper (continued)

The following tables disclose movements in Hua Yi Share Option Scheme during the year:

For the year ended 30 June 2007

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Outstanding at 1.7.2006	Number of share options Exercised during the year	Lapsed during the year	Outstanding at 30.6.2007	Exercisable period	Number of share options exercisable for the period
				HK$						
Employees	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2007	0.275	2,336,000	(996,000)	(332,000)	1,008,000	1.1.2007 to 31.12.2007	8,000
			9 December 2005 to 1 January 2008						1.1.2008 to 31.12.2008	1,000,000
Others	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2007	0.275	12,000,000	(5,000,000)	(1,500,000)	5,500,000	1.1.2007 to 31.12.2007	1,500,000
			9 December 2005 to 1 January 2008						1.1.2008 to 31.12.2008	4,000,000
Others	6 April 2006	1 May 2006 to 30 April 2011	6 April 2006 to 1 May 2006	0.495	51,000,000	–	(10,200,000)	40,800,000	1.5.2007 to 30.4.2008	10,200,000
			6 April 2006 to 1 May 2008						1.5.2008 to 30.4.2009	10,200,000
			6 April 2006 to 1 May 2009						1.5.2009 to 30.4.2010	10,200,000
			6 April 2006 to 1 May 2010						1.5.2010 to 30.4.2011	10,200,000
Total					65,336,000	(5,996,000)	(12,032,000)	47,308,000		

39. Share Option Schemes (continued)

Hua Yi Copper (continued)

The following tables disclose the movements of the Hua Yi Share Option Scheme in prior year:

For the year ended 30 June 2006

					Number of share options						Number of
					Outstanding	Granted	Exercised	Cancelled	Outstanding		share options
				Exercise	at	duing	during	during	at		exercisable
Capacity	Date of grant	Exercisable period	Vesting period	price	1.7.2006	the year	the year	the year	30.6.2007	Exercisable period	for the period
				HK$							
Employees	1 April 2005	1 April 2005 to 31 March 2008		0.87	1,600,000	–	–	(1,600,000)	–		
Employees	1 April 2005	1 April 2005 to 31 March 2007		0.87	1,500,000	–	–	(1,500,000)	–		
Others	1 April 2005	1 April 2005 to 31 March 2008		0.87	9,856,000	–	–	(9,856,000)	–		
Employees	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2006	0.275	–	3,000,000	(664,000)	–	2,336,000	1.1.2006 to 31.12.2006	336,000
			9 December 2005 to 1 January 2007							1.1.2007 to 31.12.2007	1,000,000
			9 December 2005 to 1 January 2008							1.1.2008 to 31.12.2008	1,000,000
Others	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2006	0.275	–	12,000,000	–	–	12,000,000	1.1.2006 to 31.12.2006	4,000,000
			9 December 2005 to 1 January 2007							1.1.2007 to 31.12.2007	4,000,000
			9 December 2005 to 1 January 2008							1.1.2008 to 31.12.2008	4,000,000
Others	6 April 2006	1 May 2006 to 30 April 2011	6 April 2006 to 1 May 2006	0.495	–	51,000,000	–	–	51,000,000	1.5.2006 to 30.4.2007	10,200,000
			6 April 2006 to 1 May 2007							1.5.2007 to 30.4.2008	10,200,000
			6 April 2006 to 1 May 2008							1.5.2008 to 30.4.2009	10,200,000
			6 April 2006 to 1 May 2009							1.5.2009 to 30.4.2010	10,200,000
			6 April 2006 to 1 May 2010							1.5.2010 to 30.4.2011	10,200,000
Total					12,956,000	66,000,000	(664,000)	(12,956,000)	65,336,000		

39. Share Option Schemes (continued)

Hua Yi Copper (continued)

The following table discloses movements of the old share option scheme of Hua Yi Copper during the prior year which expired on 6 March 2007.

Capacity	Date of grant	Exercisable period	Vesting period	Adjusted exercise price *HK$*	Balance at 1.7.2005	Lapsed during the year	Balance at 30.6.2006
					Number of share options		
Employees	7 March 1997	7 March 1997 to 6 March 2007	Fully vested at date of grant	14.11120	200,000	(200,000)	–
					200,000	(200,000)	–

The fair value of share options granted to employees of the Hua Yip Copper Group and other parties, determined at the date of grant of the shares options, is expensed over the vesting period. These fair values were calculated using the Black-Scholes Options Pricing Model. The inputs into the model were as follows:

Date of grant	**9 December 2005**	**6 April 2006**
Share price on the date of grant	HK$0.27	HK$0.495
Exercise price	HK$0.275	HK$0.495
Expected volatility	58.7%	64.5%
Average expected life	1.06 to 2.56 years	1.06 to 4.57 years
Average risk-free rate	3.87% to 4.15% p.a.	4.17% to 4.48% p.a.
Expected dividend yield	Nil	6.1%

The volatility was generated from Bloomberg based on the Hua Yi Copper's 180 days historical shares prices before the dates of valuation.

