Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

Solartech

Annual Report 2009

Contents

Corporate Information

Directors

Executive Directors

CHAU Lai Him
(Chairman and Managing Director)
ZHOU Jin Hua
(Deputy Chairman)
LIU Jin Rong
HO Pang Cheng Vincent
LAM Chi Ming Francis

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

Company Secretary

CHAN Kam Yee

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Stock Code

1166

Website

www.1166hk.com

Auditors

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

Legal Advisor

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

Bermuda Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (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 Unibank, Inc., Hong Kong Branch
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited

Chairman's Statement

Financial Results

For the year ended 30 June 2009 (the "year under review"), the total turnover for the Company and its subsidiaries (the "Group") was approximately HK$1,136,945,000, representing a decrease of 67.5% from approximately HK$3,493,526,000 for the corresponding period last year. Loss attributable to shareholders was approximately HK$470,900,000 (2008: profit attributable to shareholders of approximately HK$19,847,000). The loss per share was approximately HK77.93 cents for the year under review (2007/08 final earnings per share: HK17.48 cents (restated)).

The Board has resolved not to recommend any final dividend for the year ended 30 June 2009 (2007/08 final: nil).

Business Review

The financial crisis resulted in a global economic downturn in 2008. Although a series of measures have been implemented by various countries to remedy the economies, the market was still unable to go back to the right track during the year under review. Undoubtedly, the operating environment and the sales revenue of the Group have been significantly affected. On the other hand, during the year under review, the price of copper, a major raw material, experienced significant fluctuations, resulting in a drop of its monthly average spot price at LME from US$8,260.6 per tonne in June 2008 to US$3,072.0 per tonne in December 2008. The copper price started to rebound in January 2009 and increased to US$5,013.9 per tonne in June. However, since the market confidence had not been restored, there was no apparent growth in sales revenues.

By business segments, the Group's total turnover for the year under review was approximately HK$1,136,945,000. The turnover for the cable and wire business was approximately HK$485,717,000, representing a decrease of 35.5% from the corresponding period last year, which accounted for 42.7% of the Group's total turnover. The turnover for the connectors and terminals/wire harnesses business was approximately HK$521,096,000, representing a decrease of 26.8% from the corresponding period last year, which accounted for 45.8% of the Group's total turnover.

By geographical segments, the turnover for the American business decreased by 34.2% from the corresponding period last year to approximately HK$496,508,000, which accounted for 43.7% of the total turnover. For the Mainland China and Hong Kong business, the decrease dropped 80% from the corresponding period last year to approximately HK$510,361,000, which accounted for 44.9% of the total turnover. As for other Asian markets, the turnover decreased by 42.7% from the corresponding period last year to approximately HK$102,575,000, which accounted for 9.0% of the total turnover. The turnover for the European business also decreased by 49.3% from the corresponding period last year to approximately HK$27,501,000, which accounted for 2.4% of the total turnover.

Cables and Wires

Due to the global economic downturn, consumers shifted to a cautious consumption mode, resulting in a tremendous shrink in the electrical appliances and electronics markets. Although many companies in the industry had been closing owing to the problem of cash flows, the consumer market shrunk at an even faster rate, which had only resulted in an increased competition among the peers in the market. In addition, with the factors such as fixed costs affecting the economic benefits of production, the gross profit decreased to 2.5% for the year under review from 7.0% of the corresponding period last year.

Connectors and Terminals/Wire Harnesses

For Brascabos, the Group's wholly-owned subsidiary in Brazil, despite the continuous rise of the exchange rate of US Dollar against Brazilian Reais, which rose approximately 60% from US$1 to 1.51 Reais in August 2008 to US$1 to 2.40 Brazilian Reais in March 2009, increasing the operating costs, the gross profit margin remained at 17.5% during the corresponding period last year and the year under review.

The gross profit margin of the Group's business in other regions including Malaysia reduced to 12.6% for the year under review from 18% for the corresponding period last year. The decrease was mainly attributable to the influence of the unfavorable global economy, resulting in the decrease of orders from downstream customers, the intensified market competition and high costs, leading to a decline of gross profit.

Results of an Associated Company

The disposal of the entire equity interests of Hua Yi Copper Holdings Limited, an associated company, by the Group was completed on 5 May 2009. The loss from share of results of the associated company was approximately HK$122,246,000.

Copper Rod Business

The copper rod business comprises the manufacture and trading of copper rods and copper wires related products. It also produced copper rod processing services, for the copper rod processing service business, rise in material costs from higher copper prices was borne by customers and had no significant effect on the Group.

Prospects

Despite the profound impacts caused by the financial crisis on the global economy, the economic data of various countries has shown that, signs of recovery seemed to have appeared in the second half of 2009. To cope with this, the Group has also adopted high cost-efficient measures.

Asset Swap

The Group completed the asset swap on 4 February 2009, with the purpose to rationalize of the business of the Group and the Hua Yi Group, in order to optimize the operational efficiency of each group and improve their respective profitability. As to the Hua Yi Group, the transaction would also reduce its working capital requirement.

Upon completion of the transaction, the Group owns and operates the production bases in Dongguan for the manufacture of copper rod products and the manufacture and sales of cables and wires, and the Hua Yi Group owns and operates the production bases in Kunshan and Shanghang for the manufacture of copper cables and the trading of cables and wires. Following the above-mentioned business reorganization by geographical locations, each of the Group and the Hua Yi Group will benefit from the enhancement of operational efficiency cost savings through consolidation under the same management of production facilities located in close proximity to each other. The benefits include savings in costs, where the management has greater flexibility in allocating and mobilizing the available resources, in particular the labor resources, within the same production base; as well as centralizing the banking resources of production bases within the same location and group, to better utilize the external financings. Such measures not only serve to consolidate their respective markets, but also serve to enhance the sourcing and supply structures among the companies through reducing overheads and centralizing management resources.

Newly Constructed Plant

Brazil is one of the leading automobiles manufacturer in the world. Data has shown that the electrical appliances and electronics consumer markets have picked up rapidly. In addition, the winning of the rights to host 2014 World Cup and 2016 Olympic Games will motivate the economy of Brazil. The completion of the construction of the new plant in Manaus, Brazil in January 2009 and the successful consolidation of the plan for production expansion in the trading zone at Manaus, Brazil will not only reduce the operating costs for sales to the local clienteles and enhance the services quality, but also will cope with the opportunities brought by the local market, once recovers, in a more timely manner.

Cost Control

The Group will continue to consolidate its resources, reinforce its cost control, streamline its existing structures and business process and enhance its operational efficiency. By taking a cautious and conservative approach to its material capital investments and expansion, the Group retains its strong capability to weather the storm of the current global economic crisis.

Pursuit to Explore New Clienteles and Products with Higher Profit Margins

In view of the uncertainties in economic environment, electronic products manufacturers are actively identifying suppliers who offer quality services at low costs. Capitalizing on its substantial experiences in the industry over the years, the Group will capture every good opportunity to explore new clienteles. This will, on one hand, offset the impacts of the declining orders from the existing customers, and on the other hand, increase the market share. Moreover, the Group will also strive to develop new products with higher profit margins and align its sales strategies with flexibility to cater the market demands.

Annual General Meeting

The 2009 Annual General Meeting of the Company ("**2009 Annual General Meeting**") will be held on Monday, 23 November 2009.

Closure of Register of Members

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2009 Annual General Meeting, the register of members of the Company will be closed from Thursday, 19 November 2009 to Friday, 20 November 2009, 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 Wednesday, 18 November 2009.

Employees and Remuneration Policies

As at 30 June 2009, the Group had approximately 3,500 employees in Hong Kong, the People's Republic of China ("**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 2009, the Group had implemented a prudent financial management policy. As at 30 June 2009, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$147 million (30 June 2008: HK$122 million) and net current assets value being over approximately HK$113 million (30 June 2008: HK$141 million). The Group's gearing ratio as at 30 June 2009 was 0.31 (30 June 2008: 0.17), being a ratio of total bank borrowings of approximately HK$197 million (30 June 2008: HK$180 million) to shareholders' funds of approximately HK$626 million (30 June 2007: HK$1,079 million).

As at 30 June 2009, 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$288 million (30 June 2008: HK$295 million) to secure general banking facilities granted to the Group.

As at 30 June 2009, the Company had issued guarantees to the extent of approximately HK$218 million (30 June 2008: HK$105 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$267 million (30 June 2008: HK$45 million) was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK$39 million (30 June 2008: HK$16 million) in respect of commodity trading of copper by its subsidiaries.

For the year ended 30 June 2009, the Group entered into copper forward contracts and foreign exchange forward contracts (collectively referred as "**derivative financial instruments**") to manage the copper price risks and foreign exchange risks. The Group had not engaged in any forward contracts in the period from August 2008 to February 2009. 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 been 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 minimises 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 2009 was approximately HK$140,000 (2007/08: net gain of HK$47,830,000).

Change of Auditors and Re-appointment of Auditors

Change of Auditors

On 2 September 2008, the Company announced that as the Company and Deloitte Touche Tohmatsu ("**Deloitte**"), the then auditors of the Group, were not able to reach agreement in relation to the terms of engagement, in particular the level of the auditor fee, in respect of the Company's audit for the financial year ended 30 June 2008, Deloitte resigned as auditors of the Group with effect from 21 August 2008. The Company received a letter of resignation from Deloitte dated 21 August 2008, in which it is stated that, in reaching a conclusion whether to continue to act for their audit clients, Deloitte had taken into account many factors including the professional risk associated with the audit, the level of audit fees and their available internal resources in light of the current work flows. In the case of the Company, Deloitte had also taken into account certain weaknesses in the internal controls in respect of the delay in the Company's provision of underlying documentation relating to certain deposit transactions entered into by the Company as identified at the time of the recent review of the interim results of the Group for the six months ended 31 December 2007 (the "**Relevant Period**"). The interim results of the Group for the Relevant Period were reviewed by the Audit Committee of the Company prior to their publication, and were in compliance with the applicable requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in respect thereof.

Save for the above, Deloitte has confirmed that there were no circumstances connected with its resignation which should be brought to the attention of the shareholders of the Company (the "**Shareholders**"). The Directors and the Audit Committee of the Company also confirmed that there are no circumstances in respect of the change of auditors which they consider should be brought to the attention of the shareholders of the Company. The Directors has resolved to appoint Shu Lun Pan Horwath Hong Kong CPA Limited ("**Shu Lun Pan Horwath**") (renamed as Shu Lun Pan Hong Kong CPA Limited in May 2009) as the new auditors of the Group to fill the casual vacancy arising from the resignation of Deloitte and to hold office until the conclusion of the 2008 annual general meeting of the Company (the "**2008 AGM**"). At the 2008 AGM held on 24 November 2008, Shu Lun Pan Horwath has been appointed as the auditors of the Company.

Re-appointment of Auditors

On 26 May 2009, the Company announced that Shu Lun Pan Hong Kong CPA Limited ("**SLP**") (previously known as "Shu Lun Pan Horwath Hong Kong CPA Limited"), the auditors of the Group had notified the Company of its merger with BDO McCabe Lo Limited resulting in BDO McCabe Lo Limited (which is now renamed as BDO Limited) operating as a merged firm. The Board was also informed that the merger became effective on 1 May 2009. To continue with the engagement of the merged firm, BDO Limited, the Board has resolved to appoint BDO Limited as the auditors of the Company and to hold office until the conclusion of the next annual general meeting of the Company.

In connection with the merger and to facilitate the Company's continuing appointment of the merged firm as its auditors, SLP has resigned as the auditors of the Company with effect from 21 May 2009. SLP has confirmed that there were no circumstances connected with its resignation which should be brought to the attention of the shareholders of the Company. The Board and the Audit Committee of the Company also confirm that there are no circumstances in respect of the change of auditors which they consider should be brought to the attention of the shareholders of the Company.

Significant Events

Proposed Acquisition

On 16 January 2008, the Company announced that the Company and certain entities who are involved in the business of automatic production of cord sets in Europe with a branch in the PRC (the "**Proposed Sellers**") entered into a memorandum of understanding (the "**MOU**") in respect of a proposed acquisition by the Company of certain businesses and assets of the Proposed Sellers including, among other things, the manufacture, sale, marketing and distribution of power cords, tangible assets (including equipment for bipolar rubber and PVC cords) and approvals, authorisations and certifications that are required for the manufacture, sale, marketing or distribution of plugs ("**Business**"). The proposed acquisition is subject to various conditions and the entering into of definitive legally binding documentation. However, the MOU constitutes the legally binding obligation on, inter alia, (i) the Proposed Sellers not to discuss or negotiate with other third parties in relation to any disposal of the Business; and (ii) the parties as to confidentiality for up to three years after termination of the MOU. Details of the proposed acquisition were set out in the announcement of the Company dated 16 January 2008. As the conditions under the MOU had not been fulfilled, the parties agreed not to proceed with the proposed transaction and this was announced in the announcement issued by the Company dated 12 March 2009.

Asset Swap and Solartech Open Offer

The Asset Swap

On 5 December 2008, Hua Yi Copper Holdings Limited ("**Hua Yi Copper**"), Wah Yeung Capital Resources Limited ("**Wah Yeung**"), a subsidiary of Hua Yi Copper, the Company, Chau's Industrial Investments Limited ("**Chau's Industrial**"), a subsidiary of the Company, and Chau's Electrical Company Limited ("**Chau's Electrical**"), a subsidiary of the Company, entered into agreements (together "**Asset Swap Agreements**") which govern the asset swap between the Company and Hua Yi Copper (the "**Asset Swap**"). The Asset Swap comprised four agreements, details of which are set out below.

Pursuant to the sale and purchase agreement dated 5 December 2008 entered into between Wah Yeung, Hua Yi Copper and the Company, the Company agreed to acquire from Wah Yeung (i) the one share of HK$1 in the issued share capital of Modern China Enterprises Limited ("**Modern China**") which represented its entire issued share capital; and (ii) the 5,000,000 shares of HK$1 each in the issued share capital of Hua Yi Copper Products Company Limited ("**HY Products**") which represent its entire issued share capital and the unsecured and interest-free shareholder's loan owed by HY Products and its subsidiary ("**HY Products Group**") to Wah Yeung for a consideration of approximately HK$189.6 million ("**HY Subsidiaries Consideration**") (subject to the set-off arrangement and adjustments) (the "**HY Subsidiaries Agreement**").

Pursuant to the sale and purchase agreement dated 5 December 2008 entered into between Chau's Industrial, Hua Yi Copper and the Company, Hua Yi Copper agreed to acquire from Chau's Industrial the 1,000 shares of HK$1 each in the issued share capital of Solartech Enterprises Limited ("**Solartech Enterprises**") which represent its entire issued share capital and the unsecured and interest-free shareholder's loan owed by Solartech Enterprises and its subsidiary ("**Solartech Enterprises Group**") to Chau's Industrial for a consideration of approximately HK$101.0 million ("**Solartech Enterprises Consideration**") (subject to the set-off arrangement and adjustments) (the "**Solartech Enterprises Agreement**").

Significant Events (continued)

Asset Swap and Solartech Open Offer (continued)

The Asset Swap (continued)

Pursuant to the sale and purchase agreement dated 5 December 2008 entered into between Chau's Electrical, Hua Yi Copper and the Company agreed to acquire from Chau's Electrical the one share of HK$1 in the issued share capital of Fund Resources Limited ("**Fund Resources**") and the unsecured and interest-free shareholder's loan owing by Fund Resources and its subsidiary ("**Fund Resources Group**") to Chau's Electrical for a consideration of approximately HK$77.1 million ("**Fund Resources Consideration**") (subject to the set-off arrangement and adjustments) (the "**Fund Resources Agreement**").

Pursuant to the deed of set-off and transition arrangements dated 5 December 2008 entered into between the Company, Chau's Industrial, Chau's Electrical, Hua Yi Copper and Wah Yeung (the "**Set-off Deed**"), all parties to the Asset Swap Agreements agreed to facilitate the settlement of the considerations payable by the relevant purchasers under HY Subsidiaries Agreement, Solartech Enterprises Agreement and Fund Resources Agreement at completion. The completion of HY Subsidiaries Agreement, Solartech Enterprises Agreement and Fund Resources Agreement intended to take place simultaneously.

