Solartech International Holdings Limited

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

2012 ANNUAL REPORT

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAU Lai Him
(Chairman and Managing Director)
ZHOU Jin Hua
(Deputy Chairman)
LIU Dong Yang
BUYAN-OTGON Narmandakh

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

COMPANY SECRETARY

CHAN Kam Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 7, 2nd Floor
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

STOCK CODE

1166

WEBSITE

www.1166hk.com

AUDITOR

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

LEGAL ADVISOR

Herbert Smith Freehills
23/F, Gloucester Tower
15 Queen 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
China CITIC Bank Corporation Limited
DBS Bank (Hong Kong) Limited

FINANCIAL RESULTS

The Board announced that for the year ended 30 June 2012 (the "**year under review**"), the total turnover of the Company and its subsidiaries was approximately HK$612,863,000, representing a decrease of 13.4% as compared to approximately HK$707,535,000 recorded for the corresponding period last year. During the year under review, loss attributable to the owners of the Company was approximately HK$106,132,000, which was attributable to the decrease in turnover as a result of the recent deteriorating global macroeconomic conditions, the decrease in overall gross profit margin due to intensifying competition and decreasing prices and loss arising from changes in the fair value of derivative financial instruments, as compared to profits attributable to the owners of the Company of approximately HK$358,224,000 for the corresponding period last year. Loss per share for the year under review was approximately HK6.21 cents (Earnings per share for 2010/11: HK33.12 cents).

The Board has resolved not to recommend the payment of any final dividend for the year ended 30 June 2012 (2010/11: nil).

BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK$612,863,000, representing a decrease of 13.4% as compared to approximately HK$707,535,000 for the corresponding period last year. By business segments, turnover of the cables and wires business was approximately HK$205,766,000, representing a decrease of 35.0% as compared to approximately HK$316,551,000 for the corresponding period last year and accounting for 33.6% of the total turnover of the Group. Turnover of the copper rod business was approximately HK$407,097,000, representing an increase of 4.1% as compared to approximately HK$390,984,000 for the corresponding period last year and accounting for 66.4% of the total turnover of the Group.

By geographical segments, turnover from the business in America decreased by 57.9% to approximately HK$40,686,000 from approximately HK$96,637,000 for the corresponding period last year, accounting for 6.7% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 4.7% to approximately HK$518,063,000 from approximately HK$543,645,000 for the corresponding period last year, accounting for 84.5% of the Group's total turnover. Turnover from the business in other Asian markets decreased by 0.1% to approximately HK$30,889,000 from approximately HK$30,923,000 for the corresponding period last year, accounting for 5.0% of the Group's total turnover. Turnover from the European business decreased by 36.1% to approximately HK$23,225,000 from approximately HK$36,330,000 for the corresponding period last year, accounting for 3.8% of the Group's total turnover.

Cables and Wires

The major customers of the Group's cables and wires business are primarily manufacturers of white domestic appliances. During the year under review, the global economy was persistently affected by the sustained Euro zone sovereign debt crisis and the tardy recovery of the US economy, thus materially affecting the confidence of local investors and consumers. Furthermore, overall gross profit margin decreased due to the insufficient domestic demand as a result of a slowdown in the economy of Mainland China, intensifying competition and decreasing prices. The Group strived to secure more customers and enhance efficiency by lowering cost, in order to reduce the impact on the cables and wires business during the year under review.

The Group completed the acquisition of shares of two companies on 22 June 2012, which hold property interests in units in an industrial complex and certain residential units, respectively, located in the city of Dongguan, the PRC. The Directors believe that the acquisitions represent a good opportunity for the expansion of new product lines for the production of cables, wires and copper products.

CHAIRMAN'S STATEMENT

Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and their related products, which are primarily used in the production of power supply electric wires of cables for domestic appliances, electronic products and infrastructural facilities. During the year under review, international copper prices declined significantly, with the 3-month London Metal Exchange copper price falling from approximately US$9,400 at the beginning of the year under review to approximately US$7,600 at the end of the year under review. The Group has been adopting a more cautious view towards such price trend in the metal market. Most of the production capacity of the Group's Dongguan copper rod business was deployed to provide processing services for customers, and a slight growth in the turnover of the copper rod business was recorded during the year under review.

