Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

Interim Report 2009-2010

Contents

Corporate Information

Directors

Executive Directors

CHAU Lai Him
(Chairman and Managing Director)
ZHOU Jin Hua
(Deputy Chairman)
HO Pang Cheng Vincent
CHAN Sio Keong
LIU Dong Yang

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

Company Secretary

CHAN Kam Yee

Registered Office

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2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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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)

Bank of China Limited
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited

Management Discussion and Analysis

Financial Results
The Board announced that for the six months ended 31 December 2009 (the "period under review"), total turnover of the Company and its subsidiaries (the "**Group**") was approximately HK$827,059,000, an increase of 30.94% over turnover of approximately HK$631,642,000 for the corresponding period last year. During the period under review, the Company continued to rationalise its operations by disposing of part of its overseas businesses, which gave rise to impairment against the relevant business and its goodwill on its consolidated income statement in accordance with HKFRS. Loss attributable to shareholders was approximately HK$232,941,000, and the loss for the corresponding period of last year was approximately HK$217,007,000. Loss per share was approximately HK25.09 cents for the period (2008/09 interim: loss per share HK179.74 cents (restated)).

Interim Dividend
The Directors have resolved not to declare any interim dividend for the year ending 30 June 2010 (2008/09 interim: nil).

Business Review
During the period under review, the Group continued to rationalise its operations by focusing and deploying its resources on the businesses of cables and wires and the manufacture and trading of copper products, which are based in Mainland China.

By business segments, turnover of the cables and wires business was approximately HK$187,934,000, a decrease of 42.2% over the corresponding period last year, which accounted for 22.7% of the Group's total turnover. Turnover of the connectors and terminals/ wire harnesses business was approximately HK$469,391,000, an increase of 58.4% over the corresponding period last year, which accounted for 56.8% of the Group's total turnover. Turnover of the copper rod business was approximately HK169,702,000, accounting for 20.5% of the Group's turnover.

By geographical segments, turnover of the American business increased by 59.6% over the corresponding period last year to approximately HK$454,636,000, which accounted for 55.0% of the total turnover. Turnover of the Mainland China and Hong Kong business increased by 24.0% over the corresponding period last year to approximately HK$303,655,000, which accounted for 36.7% of the total turnover. Turnover of other Asian markets, decreased by 30.4% over the corresponding period last year to approximately HK$52,103,000, which accounted for 6.3% of the total turnover. Turnover of the European business also decreased by 38.2% over the corresponding period last year to approximately HK$16,665,000, which accounted for 2.0% of the total turnover.

Cables and Wires
Due to the financial tsunami in the United States, the impact of which was also felt worldwide, and the persistent worries over the prospects of global economic recovery has led to more cautious consumption, resulting in slowdown of sales. Accordingly, turnover of the cables and wires business fell as the Group's major customers are primarily manufacturers of white domestic appliances.

Connectors and Terminals/Wire Harnesses
The Group's subsidiaries, other than those based in Mainland China and Hong Kong, are primarily engaged in the connectors and terminals/wire harnesses business. On 31 December 2009, the Group announced that all its equity interests in such related business would be disposed of. It was expected that the Group would have had to inject resources continuously into such business for its operation and development (including significant investments in businesses which are scattered around in different developing countries), had it not been for the disposal. The disposal is currently proceeding and expected to be completed within the first half of 2010.

Copper Rod Business
The copper rod business comprises the manufacture and trading of copper rods and copper wires related products, which are primarily used in the production of supply wires or cables for home appliances, electronic products and infrastructure facilities. During the period under review, as international copper prices continued its upward trend, the Group took more cautious operating approach in strengthening the Group's control over risk of fluctuation in copper prices further by diverting most of the production capacity of its copper rod business in Dongguan to processing, with the fluctuations in finance costs and copper prices being borne by customers.

Subsequent to completion of the asset swap with Hua Yi Group on 4 February 2009, copper rod business became one of the Group's core operations again. During the period under review, turnover of copper rods and related products was approximately HK$169,702,000.

Prospects

Despite some signs of recovery, significant uncertainties remain in the global economic environment. However, the Directors believe that the Mainland China market will continue to offer strong opportunities going forward. Therefore, the Group will continue to focus and deploy its resources on the businesses of cables and wires and the manufacture and trading of copper products, which are based in Mainland China, subsequent to completion of the disposal of the connectors and terminals/wire harnesses business based outside China.

Coupled with the sustained growth in worldwide demand for mineral resources by countries, and the introduction of policies by Mongolia which are beneficial to domestic and overseas investors aimed at accelerating mining development, the Group, on 10 November 2009, has entered into a conditional agreement to acquire a copper-gold-silver mine in Mongolia, at a consideration of HK$1.5 billion (subject to adjustment), of which HK$68 million is to be paid in cash and the balance of HK$1.432 billion payable by the issue of convertible bonds. The acquisition is currently pending completion. The Board considers that the investment in the production of copper will provide an opportunity for the Group to broaden its sources of income by capitalising on the rising trend in copper prices. The acquisition will enable the Group to enter into this burgeoning sector. In recent years, fluctuations in copper price has a material impact on the profitability of the Company, and the production of copper in the mining area can be partially used for hedging purposes and as a raw material for Group's existing copper business, which facilitates the vertical integration of the Company's copper business.

Looking ahead, the Group will actively capitalise on any opportunities in its continual search and expansion of new businesses on the basis its existing businesses in order to diversify the Group's operations and broaden its sources of profit.

Employees and Remuneration Policies

As at 31 December 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 six months ended 31 December 2009, the Group had implemented a prudent financial management policy. As at 31 December 2009, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$176 million (30 June 2009: HK$147 million) and net current assets value of over approximately HK$114 million (30 June 2009: HK$113 million). The Group's gearing ratio as at 31 December 2009 was 0.42 (30 June 2009: 0.31), being a ratio of total bank borrowings of approximately HK$215 million (30 June 2009: HK$197 million) to shareholders' funds of approximately HK$507 million (30 June 2009: HK$626 million).

As at 31 December 2009, the Group had pledged certain properties, plants and machineries, land use rights, fixed bank deposits and trade debtors with an aggregate net book value of approximately HK$276 million (30 June 2009: HK$288 million) to secure general banking facilities granted to the Group.

As at 31 December 2009, the Company had issued guarantees to the extent of approximately HK$158 million (30 June 2009: HK$218 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$206 million (30 June 2009: HK$267 million) was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK$ 23.3 million (30 June 2009: HK$39 million) in respect of commodity trading of copper by its subsidiaries.

For the six months ended 31 December 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'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 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 the income statement. The net profit of the derivative financial instruments for the six months ended 31 December 2009 was approximately HK$5,059,000 (2008/09 interim: net loss of HK$1,228,000).

Significant Events

Capital Reorganisation

On 3 June 2009, the Board proposed that the Company proposed to implement the proposed reorganisation of the share capital of the Company (the "**Capital Reorganisation**") which involved (a) a consolidation of every five (5) Shares of HK$0.01 each into one (1) ordinary share of HK$0.05 each in the share capital of the Company immediately after share consolidation but before the Capital Reduction (as defined below) and the Subdivision (as defined below) (the "**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 (the "**Capital Reduction**"); and (c) a subdivision of each authorised but unissued Consolidated Share into five (5) Adjusted Shares of HK$0.01 each (the "**Subdivision**").

The Board believed that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole. The Board was of the opinion that the Capital Reorganisation would 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 would 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 would 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 Holdings Limited ("**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 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 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.

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 126,730,000 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 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 Third 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.

Fourth Placing of New Shares under Specific Mandate

On 15 October 2009, the Company and Kingston, as placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 400,000,000 new Shares to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) at a price of HK$0.135 per placing Share (the "**Fourth Placing**"). The net proceeds from the Fourth Placing amounted to approximately HK$52 million and were intended to be used for the possible acquisition of a copper-gold-silver mine in Mongolia and/or general working capital of the Group. The Shares were allotted and issued under the specific mandate granted to the Directors by the shareholders of the Company at the special general meeting of the Company held on 11 November 2009 and the Fourth Placing was completed on 20 November 2009. Details of the Fourth Placing were set out in the announcement of the Company dated 15 October 2009, the shareholders' circular issued by the Company on 23 October 2009 and the announcement of the Company dated 11 November 2009.

Very Substantial Acquisition in relation to a Possible Acquisition of a Copper-Gold-Silver Mine In Mongolia

On 10 November 2009, the Company entered into a sale and purchase agreement (the "**SPA**") in relation to an acquisition of Sun Progress Limited, a company incorporated under the laws of the British Virgin Islands which wholly-owns Ikh Shijir Erdene LLC, a company incorporated under the laws of Mongolia which in turn owns the Nergui mine, which is located at Delgerkhangai soum, Dundgobi aimag, Mongolia (the "**Possible Acquisition**"). The consideration payable under the SPA is HK$1,500,000,000 (subject to adjustment) and shall be satisfied by the Company at completion by (i) payment of HK$68,000,000 in cash; and (ii) the issuance by the Company of 3-year zero coupon unsecured convertible bond (the "**Convertible Bond**") with a face value of HK$1,432,000,000 (subject to adjustment). The Possible Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is conditional, amongst other things, on approval of the shareholders of the Company (the "**Shareholders**"). A circular containing, among other things, details of the Possible Acquisition together with a notice convening the special general meeting in relation thereto will be despatched to the Shareholders as soon as practicable. The Company has applied to the Stock Exchange for a further extension of time for dispatch of the circular to on or before 9 April 2010. Details of the Possible Acquisition were set out in the announcements of the Company dated 30 November 2009, 21 December 2009, 12 February 2010 and 15 March 2010.