Pursuant to the terms of the Set-off Deed, the payment obligation of the Company for the HY Subsidiaries Consideration would be set-off against the payment obligation of Hua Yi Copper for the aggregate of the Solartech Enterprises Consideration and the Fund Resources Consideration with the difference to be settled in cash. The consideration paid at completion is subject to the adjustments to be determined following delivery of the respective unaudited consolidated balance sheets ("**Completion Accounts**") of Modern China and its subsidiaries, HY Products Group, Solartech Enterprises and its subsidiary and Fund Resources and its subsidiary as at the date of completion.

Details of the material terms of the Asset Swap Agreements were set out in the circular dated 31 December 2008 issued by the Company.

Completion of the Asset Swap

The Asset Swap and the Asset Swap Agreements were approved by the independent shareholders of the Company at the Special General Meeting of the Company on 19 January 2009 (the "**SGM**"). Completion of the Asset Swap took place on 4 February 2009.

Solartech Open Offer

On 5 December 2008, the Company proposed to make an Open Offer on a fully underwritten basis in the proportion of four (4) Solartech Open Offer Shares for every Solartech Share held on 19 January 2009 (the "**Record Date**") (the "**Solartech Open Offer**"). The Solartech Open Offer involved the allotment and issue of 2,414,617,448 new shares (the "**Solartech Open Offer Shares**") at a subscription price of HK$0.027 per Solartech Open Offer Share.

Significant Events (continued)

Asset Swap and Solartech Open Offer (continued)

Solartech Open Offer (continued)

Venture Success Holdings Limited (the "**Underwriter**", "**Venture Success**") conditionally agreed to fully underwrite all the 2,414,617,448 Solartech Open Offer Shares at a subscription price of HK$0.027 per Solartech Open Offer Share (the "**Underwritten Shares**"). Mr. Chau Lai Him ("**Mr. Chau**") is the owner of 74% of the issued share capital of the Underwriter. The remaining 26% of the issued share capital of the Underwriter is owned by Mr. Lau Man Tak ("**Mr. Lau**"), a former director of the Company. Save for his interest as a substantial shareholder of the Underwriter, Mr. Lau is not a Shareholder and is otherwise an independent third party of the Company, the Directors of the Company, the subsidiaries of the Company, the directors and chief executive of the subsidiaries of the Company, and their respective associates. The Underwriting Agreement provided that the Underwriter would be obliged to subscribe or procure subscribers for any Underwritten Shares not taken up by the Shareholders whose names appear on the register of members on the Record Date and to whom the Solartech Open Offer was offered (the "**Qualifying Shareholders**").

The Solartech Open Offer and the Underwriting Agreement were approved by the independent shareholders of the Company at the SGM.

Results of the Solartech Open Offer

Up to 4:00 p.m. 2 February 2009, being the latest time for acceptance of and payment for the Solartech Open Offer Shares under the Solartech Open Offer, 40 valid applications for the Solartech Open Offer Shares were received for an aggregate of 1,109,615,960 Solartech Open Offer Shares, representing approximately 45.95% of the total number of 2,414,617,448 Solartech Open Offer Share and approximately 36.76% of the issued share capital of the Company as enlarged by the issue of 2,414,617,448 Solartech Open Offer Shares. Accordingly, there were 1,305,001,488 Solartech Open Offer Shares not validly subscribed for by the Qualifying Shareholders (the "**Unsubscribed Shares**").

All the conditions precedent to the Underwriting Agreement were fulfilled and the Underwriting Agreement had not been terminated in accordance with its terms. The Solartech Open Offer became unconditional in all respects at 4:00 p.m. on 5 February 2009. As a result of the under-subscription of the Solartech Open Offer Shares, pursuant to the Underwriting Agreement, the Underwriter took up all the Unsubscribed Shares. The 1,305,001,488 Unsubscribed Shares represent approximately 54.05% of the total number of 2,414,617,448 Solartech Open Offer Shares and approximately 43.24% of the issued share capital of the Company as enlarged by the issue of 2,414,617,448 Solartech Open Offer Shares.

The net proceeds of the Solartech Open Offer was approximately HK$60.0 million and were intended to be used as general working capital of the Company.

Significant Events (continued)

Asset Swap and Solartech Open Offer (continued)

Shareholding Structure of the Company after the Solartech Open Offer

Following completion of the Solartech Open Offer on 5 February 2009, the Underwriter, Mr. Chau, and parties acting in concert with any of them (including Kingston Securities) are interested in 1,437,694,588 Shares, representing approximately 47.63% of the then issued share capital of the Company. The following is a summary of the shareholding structure of the Company immediately before and after completion of the Solartech Open Offer:

Shareholders	Immediately before completion of the Solartech Open Offer		Immediately after completion of the Solartech Open Offer	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Underwriter	–	–	1,305,001,488	43.24
Mr. Chau	132,692,000	21.98	132,692,000	4.39
Kingston Securities *(Note)*	1,100	0.00	1,100	0.00
Total shareholding of Mr. Chau, the Underwriter and parties acting in concert with any of them (including Kingston Securities)	132,693,100	21.98	1,437,694,588	47.63
Other public Shareholders	470,961,262	78.02	1,580,577,222	52.37
Total	603,654,362	100.00	3,018,271,810	100.00

Note: Kingston Securities, being a party presumed to be acting in concert with the Underwriter under the provision of the Takeover Code, is a public Shareholder for the purposes of the Listing Rules.

The details of the Asset Swap and the Solartech Open Offer were set out in the announcements of the Company dated 10 December 2008, and 31 December 2008, the circular of the Company dated 31 December 2008 and the prospectus of the Company dated 19 January 2009.

Disposal of Entire Equity Interest in Hua Yi Copper Holdings Limited

On 30 April 2009, Skywalk Assets Management Limited ("**Skywalk**"), an indirectly wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement (the "**S&P Agreement**") with the Purchaser. Pursuant to the S&P Agreement, Skywalk agreed to dispose of and the Purchaser agreed to purchase 80,426,375 shares of Hua Yi Copper ("**Sale Shares**"), representing approximately 28.62% of the total issued share capital of Hua Yi Copper and the entire equity interest held by the Company in Hua Yi Copper. The total consideration for the disposal was HK$24,127,912.50 payable in cash by the Purchaser at Completion. As the Sale Shares were all the interests the Company directly or indirectly held in Hua Yi Copper immediately prior to the completion of the S&P Agreement, the Company ceased to hold any equity interest in Hua Yi Copper following the completion.

Significant Events (continued)

Disposal of Entire Equity Interest in Hua Yi Copper Holdings Limited (continued)

The consideration was determined after arm's length negotiations between the parties on normal commercial terms. The consideration was arrived at by multiplying the total number of Sale Shares by the consideration per Sale Share. The consideration per Sale Share represented a discount of approximately 36% to the average closing price of the Hua Yi Shares on the Stock Exchange for the five trading days immediately before the date of the Sale and Purchase Agreement.

Completion took place on 5 May 2009. Upon completion of the disposal, the Company ceased to hold any interest in the Hua Yi Copper. The Company considers the disposal a good opportunity for the Company to realise its investment especially given that the Purchaser is able to pay the entire consideration in one lump sum. Moreover, in view of the current volatile market, the disposal allows the Company to realise its investment in Hua Yi Copper in an orderly manner. The proceeds from the disposal were used as the general working capital of the Group. The Directors believe that the terms of the disposal are fair and reasonable and in the interests of the Group and shareholders of the Company as a whole.

Capital Reorganisation

On 3 June 2009, the Board proposed that the Company proposed to implement the Capital Reorganisation which involved (a) a consolidation of every five (5) Shares of HK$0.01 each into one (1) Consolidated Share of HK$0.05 each; (b) a reduction in the nominal value of the then issued Consolidated Shares from HK$0.05 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.04 on each of the issued Consolidated Share; and (c) a subdivision of each authorised but unissued Consolidated Share into five (5) Adjusted Shares of HK$0.01 each.

The Board believes that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole. The Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility for the issue of new Adjusted Shares in the future and the credit in the contributed surplus account arising as a result of the Capital Reorganisation will enable the Company to apply part of the amount standing to the credit of its contributed surplus account to eliminate the accumulated losses of the Company and this will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

The Capital Reorganisation was approved by the shareholders of the Company at the special general meeting of the Company held on 9 July 2009 and became effective on 10 July 2009. Details of the Capital Reorganisation were set out in announcements dated 3 June 2009 and 9 July 2009 respectively and the circular dated 15 June 2009 issued by the Company.

Placing of Existing Shares and Subscription for New Shares

On 15 June 2009, Venture Success, Kingston Securities Limited ("**Kingston**") and the Company entered into a Placing and Subscription Agreement, pursuant to which Venture Success agreed to place, through Kingston, an aggregate of 120,000,000 Shares, on a fully underwritten basis, to independent investors at a price of HK$0.066 per placing Share (the "**Placing**") and subscribe for an aggregate of 120,000,000 new Shares at a price of HK$0.066 per subscription Share (the "**Subscription**"). The net proceeds from the Top-up Subscription amounted to approximately HK$7.65 million and were intended to be used for general working capital of the Group. The Subscription Shares were allotted and issued under the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting of the Company held on 24 November 2008 and the Subscription was completed on 24 June 2009. Details of the Placing and Subscription were set out in the announcement of the Company dated 15 June 2009.

Significant Events (continued)

Second Placing of Existing Shares and Subscription for New Shares

On 10 July 2009, Venture Success, Kingston and the Company entered into a Placing and Subscription Agreement, pursuant to which Venture Success agreed to place, through Kingston, an aggregate of 126,730,000 Shares, on a fully underwritten basis, to independent investors at a price of HK$0.22 per placing Share (the "**Second Placing**") and subscribe for an aggregate of 120,000,000 new Shares at a price of HK$0.22 per subscription Share (the "**Second Subscription**"). The net proceeds from the Second Subscription amounted to approximately HK$27 million and were intended to be used for general working capital of the Group. The Second Subscription Shares were allotted and issued under the general mandate granted to the Directors by the Independent shareholders of the Company at the special general meeting of the Company held on 9 July 2009 and the Second Subscription was completed on 21 July 2009. Details of the Second Placing and Second Subscription were set out in the announcement of the Company dated 10 July 2009.

Third Placing of New Shares under General Mandate

On 28 August 2009, Kingston and the Company entered into a Placing Agreement, pursuant to which the Company conditionally agreed to place, through Kingston, an aggregate of 152,000,000 Shares, on a fully underwritten basis, to independent investors at a price of HK$0.14 per placing Share (the "**Third Placing**"). The net proceeds from the Third Placing amounted to approximately HK$20.6 million and were intended to be used for general working capital of the Group. The Placing Shares were allotted and issued under the general mandate granted to the Directors by the independent shareholders of the Company at the special general meeting of the Company held on 17 August 2009 and the Placing was completed on 11 September 2009. Details of the Third Placing were set out in the announcement of the Company dated 28 August 2009.

Significant Events of Hua Yi Copper Holding Limited Prior to 30 April 2009

The Company announced the disposal of its entire shareholding in Hua Yi Copper on 30 April 2009, and on such date Hua Yi Copper ceased to be an associate of the Company. Accordingly, the significant events of Hua Yi Copper were recorded up to 30 April 2009.

Discloseable Transaction – Disposal of Certain Subsidiaries of Hua Yi Copper Under Conditional Sale And Purchase Agreement

On 21 May 2007, Hua Yi Copper Holdings Limited ("**Hua Yi Copper**"), whose shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company jointly announced that Brightpower Assets Management Limited ("**Brightpower**"), a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Hua Yi Copper, entered into a conditional sale and purchase agreement (the "**SPA**") on 19 May 2007 with Eternal Gain Investments Limited ("**Eternal Gain**"), a company incorporated in the British Virgin Islands and Kong Sun Holdings Limited ("**Kong Sun**"), a company incorporated in Hong Kong whose shares are listed on the Stock Exchange. Kong Sun is the holder of 100% shareholding of Eternal Gain. Pursuant to the SPA, Brightpower agreed to sell and Eternal Gain agreed to purchase the entire issued share capital of each of FT Far East Limited ("**FTFE**") and FT China Limited ("**FTC**"), (together the "**Sale Companies**") and direct wholly-owned subsidiaries of Brightpower. Under the SPA an indebtedness in the sum of HK$80,786,000 owed by FTFE to Brightpower was agreed to be assigned by Brightpower to Eternal Gain, for an aggregate consideration of HK$60 million. The aggregate consideration will be settled partly by way of Kong Sun executing upon the completion date a promissory note in the amount of HK$20 million to Brightpower and partly by Kong Sun issuing upon the completion date the convertible bonds for an aggregate principal amount of HK$40 million ("**Convertible Bonds**") to Brightpower or its nominees as Brightpower may direct. Pursuant to the SPA, completion is subject to the satisfaction of certain conditions precedent on or before a long stop date, being 30 September 2007 or such other date as the parties thereto may otherwise agree.

Significant Events of Hua Yi Copper Holding Limited Prior to 30 April 2009 (continued)

Discloseable Transaction – Disposal of Certain Subsidiaries of Hua Yi Copper Under Conditional Sale And Purchase Agreement (continued)

FTFE is principally engaged in trading of life-like decorative plants and FTC is principally engaged in manufacturing of lifelike decorative plants through its subsidiary in the PRC. 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**") operating in a totally different business model when compared to 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, Hua Yi Group decided to dispose of this non-core business operation and concentrate its resources and management effort in its core copper business. The Hua Yi Group considered that the disposal will generate a much higher cash flow in the coming three to four years than keeping the Sale Companies within the Hua Yi Group. In conclusion, the directors of Hua Yi Copper believed that Hua Yi Group would not only benefit from a stronger working capital position after realizing the proceeds from the disposal, but could also direct all its corporate resources previously occupied by the Sale Companies towards the development of the core copper business. This would enhance the capability of the Hua Yi Group in horizontal expansion and vertical integration of the core copper business. Details of the material terms of the SPA were set out in the circular dated 8 June 2007 jointly issued by the Company and Hua Yi Copper.

On 20 September 2007, Hua Yi Copper and the Company jointly announced that the parties of the SPA entered into a supplemental agreement (the "**First Supplement Agreement**") on 19 September 2007 to (i) extend the long stop date to 31 December 2007 or such other date as the parties thereto may agree, (ii) amend certain terms of the form of the bonds instrument to be executed by Kong Sun by way of a deed poll constituting the Convertible Bonds, and (iii) amend the reference period for the profit guarantee and the net asset value guarantee made by Brightpower in the SPA to the period commencing from 1 July 2007 to 30 June 2008. The details of other material terms of the First Supplemental Agreement were set out in the joint announcement of Hua Yi Copper and the Company dated 20 September 2007.

The long stop date was further extended by mutual agreement of the parties on a number of occasions. All condition precedents to the completion of the Sale and Purchase Agreement were fulfilled and the Completion took place on 16 December 2008.

Hua Yi Copper – Capital Reorganisation and Change of Board Lot Size

At the special general meeting held on 15 December 2008, the Shareholders of Hua Yi Copper approved the capital reorganisation (the "**Capital Reorganisation**") and change of board lot size. The Capital Reorganisation became effective on 16 December 2008. The authorised share capital and issued share capital of Hua Yi Copper before and after the Capital Reorganisation were, as follows:

	Authorised share capital	**Issued share capital**
Before Capital Reorganisation	HK$300,000,000 divided into 1,500,000,000 Shares of par value HK$0.20 each	HK$177,061,300 divided into 885,306,500 Shares of par value HK$0.20 each
After Capital Reorganisation	HK$300,000,000 divided into 6,000,000,000 Shares of par value HK$0.05 each	HK$8,853,065 divided into 177,061,300 Shares of par value HK$0.05 each

Significant Events of Hua Yi Copper Holding Limited Prior to 30 April 2009 (continued)

Hua Yi Copper – Capital Reorganisation and Change of Board Lot Size (continued)

Before the Capital Reorganisation, Skywalk Assets Management Limited ("**Skywalk**"), a wholly owned subsidiary of the Company, held 402,131,875 shares of par value HK$0.20 each, representing approximately 45.42% of the issued share capital of Hua Yi Copper. After the Capital Reorganisation became effective on 16 December 2008, Skywalk held 80,426,375 shares of par value HK$0.05 each, Hua Yi Copper Shares, remained representing 45.42% of Hua Yi Copper.