Mining

Since the completion of the Group's acquisition of the copper mine project in Dundgobi Aimag, the progress of construction of the ore processing plant in the mining area has been slightly delayed. During the construction process, the Group has conducted additional geophysical prospecting, drilling and searching of water resources, and has also completed a detailed environmental impact assessment report and a mining plan report. As the costs of construction and mining equipment soared over the last two years, the Group will be updating its previous feasibility report, in order to take into account of the existing market conditions.

The Group has also completed the acquisition of 10% of the equity interests of a copper mine project in Bayan-Ulgii Aimag, Mongolia on 5 March 2012. Mining experts from different entities were invited to the mine to conduct on-site inspection and make recommendations. According to the recommendations of those experts, the Group shall carry on additional adit and drilling and surveying works, in order to meet the standard for resources under the JORC.

PROSPECTS

With a slow recovery in the US economy and the concerns relating to the Euro zone debt crisis, the global economy continues to be in a difficult stage. Despite that the PRC economy is expected to continue to maintain its growth, its growth rate has slowed down. This, together with the shortage in the supply of labour and rising wages cost, the domestic operational environment will present more challenges ahead. At the current stage, the Group will continue to operate in the PRC as the base for its manufacturing and trading businesses of cables, wires and copper products to minimise the potential negative impacts from the uncertain economic factors present in Europe and America.

In the second half of 2012, the Group will use molecular distillation technology to produce biodiesel, fatty acid methyl ester, which is a renewable energy source, through Dongguan Xin Bao Precision Chemical Company Limited, a subsidiary of the Group. The project applies waste oil and greases as raw materials for production, which complies with the PRC's relevant requirements to vigorously develop the circular economy, low-carbon economy and building a resource-saving and environment-friendly society. As such, the project belongs to a renewable energy source that is encouraged and supported by the State. The project also benefits from the tax incentives provided by the State to the industry, including consumption tax relief and preferential enterprise income tax. As prices of petrochemical diesel are increasingly rising due to the shortage of supply in the current market, profit margins for biodiesel are becoming higher accordingly. This project is currently in the stage of trial production. Products are expected to be fully available in the market by the end of 2012, with an annual output of up to 50,000 tons.

Looking forward, despite operating under a currently difficult business environment, the Group will continue to implement strict measures for cost control in order to enhance operational efficiency and productivity and to expand the Group's market share. During the previous year, Mongolia has became one of the world's fastest-growing economies with a GDP growth of 17%. Being one of the world s most sparsely populated countries, the Mongolian government has established the goal of building the country into the largest supplier of mineral resources in Asia. The Group's mining investment in Mongolia is expected to develop rare oppotunities for the Group in the years ahead.

FINAL DIVIDEND

The Directors resolved not to pay any final dividend for the year ended 30 June 2012.

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting of the Company (the "**2012 Annual General Meeting**") will be held on Tuesday, 18 December 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2012 Annual General Meeting, the register of members of the Company will be closed from Friday, 14 December 2012 to Monday, 17 December 2012, both days inclusive, during which no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Thursday, 13 December 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group had approximately 1,100 employees in Hong Kong, the People's Republic of China ("**PRC**") and overseas (30 June 2011: 1,300). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 30 June 2012, the Group implemented a prudent financial management policy. As at 30 June 2012, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$240 million (30 June 2011: HK$221 million) and net current assets value being over approximately HK$234 million (30 June 2011: HK$357 million). The Group's gearing ratio as at 30 June 2012 was 0.07 (30 June 2011: 0.03), being a ratio of total bank borrowings of approximately HK$139 million (30 June 2011: HK$61 million) to shareholders' funds of approximately HK$1,895 million (30 June 2011: HK$1,832 million).

EXCHANGE RISKS

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

CHARGES ON GROUP ASSETS

As at 30 June 2012, the Group had pledged certain property, plant and machinery, land use rights and fixed bank deposits with an aggregate net book value of approximately HK$241 million (30 June 2011: HK$245 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2012, the Company had issued guarantees to the extent of approximately HK$18.5 million (30 June 2011: HK$19.6 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$18.5 million (30 June 2011: HK$19.6 million) was utilised. The Company had issued guarantees to a financial institution amounting to approximately HK$23.3 million (30 June 2011: HK$23.3 million) in respect of commodity trading of copper by its subsidiaries.