Disposal of Interests in Subsidiaries Constituting A Very Substantial Disposal

On 31 December 2009, Chau's Industrial Investments Limited, a wholly-owned subsidiary of the Company, as vendor entered into a conditional sale and purchase agreement with the Perfect Asset Investments Limited, an investment holding company of Mr. Lau Man Tak ("**Mr. Lau**"), as purchaser in relation to the disposal of (i) the entire issued share capital in New Universe Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company (which indirectly holds 90% of equity interests in Brascabos Componentes Eletricos e Eletronicos Limitada ("**Brascabos**")) and (ii) 10% of the equity interest in Brascabos for an aggregate consideration of HK$30 million (the "**Disposal**"). Mr. Lau is an Independent Third Party and was a director of the Company from 4 January 2002 to 31 March 2007. The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is conditional, amongst other things, on Shareholders' approval. A circular containing, among other things, details of the Disposal together with a notice convening the special general meeting in relation thereto will be despatched to the Shareholders as soon as practicable. The Company has applied to the Stock Exchange for a further extension of time for despatch of the circular to on or before 9 April 2010. Details of the Disposal were set out in the announcements of the Company dated 8 January 2010, 29 January 2010 and 12 March 2010.

Fifth Placing of New Shares under General Mandate

On 15 January 2010, the Company and Kingston, as placing agent, entered into a conditional placing agreement, pursuant to which the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, an aggregate of 262,000,000 new Shares, to independent investors at a price of HK$0.12 per placing Share (the "**Fifth Placing**"). The net proceeds from the Fifth Placing amounted to approximately HK$30.5 million and were intended to be used for general working capital of the Group. The 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 23 November 2009 and the Fifth Placing was completed on 27 January 2010. Details of the Fifth Placing were set out in the announcement of the Company dated 15 January 2010.

Conditional Placing of New Shares under Specific Mandate

On 9 February 2010, the Company and Kingston, as placing agent, entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 2,000,000,000 new Shares, by a maximum of four tranches (in which each tranche shall not be less than 500,000,000 new Shares, save for the last tranche), to independent investors at a price of HK$0.10 per placing Share (the "**Conditional Placing**"). The maximum net proceeds from the Placing will amount to approximately HK$194 million which is intended to be used as to approximately HK$100 million for the repayment of bank loans and approximately HK$38 million as to the Possible Acquisition. The remainder of the net proceeds of approximately HK$56 million are intended to be used for general working capital purposes or possible investment in the future, yet no concrete investment plans have been finalised at this stage. The maximum number of 2,000,000,000 placing Shares to be placed under the placing agreement will be issued pursuant to a specific mandate to be obtained at the special general meeting of Shareholders which will be held on 23 March 2010. Details of the Conditional Placing were set out in the announcement of the Company dated 9 February 2010 and the shareholders' circular issued by the Company on 5 March 2010.

Directors' Interests in Securities of the Company

As at 31 December 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	134,804,297 (Note)	10.27%

Note: These Shares are held by Venture Success Holdings Limited which is wholly owned by Mr. Chau Lai Him who is the Chairman and Managing Director of the Company.

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 31 December 2009.

Save as disclosed herein, none of the directors of the Company is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 31 December 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 (Note)	Beneficial owner	134,804,297	10.27%

Note: Venture Success Holdings Limited is wholly owned by Mr. Chau Lai Him who is the Chairman and Managing Director of the Company.

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

Name of the Company's subsidiary	Substantial shareholder of such subsidiary	Nature of interest	Number of existing shares/ fully paid registered capital	Percentage of issued share capital/ registered capital
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.	Luckyman Assets Management Limited	Beneficial owner	HK$6,750,000	14.24%

Save as disclosed above, so far as is known to any of the directors and chief executives of the Company, as at 31 December 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 its old share option scheme adopted in 1996.

The following table sets out the changes in the Company's outstanding share options under the New Share Option Scheme during the six months ended 31 December 2009:

				Number of share options			
Capacity	Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.7.2009	Adjusted during the period	Exercised during the period	Outstanding at 31.12.2009
Employee	8 June 2009	9 June 2009 to 8 June 2011	0.395 (Note)	30,180,000	(24,144,000) (Note)	–	6,036,000
				30,180,000	(24,144,000)	–	6,036,000

Note:

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 share on the Stock Exchange for the five business days immediately preceding the date of grant was HK$0.079.

Upon the Capital Reorganisation becoming effective on 10 July 2009, the number of Shares falling to be issued upon exercise of the outstanding Share Options was adjusted from 30,180,000 to 6,036,000 and the exercise price of HK$0.079 per Share in respect of the outstanding Share Options was adjusted to HK$0.395 per Share.

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 six months ended 31 December 2009.

Compliance With the Code on Corporate Governance Practices

During the six months ended 31 December 2009 (the "Period"), 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 Period, 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 has reviewed the audited interim results for the six months ended 31 December 2009 and they agreed with the accounting treatment adopted.

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 six months ended 31 December 2009.

On behalf of the Board
Chau Lai Him
Chairman and Managing Director

Hong Kong SAR, 22 March 2010

Independent Auditors' Report

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傳真:(八五二)二八一五 二二三九

To the Board of Directors 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 13 to 70, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 July 2009 to 31 December 2009, 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 these 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 these financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 31 December 2009 and of the loss and cash flows of the Group for the period from 1 July 2009 to 31 December 2009 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.

Emphasis of Matter

Without qualifying our opinion, we draw to your attention that the comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 31 December 2008 disclosed in these financial statements have not been audited in accordance with Hong Kong Standards of Auditing.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate number P05308

Hong Kong, 22 March 2010

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2009

	Notes	Continuing operations For the six months ended 31 December 2009 HK$'000	Continuing operations 2008 HK$'000 (Unaudited)	Discontinued operations For the six months ended 31 December 2009 HK$'000	Discontinued operations 2008 HK$'000 (Unaudited)	Total For the six months ended 31 December 2009 HK$'000	Total 2008 HK$'000 (Unaudited)
Turnover	6	**357,668**	335,277	**469,391**	296,365	**827,059**	631,642
Cost of sales		**(329,745)**	(357,250)	**(375,593)**	(245,072)	**(705,338)**	(602,322)
Gross profit/(loss)		**27,923**	(21,973)	**93,798**	51,293	**121,721**	29,320
Interest income		**349**	377	**3**	1,045	**352**	1,422
Other income		**747**	2,973	**3,134**	1,513	**3,881**	4,486
General and administrative expenses		**(40,186)**	(51,779)	**(51,136)**	(31,766)	**(91,322)**	(83,545)
Selling and distribution expenses		**(5,688)**	(7,202)	**(4,755)**	(7,667)	**(10,443)**	(14,869)
Reversal of allowance/(impairment loss recognised) for doubtful debts	21	**(1,169)**	–	**889**	–	**(280)**	–
Change in fair value of derivative financial instruments	23	**5,059**	(1,228)	**–**	–	**5,059**	(1,228)
Share of results of associates	18	**(1,881)**	(139,428)	**–**	–	**(1,881)**	(139,428)
Impairment loss arising from adjustment to fair value less costs to sell	32	**–**	–	**(230,418)**	–	**(230,418)**	–
Finance costs	10	**(6,950)**	(6,804)	**(571)**	(809)	**(7,521)**	(7,613)
Loss before taxation	8	**(21,796)**	(225,064)	**(189,056)**	13,609	**(210,852)**	(211,455)
Taxation	11	**1,082**	(1,076)	**(23,171)**	(4,541)	**(22,089)**	(5,617)
(Loss)/profit for the period		**(20,714)**	(226,140)	**(212,227)**	9,068	**(232,941)**	(217,072)
Other comprehensive income:							
Exchange differences on translating foreign operations		**(3,312)**	17,037	**17,443**	(54,960)	**14,131**	(37,923)
Other comprehensive income for the period		**(3,312)**	17,037	**17,443**	(54,960)	**14,131**	(37,923)
Total comprehensive income for the period		**(24,026)**	(209,103)	**(194,784)**	(45,892)	**(218,810)**	(254,995)
(Loss)/profit for the period attributable to:							
Owners of the Company	12	**(20,714)**	(226,140)	**(212,227)**	9,133	**(232,941)**	(217,007)
Non-controlling interests		**–**	–	**–**	(65)	**–**	(65)
		(20,714)	(226,140)	**(212,227)**	9,068	**(232,941)**	(217,072)
Total comprehensive income attributable to:							
Owners of the Company		**(24,026)**	(209,103)	**(194,784)**	(45,700)	**(218,810)**	(254,803)
Non-controlling interests		**–**	–	**–**	(192)	**–**	(192)
		(24,026)	(209,103)	**(194,784)**	(45,892)	**(218,810)**	(254,995)
							Restated
Loss per share:	14						
from continuing and discontinued operations – Basic and diluted (HK cents)						**(25.09)**	(179.74)
from continuing operations – Basic and diluted (HK cents)						**(2.23)**	(187.31)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	31 December 2009 HK$'000	30 June 2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	310,229	411,412
Prepayment for acquisition of property, plant and equipment	15	1,600	1,600
Prepaid lease payments for land	16	96,794	105,394
Interests in associates	18	9,429	11,310
Goodwill	19	–	23,389
Total non-current assets		418,052	553,105
Current assets			
Inventories	20	115,411	178,284
Debtors, other loans and receivables, deposits and prepayments	21	133,118	212,602
Bills receivable	22	18,117	13,172
Prepaid lease payments for land	16	2,602	2,593
Derivative financial assets	23	788	54
Tax recoverable		465	3,893
Pledged deposits and bank balances	24, 25	45,104	48,136
Bank balances and cash	25	130,703	98,442
		446,308	557,176
Assets classified as held for sale	32	162,931	–
Total current assets		609,239	557,176
Current liabilities			
Creditors, other advances and accrued charges	26	53,782	138,805
Bills payable	27	84,100	107,144
Taxation		327	7,776
Obligations under finance leases	28	860	4,077
Borrowings	29	214,314	185,846
Derivative financial liabilities	23	–	520
Deferred consideration payable	30	6,750	–
		360,133	444,168
Liabilities associated with assets classified as held for sale	32	134,931	–
Total current liabilities		495,064	444,168
Net current assets		114,175	113,008
Total assets less current liabilities		532,227	666,113