The details of the capital reorganisation and change of board lot size were set out in the circular of Hua Yi Copper dated 20 November 2008.

Placing of New Shares of Hua Yi Copper

On 5 December 2008, Hua Yi Copper and Kingston Securities entered into a placing agreement pursuant to which Kingston Securities agreed to place, on a best effort basis, 104,000,000 ordinary shares of HK$0.05 each in the share capital of Hua Yi Copper (the "**Hua Yi Copper Placing Shares**") at a price of HK$0.30 per Share (the "**Placing**"). The issuance of the Hua Yi Copper Placing Shares was subject to the approval of the shareholders of Hua Yi Copper to grant a specific mandate in respect of such issuance (the "**Specific Mandate**"). At the special general meeting held on 19 January 2009, the shareholders of Hua Yi Copper approved to grant the Specific Mandate. Pursuant to the Specific Mandate, the Placing was completed on 22 January 2009 and a total of 104,000,000 Hua Yi Copper Placing Shares were issued. The details of the Placing were set out in the circular of Hua Yi Copper dated 31 December 2008.

As at 31 December 2008, Skywalk held 80,426,375 Hua Yi Copper Shares, representing approximately 45.42% of the issued share capital of Hua Yi Copper. Upon completion of the Placing on 22 January 2009, Skywalk held 80,426,375 Hua Yi Copper Shares, representing 28.62% of the then enlarged issued share capital of Hua Yi Copper.

Disposal of Interest in Joint Venture Company of Hua Yi Copper

On 3 April 2009, the Board of Hua Yi Copper announced that on 3 April 2009, Master Achieve Enterprises Limited (the "**Vendor**"), a wholly-owned subsidiary of Hua Yi Copper, entered into a conditional Sale and Purchase Agreement (the "**Sale and Purchase Agreement**") with the Purchaser. Pursuant to the Sale and Purchase Agreement, the Vendor agreed to dispose of and the Purchaser agreed to purchase the Sale Shares at a consideration of RMB17.10 million (approximately HK$19.43 million). The Sale and Purchase Agreement is subject to the satisfaction of certain conditions, including the obtaining of the approval of the other shareholders of the JV and relevant PRC government approval. The details of the disposal were set out in the announcement of Hua Yi Copper dated 3 April 2009.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2009.

Compliance with the Code on Corporate Governance Practices

During the year ended 30 June 2009 (the "**Year**"), the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "**Code**") in Appendix 14 of the Listing Rules, save and except for the deviation from code A.2.1 and A.4.1 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 Year, Mr. Chau Lai Him acts as the Chairman and the 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 in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Code provision A.4.1

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to reelection.

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

Audit Committee

The Audit Committee comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The Audit Committee and external auditors have reviewed the audited results for the year ended 30 June 2009 and they agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

Remuneration Committee

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

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all directors of the Company, all the directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 30 June 2009.

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

12 October 2009

Directors and Senior Management

Executive Directors

Mr. CHAU Lai Him, aged 58, 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 30 years' experience in the manufacturing of cable and wire products.

Mr. ZHOU Jin Hua, aged 51, joined the Group in 1986 and is the deputy chairman of the Company 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. LIU Jin Rong, aged 35, joined the Group in 1998 and is the administration manager of Qiaozi Chau's Electrical Company Limited. He has more than 10 years' experience in human resources management in PRC. He is the son-in-law of the sister of Mr. Chau Lai Him.

Mr. HO Pang Cheng, Vincent, aged 52, joined the Group in February 1999 and has been appointed as executive director of the Company since May 2009. Mr. Ho is the general manager of the Singapore and Malaysia trading of the Group. He is also the general manager of the Group's manufacturing operations in Malaysia, Thailand and the People's Republic of China (Qingdao and Jiangmen). 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 postgraduate diploma in marketing management, both from the Ngee Ann Polytechnic, Singapore. He has over 20 years of sales and marketing, business development and management experience in the electrical and electronics industries.

Mr. LAM Chi Ming, Francis, aged 50, joined the Group in April 2009 and has been appointed as executive director of the Company since May 2009. Mr. Lam is the general manager of Chau's Electrical Company Limited. He is responsible for the overall planning and management of all the operations of the Group. He holds a bachelor degree of arts in economic and social studies from University of Manchester, the United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in the field of financial and general management.

Independent Non-executive Directors

Mr. CHUNG Kam Kwong, aged 52, joined the Group in March 2003. Mr. Chung 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 supervisory council member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management and is independent non-executive director of a listed company in Hong Kong.

Mr. LO Wai Ming, Paulus, aged 57, joined the Group in January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has over 30 years' extensive experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a member of the Chartered Institute of Marketing and the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 44, 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 49, rejoined the Group in February 2001 and is the Company Secretary of the Company. She is the group financial controller of Chau's Electrical Company Limited and is responsible for accounting, financial management and company secretarial affairs of the group. She has more than 20 years' experience in finance and accounting and more than 15 years' experience in company secretarial affairs. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Silvio POLLO, aged 58, 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 40, 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. Chan Sio Keong, aged 36, joined the Group in April 2001 and is a director of Hua Yi Copper Products Company Limited ("Hua Yi"). Mr. Chan is responsible for the accounting and financial management of Hua Yi. He holds a bachelor of commerce degree with major studies in accounting and finance from the Deakin University in Australia. He is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Chan has extensive experience in finance, accounting and auditing.

Mr. KAN Wai Kee, Ernest, aged 43, 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. Glauber Marcal RIZZI, aged 39, joined the group in January 2007 and is the general manager of Brascabos Componentes Elétricos e Eletrônicos Limitada ("Brasacbos"). He is responsible for the overall management, strategic planning and business development of Brascabos. He holds two master degrees, one in electronic engineering from the Escola Federal de Engenharia de Itajuba, Brazil and another in business from the Fundacao Getulio Vargas, Brazil. Currently he is studying for an MBA in business administration at the Fundacao Dom Cabral, Brazil. Mr. Rizzi has extensive experience in production, procurement, commodity management, sales and general business administration.

Mr. Ronald EYER, aged 37, joined the Group in August 2008 and is the general manager of Chau's Electrical International, Inc. He is responsible for the overall management, growth and strategic planning in North American Region. He holds a bachelor's degree in Business Management with Honors from the Indiana Business College, USA. Mr. Eyer has over 12 years of experience in business development, manufacturing, engineering and marketing in the power cord and wiring harness industry in the US, Canada and Mexico.

Mr. ZHOU Qi Qin, aged 45, 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.

Senior Management (continued)

Mr. KANG Jian, aged 40, 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 from Shanghai Light Industry College. He has more than 9 years' experience in management.

Mr. LIU Dong Yang, aged 35, 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. He has more than 10 years' experience in finance and accounting.

Mr. Yuan Hai Xiang, aged 42, joined the Group in March 1985 and is the operations manager of Dongguan Hua Yi Brass Products Company Limited ("Dongguan Hua Yi"). He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 15 years' experience in operations management.

Mr. So Kang Ming, aged 55, joined the Group in February 2005 and is the assistant operations manager of Hua Yi. He is responsible for purchasing, inventory control and logistics operations of Hua Yi. He has about 15 years experience in merchandising and logistics operations.

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 2009.

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 17 and 18, to the consolidated financial statements, respectively.

Results

The results of the Group for the year ended 30 June 2009 are set out in the consolidated income statement on page 33.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2009.

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 110.

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 15 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 32 to the consolidated financial statements.

Reserves

The Company's distributable reserve at 30 June 2009 was HK$ Nil (30 June 2008: HK$683,062,000).

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. Liu Jin Rong	
Mr. Chan Kwan Hung	(resigned on 4 November 2008)
Mr. Ho Pang Cheng Vincent	(appointed on 21 May 2009)
Mr. Lam Chi Ming Francis	(appointed on 21 May 2009)

Independent non-executive directors:

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

Messrs. Chau Lai Him, Zhou Jin Hua and Chung Kam Kwong will retire by rotation from office as directors at the forthcoming annual general meeting and Messrs. Chau Lai Him, Zhou Jin Hua and Chung Kam Kwong, being eligible, will offer themselves for re-election pursuant to Bye-laws 86(2) and 87 of the Bye-laws of the Company.

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

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

Directors' Interests in Securities of the Company

As at 30 June 2009, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code 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 positions in shares of the Company

Name of director	Class of shares	Capacity in which the shares are held	Number of shares interested	Approximate shareholding
Chau Lai Him	Ordinary shares	Beneficial owner	674,021,488 *(Note)*	21.27%

Note: The shares are held by Venture Success Holdings Limited ("Venture Success"), a company incorporated in the British Virgin Islands, is owned as to 74% by Mr. Chau Lai Him, who is the Chairman and Managing Director of the Company and a substantial shareholder of the Company (through his shareholding in Venture Success) and 26% by Mr. Lau Man Tak, who is a director of Venture Success.

Mr. Chau Lai Him, being a director of the Company, is also the director and shareholder of Venture Success. Save as disclosed above, none of the directors and chief executives of the Company had any interest or short position in any share, underlying share or debenture of the Company or any associated corporation (within the meaning of Part XV of the SFO) at 30 June 2009.

Other Persons' Interests in Securities of the Company

So far as is known to any of the directors and chief executives of the Company, as at 30 June 2009, 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 as recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Long positions in shares of the Company

Name of substantial shareholder	Capacity in which the shares are held	Number of shares interested	Approximate shareholding
Venture Success Holdings Limited	Beneficial owner	674,021,488 *(Note)*	21.27

Note : The shares are held by Venture Success Holdings Limited, a company incorporated in the British Virgin Islands, is owned as to 74% by Mr. Chau Lai Him.

Save as disclosed above, so far as is known to any of the directors and chief executives of the Company, as at 30 June 2009, no other person other than a director or a chief executive of the Company had any interest or short position in any shares or underlying shares of the Company which was recorded in the register kept by the Company under section 336 of the SFO.

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. 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:

Capacity	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1.7.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 30.6.2009	Exercisable period	Number of share options exercisable for the period
Director											
– Zhou Jin Hua	5 November 2007	1 February 2008 to 31 January 2011	0.59	3,000,000	–	–	–	(3,000,000)	–	–	–
– Liu Jin Rong	5 November 2007	1 February 2008 to 31 January 2011	0.59	1,500,000	–	–	–	(1,500,000)	–	–	–
– Chan Kwan Hung	5 November 2007	1 February 2008 to 31 January 2011	0.59	4,500,000	–	–	–	(4,500,000)	–	–	–
Employees	5 November 2007	1 February 2008 to 31 January 2011	0.59	15,600,000	–	–	–	(15,600,000)	–	–	–
Employee	8 June 2009	9 June 2009 to 8 June 2011	0.079 *Note 1*	–	60,360,000	(30,180,000) *Note 2*	–	–	30,180,000	9 June 2009 to 8 June 2011	30,180,000
Others	5 January 2006	1 February 2006 to 31 January 2009	0.24	6,670,000	–	–	(6,670,000)	–	–	–	–
Others	5 November 2007	1 August 2008 to 31 July 2011	0.59	18,000,000	–	–	(18,000,000)	–	–	–	–
				49,270,000	60,360,000	(30,180,000)	(24,670,000)	(24,600,000)	30,180,000		

Note 1: The closing price of the shares on the Stock Exchange on the date of grant was HK$0.068 and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant was HK$0.079.

Note 2: The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$0.067.

At the balance sheet date, the Company had 30,180,000 share options outstanding under the New Share Option Scheme, which represented approximately 0.95% of the Company's shares in issue as at that date.

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

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 and associates 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.

Major Customers and Suppliers

For the year ended 30 June 2009, the five largest customers of the Group together accounted for approximately 48.8% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 25.5% of the Group's total purchases during the year, with the largest supplier accounted for approximately 14.0% 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.

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 with the Code except for the deviation from code provision A.2.1 and A.4.1 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 Year, Mr. Chau Lai Him acts as the Chairman and the 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 in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Code provision A.4.1

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

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

Audit Committee

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

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 2009.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 44 of the consolidated financial statements.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. BDO Limited as auditors of the Company.

On behalf of the Board

Chau Lai Him
Chairman

12 October 2009

Corporate Governance Report

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 2009 (the "Financial Year"), the Company has complied with the Code except for the deviation from code provisions A.2.1 and A.4.1 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 the 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 in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Code provision A.4.1

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

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

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. The Company has made specific enquiries and all of the Directors have confirmed that they have throughout the year complied with the required standards set out therein.

Board of Directors

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

The Board currently comprises a total of eight Directors, with five Executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Zhou Jin Hua (Deputy Chairman), Liu Jin Rong, Ho Pang Cheng Vincent, and Lam Chi Ming Francis and three independent Non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and 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 18.

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 duties, take independent professional advice where necessary at the expense of the Company.

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 Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors; one of whom must possess the appropriate professional qualifications or accounting or related financial management expertise. Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Board Operation

During the Financial Year, the Board held 30 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*	29/30
Zhou Jin Hua, *Deputy Chairman*	30/30
Liu Jin Rong	30/30
Ho Pang Cheng Vincent (appointed on 21 May 2009)	4/6
Lam Chi Ming Francis (appointed on 21 May 2009)	6/6
Independent Non-executive Directors	
Chung Kam Kwong	26/30
Lo Wai Ming	26/30
Lo Chao Ming	27/30
Resigned Director	
Chan Kwan Hung (resigned on 4 November 2008)	4/5

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. Chung Kam Kwong. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and the making of recommendations to the Board in connection with the remuneration of the Non-executive Directors. The Remuneration Committee should consider factors such as the salaries paid by comparable companies, employment conditions elsewhere in the Group and the desirability of performance-based remuneration. The Remuneration Committee shall meet at least once a year.

Two meetings were 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 appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next annual general meeting and shall then be eligible for re-election at such meeting. Every director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Bye-laws of the Company.

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

During the Financial Year, the Board reviewed the structure, size and composition of the Board and recommended the appointment of Mr. Ho Pang Cheng Vincent and Mr. Lam Chi Ming Francis as Executive Directors.

Auditors' Remuneration

During the Financial Year, the remuneration paid and payable to the auditors of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services was HK$1,000,000 and HK$465,000 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, and the chairman of the Audit Committee is Mr. Chung Kam Kwong. The primary duties of the Audit Committee include the reviewing of the Group's financial reporting system, the nature and scope of audit review as well as the effectiveness of the system of internal control procedures and risk management. The Audit Committee is also responsible for making recommendations in relation to the appointment, reappointment and removal of the external auditors, and the reviewing and monitoring of the independence and objectivity of the external auditors. 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 matters including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 30 June 2009 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 Controls

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

General

The Directors acknowledge their responsibility in preparing the Group's financial statements 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 Independent Auditors' Report on pages 31 and 32 of this Annual Report.