FINANCIAL INSTRUMENTS

For the year under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2012 and the changes in fair value were charged to the income statement. The net loss of the Derivative Financial Instruments for the year under review was approximately HK$21,087,000 (2010/11: net gain of HK$21,802,000).

CAPITAL STRUCTURE

First Placing of New Shares under Specific Mandate

On 13 July 2011, the Company and Kingston Securities Ltd., as placing agent, entered into a conditional placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 504,510,000 new shares of the Company to independent investors at a price of HK$0.20 per placing share (the "**First Placing**"). The maximum gross proceeds and net proceeds from the First Placing were approximately HK$100.9 million and HK$98.4 million, respectively. The Company has utilised approximately HK$50 million of the net proceeds from the First Placing as part of the consideration for the acquisition of 10% of the total issued share capital of Venture Max Limited (as described below) and intended to utilise the balance of the net proceeds for the general working capital of the Group. The maximum number of 504,510,000 placing shares placed under the First Placing were issued pursuant to a specific mandate which was obtained at the special general meeting of the Company held on 15 August 2011. The First Placing was completed on 28 October 2011. Details of the First Placing were set out in the announcement of the Company dated 13 July 2011 and the shareholders' circular issued by the Company on 28 July 2011.

Second Placing of New Shares under Specific Mandate

On 22 March 2012, the Company and Kingston Securities Ltd., as placing agent, entered into a conditional placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 880,000,000 new shares of the Company to independent investors at a price of HK$0.07 per placing share (the "**Second Placing**"). The maximum gross proceeds and net proceeds from the Second Placing were approximately HK$61.6 million and HK$60.0 million, respectively. The Company has utilised approximately HK$40 million as part of the consideration for acquisition of the entire issued share capital of Santai Electronics Limited and Aberdeen Investments Limited (as described below), respectively, and intended to utilise the remainder of the proceeds for the general working capital of the Group. The maximum number of 880,000,000 placing shares placed under the Second Placing were issued pursuant to a specific mandate which was obtained at the special general meeting of the Company held on 7 May 2012. The Second Placing was completed on 25 May 2012. Details of the Second Placing were set out in the announcement of the Company dated 22 March 2012 and the shareholders' circular issued by the Company on 17 April 2012.

SIGNIFICANT INVESTMENT

Save as otherwise disclosed in this announcement, the Group did not make any new significant investment during the year under review.

DISCLOSEABLE TRANSACTIONS

Acquisition of 10% of the total issued share capital of Venture Max Limited

On 5 July 2011, the Company and Expert Assets Management Limited ("**Expert Assets**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") with Hero Wisdom Limited (the "**Vendor**") and Mr. Batmunkh Dulamjav (the "**Guarantor**") pursuant to which Expert Assets conditionally agreed to acquire from the Vendor ten issued Shares (the "**Sale Shares**") of Venture Max Limited ("**Venture Max**") (the "**Acquisition**"), representing 10% of the total issued share capital of Venture Max upon completion of the Acquisition. Venture Max is a company incorporated in the British Virgin Islands and was directly wholly-owned by the Vendor. Venture Max holds the entire equity interest in Mongolian Copper Mining LLC ("**MCM**") which is a company incorporated in Mongolia with limited liability and the holder of the Minerals Exploration Special Licence 5481X (the "**Exploration Licence**"). The consideration for the Sale Shares payable under the Agreement is HK$100,000,000 and shall be satisfied by Expert Assets by (i) payment of HK$50,000,000 in cash as a deposit upon signing of the Agreement and (ii) payment of HK$50,000,000 in cash at completion of the Acquisition, subject to adjustment. The Vendor is directly wholly-owned by the Guarantor. The Vendor and the Guarantor are third parties independent of the Company and its connected persons.