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	31 December 2009 HK$'000	30 June 2009 HK$'000
Non-current liabilities			
Obligations under finance leases	28	–	2,383
Borrowings	29	–	4,775
Deferred consideration payable	30	–	6,674
Deferred tax liabilities	31	25,030	26,281
Total non-current liabilities		25,030	40,113
Total Net assets		507,197	626,000
EQUITY			
Capital and reserves			
Share capital	33	13,124	31,685
Reserves		479,736	593,815
Reserves of disposal group classified as held for sale	32	13,837	–
Equity attributable to owners of the Company		506,697	625,500
Non-controlling interests		500	500
Total equity		507,197	626,000

The accompanying notes form part of these financial statements.

Statement of Financial Position

At 31 December 2009

	Notes	31 December 2009 HK$'000	30 June 2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	**360,530**	350,678
Current assets			
Deposits and prepayments		**206**	345
Bank balances and cash	25	**37,632**	10,261
Total current assets		**37,838**	10,606
Current liabilities			
Other advances and accrued charges		**132**	192
Amounts due to subsidiaries	17	**60,557**	60,557
Total current liabilities		**60,689**	60,749
Net current liabilities		**(22,851)**	(50,143)
Net assets		**337,679**	300,535
EQUITY			
Capital and reserves			
Share capital	33	**13,124**	31,685
Reserves	34	**324,555**	268,850
Total equity		**337,679**	300,535

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 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 options reserve of a listed associate HK$'000	Non-controlling interests HK$'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
Total comprehensive income for the period	–	–	–	(37,796)	–	–	(217,007)	(254,803)	–	(192)	(254,995)
Cancellation and lapse of share options	–	–	–	–	–	(5,044)	9,839	4,795	(4,795)	–	–
At 31 December 2008 (unaudited)	6,037	229,243	587,012	24,376	11,549	–	(29,618)	828,599	–	2,511	831,110
Total comprehensive income for the period	–	–	–	11,535	–	–	(253,893)	(242,358)	–	(40)	(242,398)
Open offer of new shares (Note 33(iii))	24,146	35,843	–	–	–	–	–	59,989	–	–	59,989
Placement of new shares (Note 33(ii))	1,200	6,469	–	–	–	–	–	7,669	–	–	7,669
Issue of shares upon exercise of share options (Note 33(iv))	302	2,082	–	–	–	–	–	2,384	–	–	2,384
Transfer upon exercise of share options (Note 33(iv))	–	667	–	–	–	(667)	–	–	–	–	–
Release upon disposal of interests in a listed associate and asset swap (Notes 35 & 36)	–	–	–	(32,117)	–	–	–	(32,117)	–	–	(32,117)
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	–	–	–	–	–	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 six months ended 31 December 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 HK$'000	Discontinued operations HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2009	31,685	274,304	587,012	3,794	5,652	667	(277,614)	–	625,500	500	626,000
Total comprehensive income for the period	–	–	–	14,131	–	–	(232,941)	–	(218,810)	–	(218,810)
Capital reorganisation (Note 33(i))	(25,348)	–	25,348	–	–	–	–	–	–	–	–
Placements of new shares (Note 33(ii))	6,787	93,220	–	–	–	–	–	–	100,007	–	100,007
Discontinued operations (Note 32)	–	–	–	(13,837)	–	–	–	13,837	–	–	–
At 31 December 2009	13,124	367,524	612,360	4,088	5,652	667	(510,555)	13,837	506,697	500	507,197

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 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.

Consolidated Statement of Cash Flows

For the six months ended 31 December 2009

	Notes	For the six months ended 31 December 2009 HK$'000	2008 HK$'000 (Unaudited)
Operating activities			
Loss before taxation (continuing and discontinued operations)		**(210,852)**	(211,455)
Adjustments for:			
Loss on disposal of property, plant and equipment	8	**4,518**	2,480
Depreciation of property, plant and equipment	8	**26,835**	25,876
Charge of prepaid lease payments for land	8	**1,391**	590
Change in fair value of derivative financial instruments		**(5,059)**	1,228
Write-down/(write-back) of inventories	8	**15,304**	(11,541)
Impairment loss recognised for doubtful debts, net		**280**	–
Share of results of associates		**1,881**	139,428
Impairment loss arising from adjustment to fair value less costs to sell		**230,418**	–
Interest income	8	**(352)**	(1,422)
Finance costs	10	**7,521**	7,613
Operating profit/(loss) before working capital changes		**71,885**	(47,203)
(Increase)/decrease in inventories		**(40,314)**	83,325
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments		**(78,138)**	95,499
Increase in bills receivable		**(4,945)**	(6,754)
Increase/(decrease) in creditors, other advances and accrued charges		**39,374**	(39,086)
(Decrease)/increase in bills payable		**(23,044)**	2,402
Decrease/(increase) in derivative financial instruments		**3,805**	(8,697)
Decrease in amount due to an associate		**–**	(52,943)
Cash (used in)/generated from operations		**(31,377)**	26,543
Taxation paid		**(23,268)**	(5,339)
Net cash (used in)/generated from operating activities		**(54,645)**	21,204

Consolidated Statement of Cash Flows

For the six months ended 31 December 2009

	Note	For the six months ended 31 December 2009 HK$'000	2008 HK$'000 (Unaudited)
Investing activities			
Interest received		352	1,422
Purchases of property, plant and equipment		(14,913)	(20,025)
Proceeds from disposal of property, plant and equipment		–	4,163
Prepayments made for acquisition of property, plant and equipment		–	(8,995)
Payment of deferred consideration		–	(6,825)
Net cash used in investing activities		(14,561)	(30,260)
Financing activities			
Interest paid on borrowings		(7,036)	(6,642)
Interest paid on finance leases		(409)	(152)
Proceeds from placements of shares		100,007	–
New borrowings raised		118,092	109,279
Decrease/(increase) in pledged deposits and bank balances		3,032	(259)
Repayment of obligations under finance leases		(1,831)	(3,761)
Repayment of borrowings		(94,399)	(121,142)
Net cash generated from/(used in) financing activities		117,456	(22,677)
Net increase/(decrease) in cash and cash equivalents		48,250	(31,733)
Cash and cash equivalents at beginning of the period		98,442	85,817
Effect of foreign exchange rate changes		5,919	(5,538)
Cash and cash equivalents at end of the period		152,611	48,546
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		130,703	50,799
Bank overdrafts		–	(2,253)
		130,703	48,546
Bank balances and cash attributable to assets classified as held for sale	32	21,908	–
		152,611	48,546

The accompanying notes form part of these financial statements.

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 interim 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 optical fibre cable and related products

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) The Group has adopted the following new/revised HKFRSs 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.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

The adoption of the above new/revised HKFRSs had no material effect on the financial statements of the Group for both current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised) and other changes as set out below. All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards. The statements of financial position, previously known as balance sheets, at the beginning of the year ended 30 June 2009 have not been presented as there were no changes to the originally published statements.

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

HKAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions are recognised within equity and no longer give rise to goodwill, nor gain from bargain purchase. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by HKFRS 3 (Revised) and HKAS 27 (Amended) affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

HKFRS 8 supersedes HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, there are no changes to the operating segments and the results of operating segments on the adoption of HKFRS 8.