On behalf of the Board

Chau Lai Him
Chairman

12 October 2009

Independent Auditors' Report

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
Telefax: (852) 2815 2239

德豪會計師事務所有限公司
執業會計師
香港干諾道中一百一十一號
永安中心二十五樓
電話:(八五二)二五四一 五〇四一
傳真:(八五二)二八一五 二二三九

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

We have audited the financial statements of Solartech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 109, which comprise the consolidated and company balance sheets as at 30 June 2009, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of the 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the 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 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chan Kam Wing, Clement
Practising Certificate number P02038

Hong Kong, 12 October 2009

Consolidated Income Statement

For the year ended 30 June 2009

		Continuing operations		Discontinued operations		Total	
	NOTES	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Turnover	6	1,136,945	3,406,813	–	86,713	1,136,945	3,493,526
Cost of sales		(1,066,956)	(3,190,065)	–	(72,463)	(1,066,956)	(3,262,528)
Gross profit		69,989	216,748	–	14,250	69,989	230,998
Interest income		5,839	16,551	–	308	5,839	16,859
Other income		28,508	31,944	–	951	28,508	32,895
General and administrative expenses		(142,055)	(192,593)	–	(8,248)	(142,055)	(200,841)
Selling and distribution expenses		(24,041)	(39,697)	–	(2,112)	(24,041)	(41,809)
Change in fair value of derivative financial instruments	23	(140)	47,830	–	–	(140)	47,830
Change in fair value of conversion option of convertible notes		–	7,167	–	–	–	7,167
(Allowance)/reversal of allowance for doubtful debts	21(iii)	(11,175)	598	–	–	(11,175)	598
Impairment loss on loan receivable	21(vi)	(44,960)	–	–	–	(44,960)	–
Impairment loss on property, plant and equipment	15	(62,102)	–	–	–	(62,102)	–
Finance costs	10	(20,193)	(55,616)	–	(448)	(20,193)	(56,064)
Share of results of associates	18	(122,246)	284	–	–	(122,246)	284
Share of results of jointly-controlled entities	18	–	(625)	–	–	–	(625)
(Loss)/gain on deemed disposal of a listed associate/subsidiary	34	(54,595)	11,351	–	–	(54,595)	11,351
Loss on disposal of a listed associate	34	(89,736)	–	–	–	(89,736)	–
Discount on acquisition of additional interest in a subsidiary	34	1,971	–	–	–	1,971	–
Gain on asset swap	35	14,322	–	–	–	14,322	–
(Loss)/profit before taxation	8	(450,614)	43,942	–	4,701	(450,614)	48,643
Taxation	11	(20,391)	(24,095)	–	(95)	(20,391)	(24,190)
(Loss)/profit for the year		(471,005)	19,847	–	4,606	(471,005)	24,453
(Loss)/profit for the year attributable to:							
Equity holders of the Company	12	(470,900)	15,241	–	4,606	(470,900)	19,847
Minority interests		(105)	4,606	–	–	(105)	4,606
		(471,005)	19,847	–	4,606	(471,005)	24,453
Dividend	13	–	–	–	–	–	–
(Loss)/earnings per share from continuing and discontinued operations	14						(Restated)
– Basic						(77.93) HK cents	17.48 HK cents
– Diluted						(77.93) HK cents	17.09 HK cents
from continuing operations							
– Basic						(77.93) HK cents	13.42 HK cents
– Diluted						(77.93) HK cents	13.13 HK cents

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 30 June 2009

	NOTES	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	411,412	565,207
Prepayments for acquisition of property, plant and equipment	15	1,600	17,443
Prepaid lease payments for land – non-current portion	16	105,394	46,455
Interests in associates	18	11,310	322,417
Deferred tax assets	31	–	6,316
Goodwill	19	23,389	23,389
		553,105	981,227
Current assets			
Inventories	20	178,284	266,765
Debtors, other loans and receivables, deposits and prepayments	21	212,602	311,844
Bills receivable	22	13,172	24,484
Prepaid lease payments for land – current portion	16	2,593	1,189
Derivative financial assets	23	54	1,702
Tax recoverable		3,893	1,396
Pledged deposits and bank balances	24, 25	48,136	36,619
Bank balances and cash	25	98,442	85,817
		557,176	729,816
Current liabilities			
Creditors, other advances and accrued charges	26	138,805	198,563
Bills payable	27	107,144	12,613
Amount due to an associate	18	–	202,054
Taxation		7,776	7,333
Obligations under finance leases	28	4,077	3,707
Borrowings	29	185,846	155,450
Derivative financial liabilities	23	520	9,171
		444,168	588,891
Net current assets		113,008	140,925
Total assets less current liabilities		666,113	1,122,152

Consolidated Balance Sheet

At 30 June 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Borrowings	29	4,775	17,065
Obligations under finance leases	28	2,383	3,469
Deferred consideration payable	30	6,674	10,342
Deferred tax liabilities	31	26,281	5,171
		40,113	36,047
Net assets		626,000	1,086,105
EQUITY			
Capital and reserves			
Share capital	32	31,685	6,037
Reserves		593,815	1,072,570
Equity attributable to equity holders of the Company		625,500	1,078,607
Share option reserve of a listed associate		–	4,795
Minority interests		500	2,703
Total equity		626,000	1,086,105

The financial statements on pages 33 to 109 were approved and authorised for issue by the Board of Directors on 12 October 2009 and are signed on its behalf by:

Chau Lai Him
Director

Zhou Jin Hua
Director

The accompanying notes form part of these financial statements.

Balance Sheet

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	17	350,678	983,710
Current assets			
Deposits and prepayments		345	165
Bank balances and cash	25	10,261	719
		10,606	884
Current liabilities			
Other advances and accrued charges		192	617
Amounts due to subsidiaries	17	60,557	60,591
		60,749	61,208
Net current liabilities		(50,143)	(60,324)
Net assets		300,535	923,386
Capital and reserves			
Share capital	32	31,685	6,037
Reserves	33	268,850	917,349
Total equity		300,535	923,386

Chau Lai Him
Director

Zhou Jin Hua
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve fund	Share option reserve	Retained profits	Total	Share option reserve of a listed subsidiary/ associate	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 2007	4,892	160,800	587,012	19,056	5,090	1,760	159,816	938,426	4,128	194,072	1,136,626
Exchange differences arising on translation of foreign operations, hedges of net investment in foreign operations and share of reserve of associates and jointly-controlled entities and total income for the year recognised directly in equity	–	–	–	52,351	–	–	–	52,351	–	19,051	71,402
Profit for the year	–	–	–	–	–	–	19,847	19,847	–	4,606	24,453
Total recognised income for the year	–	–	–	52,351	–	–	19,847	72,198	–	23,657	95,855
Placement of new shares *(Note 32)*	970	62,996	–	–	–	–	–	63,966	–	–	63,966
Issue of shares upon exercise of share options *(Note 32)*	175	4,951	–	–	–	–	–	5,126	–	–	5,126
Transfer upon exercise of share options *(Note 32)*	–	496	–	–	–	(496)	–	–	–	–	–
Forfeiture of share options	–	–	–	–	–	(1,034)	1,152	118	(118)	–	–
Appropriation	–	–	–	–	13,356	–	(13,356)	–	–	–	–
Increase in minority interests arising from deemed disposal of a listed subsidiary before re-classification into an associate	–	–	–	–	–	–	–	–	–	90,249	90,249
Re-classification of interest in a subsidiary into an associate	–	–	–	(9,235)	(6,897)	–	10,091	(6,041)	(3,194)	(305,275)	(314,510)
Recognition of equity-settled share-based payments *(Note 39)*	–	–	–	–	–	4,814	–	4,814	3,979	–	8,793
At 30 June 2008	6,037	229,243	587,012	62,172	11,549	5,044	177,550	1,078,607	4,795	2,703	1,086,105

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Share option reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Share option reserve of a listed associate HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 July 2008	6,037	229,243	587,012	62,172	11,549	5,044	177,550	1,078,607	4,795	2,703	1,086,105
Exchange differences arising on translation of foreign operations, share of reserve of associates and jointly-controlled entities and total income for the year recognised directly in equity	–	–	–	(26,261)	–	–	–	(26,261)	–	(127)	(26,388)
Release upon disposal of interests in a listed associate and asset swap *(Notes 34 & 35(ii))*	–	–	–	(32,117)	–	–	–	(32,117)	–	–	(32,117)
Loss for the year	–	–	–	–	–	–	(470,900)	(470,900)	–	(105)	(471,005)
Total recognised expense for the year	–	–	–	(58,378)	–	–	(470,900)	(529,278)	–	(232)	(529,510)
Open offer of new shares *(Note 32)*	24,146	35,843	–	–	–	–	–	59,989	–	–	59,989
Placement of new shares *(Note 32)*	1,200	6,469	–	–	–	–	–	7,669	–	–	7,669
Issue of shares upon exercise of share options *(Note 32)*	302	2,082	–	–	–	–	–	2,384	–	–	2,384
Transfer upon exercise of share options *(Note 32)*	–	667	–	–	–	(667)	–	–	–	–	–
Cancellation and lapse of share options	–	–	–	–	–	(5,044)	9,839	4,795	(4,795)	–	–
Disposal of a listed associate	–	–	–	–	(5,897)	–	5,897	–	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(1,971)	(1,971)
Recognition of equity-settled share-based payments *(Note 39)*	–	–	–	–	–	1,334	–	1,334	–	–	1,334
At 30 June 2009	**31,685**	**274,304**	**587,012**	**3,794**	**5,652**	**667**	**(277,614)**	**625,500**	**–**	**500**	**626,000**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

Notes:

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.

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, hedges of net investment in foreign operations and share of reserves of jointly-controlled entities and associates.

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

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible parties.

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	NOTES	2009 HK$'000	2008 HK$'000
Operating activities			
(Loss)/profit before taxation		(450,614)	48,643
Adjustments for:			
Equity-settled share-based payments	8	1,334	8,793
Loss on disposal of property, plant and equipment	8	5,484	1,770
Loss on disposal of a listed associate		89,736	–
Loss/(gain) on deemed disposal of a listed associate/subsidiary		54,595	(11,351)
Depreciation of property, plant and equipment	8	53,360	63,424
Charge of prepaid lease payments for land	8	1,846	2,273
Change in fair value of derivative financial instruments		140	(47,830)
Change in fair value of conversion option of convertible notes		–	(7,167)
Write-(back)/down of inventories	8	(2,605)	2,150
Allowance/(reversal of allowance) for doubtful debts		11,175	(598)
Share of results of associates		122,246	(284)
Share of results of a jointly-controlled entity		–	625
Gain on asset swap		(14,322)	–
Discount on acquisition of additional interest in a subsidiary		(1,971)	–
Impairment loss on loan receivable		44,960	–
Impairment loss on property, plant and equipment		62,102	–
Interest income		(5,839)	(16,859)
Finance costs		20,193	56,064
Operating cash (outflow)/inflow before movements in working capital		(8,180)	99,653
Decrease in inventories		99,792	26,407
Decrease/(increase) in debtors, other loans and receivables, deposits and prepayments		205,361	(162,809)
Decrease in bills receivable		29,736	32,329
(Decrease)/increase in creditors, other advances and accrued charges		(71,662)	6,548
Increase/(decrease) in bills payable		19,531	(72,182)
(Increase)/decrease in derivative financial instruments		(7,143)	26,519
Increase in net assets classified as held for sale		–	(9,963)
(Decrease)/increase in amount due to an associate		(162,113)	16,374
Cash generated from/(used in) operations		105,322	(37,124)
Hong Kong profits tax paid		–	(2,131)
Taxation in other jurisdictions paid		(18,028)	(19,259)
Net cash inflow/(outflow) from operating activities		87,294	(58,514)

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	NOTES	2009 HK$'000	2008 HK$'000
Investing activities			
Interest received		5,286	16,859
Purchases of property, plant and equipment		(36,704)	(114,706)
Additions of prepaid lease payments for land		–	(4,260)
Proceeds from disposal of property, plant and equipment		2,069	5,115
Net proceeds from disposal of a listed associate	34	23,760	–
Direct cost paid for disposal of subsidiaries	35	(3,506)	–
Net cash inflow in asset swap	35	62,682	–
Reclassification of a listed subsidiary into an associate	34	–	(102,038)
Prepayments for acquisition of property, plant and equipment		–	(17,443)
Repayment in note receivables		–	55,000
Repayment of loans receivable		–	30,324
Payment of deferred consideration		(6,825)	(160)
Net cash generated from/(used in) investing activities		46,762	(131,309)
Financing activities			
Interest paid on borrowings		(19,929)	(49,947)
Interest paid on finance leases		(264)	(645)
Proceeds from open offer of shares		59,989	–
Proceeds from placement of shares		7,669	63,966
Proceeds from issue of shares of a listed subsidiary		–	110,278
Proceeds received from exercise of share options		2,384	5,126
New borrowing raised		270,772	1,638,069
Decrease in pledged deposits and bank balances		16,034	60,031
Repayment of obligations under finance leases		(4,504)	(713)
Repayment of borrowings		(431,284)	(1,776,890)
Repayment of convertible notes		–	(77,600)
Net cash used in financing activities		(99,133)	(28,325)

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	2009 *HK$'000*	2008 *HK$'000*
Net increase/(decrease) in cash and cash equivalents	**34,923**	(218,148)
Cash and cash equivalents at beginning of the year	**80,204**	290,795
Effect of foreign exchange rate changes	**(16,685)**	7,557
Cash and cash equivalents at end of the year	**98,442**	80,204
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**98,442**	85,817
Bank overdrafts	**–**	(5,613)
	98,442	80,204

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Organisation and Operations

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, and manufacture and trading of connectors and terminals. Its associates are principally engaged in the manufacture and trading of copper rods, manufacture and sale of iron ore concentrated powder, life-like plants and production, distribution and licensing of television programmes. During the year, the Group's interests in Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a listed associate, and its subsidiaries (collectively the "Hua Yi Copper Group") was entirely disposed of, further details of which are set out in Note 34. There is also an asset swap arrangement during the year, details of which are set out in Note 35.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Company, and all values are rounded to the nearest thousand except where otherwise indicated.

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

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 13 "Customer loyalty programmes", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction", HK(IFRIC) – Int 9 & HKAS 39 Amendments "Embedded derivatives" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on these financial statements.

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

At the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	(v)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 1 (Amendment)	Additional exemptions for first time adopters	(v)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iii)
HK(IFRIC) – Int 18	Transfers of assets from customers	(iv)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 39 (80)	(i)
	– HKAS 38, HKFRS 2, HK(IFRIC) – Int 9, HK(IFRIC) – Int 16	(ii)
	– HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5, HKFRS 8	(v)

Effective date:

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 October 2008
(iv) Transfers of assets from customers received on or after 1 July 2009
(v) Annual periods beginning on or after 1 January 2010

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

3. Significant Accounting Policies

Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of preparation of financial statements

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

Basis of consolidation

The consolidated financial statements incorporate the 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 year 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, expenses and unrealised gains on transaction between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests 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.

Business combinations

Acquisition of subsidiaries and business is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill below.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. Significant Accounting Policies (continued)

Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interests in subsidiaries are included in the Company's balance sheet at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

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

The results and assets and liabilities of associates are incorporated in these 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 associates, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

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. Joint control exists when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

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 losses. 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.

3. Significant Accounting Policies (continued)

Joint ventures (continued)

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.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and more frequently 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. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, after reassessment, the excess is recognised immediately in profit or loss.

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

Cash and cash equivalents

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

3. Significant Accounting Policies (continued)

Revenue recognition

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

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

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

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

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

Borrowing costs

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

All other borrowing costs are recognised in the 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 any accumulated impairment losses.

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

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined are carried at cost, less any recognised impairment losses. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged to write off the cost of property, plant and equipment other than properties under construction, 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%

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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 for land

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

Impairment of assets excluding goodwill

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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Inventories

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

3. Significant Accounting Policies (continued)

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 generally recognised for all taxable temporary differences to the extent that it is probable that taxable profits will be available against which those 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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended 30 June 2009

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 to the lessee. All other leases are classified as operating leases.

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.

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included as profit or loss.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

3. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the 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 in profit or loss.

Financial assets

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 losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. 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 terms of the borrowings.

Financial guarantee contract liabilities

Financial guarantee contract liabilities of the Company are measured initially at their fair value and are subsequently measured at the higher of:

– the amount of the obligation under the contract, as determined in accordance with the provision policies, or

– the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Notes to the Financial Statements

For the year ended 30 June 2009

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Other financial liabilities

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

Effective interest method

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

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments, hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments, or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, in respect of foreign currency risk as cash flows hedge. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Cash flow hedges (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain and loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the exchange reserve. The gain or loss relating to the ineffective portion is recognised in profit or loss, and is included in the consolidated income statement.

Gains and losses deferred in the exchange reserve are recognised in profit or loss on the disposal of the foreign operations.

Derivatives not qualified for hedging

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

Derecognition

Derivative financial instruments are derecognised when the rights to receive cash flows from the assets expire or, the derivative financial instruments are transferred and the Group has transferred substantially all the risks and rewards of ownership of the derivative financial instruments. On derecognition of a derivative financial instrument, 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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Equity-settled share-based payment transactions

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

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 with a corresponding increase in share option reserve.

Notes to the Financial Statements

For the year ended 30 June 2009

3. Significant Accounting Policies (continued)

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Defined contribution pension obligations

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

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. Key Sources of Estimation Uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at each balance sheet date.

4. Key Sources of Estimation Uncertainty (continued)

Depreciation of property, plant and equipment

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

Income taxes

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

5. Financial Risk Management

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, 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. There is also no significant exposure arising from the outstanding foreign exchange forward contracts. 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 from third parties, the Group has no significant concentration of credit with exposure spread over a number of counterparties and customers.