40. Retirement Benefits Scheme

The Group operates a Mandatory Provident Fund Scheme ("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 10% to 24.5% of the salaries of those employees and there is no forfeited contributions under the central pension scheme.

The Group is required to contribute to central pension schemes in respect of certain of the Group's employees in other Asia regions and America at rates specified in the rules of the schemes.

The retirement benefits cost charged to income statement 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 schemes contributions of HK$5,131,000 (year ended 30 June 2006: HK$4,380,000).

41. Related Party Transaction

Compensation of key management

The key management of the Group comprises all directors and the two highest paid employees, details of their remuneration are disclosed in note 9. The remuneration of directors is determined by their remuneration committee having regard to the performance of individuals and market trends.

42. Post Balance Sheet Events

In August 2007, Chau's Family 1996 Limited and a director of the Company (the "Vendors") entered into agreements to place and subscribe for new shares in the Company. Pursuant to the placing and subscription agreements, the Vendors agreed to place 97,000,000 ordinary shares of HK$0.01 each in the Company at a price of HK$0.68 per share and to subscribe for 97,000,000 new ordinary shares of the Company at a price of HK$0.68 per share. Accordingly, the share capital and share premium of the Company will increase by HK$970,000 and HK$64,990,000 respectively.

Subsequent to balance sheet date, Hua Yi Copper has placed 110,000,000 new ordinary shares to independent third parties, resulting in the dilution of the Group's shareholding in Hua Yi Copper from 59.74% to 51.35%. The Company is still in the process in assessing the financial impact of the transactions.

The Board announced that on 7 October 2007, Hua Yi Copper has entered into an agreement with Belleview Global Limited, an independent third party, pursuant to which Hua Yi Copper conditionally agreed to acquire the entire equity interests of Yeading Enterprises Limited at a cash consideration of RMB55 million (equivalent to HK$56 million) and shares consideration at HK$1.10 per share of the Company amounting to HK$110 million. The shareholding of the Company in Hua Yi Copper will be substantially diluted to approximately 46%, after taking into account the dilution effect from the above placements of Hua Yi Copper. The transaction has not been completed up to the announcement date and the Company is still in the process in assessing the financial impact of the transactions.

42. Post Balance Sheet Events (continued)

As at 30 June 2007, the major classes of assets and liabilities of Hua Yi Copper, which is engaged in the manufacture and trading copper rods were as follows:

	HK$'000
Property, plant and equipment	172,140
Prepaid lease payments for land	37,223
Interest in a jointly controlled entity	18,023
Loans receivable	46,898
Inventories	302,926
Debtors, other loans and receivables, deposits and prepayments	403,360
Bills receivable	17,732
Derivative financial assets	1,651
Pledged deposits	72,583
Bank balances and cash	157,135
Assets classified as held for sale	79,744
Creditors, other advances and accrued charges	(59,613)
Bills payable	(142,110)
Taxation	(5,241)
Obligations under finance leases	(466)
Borrowings	(601,136)
Derivatives financial liabilities	(1,362)
Liabilities associated with assets classified as held for sale	(20,332)
Deferred tax liabilities	(15,748)
	463,407

The subsidiaries to be disposed of have constituted a cash outflow of HK$6,722,000 (2006: cash inflow of HK$50,120,000) in the Group's operating activities, cash outflow of HK$37,117,000 (2006: cash outflow of HK$200,131,000) in the Group's investing activities and cash inflow of HK$83,797,000 (2006: cash inflow of HK$208,678,000).

The subsidiaries to be disposed of contributed HK$2,748,039,000 to the Group's turnover and loss of HK$14,154,000 to the Group's loss for the year.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2007

43. Particular of Principal Subsidiaries

The following list contains only the particulars of the subsidiaries at 30 June 2007 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 registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Group	Principal activities
Brascabos Componentes Elétricos E Eletrônicos Ltda.	Brazil/Brazil	BRL3,335,000	100%	Manufacture and trading of power cords and wire harness
Brightpower Assets Management Limited	British Virgin Islands	US$1	100%	Investment holding
Chau's Electrical (BVI) Company Limited	British Virgin Islands/PRC	US$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK$1,000 ordinary	100%	Manufacture and trading of cable and wire products
		HK$500,000 non-voting deferred *(Note 1)*	–	
Chau's Electrical International, Inc.	United States of America	US$20,000	100%	Trading of cable and wire products
Chau's Industrial Investments Limited	British Virgin Islands	US$1,000	100%	Investment holding
Citigain Industrial Limited	Hong Kong	HK$1,000	100%	Investment holding
Crown Earth Investments Limited	Hong Kong/ PRC	HK$100	100%	Property holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.#	PRC	US$9,850,000 *(Note 2)*	100%	Manufacture and trading of copper products
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd.#	PRC	HK$5,000,000 *(Note 3)*	100%	Manufacture and trading of cable and wire products