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

(b) Potential impact arising on HKFRSs not yet effective

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

		Effective date
HKFRSs (Amendments)	Improvements to HKFRSs 2009	(i)
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions	(i)
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(ii)
HKAS 24 (Revised)	Related Party Disclosures	(iii)
HKFRS 9	Financial Instruments	(iv)

Effective date:

(i) Annual periods beginning on or after 1 January 2010
(ii) Annual periods beginning on or after 1 July 2010
(iii) Annual periods beginning on or after 1 January 2011
(iv) Annual periods beginning on or after 1 January 2013

The amendment to HKAS 17 made under the "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 period are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Business combinations

Acquisition of subsidiaries and business is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell. Acquisition costs incurred are expensed.

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

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 statement of financial position 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.

3. Significant Accounting Policies (Continued)

Associates (Continued)

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 statement of financial position 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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposed group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Goodwill

Goodwill arising on 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 period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial period. 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 in the profit or loss. 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.

3. Significant Accounting Policies (Continued)

Cash and cash equivalents

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

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 profit or loss 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, or administrative purposes, 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%

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.

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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

Recoverable amount is the higher of fair value less costs 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 or loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately 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 inventories, 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 costs necessary to make the sale.

Income taxes

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 period. Taxable profit differs from profit as reported in consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods 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 at the end of reporting period.

3. Significant Accounting Policies (Continued)

Income taxes (Continued)

(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 profits, and is accounted for using the 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 the end of each reporting period 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 at the end of reporting period. 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 end of reporting period, 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.

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 consolidated statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

3. Significant Accounting Policies (Continued)

Foreign currencies

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

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

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

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.

Financial instruments

Financial assets and financial liabilities are recognised 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. Subsequent to initial recognition, loans and receivables (including debtors, other loans and receivables, bills receivable and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

The Group assesses at the end of each reporting period whether there is any objective evidence a financial asset or a group of financial assets is impaired. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and has an impact on the estimated future cash flows of the financial assets. Evidence of impairment may include indications that a significant financial difficulty of the debtor; a breach of contract; granting concession to debtor with financial difficulty; or it become probable that the debtor will enter bankruptcy or other financial reorganisation. The impairment 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. The Group derecognises a financial asset only when the contractual rights to the cash flows form the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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 an entity after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

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

Financial guarantee contract issued by the Group 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.

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 the end of each reporting period. 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.

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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition

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.

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 end of each reporting period, 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 is recognised in profit or loss as share-based payments.

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

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

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.

3. Significant Accounting Policies (Continued)

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the period 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 period are discussed as below.

Net realisable value of inventories

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

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis 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, bills receivable, derivative financial assets and liabilities, creditors, bills payable, obligations under finance leases, borrowings, and deferred consideration payable. 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 statement of financial position. In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

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.

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

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 31 December 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 for the period and accumulated losses by approximately HK$2,061,000 (six months ended 31 December 2008: increase/decrease the loss of HK$1,716,000 (unaudited)).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the six months ended 31 December 2008.

5. Financial Risk Management (Continued)

a. Financial risk management objectives and policies (Continued)

Liquidity risk

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

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

The Group	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
31 December 2009					
Borrowings	**214,314**	**220,398**	**220,398**	**–**	**–**
Obligations under finance leases	**860**	**890**	**890**	**–**	**–**
Creditors, other advances and accrued charges, and bills payable	**137,882**	**137,882**	**137,882**	**–**	**–**
Deferred consideration payable	**6,750**	**6,790**	**6,790**	**–**	**–**
	359,806	**365,960**	**365,960**	**–**	**–**
Derivative financial liabilities	**–**	**–**	**–**	**–**	**–**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
30 June 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	439,903	10,506	3,343
Derivative financial liabilities	520	520	–	–	–

5. Financial Risk Management (Continued)

a. Financial risk management objectives and policies (Continued)

Liquidity risk

The Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
31 December 2009					
Amounts due to subsidiaries	60,557	60,557	60,557	–	–
Other advances and accrued charges	132	132	132	–	–
	60,689	60,689	60,689	–	–
Financial guarantee issued					
Maximum amount guaranteed	–	–	56,604	–	–

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
30 June 2009					
Amounts due to subsidiaries	60,557	60,557	60,557	–	–
other advances and accrued charges	192	192	192	–	–
	60,749	60,749	60,749	–	–
Financial guarantee issued					
Maximum amount guaranteed	–	–	32,055	–	–

Copper price risk

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

At 31 December 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 for the period and accumulated losses by approximately HK$2,148,000 (six months ended 31 December 2008: HK$Nil (unaudited)) in respect of the instruments outstanding throughout the period.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the six months ended 31 December 2008.

5. Financial Risk Management (Continued)

b. Fair value

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

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

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

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

Level 1 – Quoted price (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

At 31 December 2009, the Group's derivatives are measured at fair value. During the period, there are no significant transfers between Level 1 and Level 2.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Copper future contracts	769	–	–	769
Foreign exchange forward contracts	–	19	–	19
	769	19	–	788

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 period.

7. Segmental Information

(a) Reportable segments

The Group manages its business by divisions, which are organised by a mixture of both business lines and geography. The Group's reportable segments under HKFRS 8 do not differ materially from those previously under HKAS 14 and are therefore as follows:

(i) manufacture and trading of cables and wires;

(ii) copper rods; and

(iii) connectors and terminals.

As detailed in Note 32, on 31 December 2009, the Company entered into a conditional sale and purchase agreement to dispose of its business of the manufacture and trading of connectors and terminals. Further details are set out in the Company's announcement dated 8 January 2010. Accordingly, the business segment of manufacture and trading of connectors and terminals was classified as discontinued operations. The comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period.

For the six months ended 31 December 2009

	Continuing operations				Discontinued operations		
	Cables and wires HK$'000	Copper rods HK$'000	Other HK$'000	Total HK$'000	Connectors and terminals HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	187,934	169,702	32	357,668	469,391	–	827,059
Inter-segment revenue	7,361	54,618	–	61,979	155	(62,134)	–
Reportable segment revenue	195,295	224,320	32	419,647	469,546	(62,134)	827,059
Inter-segment revenue are charged at cost							
Reportable segment profit/(loss)	(10,475)	(1,581)	2,570	(9,486)	(188,901)	–	(198,387)
Finance costs							7,521
Impairment loss recognised/(reversal of allowance) for doubtful debts	1,065	104	–	1,169	(889)	–	280
Change in fair value of derivative financial instruments	(1,184)	(1,390)	(2,485)	(5,059)	–	–	(5,059)
Share of results of associates	1,881	–	–	1,881	–	–	1,881
Impairment loss arising from adjustment to fair value less costs to sell	–	–	–	–	230,418	–	230,418
Depreciation	8,561	4,658	984	14,203	8,693	–	22,896
Unallocated							3,939
							26,835
Taxation	(612)	(470)	–	(1,082)	23,171	–	22,089

7. Segmental Information (Continued)

(a) Reportable segments (Continued)

For the six months ended 31 December 2008 (Unaudited)

	Continuing operations				Discontinued operations		
	Cables and wires HK$'000	Copper rods HK$'000	Other HK$'000	Total HK$'000	Connectors and terminals HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	324,927	–	10,350	335,277	296,365	–	631,642
Inter-segment revenue	12,931	–	–	12,931	82	(13,013)	–
Reportable segment revenue	337,858	–	10,350	348,208	296,447	(13,013)	631,642
Inter-segment revenue are charged at cost							
Reportable segment profit/(loss)	(68,590)	(139,033)	(3,719)	(211,342)	15,322	–	(196,020)
Finance costs							7,613
Change in fair value of derivative financial instruments	1,228	–	–	1,228	–	–	1,228
Share of results of associates	395	139,033	–	139,428	–	–	139,428
Depreciation	13,763	–	1,046	14,809	7,118	–	21,927
Unallocated							3,949
							25,876
Taxation	1,076	–	–	1,076	4,541	–	5,617

As at 31 December 2009

	Continuing operations				Discontinued operations	
	Cables and wires HK$'000	**Copper rods HK$'000**	**Other HK$'000**	**Total HK$'000**	**Connectors and terminals HK$'000**	**Total HK$'000**
Reportable segment assets	**407,918**	**379,192**	**30,835**	**817,945**	**162,931**	**980,876**
Additions to non-current assets	**2,293**	**153**	**–**	**2,446**	**12,788**	**15,234**
Reportable segment liabilities	**107,645**	**244,277**	**1,653**	**353,575**	**134,931**	**488,506**

As at 30 June 2009

	Continuing operations					
	Cables and wires HK$'000	Copper rods HK$'000	Other HK$'000	Total HK$'000	Connectors and terminals HK$'000	Total HK$'000
Reportable segment assets	414,583	358,009	37,207	809,799	292,191	1,101,990
Additions to non-current assets	4,924	–	–	4,924	37,824	42,748
Reportable segment liabilities	111,012	238,703	1,710	351,425	87,791	439,216

7. Segmental Information (Continued)

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

	For the six months ended 31 December 2009 HK$'000	2008 HK$'000 (Unaudited)
Loss before taxation and discontinued operations		
Reportable segment profit/(loss)	**(198,387)**	(196,020)
Segment loss/(gain) from discontinued operations	**189,056**	(13,609)
Unallocated corporate expenses	**(4,944)**	(7,822)
Finance costs	**(7,521)**	(7,613)
Consolidated loss before taxation from continuing operations	**(21,796)**	(225,064)