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

Except for the financial guarantees given by the Group as set out in Note 45, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note 45.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 21.

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk which relates primarily to the Group's floating rate bank borrowings and the details of borrowings are disclosed in Note 29. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 29.

At 30 June 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by approximately HK$1,906,000 (2008: decrease/increase the profit and retained profits by HK$1,232,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

Liquidity risk

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

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

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Borrowings	**190,621**	**192,948**	**188,769**	**836**	**3,343**
Obligations under finance leases	**6,460**	**7,914**	**5,034**	**2,880**	**–**
Creditors, other advances and accrued charges, and bills payable	**245,949**	**246,100**	**246,100**	**–**	**–**
Deferred consideration payable	**6,674**	**6,790**	**6,790**	**–**	**–**
	449,704	**453,752**	**446,693**	**3,716**	**3,343**
Derivative financial liabilities	**520**	**520**	**–**	**–**	**–**
	520	**520**	**–**	**–**	**–**
2008					
Borrowings	172,515	188,583	165,994	6,963	15,626
Obligations under finance leases	7,176	7,931	3,962	3,615	354
Creditors, other advances and accrued charges, bills payable and amount due to an associate	413,230	414,601	414,601	–	–
Deferred consideration payable	10,342	12,360	–	7,193	5,167
	603,263	623,475	584,557	17,771	21,147
Derivative financial liabilities	9,171	9,171	9,171	–	–
	9,171	9,171	9,171	–	–

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at balance sheet date are set out in Note 23.

At 30 June 2009, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by approximately HK$290,000 (2008: increase/decrease the profit and retained profits by HK$4,983,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the balance sheet date and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

b. Fair value

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

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

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

- the fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials according to professional valuation report, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

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

6. Turnover

Turnover, which is also the revenue, 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 three principal operating divisions – (i) manufacture and trading of cables and wires, (ii) copper rods, and (iii) connectors and terminals.

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

On 21 May 2007, the Company announced a plan to dispose of its business of manufacture and trading of life-like plants which was carried on by the Hua Yi Copper Group, the then listed subsidiary of the Company. As a result, the business segment of manufacture and trading of life-like plants was classified as discontinued operation in the years ended 30 June 2007 and 2008. According to the supplemental agreements entered into among the Hua Yi Copper Group, the purchaser and Kong Sun Holdings Limited (the holding company of the purchaser), the long stop date and the disposal of the business of manufacture and trading of life-like plants was extended during the prior year. On 22 April 2008, Hua Yi Copper became a listed associate of the Company as a result of deemed disposal as further detailed in Note 34.

Notes to the Financial Statements

For the year ended 30 June 2009

7. Segmental Information (continued)

Business segments (continued)

For the year ended 30 June 2009

	Cables and wires HK$'000	Copper rods HK$'000	Connectors and terminals HK$'000	Other HK$'000	Total HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER							
External sales	485,717	119,721	521,096	10,411	1,136,945	–	1,136,945
Inter-segment sales	17,897	29,684	123	–	47,704	(47,704)	–
Total sales	503,614	149,405	521,219	10,411	1,184,649	(47,704)	1,136,945

Inter-segment sales are charged at cost.

	Cables and wires HK$'000	Copper rods HK$'000	Connectors and terminals HK$'000	Other HK$'000	Total HK$'000	Elimination HK$'000	Consolidated HK$'000
RESULTS							
Segment results	(112,978)	(55,055)	26,484	(35,942)	(177,491)		(177,491)
Unallocated corporate income					659		659
Unallocated corporate expenses					(3,305)		(3,305)
Finance costs					(20,193)		(20,193)
Share of results of associates	(936)	(121,310)			(122,246)		(122,246)
Loss on deemed disposal of a listed associate		(54,595)			(54,595)		(54,595)
Loss on disposal of a listed associate		(89,736)			(89,736)		(89,736)
Discount on acquisition of additional interest in a subsidiary			1,971		1,971		1,971
Gain on asset swap					14,322		14,322
Loss before taxation					(450,614)		(450,614)
Taxation					(20,391)		(20,391)
Loss for the year					(471,005)		(471,005)

Notes to the Financial Statements

For the year ended 30 June 2009

7. Segmental Information (continued)

Business segments (continued)

At 30 June 2009

	Cables and wires HK$'000	Copper rods HK$'000	Connectors and terminals HK$'000	Other HK$'000	Consolidated HK$'000
BALANCE SHEET					
Assets					
Segment assets	403,273	358,009	292,191	37,207	1,090,680
Interests in associates	11,310	–	–	–	11,310
Unallocated corporate assets	–	–	–	–	8,291
Consolidated total assets					1,110,281
Liabilities					
Segment liabilities	116,231	260,330	95,183	1,710	473,454
Unallocated corporate liabilities					10,827
Consolidated total liabilities					484,281

OTHER INFORMATION

	Cables and wires HK$'000	Copper rods HK$'000	Connectors and terminals HK$'000	Other HK$'000	Total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	4,924	–	37,824	–	42,748	–	42,748
Depreciation	25,169	3,910	14,238	10,043	53,360		53,360
Allowance for doubtful debts	2,215	3,288	5,328	344	11,175	–	11,175
Write-(back)/down of inventories	(10,796)	–	8,191	–	(2,605)	–	(2,605)
Impairment loss on loan receivable	–	44,960	–	–	44,960	–	44,960
Impairment loss on property, plant and equipment	35,909	–	1,536	24,657	62,102	–	62,102

Notes to the Financial Statements

For the year ended 30 June 2009

7. Segmental Information (continued)

Business segments (continued)

For the year ended 30 June 2008

	Continuing operations					Discontinued operations		
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER								
External sales	752,644	1,904,403	711,919	37,847	3,406,813	86,713	–	3,493,526
Inter-segment sales	19,185	254,601	428	–	274,214	–	(274,214)	–
Total sales	771,829	2,159,004	712,347	37,847	3,681,027	86,713	(274,214)	3,493,526

Inter-segment sales are charged at cost.

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Elimination	Consolidated
RESULTS								
Segment results	21,930	37,351	66,419	(4,659)	121,041	5,736		126,777
Unallocated corporate income					9,403	–		9,403
Unallocated corporate expenses					(49,063)	(587)		(49,650)
Change in fair value of conversion option of convertible notes					7,167	–		7,167
Finance costs					(55,616)	(448)		(56,064)
Share of results of associates	284				284	–		284
Share of results of jointly-controlled entities		(625)			(625)	–		(625)
Gain on deemed disposal of a listed subsidiary					11,351	–		11,351
Profit before taxation					43,942	4,701		48,643
Taxation					(24,095)	(95)		(24,190)
Profit for the year					19,847	4,606		24,453

Notes to the Financial Statements

For the year ended 30 June 2009

7. Segmental Information (continued)

Business segments (continued)

At 30 June 2008

	Cables and wires HK$'000	Copper rods HK$'000	Connectors and terminals HK$'000	Other HK$'000	Consolidated HK$'000
BALANCE SHEET					
Assets					
Segment assets	924,516	–	296,298	86,598	1,307,412
Interests in associates	12,245	310,172	–	–	322,417
Unallocated corporate assets					81,214
Consolidated total assets					1,711,043
Liabilities					
Segment liabilities	478,095	–	102,563	31,196	611,854
Unallocated corporate liabilities					13,084
Consolidated total liabilities					624,938

OTHER INFORMATION

	Cables and wires HK$'000	Copper rods HK$'000	Connectors and terminals HK$'000	Other HK$'000	Total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	95,034	3,072	16,094	23,154	137,354	–	137,354
Depreciation	26,336	12,917	14,685	9,486	63,424	–	63,424
Allowance for doubtful debts	(651)	53	–	–	(598)	–	(598)
Write down of inventories	2,654	–	(504)	–	2,150	–	2,150

Notes to the Financial Statements

For the year ended 30 June 2009

7. Segmental Information (continued)

Geographical segments

The Group's operations are located in Hong Kong, the Mainland China, 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	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**482,426**	2,433,396	**–**	–	**482,426**	2,433,396
Americas	**496,508**	670,266	**–**	84,554	**496,508**	754,820
Europe	**27,501**	53,040	**–**	1,201	**27,501**	54,241
Hong Kong	**27,935**	71,012	**–**	903	**27,935**	71,915
Other Asian regions	**102,575**	179,099	**–**	55	**102,575**	179,154
	1,136,945	3,406,813	**–**	86,713	**1,136,945**	3,493,526

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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**602,591**	732,942	**5,843**	119,466
Hong Kong	**257,239**	239,374	**–**	1,721
Americas	**162,347**	238,230	**28,927**	14,420
Other Asian regions	**68,503**	96,866	**7,978**	1,747
	1,090,680	1,307,412	**42,748**	137,354

Notes to the Financial Statements

For the year ended 30 June 2009

8. (Loss)/Profit Before Taxation

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Loss)/profit before taxation has been arrived at after charging:						
Auditors' remuneration	**1,017**	2,782	**–**	–	**1,017**	2,782
Depreciation of property, plant and equipment	**53,360**	63,424	**–**	–	**53,360**	63,424
Cost of inventories *(Note)*	**1,066,956**	3,190,065	**–**	72,463	**1,066,956**	3,262,528
Write-(back)/down of inventories, net	**(2,605)**	2,150	**–**	–	**(2,605)**	2,150
Charge of prepaid lease payments for land	**1,846**	2,273	**–**	348	**1,846**	2,621
Operating lease rentals in respect of rented premises	**2,780**	4,945	**–**	–	**2,780**	4,945
Loss on disposal of property, plant and equipment	**5,484**	1,770	**–**	4	**5,484**	1,774
Exchange losses, net	**4,433**	–	**–**	–	**4,433**	–
Wages, salaries and pension attribution including directors' remuneration *(Notes 40 and 9)*	**123,012**	187,833	**–**	2,881	**123,012**	190,714
Share-based payments expense *(Note 39)*	**1,334**	8,793	**–**	–	**1,334**	8,793
and after crediting:						
Exchange gains, net	**–**	284	**–**	287	**–**	571
Interest income on bank deposits	**5,130**	10,090	**–**	308	**5,130**	10,398
Rental income	**386**	385	**–**	–	**386**	385
Sub-contracting income	**15,685**	5,814	**–**	–	**15,685**	5,814
Sales of scrapped inventories	**6,736**	6,230	**–**	–	**6,736**	6,230
Interest income on other loans receivable	**709**	6,461	**–**	–	**709**	6,461

Note:

Cost of inventories includes HK$99,394,000 (2008: HK$150,624,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above. Cost of inventories includes write-back of inventories of HK$2,605,000 (2008: write-down of HK$2,150,000).

Notes to the Financial Statements

For the year ended 30 June 2009

9. Remuneration of Directors and Five Highest Paid Individuals

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

Name of director	Fees		Salaries and other benefits		Share-based payment		Retirement benefit scheme contributions		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Mr. Chau Lai Him	–	–	3,130	3,205	–	–	10	16	3,140	3,221
Mr. Zhou Jin Hua	–	–	1,367	1,368	–	379	–	–	1,367	1,747
Mr. Liu Jin Rong	–	–	144	142	–	190	–	–	144	332
Mr. Ho Pang Cheng, Vincent	–	–	86	–	–	–	3	–	89	–
Mr. Lam Chi Ming, Francis	–	–	122	–	–	–	3	–	125	–
Mr. Lo Chao Ming	60	105	–	–	–	–	–	–	60	105
Mr. Lo Wai Ming	96	96	–	–	–	–	–	–	96	96
Mr. Chung Kam Kwong	420	194	–	–	–	–	–	–	420	194
Mr. Chow Kin Ming	–	–	–	1,268	–	–	–	9	–	1,277
Mr. Chan Kwan Hung	–	–	294	1,500	–	1,682	4	15	298	3,197
Total	576	395	5,143	7,483	–	2,251	20	40	5,739	10,169

In the prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 39. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the prior year is included in the above directors' remuneration disclosures. There was no share option granted to any director of the Company during the current year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: HK$Nil).

The five highest paid individuals of the Group include two (2008: four) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2008: one) individuals were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	4,007	2,008
Contributions to retirement benefits schemes	425	–
	4,432	2,008

Notes to the Financial Statements

For the year ended 30 June 2009

9. Remuneration of Directors and Five Highest Paid Individuals (continued)

Remuneration of these individuals was within the following bands:

	Number of employees	
	2009	2008
Nil – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**1**	1

During the prior year, share options were granted to a non-director, highest paid individual in respect of his services to the Group, further details of which are included in the disclosures in Note 39. The fair value of such options, which was recognised in the prior year consolidated income statement, was determined as at the date of grant, and the amount included in the consolidated financial statements for the prior year is included in the above non-director, highest paid individuals' remuneration disclosures. There is no share option granted to a non-director, highest paid individual of the Group during the year.

10. Finance Costs

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**19,929**	51,222	**–**	448	**19,929**	51,670
Interest on finance leases	**264**	645	**–**	–	**264**	645
Imputed interest on convertible notes	**–**	5,472	**–**	–	**–**	5,472
	20,193	57,339	**–**	448	**20,193**	57,787
Less: Interest capitalised	**–**	1,723	**–**	–	**–**	1,723
	20,193	55,616	**–**	448	**20,193**	56,064

Notes to the Financial Statements

For the year ended 30 June 2009

11. Taxation

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax:						
Current year	**51**	2,240	**–**	95	**51**	2,335
Under/(over)-provision in respect of prior years	**179**	(212)	**–**	–	**179**	(212)
Taxation in other jurisdictions:						
Current year	**15,454**	20,549	**–**	–	**15,454**	20,549
Under/(over)-provision in respect of prior years	**212**	(585)	**–**	–	**212**	(585)
	15,896	21,992	**–**	95	**15,896**	22,087
Deferred taxation *(Note 31)*	**4,594**	1,501	**–**	–	**4,594**	1,501
Effect of change in tax rate (credit)/charge for the year	**(99)**	602	**–**	–	**(99)**	602
	20,391	24,095	**–**	95	**20,391**	24,190

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit arising in Hong Kong during the year. Taxation in other countries and jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Notes to the Financial Statements

For the year ended 30 June 2009

11. Taxation (continued)

The tax charge for the year can be reconciled to the (loss)/profit before taxation per the consolidated income statement as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(450,614)**	48,643
Tax at the Mainland China income tax rate of 25% (2008: 25%)	**(112,654)**	12,161
Tax effect of expenses not deductible for tax purpose	**114,817**	26,034
Tax effect of income not taxable for tax purpose	**(53,647)**	(18,955)
Tax effect of tax losses not recognised	**39,414**	4,768
Utilisation of tax losses previously not recognised	**(5,119)**	(80)
Under/(over)-provision in respect of prior years	**391**	(797)
Effect of different tax rates of the Company's subsidiaries operating outside of the PRC and changes in tax rates	**4,793**	5,568
Tax effect on share of results of associates	**32,396**	(4,509)
Tax for the year	**20,391**	24,190

The domestic tax rate of principal subsidiaries in the Mainland China is used as it is where the operations of the Group are substantially based. For the six months ended 31 December 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, Mainland China, could enjoy tax benefit and were entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore, subject to a total corporate income tax rate of 27%. Since 1 January 2008, the standard corporate income tax rate for enterprises in the Mainland China is 25%. Accordingly the applicable corporate income tax rate was 25% for the six months ended 30 June 2008 and the year ended 30 June 2009.

12. (Loss)/Profit for the Year Attributable to Equity Holders of the Company

The consolidated loss from ordinary activities attributable to equity holders of the Company for the year ended 30 June 2009 includes a loss of HK$10,227,000 (2008: a loss of HK$8,578,000) which has been dealt with in the financial statements of the Company.

13. Dividend

The directors do not recommend the payment of any dividend for the year ended 30 June 2009 (2008: HK$Nil).

14. (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the open offer during the year and the share sub-division and share consolidation subsequent to the balance sheet date (Note 44(i)). Basic and diluted earnings per share amounts for the year ended 30 June 2008 is restated to take into effect the share sub-division and share consolidation subsequent to the balance sheet date (Note 44(i)).