43. Particular of Principal Subsidiaries (continued)

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Group	Principal activities
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.	PRC	HK$45,000,000	85%	Manufacture and trading of chemical products
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks
Hua Yi Copper Holdings Limited	Bermuda	HK$134,626,900	59.7%	Investment holding
Hua Yi Copper Products Company Limited	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products
昆山周氏電業有限公司 Kunshan Chaus' Electrical Company Limited #	PRC	US$1,170,500	100%	Manufacture and trading of cable and wire products
昆山華藝銅業有限公司 Kunshan Hua Yi Copper Products Company Limited #	PRC	US$1,650,000	100%	Manufacture and trading of copper products
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
Solartech Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Stocko Electronics Asia Pacific Pte Ltd	Singapore	S$100,000	90.5%	Trading in wire harness and connectors
TEM Electronics (M) Sdn. Bhd.	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
Wah Yeung Capital Resources Limited	British Virgin Islands	US$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding

Wholly foreign owned enterprise

43. Particular of Principal Subsidiaries (continued)

Notes:

1. The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.

2. Prior to January 2006, Dongguan Hua Yi was an equity joint venture with a registered capital of US$9,850,000. The Group has solely contributed all the registered capital of Dongguan Hua Yi. No contribution was made by the PRC joint venture partner and accordingly the Group was entitled to the entire profit or loss of Dongguan Hua Yi. Pursuant to a supplemental agreement dated 5 August 2003, the PRC joint venture partner agreed to surrender its ownership in Dongguan Hua Yi to the Group at no consideration. The transfer has been approved by the PRC relevant authority and Dongguan Hua Yi became a wholly foreign owned enterprise since January 2006.

3. Dongguan Qiaozi Chau's Electrical Co., Ltd. ("Qiaozi Chau's") was established by the Group with an independent Chinese party in the PRC. Under the management agreement with the Chinese party, the Group was responsible for all of the assets and liabilities of the joint venture and is entitled to the profit derived from its operations after the payment of a fixed amount as management fee to the Chinese party each year. During the year, the PRC joint venture partner agreed to surrender its ownership in Qiaozi Chan's to the Group at no consideration. The transfer has been approved by the PRC relevant authority and Qiaozi Chan's became a wholly foreign owned enterprise since January 2007.

4. Except for Chau's Industrial Investments Limited, all the subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

Financial Summary

Results

	Year ended 30 June 2007 HK$'000	Year ended 30 June 2006 HK$'000	For the period from 1 April 2004 to 30 June 2005 HK$'000 (Restated)	Year ended 31 March 2004 HK$'000 (Restated)	Year ended 31 March 2003 HK$'000 (Restated)
Turnover	**3,859,828**	2,115,548	2,056,288	1,197,100	946,222
Profit (loss) before taxation	**1,007**	135,356	(50,544)	(82,735)	13,806
Taxation	**(5,923)**	(21,354)	(10,504)	(8,990)	(8,613)
(Loss) profit before minority interests	**(4,916)**	114,002	(61,048)	(91,725)	5,193
(Loss) profit attributable to:					
Equity holders of the Company	**782**	78,856	(60,659)	(89,280)	5,074
Minority interests	**(5,698)**	35,146	(389)	(2,445)	119
	(4,916)	114,002	(61,048)	(91,725)	5,193

Assets and liabilities

	At 30 June 2007 HK$'000	At 30 June 2006 HK$'000	At 30 June 2005 HK$'000 (Restated)	At 31 March 2004 HK$'000 (Restated)	At 31 March 2003 HK$'000 (Restated)
Total assets	**2,434,169**	2,119,212	1,423,535	1,265,015	1,125,272
Total liabilities	**(1,297,543)**	(965,606)	(562,929)	(450,090)	(342,127)
	1,136,626	1,153,606	860,606	814,925	783,145
Attributable to:					
Equity holders of the Company	**942,554**	944,656	756,776	800,899	766,949
Minority interests	**194,072**	208,950	103,830	14,026	16,196
	1,136,626	1,153,606	860,606	814,925	783,145