	31 December 2009 HK$'000	30 June 2009 HK$'000
Assets		
Reportable segment assets	**817,945**	1,101,990
Segment assets of discontinued operations	**162,931**	–
Unallocated corporate assets	**46,415**	8,291
Consolidated total assets	**1,027,291**	1,110,281
Liabilities		
Reportable segment liabilities	**353,575**	439,216
Segment liabilities of discountinued operations	**134,931**	–
Current tax liabilities	**327**	7,776
Deferred tax liabilities	**25,030**	26,281
Unallocated corporate liabilities	**6,231**	11,008
Consolidated total liabilities	**520,094**	484,281

7. Segmental Information (Continued)

(c) Geographic information

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

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

	For the six months ended 31 December	
	2009	2008
	HK$'000	HK$'000
		(Unaudited)
Mainland China	**278,648**	210,316
Americas	**41,326**	55,008
Europe	**15,613**	26,577
Hong Kong	**10,177**	23,273
Other Asian regions	**11,904**	20,103
	357,668	335,277

	Specified non-current assets	
	2009	2008
	HK$'000	HK$'000
		(Unaudited)
Mainland China	**404,147**	433,780
Americas	**13,423**	70,452
Europe	**124**	398
Hong Kong	**358**	36,877
Other Asian regions	**–**	11,598
	418,052	553,105

(d) Information about major customer

During the current period, a customer contributed revenues of HK$30,052,000 (six months ended 31 December 2008: HK$41,034,000 (unaudited)) and HK$253,502,000 (six months ended 31 December 2008: HK$186,461,000 (unaudited)) to the Group's cables and wires segment and connectors and terminals segment, respectively.

8. Loss Before Taxation

	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000 (Unaudited)	**HK$'000**	HK$'000 (Unaudited)	**HK$'000**	HK$'000 (Unaudited)
Loss before taxation has been arrived at after charging:						
Auditors' remuneration	**595**	232	**443**	–	**1,038**	232
Depreciation of property, plant and equipment	**18,142**	18,758	**8,693**	7,118	**26,835**	25,876
Cost of inventories (Note)	**329,745**	357,250	**375,593**	245,072	**705,338**	602,322
Write-down/(back) of inventories, net	**1,417**	(11,541)	**13,887**	–	**15,304**	(11,541)
Charge of prepaid lease payments for land	**1,301**	500	**90**	90	**1,391**	590
Operating lease rentals in respect of rental premises	**753**	786	**567**	751	**1,320**	1,537
Loss on disposal of property, plant and equipment	**200**	228	**4,318**	2,252	**4,518**	2,480
Exchange losses, net	**284**	256	**–**	–	**284**	256
Wages, salaries and pension attribution including directors' remuneration (Notes 41 and 9)	**16,612**	24,350	**64,177**	46,729	**80,789**	71,079
and after crediting:						
Exchange gains, net	**–**	–	**566**	19	**566**	19
Interest income on bank deposits	**349**	377	**3**	1,045	**352**	1,422
Rental income	**–**	343	**–**	–	**–**	343
Sub-contracting income	**1,446**	–	**–**	–	**1,446**	–

Note: Cost of inventories includes HK$69,209,000 (six months ended 31 December 2008: HK$62,017,000 (unaudited)) 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-down of inventories of HK$15,304,000 (six months ended 31 December 2008: write-back of HK$11,541,000 (unaudited)).

9. Remuneration of Directors and Five Highest Paid Individuals

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

	For the six month ended 31 December							
Name of director	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2009 HK$'000	2008 HK$'000 (Unaudited)	**2009 HK$'000**	2008 HK$'000 (Unaudited)	**2009 HK$'000**	2008 HK$'000 (Unaudited)	**2009 HK$'000**	2008 HK$'000 (Unaudited)
Mr. Chau Lai Him	**–**	–	**1,613**	1,500	**6**	12	**1,619**	1,512
Mr. Zhou Jin Hua	**–**	–	**690**	696	**–**	–	**690**	696
Mr. Liu Jin Rong	**–**	–	**78**	82	**–**	–	**78**	82
Mr. Ho Pang Cheng, Vincent	**–**	–	**518**	457	**28**	17	**546**	474
Mr. Lam Chi Ming, Francis	**–**	–	**540**	–	**6**	–	**546**	–
Mr. Lo Chao Ming	**30**	48	**–**	–	**–**	–	**30**	48
Mr. Lo Wai Ming	**48**	30	**–**	–	**–**	–	**48**	30
Mr. Chung Kam Kwong	**60**	360	**–**	–	**–**	–	**60**	360
Mr. Chan Kwan Hung	**–**	–	**–**	294	**–**	4	**–**	298
Total	**138**	438	**3,439**	3,029	**40**	33	**3,617**	3,500

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the period (six months ended 31 December 2008: HK$Nil (unaudited)).

The five highest paid individuals of the Group include three (six months ended 31 December 2008: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining two (six months ended 31 December 2008: three) individuals were as follows:

	For the six months ended 31 December	
	2009 HK$'000	2008 HK$'000 (Unaudited)
Salaries and other benefits	**1,610**	1,929
Contributions to retirement benefits schemes	**–**	17
	1,610	1,946

Remuneration of these individuals was within the following bands:

	Number of employees For the six months ended 31 December	
	2009	2008 (Unaudited)
Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**–**	1

There is no share option granted to any non-director, highest paid individual of the Group for the current and prior periods.

10. Finance Costs

	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
	2009 HK$'000	2008 HK$'000 (Unaudited)	**2009 HK$'000**	2008 HK$'000 (Unaudited)	**2009 HK$'000**	2008 HK$'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	**6,884**	6,690	**228**	771	**7,112**	7,461
Interest on finance leases	**66**	114	**343**	38	**409**	152
	6,950	6,804	**571**	809	**7,521**	7,613

11. Taxation

	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
	2009 HK$'000	2008 HK$'000 (Unaudited)	**2009 HK$'000**	2008 HK$'000 (Unaudited)	**2009 HK$'000**	2008 HK$'000 (Unaudited)
Taxation in other jurisdictions:						
Current period	**331**	299	**28,088**	4,066	**28,419**	4,365
Over-provision in respect of prior periods	**(561)**	–	**(4,917)**	(170)	**(5,478)**	(170)
	(230)	299	**23,171**	3,896	**22,941**	4,195
Deferred taxation (Note 31)	**(852)**	777	**–**	645	**(852)**	1,422
	(1,082)	1,076	**23,171**	4,541	**22,089**	5,617

No Hong Kong profits tax has been provided during the current and prior periods as the Group did not derive any assessable profit attributable to its operations in Hong Kong. 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.

11. Taxation (Continued)

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

	For the six months ended 31 December	
	2009	2008
	HK$'000	HK$'000
		(Unaudited)
Loss before taxation	**(210,852)**	(211,455)
Tax at the PRC income tax rate of 25% (2008: 25%)	**(52,713)**	(52,864)
Tax effect of expenses not deductible for tax purpose	**86,729**	21,189
Tax effect of income not taxable for tax purpose	**(10,979)**	(13,444)
Tax effect of tax losses not recognised	**404**	17,733
Utilisation of tax losses previously not recognised	**(2,467)**	–
Over-provision in respect of prior periods	**(5,478)**	(170)
Effect of different tax rates of the Company's subsidiaries operating outside of the PRC and changes in tax rates	**6,123**	(1,684)
Tax effect on share of results of associates	**470**	34,857
Taxation for the period	**22,089**	5,617

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the six months ended 31 December 2008 and 2009.

12. Loss for the Period Attributable to Owners of the Company

The consolidated loss from ordinary activities attributable to owners of the Company for the six months ended 31 December 2009 includes a loss of HK$1,863,000 (six months ended 31 December 2008: a loss of HK$5,067,000 (unaudited)) which has been dealt with in the financial statements of the Company.

13. Dividend

No dividend has been declared or paid by the Company for the six months ended 31 December 2009 (six months ended 31 December 2008: HK$Nil (unaudited)).

14. Loss Per Share

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the capital reorganisation during the period (Note 33(i)). Basic and diluted loss per share amounts for the six months ended 31 December 2008 are restated to take into effect the capital reorganisation during the period.

From continuing and discontinued operations

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

	For the six months ended 31 December	
	2009	2008
	HK$'000	HK$'000
		(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(232,941)**	(217,007)

	Number of shares For the six months ended 31 December	
	2009	2008
		(Unaudited)
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**928,384,134**	120,730,872

As share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for both periods, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted losses per share for the respective periods are equal.

14. Loss Per Share (Continued)

From continuing operations

The calculation of the basic loss per share from continuing operations is based on the following data:

	For the six months ended 31 December	
	2009	2008
	HK$'000	HK$'000
		(Unaudited)
		(Restated)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(20,714)**	(226,140)

As share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for both periods, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted losses per share for the respective periods are equal.

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

From discontinued operations

Basic and diluted loss per share from discontinued operations was 22.86 HK cents (six months ended 31 December 2008: basic and diluted earnings per share of 7.57 HK cent (unaudited and restated)) per share based on the loss for the period from discontinued operations of HK$212,227,000 (six months ended 31 December 2008: profit for the period of HK$9,133,000 (unaudited)). The denominators used are the same as those detailed above for basic and diluted loss per share.