The calculation of diluted (loss)/earnings per share amounts is based on the (loss)/profit for the years attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the years, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

From continuing and discontinued operations

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

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to equity holders of the Company for the purpose of basic (loss)/earnings per share	**(470,900)**	19,847

	Number of shares	
	2009	2008
		(Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**604,230,789**	113,547,539
Effect of dilutive potential ordinary shares:		
Share options	**–**	2,554,161
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**604,230,789**	116,101,700

14. (Loss)/Earnings Per Share (continued)

From continuing operations

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

	2009 HK$'000	2008 HK$'000
(Loss)/profit for the year attributable to equity holders of the Company for the purpose of basic (loss)/earnings per share from continuing operations	(470,900)	15,241

The convertible notes and share options have an anti-dilutive effect on the basic (loss)/earnings per share of the Group for the years ended 30 June 2008 and 2009, respectively. Accordingly, the effect of the convertible notes and share options was not included in the calculation of diluted (loss)/earnings per share of the Group for the years ended 30 June 2008 and 2009, respectively.

From discontinued operations for the year ended 30 June 2008

For the year ended 30 June 2008, basic earnings per share for discontinued operations was 4.06 HK cents (restated) and diluted earnings per share for discontinued operations was 3.96 HK cents (restated), based on the profit for the year from discontinued operations of HK$4,606,000. The denominators used are the same as those detailed above for basic and diluted loss per share.

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15. Property, Plant and Equipment and Prepayments for Acquisition of Property, Plant and Equipment

	Construction in progress HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 July 2007	38,203	299,313	32,263	80,871	544,762	27,054	1,022,466
Currency realignment	6,069	31,166	3,144	6,953	51,208	2,372	100,912
Additions	35,002	4,803	6,649	6,661	82,242	1,997	137,354
Reclassification	(9,667)	303	–	464	8,900	–	–
Disposals	–	–	(190)	(1,687)	(17,947)	(893)	(20,717)
Reclassification of interest in a subsidiary into an associate *(Note 34)*	(1,392)	(88,161)	(7,493)	(6,823)	(179,430)	(6,485)	(289,784)
At 30 June 2008 and 1 July 2008	68,215	247,424	34,373	86,439	489,735	24,045	950,231
Currency realignment	42	(281)	(172)	(2,302)	(14,753)	(18)	(17,484)
Additions	13,326	326	495	2,194	26,341	66	42,748
Acquisition of subsidiaries under asset swap *(Note 35(i))*	1,391	55,682	–	923	55,893	1,896	115,785
Reclassification	(1,475)	–	–	–	1,475	–	–
Disposal of subsidiaries under asset swap *(Note 35(ii))*	(63,783)	(63,532)	(6,438)	(5,055)	(98,717)	(1,036)	(238,561)
Disposals	–	–	(3,013)	(13,845)	(4,874)	(6,862)	(28,594)
At 30 June 2009	**17,716**	**239,619**	**25,245**	**68,354**	**455,100**	**18,091**	**824,125**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 July 2007	–	93,940	12,604	53,387	237,375	13,164	410,470
Currency realignment	–	9,344	1,131	4,059	16,932	1,426	32,892
Provided for the year	–	13,211	2,666	7,881	36,377	3,289	63,424
Reclassification	–	–	–	(234)	234	–	–
Eliminated on disposals	–	–	(39)	(1,478)	(11,814)	(501)	(13,832)
Reclassification of interest in a subsidiary into an associate *(Note 34)*	–	(26,874)	(1,519)	(3,686)	(72,457)	(3,394)	(107,930)
At 30 June 2008 and 1 July 2008	–	89,621	14,843	59,929	206,647	13,984	385,024
Currency realignment	–	(103)	(136)	(961)	(3,906)	26	(5,080)
Provided for the year	–	12,057	1,828	4,582	32,562	2,331	53,360
Impairment loss	–	17,842	–	791	43,469	–	62,102
Disposal of subsidiaries under asset swap *(Note 35(ii))*	–	(23,996)	(677)	(2,240)	(34,522)	(217)	(61,652)
Eliminated on disposals	–	–	(2,194)	(12,611)	(512)	(5,724)	(21,041)
At 30 June 2009	**–**	**95,421**	**13,664**	**49,490**	**243,738**	**10,400**	**412,713**
NET CARRYING AMOUNT							
At 30 June 2009	**17,716**	**144,198**	**11,581**	**18,864**	**211,362**	**7,691**	**411,412**
At 30 June 2008	68,215	157,803	19,530	26,510	283,088	10,061	565,207

15. Property, Plant and Equipment and Prepayments for Acquisition of Property, Plant and Equipment (continued)

At 30 June 2009, the net carrying amount of property, plant and equipment of the Group includes plant and machinery of HK$8,545,000 (2008: HK$7,365,000), motor vehicles of HK$2,015,000 (2008: HK$2,554,000) and equipment, furniture and fixtures of HK$10,000 (2008: HK$16,000) in respect of assets held under finance leases. None of the leases includes contingent rentals. During the year, additions to plant and machinery of the Group financed by new finance leases were HK$4,201,000 (2008: HK$1,158,000).

The Group has pledged buildings and plant and machinery with aggregate net carrying amount at 30 June 2009 of HK$136,829,000 (2008: HK$206,324,000) to secure banking facilities granted to the Group (Note 24).

At 30 June 2009, the Group was in the process of obtaining the relevant title documents of certain of its buildings with aggregate carrying amount of HK$9,476,000 (2008: HK$10,248,000).

As at 30 June 2009 and 2008, the prepayment amounts represented prepayments made for acquisition of items of property, plant and equipment, of which most were utilised on the completion of the acquisition subsequent to 30 June 2009 and 2008.

For the year ended 30 June 2009, certain items of property, plant and equipment were under-utilised. As a result, the Group assessed the recoverable amounts of these items. Based on the assessment, the carrying value of these items of plant and machinery and buildings were written down by HK$62,102,000. The recoverable amount of the relevant assets has been determined on the basis of their value in use with reference to the probable discounted cash flows from those items of plant and machinery and buildings.

The recoverable amount of the property, plant and equipment 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, average growth rate of 0% per annum and discount rate of 10%. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin.

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For the year ended 30 June 2009

16. Prepaid Lease Payments for Land

	Notes	2009 HK$'000	2008 HK$'000
Carrying amount:			
At beginning of year		**47,644**	82,021
Additions		**–**	4,260
Acquisition of subsidiaries under asset swap	*35(i)*	**67,482**	–
Disposal of subsidiaries under asset swap	*35(ii)*	**(5,248)**	–
Charge to the consolidated income statement	*8*	**(1,846)**	(2,273)
Reclassification of interest in a subsidiary into an associate	*34*	**–**	(46,875)
Exchange realignments		**(45)**	10,511
At end of year		**107,987**	47,644

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

	2009 HK$'000	2008 HK$'000
Leasehold land situated in the PRC held under		
– medium term lease	**99,061**	38,493
– long term lease	**7,290**	7,470
Leasehold land situated in Hong Kong held under medium term lease	**1,636**	1,681
	107,987	47,644
Analysed for reporting purposes as:		
Non-current	**105,394**	46,455
Current	**2,593**	1,189
	107,987	47,644

The Group has pledged prepaid lease payments for land with aggregate carrying amount at 30 June 2009 of HK$101,236,000 (2008: HK$26,665,000) to secure banking facilities granted to the Group (Note 24).

At 30 June 2009, the Group was in the process of obtaining the relevant title documents of certain of its land use rights with aggregate carrying amount of HK$52,214,000 (2008: HK$13,479,000).

Notes to the Financial Statements

For the year ended 30 June 2009

17. Interests in Subsidiaries

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**8**	8
Amounts due from subsidiaries	**1,617,679**	1,566,711
	1,617,687	1,566,719
Less: impairment loss on investment costs	**(8)**	(8)
impairment loss on amounts due from subsidiaries	**(1,267,001)**	(583,001)
	350,678	983,710

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months after the balance sheet date. The carrying amount of the amounts due from subsidiaries approximates their fair value and in substance represents the Company's interests in the subsidiaries in the form of quasi-equity loans and therefore they are included under the non-current assets of the Company.

Impairment losses on investment cost and amounts due from subsidiaries of HK$8,000 (2008: HK$8,000) and HK$1,267,001,000 (2008: HK$583,001,000) respectively were recognised as at 30 June 2009 because the related recoverable amounts of the investment cost and the amounts due from subsidiaries with reference to the higher of fair value less costs to sell and value in use of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment cost and amounts due therefrom are reduced to their recoverable amounts.

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

Notes to the Financial Statements

For the year ended 30 June 2009

17. Interests in Subsidiaries (continued)

The following list contains only the particulars of the principal subsidiaries at 30 June 2009 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or establishment/ operation	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 Limitada	Brazil	BRL3,335,000	100%	Manufacture and trading of power cords and wire harness
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 HK$500,000 non-voting deferred *(Note 1)*	100%	Manufacture and trading of cable and wire products
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
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd. #	PRC	HK$6,810,000	100%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.*	PRC	HK$47,400,000	86%	Manufacture and trading of chemical products

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For the year ended 30 June 2009

17. Interests in Subsidiaries (continued)

Name of company	Place of incorporation or establishment/ 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
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks
Hua Yi Copper Products Company Limited *(Note 3)*	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. *(Note 3)* #	PRC	US$14,925,000	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	100%	Trading in wire harness and connectors
TEM Electronics (M) Sdn. Bhd.	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
SIT Electronics Company Limited	Thailand	THB13,000,000	100%	Manufacture of wire harness and connectors
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding

Wholly-owned foreign enterprise
* Equity joint venture

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 subsidiary or to participate in any distribution on winding up.

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

3. Hua Yi Copper Products Company Limited and Dongguan Hua Yi Brass Products Co., Ltd, were acquired during the year under the asset swap as disclosed in Note 35.

None of the subsidiaries issued any debt securities at the balance sheet date.

18. Interests in Associates, Amount Due to An Associate and Interests in Jointly–Controlled Entities

(A) Interests in associates

	2009 HK$'000	2008 HK$'000
Share of net assets	**11,310**	322,417

The following list contains only the particulars of the associate at 30 June 2009 which principally affects the Group's results for the year or form a substantial portion of the net assets 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/ form of business structure	Place of establishment	Proportion of nominal value of issued/ registered capital indirectly held by the Company	Principal activities
侯馬普天榮盛光纜有限公司/ Corporate	PRC	20%	Manufacture and trading of optical fibre cable and related products

Note: On 22 April 2008, Hua Yi Copper, the then listed subsidiary of the Company, became an associate of the Group. On 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party for the disposal of its entire equity interests in Hua Yi Copper at a net cash consideration of HK$23,760,000. The disposal was completed on 5 May 2009. Further details are set out in Note 34.

The summarised financial information in respect of the Group's associates is as follows:

	2009 HK$'000	2008 HK$'000
Total assets	**77,940**	1,647,639
Total liabilities	**(21,389)**	(881,979)
Net assets	**56,551**	765,660
Group's share of net assets of associates	**11,310**	322,417
Revenue	**1,256,493**	890,547
Loss for the year	**(248,857)**	(118)
Group's share of results of associates for the year	**(122,246)**	284

18. Interests in Associates, Amount Due to An Associate and Interests in Jointly–Controlled Entities (continued)

(B) Amount due to an associate

As at 30 June 2009, the Group had no amount due to an associate. As at 30 June 2008, the Group had trade balances and cash advances due to its associate of aggregate carrying amount of HK$202,054,000, which were unsecured and interest-free. Trade balances had a credit period of 45 days and cash advances had no fixed terms of repayment.

(C) Interests in jointly-controlled entities

The Group's share of results of jointly-controlled entities for the prior year is attributable to the jointly-controlled entities of Hua Yi Copper. On 22 April 2008, Hua Yi Copper, the then listed subsidiary of the Company, became an listed associate of the Company as a result of deemed disposal as further detailed in Note 34 and as a result, Hua Yi Copper's jointly-controlled entity was derecognised from the consolidated balance sheet of the Group on the same date.

19. Goodwill

Goodwill of HK$23,389,000 (2008: HK$23,389,000) arising from acquisition of subsidiaries during prior years was 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 2009, 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 with average growth rate of 18% per annum and discount rate of 10%. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin.

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For the year ended 30 June 2009

20. Inventories

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**92,588**	105,717
Work in progress	**14,975**	38,252
Finished goods	**70,721**	122,796
	178,284	266,765

During the year, the Group has carried out its regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgment. As a result, the carrying amounts of certain inventories in the aggregate amount of HK$8,191,000 were determined to decline below their estimated net realisable value and were recorded as a write-down in the consolidated income statement. On the other hands, certain inventories in the aggregate amount of HK$10,796,000 that were impaired in the prior years were sold in the current year and were recorded as a write-back of inventories in the consolidated income statement, resulting in write-back of inventories by HK$2,605,000 (2008: write-off by HK$2,150,000) (included in "cost of sales") for the year ended 30 June 2009 (Note 8).

21. 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$142,551,000 (2008: HK$280,880,000).

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

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**126,175**	200,159
31 – 60 days	**9,370**	27,242
61 – 90 days	**3,539**	29,810
Over 90 days	**3,467**	23,669
	142,551	280,880

At 30 June 2009, the Group's trade debtors of HK$1,477,000 (2008: HK$25,869,000) (Note 24) were discounted to banks with recourse. The Group continued to recognise the full carrying amount of the debtors and recognised the cash received on the transfer as a secured borrowing which is included in borrowings of the Group.

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For the year ended 30 June 2009

21. Debtors, Other Loans and Receivables, Deposits and Prepayments (continued)

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of year	**5,426**	6,445
Impairment loss recognised	**12,060**	105
Reversal of allowance for doubtful debts	**(885)**	(703)
Uncollectible amounts written off	**(2,477)**	(437)
Disposal of subsidiary	**1,215**	–
Exchange realignments	**(1)**	16
At end of year	**15,338**	5,426

At 30 June 2009, the Group's trade debtors of HK$15,338,000 (2008: HK$5,426,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**139,084**	257,211
Past due and not impaired	**3,467**	23,669
	142,551	280,880

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

21. Debtors, Other Loans and Receivables, Deposits and Prepayments (continued)

(iv) (continued)

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

(v) At 30 June 2009, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$3,395,000 (2008: HK$2,581,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at the balance sheet date. The amount has been fully settled subsequent to the balance sheet date.

(vi) Loan receivable

On 4 February 2009, the Group and the Hua Yi Copper Group entered into an asset swap arrangement as further detailed in Note 35. As a result of the completion of the asset swap arrangement, the Group acquired a loan receivable in the amount of HK$44,407,000 (Note 35(i)) due from a third party. The loan receivable was interest-bearing at 2.5% per annum, secured by the plant and machinery of the third party, and was repayable on 30 June 2009.

As at 30 June 2009, the Group reviewed its loan receivable to assess whether impairment losses exist. In determining whether impairment losses should be recorded in the consolidated income statement, the Group has evaluated its loan receivable for impairment after taking into account the value of the underlying collateral of the borrower, and the latest financial position of the borrower to determine the net present value of expected future cash inflow in respect of such loan receivable. The loan receivable was past due on 30 June 2009 and as of the date of approval of these financial statements. As such the Group recorded full impairment loss on the loan principal and related interest receivables in an aggregate amount of HK$44,960,000 as at 30 June 2009 and for the year then ended.

(vii) Due from related companies

Included in the Group's debtors, other loans and receivables, deposits and prepayments were amounts due from related companies in the aggregate amount of HK$10,894,000 (2008: HK$Nil). The amounts are unsecured, interest-free and have no fixed terms of repayment, which is also the maximum outstanding balance due from the related companies during the year. These related companies are entities within the Hua Yi Copper Group which were changed from associates to related companies of the Group pursuant to the Group's disposal of equity interest in the Hua Yi Copper Group during the year, as a director of these related companies who is also a director of the Company.

22. Bills Receivable

As at 30 June 2008 and 2009, all bills receivable aged within 90 days.