15. Property, Plant and Equipment and Prepayment 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 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	1,391	55,682	–	923	55,893	1,896	115,785
Reclassification	(1,475)	–	–	–	1,475	–	–
Disposal of subsidiaries under asset swap	(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 and 1 July 2009	17,716	239,619	25,245	68,354	455,100	18,091	824,125
Currency realignment	1,858	5	50	1,098	9,240	1	12,252
Additions	388	–	118	11,171	3,186	371	15,234
Reclassification	(1,391)	–	–	–	1,391	–	–
Disposals	–	–	–	(8,605)	(595)	(713)	(9,913)
Transfer to assets classified as held for sale (Note 32)	(18,571)	(2,200)	(2,910)	(22,201)	(107,742)	(230)	(153,854)
At 31 December 2009	**–**	**237,424**	**22,503**	**49,817**	**360,580**	**17,520**	**687,844**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 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	–	(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 and 1 July 2009	**–**	**95,421**	**13,664**	**49,490**	**243,738**	**10,400**	**412,713**
Currency realignment	–	4	44	531	3,450	1	4,030
Provided for the period	–	6,240	682	8,118	10,660	1,135	26,835
Eliminated on disposals	–	–	–	(4,657)	(233)	(505)	(5,395)
Transfer to assets classified as held for sale (Note 32)	–	(602)	(2,392)	(14,394)	(43,129)	(51)	(60,568)
At 31 December 2009	**–**	**101,063**	**11,998**	**39,088**	**214,486**	**10,980**	**377,615**
NET CARRYING AMOUNT							
At 31 December 2009	**–**	**136,361**	**10,505**	**10,729**	**146,094**	**6,540**	**310,229**
At 30 June 2009	**17,716**	**144,198**	**11,581**	**18,864**	**211,362**	**7,691**	**411,412**

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

(Continued)

At 31 December 2009, the net carrying amount of property, plant and equipment of the Group includes plant and machinery of HK$2,039,000 (30 June 2009: HK$8,545,000), motor vehicles of HK$1,913,000 (30 June 2009: HK$2,015,000) and equipment, furniture and fixtures of HK$Nil (30 June 2009: HK$10,000) in respect of assets held under finance leases. None of the leases includes contingent rentals. During the period, additions to plant and machinery of the Group financed by new finance leases were HK$321,000 (year ended 30 June 2009: HK$4,201,000).

The Group has pledged buildings and plant and machinery with aggregate net carrying amount at 31 December 2009 of HK$128,236,000 (30 June 2009: HK$136,829,000) to secure banking facilities granted to the Group (Note 24).

At 31 December 2009, the Group was in the process of obtaining the relevant title documents of certain of its buildings with aggregate carrying amount of HK$10,330,000 (30 June 2009: HK$10,768,000).

As at 31 December 2009 and 30 June 2009, the prepayment amount represented prepayment made for acquisition of items of property, plant and equipment.

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 had 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.

16. Prepaid Lease Payments for Land

	Note	**31 December 2009 HK$'000**	30 June 2009 HK$'000
Net carrying amount:			
At beginning of period/year		**107,987**	47,644
Acquisition of subsidiaries under asset swap		**–**	67,482
Disposal of subsidiaries under asset swap		**–**	(5,248)
Charge to the profit or loss for the period/year		**(1,391)**	(1,846)
Exchange realignments		**–**	(45)
Transfer to assets classified as held for sale	32	**(7,200)**	–
At end of period/year		**99,396**	107,987

16. Prepaid Lease Payments for Land (Continued)

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

	31 December 2009 HK$'000	30 June 2009 HK$'000
Leasehold land situated in the PRC held under		
– medium term lease	97,783	99,061
– long term lease	–	7,290
Leasehold land situated in Hong Kong held under medium term lease	1,613	1,636
	99,396	107,987
Analysed for reporting purposes as:		
Non-current	96,794	105,394
Current	2,602	2,593
	99,396	107,987

The Group has pledged prepaid lease payments for land with aggregate carrying amount at 31 December 2009 of HK$102,266,000 (30 June 2009: HK$101,236,000) to secure banking facilities granted to the Group (Note 24).

At 31 December 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$63,777,000 (30 June 2009: HK$64,626,000).

17. Interests in Subsidiaries

	The Company	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Unlisted shares, at cost	8	8
Amounts due from subsidiaries	1,688,531	1,617,679
	1,688,539	1,617,687
Less: impairment loss on investment cost	(8)	(8)
impairment loss on amounts due from subsidiaries	(1,328,001)	(1,267,001)
	360,530	350,678

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months after the end of reporting period. The amounts due from subsidiaries in substance represent the Company's interests in the subsidiaries in the form of quasi-equity loans and therefore they are included under the non-current assets of the Company.

17. Interests in Subsidiaries (Continued)

Accumulated impairment losses on investment cost and amounts due from subsidiaries of HK$8,000 (30 June 2009: HK$8,000) and HK$1,328,001,000 (30 June 2009: HK$1,267,001,000) respectively were recognised as at 31 December 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.

The following list contains only the particulars of the principal subsidiaries at 31 December 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/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 a)	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
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks

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
Hua Yi Copper Products Company Limited	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.#	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 Electronic 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:

a. The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary.

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

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

18. Interests in Associates

	31 December 2009 HK$'000	30 June 2009 HK$'000
Share of net assets	**9,429**	11,310

The following only sets out the particulars of the associate at 31 December 2009 which principally affects the Group's results for the period 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

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

	31 December 2009 HK$'000	30 June 2009 HK$'000
Total assets	**79,339**	77,940
Total liabilities	**(32,196)**	(21,389)
Net assets	**47,143**	56,551
Group's share of net assets of associates	**9,429**	11,310

	For the six months ended 31 December	
	2009 HK$'000	2008 HK$'000 (Unaudited)
Revenue	**50,292**	1,159,237
Loss for the period	**(9,408)**	(308,079)
Group's share of results of associates for the period	**(1,881)**	(139,428)

Note: On 22 April 2008, Hua Yi Copper Holdings Limited ("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.

19. Goodwill

At 30 June 2009, goodwill of HK$23,389,000 arising from acquisition of subsidiaries in prior years was allocated to one cash generating unit ("CGU"), representing the Group's manufacture and trading of connectors and terminals business in Brazil.

On 31 December 2009, the Group entered into a conditional sale and purchase agreement in relation to the disposal of the entire equity interest in New Universe Investments Limited ("New Universe"), an indirect wholly-owned subsidiary of the Company and its subsidiaries. New Universe and its subsidiaries are principally engaged in the manufacture and trading of connectors and terminals in Malaysia, Singapore, the PRC, Thailand; and the Brazil CGU. The estimated net proceeds, net of expenses, from the disposal is approximately HK$28 million. Up to the date of approval of these financial statements, the disposal has not been completed.

The above goodwill of HK$23,389,000, which is attributable to the Brazil CGU, is transferred to assets classified as held for sale as at 31 December 2009 and is disclosed in Note 32.

20. Inventories

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Raw materials	**111,647**	92,588
Work in progress	**23,451**	14,975
Finished goods	**68,196**	70,721
	203,294	178,284
Transfer to assets classified as held for sale (Note 32)	**(87,883)**	–
	115,411	178,284

During the current period, 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$15,304,000 were determined to decline below their estimated net realisable value and were recorded as a write-down in the profit or loss for the period. On the other hands, during the six months ended 31 December 2008, certain inventories in the aggregate amount of HK$13,718,000 that were partially impaired in the prior years were sold in that period and were recorded as a write-back of inventories in the profit or loss, resulting in write-back of inventories by HK$11,541,000 (unaudited) (included in "cost of sales") for the six months ended 31 December 2008 (Note 8).

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

At 31 December 2009, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$84,551,000 (30 June 2009: HK$142,551,000).

(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	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Within 30 days	**79,347**	126,175
31 – 60 days	**3,796**	9,370
61 – 90 days	**697**	3,539
Over 90 days	**711**	3,467
	84,551	142,551

At 31 December 2009, the Group's trade debtors of HK$Nil (30 June 2009: HK$1,477,000) (Note 24) were discounted to banks with recourse.

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

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
At beginning of period/year	**15,338**	5,426
Impairment loss recognised	**2,621**	12,060
Reversal of allowance for doubtful debts	**(2,341)**	(885)
Uncollectible amounts written off	**(1,437)**	(2,477)
Disposal of subsidiary	**–**	1,215
Exchange realignments	**130**	(1)
At end of period/year	**14,311**	15,338

At 31 December 2009, the Group's trade debtors of HK$14,311,000 (30 June 2009: HK$15,338,000) 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.

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

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

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Neither past due nor impaired	**83,840**	139,084
Past due but not impaired	**711**	3,467
	84,551	142,551

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

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

(v) At 31 December 2009, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$2,788,000 (30 June 2009: HK$3,395,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at the end of reporting period.

(vi) Amounts due from related companies

At 31 December 2009, included in the Group's debtors, other loans and receivables, deposits and prepayments were amounts due from related companies in the aggregate amount of HK9,893,000. 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 six months ended 31 December 2009. A director of these related companies is also a director of the Company as at 31 December 2009.

(vii) At 31 December 2009, an amount of HK$157,342,000 of debtors, other loans and receivables, deposits and prepayments was transferred to assets classified as held for sale (Note 32).

22. Bills Receivable

As at 31 December 2009 and 30 June 2009, all bills receivable aged within 90 days.

23. Derivative Financial Assets/Liabilities

Derivative not qualified for hedging

	The Group			
	31 December 2009		30 June 2009	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Copper future contracts	**769**	**–**	9	–
Foreign exchange forward contracts	**19**	**–**	45	(520)
Total	**788**	**–**	54	(520)

Copper future contracts

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

	As at 31 December 2009	As at 30 June 2009
Quantities (in tonnes)	**375**	75
Average price per tonne	**US$7,373**	US$4,958
Delivery period	**From January 2010 to March 2010**	From July 2009 to September 2009
Fair value gain of copper future contracts recognised as current assets (in HK$'000)	**769**	9

Forward foreign exchange contracts

As at 31 December 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	2	–
US$700,000 or US$2,100,000/month	24 May 2010	HK$7.7499 to HK$7.7399/US$1	17	–
			19	–

23. Derivative Financial Assets/Liabilities (Continued)

Forward foreign exchange contracts (Continued)

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 value at end of each reporting period and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices and the fair values of foreign exchange forward contracts were provided by banks or financial institutions at the end of reporting periods. The gain on change in fair value of derivative financial instruments of HK$5,059,000 (six months ended 31 December 2008: loss on change in fair value of HK$1,228,000 (unaudited)) has been recognised in the profit or loss during the period.

24. Pledge of Assets

At 31 December 2009, the Group has pledged the following assets to secure general banking facilities granted to the Group. The carrying amounts of these assets are analysed as follows:

		The Group	
	Notes	**31 December 2009 HK$'000**	30 June 2009 HK$'000
Property, plant and equipment	15	**128,236**	136,829
Prepaid lease payments for land	16	**102,266**	101,236
Trade debtors	21(ii)	**–**	1,477
Fixed bank deposits and bank balances		**45,104**	48,136
		275,606	287,678

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

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	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
Renminbi ("RMB")	**85,280**	60,403
HK$	**48,349**	43,682
US$	**46,682**	27,747
RM	**8,352**	7,314
SGD	**4,133**	749
THB	**1,942**	3,163
BRL	**1,837**	1,566
EUR	**1,140**	1,954
	197,715	146,578
Transferred to assets classified as held for sale (Note 32)	**(21,908)**	–
Total	**175,807**	146,578

	The Company	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
HK$	**30,956**	10,247
US$	**6,676**	14
Total	**37,632**	10,261

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

At 31 December 2009, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$29,038,000 (30 June 2009: HK$62,743,000). At 31 December 2009, an amount of HK$124,397,000 included in creditors, other advances and accrued charges was transferred to liabilities associated with assets classified as held for sale (Note 32).

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

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Within 30 days	**22,347**	44,262
31 – 60 days	**3,536**	4,317
61 – 90 days	**1,111**	2,727
Over 90 days	**2,044**	11,437
	29,038	62,743

27. Bills Payable

At 31 December 2009 and 30 June 2009, all bills payable aged within 90 days.

28. Obligations Under Finance Leases

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	31 December 2009 HK$'000	30 June 2009 HK$'000	**31 December 2009 HK$'000**	30 June 2009 HK$'000
Amounts payable under finance leases				
Within one year	**4,481**	5,034	**3,377**	4,077
In the second to fifth years inclusive	**2,287**	2,880	**1,573**	2,383
	6,768	7,914		
Less: Future finance charges	**(1,818)**	(1,454)		
Present value of lease obligations	**4,950**	6,460	**4,950**	6,460
Less: Transfer to liabilities associated with assets classified as held for sales (Note 32)	**(4,090)**	–	**(4,090)**	–
	860	6,460	**860**	6,460
Less: Amount due within one year			**(860)**	(4,077)
Amount due after one year			**–**	2,383

28. Obligations Under Finance Leases (Continued)

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% (30 June 2009: 8%) 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.

29. Borrowings

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Borrowings are secured and are analysed as follows:		
Bank loans	**154,650**	163,811
Trust receipt loans	**59,664**	26,810
	214,314	190,621
The carrying amounts of borrowings repayable:		
Within one year	**214,314**	185,846
More than one year but not exceeding two years	**–**	4,775
	214,314	190,621
Amount due within one year shown under current liabilities	**(214,314)**	(185,846)
Amount due over one year shown under non-current liabilities	**–**	4,775

The average effective interest rates of the bank borrowings range from 5.58% to 7.84% (30 June 2009: from 5.01% to 8.96%) 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 31 December 2009, the Group had available HK$144,476,000 (30 June 2009: HK$187,967,000) 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 Elétricos e Eletrônicos Limitada. ("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 consideration was HK$80,847,000, which 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)
Fourth 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.

At 31 December 2009, the carrying amount of the deferred consideration payable was HK$6,750,000 (30 June 2009: HK$6,674,000).

31. Deferred Tax

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

	The Group					
	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Write down of inventories HK$'000	Others HK$'000	Total HK$'000
At 1 July 2008	5,134	–	(794)	(1,382)	(4,103)	(1,145)
Exchange realignment	(73)	–	–	298	832	1,057
(Credit)/charge to the profit or loss for the year	(229)	26	794	1,084	2,919	4,594
Effect of change in tax rate	(99)	–	–	–	–	(99)
Acquisition of subsidiaries under asset swap	14,514	7,360	–	–	–	21,874
At 30 June 2009	19,247	7,386	–	–	(352)	26,281
Exchange realignment	20	–	–	–	(10)	10
Credit to the profit or loss for the period (Note 11)	(852)	–	–	–	–	(852)
Transfer to liabilities associated with assets classified as held for sale (Note 32)	(771)	–	–	–	362	(409)
At 31 December 2009	**17,644**	**7,386**	**–**	**–**	**–**	**25,030**

31. Deferred Tax (Continued)

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

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Deferred tax liabilities	**25,030**	26,281

At 31 December 2009, the Group has unused tax losses of HK$142,922,000 (30 June 2009: HK$152,217,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the such tax losses due to the unpredictability of future profit streams. Tax losses of HK$106,376,000 (30 June 2009: HK$109,452,000) may be carried forward indefinitely and the remaining amount of HK$36,546,000 (30 June 2009: HK$42,765,000) would expire in 2012.

The Group had no other significant unprovided deferred tax assets or liabilities at the end of reporting period (30 June 2009: HK$Nil).

32. Assets Classified as Held for Sale and Liabilities Associated with Assets Classified as Held for Sale

On 31 December 2009, the Group entered into a conditional sale and purchase agreement with a purchaser in relation to the disposal of the entire equity interest in New Universe and its subsidiaries (collectively referred to as the "Disposal Group"), for an aggregate consideration of HK$28,000,000, net of expenses. The Disposal Group constitutes the Group's connectors and terminals segment. Details of the disposal were set out in the announcement of the Company dated 8 January 2010.

The major classes of assets and liabilities of the Disposal Group as at 31 December 2009 have been classified as held for sale and are set out below :

	Notes	HK$'000
Property, plant and equipment	15	93,286
Prepaid lease payments for land	16	7,200
Goodwill	19	23,389
Inventories	20	87,883
Debtors, other loans and receivables, deposits and prepayments	21(vii)	157,342
Tax recoverable		2,341
Bank balances and cash	25	21,908
Impairment loss arising from adjustment to fair value less costs to sell		(230,418)
Assets classified as held for sale		162,931
Creditors, other advances and accrued charges	26	124,397
Obligations under finance leases	28	4,090
Taxation		6,035
Deferred tax liabilities	31	409
Liabilities associated with assets classified as held for sale		134,931
Included in other comprehensive income and reserve of the Disposal Group classified as held for sale		
Exchange reserve		13,837

32. Assets Classified as Held for Sale and Liabilities Associated with Assets Classified as Held for Sale (continued)

The trade debtor balances included in debtors, other loans and receivables, deposits and prepayments aged within 90 days. The trade creditor balances included in creditors, other advances and accrued charges aged within 90 days.

The Disposal Group has contributed a cash inflow of HK$17,003,000 in the Group's operating activities, cash outflow of HK$9,700,000 in the Group's investing activities and cash outflow of HK$10,209,000 in the Group's financing activities.

33. Share Capital

	Number of shares		Share capital	
	31 December 2009 '000	30 June 2009 '000	**31 December 2009 HK$'000**	30 June 2009 HK$'000
Ordinary shares of HK$0.01 each:				
Authorised (Note (i))	**30,000,000**	30,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning of the period/year	**3,168,451**	603,654	**31,685**	6,037
Capital reorganisation (Note (i))	**(2,534,761)**	–	**(25,348)**	–
Placements of new shares (Note (ii))	**678,730**	120,000	**6,787**	1,200
Open offer of new shares (Note (iii))	**–**	2,414,617	**–**	24,146
Exercise of share options (Note (iv))	**–**	30,180	**–**	302
At end of the period/year	**1,312,420**	3,168,451	**13,124**	31,685

Notes:

(i) Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 9 July 2009, a capital reorganisation was effected such that the authorised share capital of the Company remains at HK$300,000,000 represented by 30,000,000,000 shares. The capital reorganisation involved (i) share consolidation of every 5 shares of HK$0.01 each into 1 consolidated share of HK$0.05 each; (ii) capital reduction for each issued consolidated share from HK$0.05 each to HK$0.01 each by cancellation of HK$0.04 each on each issued consolidated share; and (iii) sub-division each of the authorised but unissued consolidated share into 5 ordinary shares of HK$0.01 each.