23. Derivative Financial Assets/Liabilities

(A) Derivative not qualified for hedging

	The Group			
	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Copper future contracts	**9**	**–**	–	(443)
Foreign exchange forward contracts	**45**	**(520)**	–	–
Total	**54**	**(520)**	–	(443)

Copper future contracts

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

	As at 30 June 2009	As at 30 June 2008
Quantities (in tonnes)	**75**	750
Average price per tonne	**US$4,958**	US$8,519
Delivery period	**From July 2009 to September 2009**	From July 2008 to September 2008
Fair value gain/(loss) of copper future contracts recognised as current assets/(liabilities) (in HK$'000)	**9**	(443)

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23. Derivative Financial Assets/Liabilities (continued)

(A) Derivative not qualified for hedging (continued)

Forward foreign exchange contracts

As at 30 June 2009, the forward foreign exchange contracts are settled at specific time intervals and the major terms of the forward foreign exchange contracts are as follows:

Notional amount/ settlement interval	Maturity dates	Contracted Exchange rates	Fair value gain/(loss)	
			HK$'000	*HK$'000*
US$700,000 or US$2,100,000/month	24 May 2010	HK$7.735/US$1	–	(221)
US$700,000 or US$2,100,000/month	24 May 2010	HK$7.7499 to HK$7.7399/US$1	–	(274)
US$2,000,000 or HK$15,500,000/month	28 August 2009	HK$7.75/US$1	–	(25)
US$1,000,000 or HK$7,720,000/month	28 December 2009	HK$7.72/US$1	45	–
			45	(520)

The above derivatives are measured at fair values at each balance sheet date and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices and the fair values of foreign exchange forward contracts were provided by banks or financial institutions at the balance sheet dates. The loss on change in fair value of derivative financial instruments of HK$140,000 (2008: gain of HK$47,830,000) has been recognised in the consolidated income statement during the year.

23. Derivative Financial Assets/Liabilities (continued)

(B) Hedge of net investment in foreign operations

	The Group			
	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Foreign exchange forward contracts	**–**	**–**	1,702	(8,728)

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 2008

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain/(loss)	
			HK$'000	*HK$'000*
US$4,664,000/semi-annually	29 December 2008	BRL1.75	1,702	–
US$3,750,000/semi-annually	29 December 2008	BRL2.1765	–	(8,728)

During the year ended 30 June 2008, the Group entered into certain forward currency contracts designated as hedges in respect of the Group's investment in the operations of Brazil. No such forward currency contracts was entered into in the current year and remained outstanding as at 30 June 2009.

The terms of the forward currency contracts were negotiated to hedge the foreign operations, which were assessed to be highly effective.

During the prior year, the loss on such effective hedging instrument of HK$13,419,000 was recognised in the equity in the exchange reserve, which will be recognised in profit or loss on disposal of the foreign operations. As at 30 June 2008, the net fair value of the liabilities of hedging instrument amounted to HK$7,026,000.

24. Pledge of Assets

At 30 June 2009, the Group has pledged the following assets to secure general banking facilities granted to the Group (2008: granted to the Group and its associates). The carrying amounts of these assets are analysed as follows:

		The Group	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Property, plant and equipment	*15*	**136,829**	206,324
Prepaid lease payments for land	*16*	**101,236**	26,665
Trade debtors	*21*	**1,477**	25,869
Fixed bank deposits and bank balances		**48,136**	36,619
		287,678	295,477

25. Bank Balances and Cash (Including the Pledged Balances)

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
Renminbi ("RMB")	**60,403**	28,831
HK$	**43,682**	51,832
US$	**27,747**	23,194
RM	**7,314**	3,853
THB	**3,163**	1,648
EUR	**1,954**	10,166
BRL	**1,566**	1,547
SGD	**749**	1,365
Total	**146,578**	122,436

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For the year ended 30 June 2009

25. Bank Balances and Cash (Including the Pledged Balances) (continued)

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
HK$	**10,247**	689
US$	**14**	30
Total	**10,261**	719

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

26. Creditors, Other Advances and Accrued Charges

Included in the Group's creditors, other advances and accrued charges were trade creditors of HK$62,743,000 (2008: HK$108,527,000).

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**44,262**	73,224
31 – 60 days	**4,317**	24,428
61 – 90 days	**2,727**	8,152
Over 90 days	**11,437**	2,723
	62,743	108,527

27. Bills Payable

At 30 June 2008 and 2009, all bills payable aged within 90 days.

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For the year ended 30 June 2009

28. Obligations Under Finance Leases

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**5,034**	3,962	**4,077**	3,707
In the second to fifth years inclusive	**2,880**	3,969	**2,383**	3,469
	7,914	7,931		
Less: Future finance charges	**(1,454)**	(755)		
Present value of lease obligations	**6,460**	7,176	**6,460**	7,176
Less: Amount due within one year			**(4,077)**	(3,707)
Amount due after one year			**2,383**	3,469

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 8% (2008: 5%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

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29. Borrowings

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Borrowings are secured and are analysed as follows:		
Bank loans	**163,811**	166,006
Trust receipt loans	**26,810**	896
	190,621	166,902
Bank overdrafts	**–**	5,613
	190,621	172,515
The carrying amounts of borrowings repayable:		
Within one year	**185,846**	155,450
More than one year but not exceeding two years	**4,775**	5,688
More than two years but not exceeding five years	**–**	11,377
	190,621	172,515
Amount due within one year shown under current liabilities	**(185,846)**	(155,450)
Amount due over one year shown under non-current liabilities	**4,775**	17,065

The average effective interest rates of the bank borrowings and bank overdrafts range from 5.01% to 8.96% (2008: 5.25% to 15%) per annum.

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.

At 30 June 2009, the Group had available HK$187,967,000 (2008: HK$71,853,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 24.

30. Deferred Consideration Payable

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 the discount effect on deferred consideration of HK$4,179,000, the initial aggregate carrying value of the consideration was HK$80,847,000. The consideration is payable 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 would be repayable 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 above transaction was completed on 2 August 2006.

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.

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For the year ended 30 June 2009

31. Deferred Tax

The following is the major deferred tax (assets)/liabilities recognised by the Group and their movements:

	The Group						
	Accelerated tax depreciation	Properties	Tax losses	Allowance for doubtful debts	Write down of inventories	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2007	21,388	–	(239)	–	(1,175)	(5,506)	14,468
Exchange realignment	(665)	–	–	–	(240)	(863)	(1,768)
(Credit)/charge to the income statement for the year *(Note 11)*	(243)	–	(555)	–	33	2,266	1,501
Effect of change in tax rate	602	–	–	–	–	–	602
Reclassification of interest in a subsidiary into an associate *(Note 34)*	(15,948)	–	–	–	–	–	(15,948)
At 30 June 2008	5,134	–	(794)	–	(1,382)	(4,103)	(1,145)
Exchange realignment	(73)	–	–	–	298	832	1,057
(Credit)/charge to the income statement for the year *(Note 11)*	(229)	26	794	–	1,084	2,919	4,594
Effect of change in tax rate	(99)	–	–	–	–	–	(99)
Acquisition of subsidiaries under asset swap *(Note 35(i))*	14,514	7,360	–	–	–	–	21,874
At 30 June 2009	**19,247**	**7,386**	**–**	**–**	**–**	**(352)**	**26,281**

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:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Deferred tax liabilities	**26,281**	5,171
Deferred tax assets	**–**	(6,316)
	26,281	(1,145)

At 30 June 2009, the Group has unused tax losses of HK$152,217,000 (2008: HK$37,549,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses of HK$73,519,000 (2008: HK$6,527,000) may be carried forward indefinitely and the remaining amount of HK$78,698,000 (2008: HK$31,022,000) would expire in 2012.

The Group had no other significant unprovided deferred tax assets or liabilities at the balance sheet date (2008: HK$Nil).

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For the year ended 30 June 2009

32. Share Capital

	Number of shares		Share capital	
	2009	2008	**2009**	2008
	'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	**603,654**	489,154	**6,037**	4,892
Open offer of new shares *(Note (i))*	**2,414,617**	–	**24,146**	–
Placements of new shares *(Note (ii))*	**120,000**	97,000	**1,200**	970
Exercise of share options *(Note (iii))*	**30,180**	17,500	**302**	175
At end of the year	**3,168,451**	603,654	**31,685**	6,037

Notes:

(i) During the year ended 30 June 2009, 2,414,617,448 new ordinary shares of par value HK$0.01 each were issued under an open offer at a subscription price of HK$0.027 each at an aggregate consideration of HK$59,989,000, net of issuing expenses, of which HK$24,146,000 was credited to share capital and the remaining balance of HK$35,843,000 was credited to the share premium account.

(ii) During the year ended 30 June 2009, 120,000,000 (2008: 97,000,000) new ordinary shares of par value HK$0.01 each were issued at subscription price HK$0.066 (2008: HK$0.68) each to the then independent third parties of the Group at an aggregate consideration of HK$7,669,000 (2008: HK$63,966,000), net of issuing expenses, of which HK$1,200,000 (2008: HK$970,000) was credited to share capital and the remaining balance of HK$6,469,000 (2008: HK$62,996,000) was credited to the share premium account.

(iii) During the year ended 30 June 2009, 30,180,000 (2008: 17,500,000) new ordinary shares of par value HK$0.01 each were issued at subscription prices of HK$0.079 (2008: ranging from HK$0.24 to HK$0.32) each on exercise of 30,180,000 (2008: 17,500,000) (Note 39) share options at an aggregate consideration of HK$2,384,000 (2008: HK$5,126,000), net of issuing expenses, of which HK$302,000 (2008: HK$175,000) was credited to share capital and the remaining balance of HK$2,082,000 (2008: HK$4,951,000) was credited to the share premium account. In addition, an amount attributable to the related share options of HK$667,000 (2008: HK$496,000) has been transferred from share option reserve to the share premium account.

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

33. Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
The Company					
At 1 July 2007	160,800	738,559	1,760	(47,953)	853,166
Placement of new shares *(Note 32)*	62,996	–	–	–	62,996
Issue of shares upon exercise of share options *(Note 32)*	4,951	–	–	–	4,951
Transfer upon exercise of share options *(Note 32)*	496	–	(496)	–	–
Forfeiture of share options	–	–	(1,034)	1,034	–
Recognition of equity-settled share-based payments *(Note 39)*	–	–	4,814	–	4,814
Loss for the year	–	–	–	(8,578)	(8,578)
At 30 June 2008 and 1 July 2008	229,243	738,559	5,044	(55,497)	917,349
Open offer of new shares *(Note 32)*	35,843	–	–	–	35,843
Placement of new shares *(Note 32)*	6,469	–	–	–	6,469
Issue of shares upon exercise of share options *(Note 32)*	2,082	–	–	–	2,082
Transfer upon exercise of share options *(Note 32)*	667	–	(667)	–	–
Cancellation and lapse of share options	–	–	(5,044)	5,044	–
Recognition of equity-settled share-based payments *(Note 39)*	–	–	1,334	–	1,334
Loss for the year	–	–	–	(694,227)	(694,227)
At 30 June 2009	**274,304**	**738,559**	**667**	**(744,680)**	**268,850**

Notes: 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.

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible parties.

34. Deemed Disposal of Interest in a Listed Associate/Subsidiary, Disposal of Interest in a Listed Associate, Discount on Acquisition of Additional Interest in a Subsidiary

Year ended 30 June 2008

On 25 July 2007, Hua Yi Copper has placed 30,000,000 new shares to public shareholders and the Company's interest in Hua Yi Copper has been reduced from 59.74% to 57.19%. On 29 August 2007, 80,000,000 existing shares of Hua Yi Copper held by the Company have been sold to independent third parties and then Hua Yi Copper issued 80,000,000 shares to the Company. The Company's interest in Hua Yi Copper has been further reduced from 57.19% to 51.35%.

From December 2007 to January 2008, the exercise of 2,172,000 share options of Hua Yi Copper during the period has diluted the Company's interest in Hua Yi Copper from 51.35% to 51.21%. The above deemed disposal resulted in a gain on deemed disposal of partial interest in a listed subsidiary of approximately HK$20,430,000.

Pursuant to a sale and purchase agreement dated 7 October 2007 and subsequent supplemental agreement, entered into between Hua Yi Copper, the then listed subsidiary of the Company, and Belleview Global Limited (the "Vendor"), Hua Yi Copper has agreed to acquire the entire equity interest in Yeading Enterprises Limited ("Yeading") from the Vendor (the "Hua Yi Copper Acquisition") by way of (i) cash consideration of RMB55,000,000 (equivalent to HK$61,118,000); and (ii) share consideration of 100,000,000 ordinary shares of Hua Yi Copper.

After the Hua Yi Copper Acquisition completed on 22 April 2008, the Company's interest in Hua Yi Copper was reduced from 51.21% to 45.42%. As a result, Hua Yi Copper ceased to be the subsidiary of the Company and became an associate of the Company upon the completion of the Hua Yi Copper Acquisition on 22 April 2008. On the same day, the assets, liabilities and results of Hua Yi Copper were deconsolidated and the Group's interest in Hua Yi Copper was accounted for under equity method. Further details are set out in the Company's announcement dated 22 April 2008.

34. Deemed Disposal of Interest in a Listed Associate/Subsidiary, Disposal of Interest in a Listed Associate, Discount on Acquisition of Additional Interest in a Subsidiary (continued)

Year ended 30 June 2008 (continued)

The consolidated net assets of the Hua Yi Copper Group as at 22 April 2008 were as follows:

	Notes	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	*15*	181,854
Prepaid lease payments for land	*16*	46,875
Interest in a jointly-controlled entity		19,562
Loans receivable		16,574
Inventories		218,979
Debtors, other loans and receivables, deposits and prepayments		368,493
Bills receivable		5,920
Derivative financial assets		20,847
Bank balances and cash		102,038
Assets classified as held for sale		74,084
Creditors, other advances and accrued charges		(46,248)
Bills payable		(76,224)
Taxation		(5,595)
Obligations under finance leases		(117)
Borrowings		(454,283)
Liabilities associated with assets classified as held for sale		(9,434)
Deferred tax liabilities	*31*	(15,948)
Minority interests		(305,275)
		142,102
Loss on deemed disposal		9,079
Reclassified as an interest in an associate		318,703
Amount due to an associate		(185,680)
		142,102
Analysis of the net cash outflow:		
Cash consideration		–
Bank balances and cash disposed of		(102,038)
		(102,038)

34. Deemed Disposal of Interest in a Listed Associate/Subsidiary, Disposal of Interest in a Listed Associate, Discount on Acquisition of Additional Interest in a Subsidiary (continued)

Year ended 30 June 2009

On 22 January 2009, Hua Yi Copper, the then listed associate of the Group, has placed 104,000,000 new shares to public shareholders and the Company's interest in Hua Yi Copper has been reduced from 45.42% to 28.62%, resulting a loss on deemed disposal of partial interest of the listed associate of HK$54,595,000.

On 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party for the disposal of its entire 28.62% equity interest in Hua Yi Copper at a cash consideration of HK$23,760,000, net of direct costs incurred on disposal . The disposal was completed on 5 May 2009. A net loss on disposal of interest in the listed associate amounting to HK$89,736,000, including recognition of exchange reserve of HK$20,770,000 upon the disposal, was recognised in the profit or loss for the year.

During the current year, the Group acquired from the minority shareholder an additional 9.5% equity interest in a 90.5%-owned subsidiary at nil consideration, which then became 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$1,971,000 is recognised as discount on acquisition.

35. Acquisition and Disposal of Subsidiaries Under an Asset Swap Arrangement

On 5 December 2008, the Company, Chau's Industrial Investments Limited ("Chau's Industrial"), a wholly-owned subsidiary of the Company, Chau's Electrical Company Limited ("Chau's Electrical"), an indirect wholly-owned subsidiary of the Company, Hua Yi Copper, a then listed associate of the Group, and Wah Yeung Capital Resources Limited ("Wah Yeung"), an indirectly wholly-owned subsidiary of Hua Yi Copper, entered into three sale and purchase agreements and one set-off deed (collectively the "Asset Swap"), pursuant to which the Group agreed to acquire from Hua Yi Copper i) 100% equity interest in Modern China Enterprises Limited ("Modern China") and its subsidiaries (the "Modern China Group"); ii) 100% equity interest in Hua Yi Copper Products Company Limited ("HY Products") and its subsidiary (the "HY Products Group"); and iii) the unsecured and interest-free shareholder's loan owed by HY Products Group to Wah Yeung (the "HY Products Shareholder Loan") in the consideration for the Group's disposal of i) 100% equity interest in Solartech Enterprises Limited ("Solartech Enterprises") and its subsidiaries (the "Solartech Enterprises Group") and the unsecured and interest-free shareholder's loan owed by the Solartech Enterprises Group to Chau's Industrial (the "Solartech Enterprises Shareholder Loan"); and ii) 100% equity interest in Fund Resources Limited ("Fund Resources") and its subsidiary (the "Fund Resources Group"), and the unsecured and interest-free shareholder's loan owed by the Fund Resources Group to Chau's Electrical (the "Fund Resources Shareholder Loan"). An additional consideration of HK$20,000,000 is also payable by the Hua Yi Copper Group to the Group under the Asset Swap. The Asset Swap was completed on 4 February 2009. Further details are set out in the Company's circular dated 31 December 2008 and announcement dated 30 December 2008.