The credit arising from the capital reduction of HK$25,348,000 was transferred to the contributed surplus account of the Company during the period.

(ii) During the current period, aggregate number of 678,730,000 new ordinary shares of par value of HK$0.01 each were issued at subscription prices ranging from HK$0.135 each to HK$0.220 each to the then independent third parties of the Company at an aggregate consideration of HK$100,007,000, net of issuing expenses, of which HK$6,787,000 was credited to share capital and the remaining balance of HK$93,220,000 was credited to the share premium account.

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

(iii) 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.

(iv) During the year ended 30 June 2009, 30,180,000 new ordinary shares of par value HK$0.01 each were issued at subscription prices of HK$0.079 each on exercise of 30,180,000 (Note 40) share options at an aggregate consideration of HK$2,384,000, net of issuing expenses, of which HK$302,000 was credited to share capital and the remaining balance of HK$2,082,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK$667,000 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.

34. Reserves of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2008	**229,243**	**738,559**	**5,044**	**(55,497)**	**917,349**
Total comprehensive income for the period	–	–	–	(5,067)	(5,067)
Cancellation and lapse of share options	–	–	(5,044)	5,044	–
At 31 December 2008 (unaudited)	**229,243**	**738,559**	**–**	**(55,520)**	**912,282**
Total comprehensive income for the period	–	–	–	(689,160)	(689,160)
Open offer of new shares (Note 33(iii))	35,843	–	–	–	35,843
Placement of new shares (Note 33(ii))	6,469	–	–	–	6,469
Issue of shares upon exercise of share options (Note 33(iv))	2,082	–	–	–	2,082
Transfer upon exercise of share options (Note 33(iv))	667	–	(667)	–	–
Recognition of equity-settled share-based payments	–	–	1,334	–	1,334
At 30 June 2009 and 1 July 2009	**274,304**	**738,559**	**667**	**(744,680)**	**268,850**
Total comprehensive income for the period	–	–	–	(62,863)	(62,863)
Capital reorganisation (Note 33(i))	–	25,348	–	–	25,348
Placements of new shares (Note 33(ii))	93,220	–	–	–	93,220
At 31 December 2009	**367,524**	**763,907**	**667**	**(807,543)**	**324,555**

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.

35. Disposal of Interest in a Listed Associate and Discount on Acquisition of Additional Interest in a Subsidiary

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, the then listed associate of the Group, at a cash consideration of HK$23,760,000, net of direct costs incurred on disposal. The disposal was completed on 5 May 2009. This disposal gave rise to a release of exchange reserve of HK$20,770,000 upon the disposal, which was recognised in profit or loss for the year ended 30 June 2009.

36. 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 in the Company's circular dated 31 December 2008 and announcement dated 30 December 2008.

The Asset Swap gave rise to a release of exchange reserve of HK$11,347,000 upon the disposal of Solartech Enterprise Group and the Fund Resources Group to profit or loss in the year ended 30 June 2009.

37. Capital Commitments

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	**10,004**	2,086

38. Lease Commitments

The Group as lessee

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

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Within one year	**3,064**	3,407
In the second to fifth years inclusive	**1,544**	2,378
	4,608	5,785

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

39. Major Non-Cash Transactions

During the current period, prepayments for acquisition of property, plant and equipment with carrying amount of HK$Nil (six months ended 31 December 2008: HK$1,843,000 (unaudited)) has been reclassified to property, plant and equipment which have been put into operation in the current period.

As disclosed in Note 15, additions to plant and machinery of the Group financed by new finance leases were HK$321,000 during the period.

40. Share Option Schemes

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 and associates, 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 current and prior periods, no share-based payment has been recognised in the profit or loss.

40. Share Option Schemes (continued)

The following table discloses movements in the Company's Share Option Scheme in the current period and the year ended 30 June 2009.

For the six months ended 31 December 2009

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2009 '000	Capital reorganisation during the period '000 (Note 33(i))	Outstanding at 31.12.2009 '000
Employee	8 June 2009	9 Jun 2009 to 8 July 2011	Immediate on the grant date	0.395*	30,180	(24,144)	6,036
					30,180	(24,144)	6,036

* The exercise price of the share options was adjusted from HK$0.079 to HK$0.395 pursuant to the capital reorganisation during the period (Note 33(i)).

For the year ended 30 June 2009

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2008 '000	Granted during the year '000	Exercised during the year '000 (Note 33(iv))	Lapsed/ cancelled during the year '000	Outstanding at 30.6.2009 '000	Exercisable period
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

40. Share Option Schemes (continued)

For the year ended 30 June 2009 (continued)

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2008 '000	Granted during the year '000	Exercised during the year '000 (Note 33(iv))	Lapsed/ cancelled during the year '000	Outstanding at 30.6.2009 '000	Exercisable period
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 Jun 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	

* The exercise price of the share options was adjusted from HK$0.079 to HK$0.395 pursuant to the capital reorganisation during the period (Note 33 (i)).

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year ended 30 June 2009 was HK$0.067 (unadjusted).

At the end of the reporting period and the date of the approval of these financial statements, the Company had adjusted number of 6,036,000 share options outstanding under the share option scheme, which represented approximately 0.46% of the Company's shares in issue as at the end of reporting period. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 6,036,000 additional ordinary shares of the Company and additional share capital of HK$60,000 and share premium account of HK$2,324,000 (before issue expenses), respectively.

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

41. 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 Asia regions and America at rates specified in the rules of the schemes.

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

During the current period, the Group made retirement benefits schemes contributions of HK$1,933,000 (six months ended 31 December 2008: HK$2,466,000 (unaudited)).

42. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following transactions with related companies (2008: subsidiaries of an associate):

	The Group For the six months ended 31 December	
	2009 **HK$'000**	2008 HK$'000 (Unaudited)
Sale of goods	**631**	–
Purchases of goods	**23,258**	126,026
Rental expenses of factory premises	**–**	460
Rental income of office premises	**–**	194
Management fee expenses	**–**	561

During the current period, a director of the above related companies is also a director of the Company. During the prior period, these companies are subsidiaries of an associate of the Group.

The above transactions were determined with reference to the terms mutually agreed between the Group and the related parties (2008: subsidiaries of an associate).

Compensation of key management of the Group

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

43. 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 owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

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

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

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Debts	**215,174**	197,081
Bank balances and cash	**(175,807)**	(146,578)
Net debts	**39,367**	50,503
Equity	**507,197**	626,000
Net debt to equity ratio	**8%**	8%

44. Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December and 30 June 2009 may be categorised as follows:

	The Group	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost	**327,042**	372,352
Derivative financial assets at fair value	**788**	54
Financial liabilities		
Financial liabilities measured at amortised cost	**359,806**	449,704
Derivative financial liabilities at fair value	**–**	520

45. Events After Reporting Period and Significant Event in the Period

(i) On 15 January 2010, and the Company entered into a placing agreement with Kingston Securities Limited ("Kingston") pursuant to which the Company has conditionally agreed to place through Kingston, on a fully underwritten basis, 262,000,000 placing shares for an aggregate estimated net proceeds of HK$30.5 million to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and will not be connected with the Company and its connected persons (as defined in the Listing Rules). The placement was completed on 27 January 2010. Further details are set out in the announcement of the Company dated 15 January 2010.

(ii) On 9 February 2010, and the Company entered into a placing agreement with Kingston pursuant to which the Company has conditionally agreed to place through Kingston, on a best effort basis, up to 2,000,000,000 placing shares, by a maximum of four tranches for an aggregate estimated maximum net proceeds of HK$194.0 million, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). Further details are set out in the announcement and circular of the Company dated 9 February 2010 and 5 March 2010, respectively.

(iii) On 10 November 2009, the Company entered into the sale and purchase agreement with the vendor and Mr. Liu Yong as the vendor's guarantor pursuant to which the Company has conditionally agreed to acquire from the vendor the entire issued share capital of Sun Progress Limited, a company incorporated in the British Virgin Islands and is wholly-owned by the vendor, which holds licences in respect of the copper-gold-silver mine located in a place named Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia through its subsidiary, Ikh Shijir Erdene LLC (a company incorporated in Mongolia with limited liability). The consideration payable under the sale and purchase agreement is HK$1,500,000,000 and shall be satisfied by the Company at the completion of the acquisition by (i) payment of HK$68,000,000 in cash; and (ii) the issuance by the Company of a convertible bond with a face value of HK$1,432,000,000. This acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and has not been completed as at 31 December 2009 and the date of approval of these financial statements. Further details are set out in the announcement of the Company dated 30 November 2009.