35. Acquisition and Disposal of Subsidiaries Under an Asset Swap Arrangement (continued)

(i) Acquisition of subsidiaries under the Asset Swap

Accordingly, the Modern China Group and the HY Products Group became subsidiaries of the Group and their results were consolidated to the Group's consolidated financial statements since the date of acquisition in the current year.

Details of net assets of subsidiaries acquired in the Asset Swap are as follows:

	Modern China Group			HY Products Group			
	Acquirees' carrying amount before the Asset Swap	**Fair value adjustments**	**Sub-total**	**Acquirees' carrying amount before the Asset Swap**	**Fair value adjustments**	**Sub-total**	**Fair value as at the completion date**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment *(Note 15)*	69,343	22,068	91,411	24,374	–	24,374	115,785
Prepaid lease payments for land *(Note 16)*	60,109	7,373	67,482	–	–	–	67,482
Loan receivable *(Note 21 (vi))*	44,407	–	44,407	–	–	–	44,407
Inventories	–	–	–	24,780	–	24.780	24,780
Debtors, deposits and prepayments	131,580	–	131,580	20,644	–	20,644	152,224
Bills receivable	20,949	–	20,949	–	–	–	20,949
Pledged deposits	13,636	–	13,636	13,915	–	13,915	27,551
Bank balances and cash	55,127	–	55,127	11,412	–	11,412	66,539
Creditors, other advances and accrued charges	(5,391)	–	(5,391)	(35,819)	–	(35,819)	(41,210)
Amount due to an associate	(18,853)	–	(18,853)	–	–	–	(18,853)
Bills payable	(75,000)	–	(75,000)	–	–	–	(75,000)
The HY Products Shareholder Loan	(107,570)	–	(107,570)	–	–	–	(107,570)
Taxation	–	–	–	(432)	–	(432)	(432)
Borrowings	(111,858)	–	(111,858)	(140,535)	–	(140,535)	(252,393)
Deferred tax liabilities *(Note 31)*	(10,620)	(7,360)	(17,980)	(3,894)	–	(3,894)	(21,874)
Net assets of the Modern China Group and the HY Products Group acquired							2,385
Assignment of the HY Products Shareholder Loan							107,570
							109,955
Satisfied by:							
Part of consideration on disposal of subsidiaries under the Asset Swap *(Note 35(ii))*							109,955

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35. Acquisition and Disposal of Subsidiaries Under an Asset Swap Arrangement (continued)

(i) Acquisition of subsidiaries under the Asset Swap (continued)

Since the acquisition from the Asset Swap, the Modern China Group and the HY Products Group contributed an aggregate amount of HK$119,721,000 to the Group's turnover and loss of HK$16,052,000 to the consolidated loss for the year ended 30 June 2009.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$1,945,938,000 and HK$715,849,000, respectively.

(ii) Disposal of subsidiaries under the Asset Swap

The assets and liabilities of the Solartech Enterprises Group and the Fund Resources Group disposed of in the Asset Swap are as follows:

	HK$'000
Property, plant and equipment *(Note 15)*	176,909
Prepaid lease payments for land *(Note 16)*	5,248
Prepayment for acquisition of property, plant and equipment	14,000
Inventories	16,303
Debtors, deposits and prepayments	34,929
Bills receivable	2,525
Bank balance and cash	3,857
Creditors, other advances and accrued charges	(26,149)
Amounts due to associates	(38,794)
The Solartech Enterprises Shareholder Loan and the Fund Resources Shareholder Loan	(167,064)
Taxation	(354)
Borrowings	(65,000)
Net deficiency in assets of the Solartech Enterprises Group and the Fund Resources Group	(43,590)
Assignment of the Solartech Enterprises Shareholder Loan and the Fund Resources Shareholder Loan	167,064
Exchange reserve realised upon disposal	(11,347)
Direct costs incurred for the disposal	3,506
Gain on the Asset Swap	14,322
	129,955
Consideration satisfied by:	
Net assets of the Modern China Group and the HY Products Group and the HY Products Shareholder Loan acquired *(Note 35(i))*	109,955
Amount due from the Hua Yi Copper Group as further consideration	20,000
	129,955

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35. Acquisition and Disposal of Subsidiaries Under an Asset Swap Arrangement (continued)

(ii) Disposal of subsidiaries under the Asset Swap (continued)

	HK$'000
Net cash inflow/(outflow) in Asset Swap:	
Bank balances and cash acquired	66,539
Bank balances and cash disposed of	(3,857)
	62,682

36. Capital Commitments

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Leasehold improvements	**–**	31
Plant and machinery	**2,086**	10,000
Equipment, furniture and fixtures	**–**	2,532
	2,086	12,563

37. 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:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**3,407**	104
In the second to fifth years inclusive	**2,378**	53
	5,785	157

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

38. Major Non-cash Transactions

During the year, prepayments for acquisition of property, plant and equipment with carrying amount of HK$1,843,000 (2008: HK$22,648,000) has been reclassified to property, plant and equipment which have been put into operation in the current year.

As disclosed in Notes 21 and 34, the Hua Yi Copper Group changed from associates to related parties of the Group pursuant to the Group's disposal of its entire interests thereon on 5 May 2009, and accordingly the Group amount due from the Hua Yi Copper Group's in the amount of HK$10,894,000 as at 5 May 2009 was reclassified from amounts due from associates into amounts due from related companies on the same date.

As disclosed in Note 15, additions to plant and machinery of the Group financed by new finance leases were HK$4,201,000 during the year.

39. Share Option Scheme

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 others providing similar services, 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 and others providing similar services, 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.

During the year, share-based payments of HK$1,334,000 (2008: HK$8,793,000) (Note 8) has been charged to consolidated income statement.

Notes to the Financial Statements

For the year ended 30 June 2009

39. Share Option Scheme (continued)

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

For the year ended 30 June 2009

					Number of share options					
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Outstanding at 1.7.2008	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 30.6.2009	Exercisable period
				HK$	*'000*	*'000*	*'000* *(Note 32(iii))*	*'000*	*'000*	
Director										
– Zhou Jin Hua	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	3,000	–	–	(3,000)	–	N/A
– Liu Jin Rong	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	1,500	–	–	(1,500)	–	N/A
– Chan Kwan Hung	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	4,500	–	–	(4,500)	–	N/A
Employees	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	15,600	–	–	(15,600)	–	N/A
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	6,670	–	–	(6,670)	–	N/A
Others	5 November 2007	1 August 2008 to 31 July 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	18,000	–	–	(18,000)	–	N/A
Employee	8 June 2009	9 June 2009 to 8 July 2011	Immediate on the grant date	0.079	–	60,360	(30,180)	–	30,180	9 June 2009 to 8 June 2011
					49,270	60,360	(30,180)	(49,270)	30,180	

Notes to the Financial Statements

For the year ended 30 June 2009

39. Share Option Scheme (continued)

For the year ended 30 June 2008

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Number of share options: Outstanding at 1.7.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2008	Exercisable period
				HK$	'000	'000	'000 (Note 32(iii))	'000	'000	
Director										
– Zhou Jin Hua	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	3,000	–	–	3,000	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
– Liu Jin Rong	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	1,500	–	–	1,500	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
– Chan Kwan Hung	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	4,500	–	–	4,500	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
Employees	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	15,600	–	–	15,600	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
Others	26 May 2005	26 May 2005 to 25 May 2008	Fully vested at date of grant	0.32	18,950	–	(11,600)	(7,350)	–	N/A
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	23,650	–	(5,900)	(11,080)	6,670	1 February 2007 to 31 January 2008 1 February 2008 to 31 January 2009
Others	5 November 2007	1 August 2008 to 31 July 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	18,000	–	–	18,000	1 August 2008 to 31 July 2011 1 August 2009 to 31 July 2011 1 August 2010 to 31 July 2011
					42,600	42,600	(17,500)	(18,430)	49,270	

39. Share Option Scheme (continued)

The fair value of share options granted to employees of the Group and other parties providing similar services during the year, 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	**8 June 2009**
Share price on the date of grant	**HK$0.069**
Exercise price	**HK$0.079**
Expected volatility	**96.61%**
Average expected life	**1 year**
Average risk-free rate	**0.19%**
Expected dividend yield	**Nil**

The volatility was generated from Bloomberg based on the Company's 360 days (2008: 400 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$0.067 (2008: HK$0.45).

At the balance sheet date and the date of the approval of these financial statements, the Company had 30,180,000 share options outstanding under the share option scheme, which represented approximately 0.95% of the Company's shares in issue. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 30,180,000 additional ordinary shares of the Company and additional share capital of HK$301,800 and share premium account of HK$2,082,000 (before issue expenses), respectively.

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

40. Retirement Benefits Scheme

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

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

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

The retirement benefits cost charged to the consolidated 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$5,063,000 (2008: HK$6,463,000).

Notes to the Financial Statements

For the year ended 30 June 2009

41. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following transactions with an associate:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Rental income of office premises	**251**	45
Rental expenses of staff quarters	**537**	217
Management fee expenses	**646**	353

During the year, the Group purchased goods from and sold goods to the associates and related companies (2008: associates) in the amount of HK$149,930,000 (2008: HK$85,216,000) and HK$1,498,000 (2008: HK$ Nil), respectively.

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

As at 30 June 2008, the Group has pledged certain deposits and bank balances and property, plant and equipment in the amount of HK$18,000,000 and corporate guarantees were given to secure banking facilities granted to an associate (Note 45) which were released pursuant to the Asset Swap.

Compensation of key management of the Group

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**9,726**	9,886
Contributions to retirement benefits schemes	**445**	40
Share-based payment	**–**	2,251
	10,171	12,177

42. Capital Risk Management

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

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 29 and obligations under finance leases in Note 28, bank balances and cash in Note 25 and equity attributable to equity holders of the Company, comprising share capital, reserves and retained profits/accumulated losses as disclosed in the consolidated statement of changes in equity.

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

The gearing ratio at the balance sheet dates was as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Debts	**197,081**	179,691
Cash and cash equivalents	**(146,578)**	(122,436)
Net debts	**50,503**	57,255
Equity	**626,000**	1,086,105
Net debt to equity ratio	**8%**	5%

43. Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2009 and 2008 may be categorised as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost	**372,352**	458,764
Derivative financial assets at fair value	**54**	1,702
Financial liabilities		
Financial liabilities measured at amortised cost	**449,704**	603,263
Derivative financial liabilities at fair value	**520**	9,171

44. Post Balance Sheet Date Events

(i) On 3 June 2009, the Company put forward a proposal to the shareholders to effect a capital reorganisation which involves (i) share consolidation: a consolidation of every 5 shares of HK$0.01 each into 1 consolidated share of HK$0.05 each; (ii) capital reduction: the par value of each consolidated shares will be reduced from HK$0.05 to HK$0.01 by the cancellation of HK$0.04 on each consolidated share; (iii) sub-division: each of the authorised but unissued consolidated shares into 5 ordinary shares of HK$0.01 each of the Company immediately after the capital reorganisation becoming effective (collectively the "Capital Reorganisation").

Following the implementation of the Capital Reorganisation set out above, the Company's authorized share capital will remain at HK$300,000,000 represented by 30,000,000,000 ordinary shares, and its issued share capital will be HK$6,336,904 represented by 633,690,362 shares of par value HK$0.01 each. The aggregate amount of HK$25,348,000 arising from the above Capital Reorganisation shall be transferred to the Company's contributed surplus account. Further details of which are set out in the announcement of the Company dated 3 June 2009.

All conditions of the Capital Reorganisation have been met and the Capital Reorganisation became effective on 10 July 2009.

(ii) On 10 July 2009, Venture Success Holdings Limited ("Venture Success"), the shareholder of the Company, the Company and the Kingston Securities Limited ("Kingston Securities") entered into a top-up placing and subscription agreement, whereby Venture Success appointed Kingston Securities as placing agent for the purpose to procure on a fully underwritten basis to the top-up placing shares. Pursuant to the top-up placing and subscription agreement, Venture Success has agreed to subscribe 126,730,000 new shares at HK$0.22 per share at an aggregate consideration before issuing expenses of HK$27,880,000, of which HK$1,267,000 was credited to share capital and the remaining balance of HK$26,613,000 was credited to the share premium account. The placement was completed on 21 July 2009. Further details are set out in the Company's announcement dated 10 July 2009.

(iii) On 28 August 2009, the Company and Kingston Securities entered into a placing agreement pursuant to which the Company has conditionally agreed to place through Kingston Securities on a fully underwritten basis to no fewer than six independent third parties, an aggregate of 152,000,000 shares at HK$0.14 per share at an aggregate consideration before issuing expenses of HK$21,280,000, of which HK$1,520,000 was credited to share capital and the remaining balance of HK$19,760,000 was credited to the share premium account. The placement was completed on 11 September 2009. Further details are set out in the Company's announcement date 28 August 2009.

45. Contingent Liabilities

As at 30 June 2008, corporate guarantees were given by the Group to secure banking facilities granted to an associate. The banking liabilities granted to the associate subject to guarantees given to the banks were utilised to the extent of approximately HK$185,529,000 which were released pursuant to the Asset Swap.

46. Comparative Amounts

(a) Reclassification of a listed subsidiary into an associate of HK$102,038,000 in financing activities in the 2008 consolidated cash flow statement has been reclassified to investing activities to conform with current year's classification.

(b) Decrease in pledged deposits and bank balances of HK$60,031,000 in investing activities in the 2008 consolidated cash flow statement has been reclassified to financing activities to confirm with current year's classification.

(c) Interests in associates of HK$322,417,000 included in "Other" in the balance sheet of segmental information in the 2008 financial statements has been reclassified to "Cables and Wires" and "Copper Rods" in the amounts of HK$12,245,000 and HK$310,172,000 respectively to conform with current year's classification.

Financial Summary

Results

The Group

	Year ended 30 June 2009 *HK$'000*	Year ended 30 June 2008 *HK$'000*	Year ended 30 June 2007 *HK$'000*	Year ended 30 June 2006 *HK$'000*	For the period from 1 April 2004 to 2005 *HK$'000* (Restated)
Turnover	**1,136,945**	3,493,526	3,859,828	2,115,548	2,056,288
(Loss)/profit before taxation	**(450,614)**	48,643	1,007	135,356	(50,544)
Taxation	**(20,391)**	(24,190)	(5,923)	(21,354)	(10,504)
(Loss)/profit for the year	**(471,005)**	24,453	(4,916)	114,002	(61,048)
(Loss)/profit attributable to:					
Equity holders of the Company	**(470,900)**	19,847	782	78,856	(60,659)
Minority interests	**(105)**	4,606	(5,698)	35,146	(389)
	(471,005)	24,453	(4,916)	114,002	(61,048)

Assets and liabilities

	At 30 June 2009 *HK$'000*	At 30 June 2008 *HK$'000*	At 30 June 2007 *HK$'000*	At 30 June 2006 *HK$'000*	At 30 June 2005 *HK$'000* (Restated)
Total assets	**1,110,281**	1,711,043	2,434,169	2,119,212	1,423,535
Total liabilities	**(484,281)**	(624,938)	(1,297,543)	(965,606)	(562,929)
	626,000	1,086,105	1,136,626	1,153,606	860,606
Attributable to:					
Equity holders of the Company	**625,500**	1,083,402	942,554	944,656	756,776
Minority interests	**500**	2,703	194,072	208,950	103,830
	626,000	1,086,105	1,136,626	1,153,606	860,606