The Company has been seeking suitable opportunities to facilitate its ongoing expansion into the mining business and the Directors believe the Acquisition represents such an opportunity. The Acquisition was duly completed on 5 March 2012 in accordance with the terms of the Agreement save that the mining licence issued by the Mineral Resource Authority of Mongolia in respect of the mine which is the subject of the Exploration Licence (the "**Mine**") as obtained by MCM on 19 January 2012 was only in respect of 527.43 hectares. Further details of the Agreement, the Exploration Licence and the Acquisition, which constitutes a discloseable transaction under the Listing Rules, were set out in the announcements of the Company dated 5 July 2011 and 5 March 2012. In particular, preparation of the technical report in respect of the copper mineral resource of the Mine and the final valuation report in respect of MCM to be issued pursuant to the terms and conditions of the Agreement are still in progress and are expected to be issued on or before 30 April 2013.

Acquisition of the entire issued share capital of Santai Electronics Limited and Aberdeen Investments Limited

On 12 December 2011, (i) China Glory Management Limited ("**China Glory**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Santai Acquisition Agreement**") with SCT Electronics Limited and Santai Corporate Services Limited (the "**Santai Vendors**") and Shougang Concord Technology Holdings Limited (the "**Santai Guarantor**") pursuant to which China Glory conditionally agreed to acquire from the Santai Vendors the entire share capital of Santai Electronics Limited ("**Santai**") at a total cash consideration of RMB43,000,000 (equivalent to approximately HK$52,614,000); and (ii) Winteractive Development Limited ("**Winteractive**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Aberdeen Acquisition Agreement**") with Santai Corporate Services Limited (the "**Aberdeen Vendor**") and the Santai Guarantor pursuant to which Winteractive conditionally agreed to acquire from the Aberdeen Vendor the entire share capital of Aberdeen Investments Limited ("**Aberdeen**") at a total cash consideration of RMB10,000,000 (equivalent to approximately HK$12,236,000).

Santai is an investment holding company and is interested in the entire registered capital of Dongguan Santai Electronics Limited* (東莞三泰電器有限公司) ("**Dongguan Santai**"). Dongguan Santai holds the land use rights in respect of an industrial complex located at Qiao Zi Lu, Qiao Zi Village, Changping Town, Dongguan City, the PRC * (東莞市常平鎮橋梓管理區) as described in the State-owned Land Use Rights Certificate No. 144 東府國用(1999)字第特144號 (the "**Santai Property**"). Aberdeen is principally engaged in property investment and holds Flats A, B, C, D, E, F, G, H, I, J, K and L on each of the 11th Floor and 15th Floor of Ping On Court, Peace Plaza, Shangzhong Yuan Road, Changping Town, Dongguan, the PRC* (東莞市常平鎮常平廣場平安閣) (the "**Aberdeen Property**").

The Company has been seeking suitable properties for the purpose of expansion of its production facilities for a new production line for cables, wires and copper products. The Directors believe the transactions under the Santai Acquisition Agreement represent an opportunity to acquire land use rights for such expansion but the Company has not decided the development schedule for the Santai Property at this stage.

The transactions under the Santai Acquisition Agreement and the Aberdeen Acquisition Agreement were completed on 22 June 2012 in accordance with the respective terms of the Santai Acquisition Agreement and Aberdeen Acquisition Agreement. Details of the transactions under the Santai Acquisition Agreement and the Aberdeen Acquisition Agreement, which constitute discloseable transactions under the Listing Rules, were set out in the announcements of the Company dated 12 December 2011 and 22 June 2012

Save for the above, the Group does not have any other plans for material investments or capital assets in the coming year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year under review (before and after the revision to the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (now known as the "**Corporate Governance Code and Corporate Governance Report**") came into effect on 1 April 2012), the Company has complied with the relevant code provisions set out in Appendix 14 to the Listing Rules, save and except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 of the Corporate Governance Code and Corporate Governance Report which are explained below.

Code provision A.2.1

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

During the year under review, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for 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, non-executive directors should be appointed for a specific term, subject to re-election.

The existing independent non-executive directors of the Company were not appointed for a specific term as required under code provision A.4.1 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 are in place to ensure that the non-executive directors of the Company are subject to appropriate mechanisms to avoid holding office indefinitely.

Code provision A.4.3

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

Mr. Lo Wai Ming has served as an independent non-executive director of the Company for more than nine years since 6 January 2000. He will retire from office by rotation at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with the Bye-laws of the Company and, being eligible, will offer himself for re-election at the AGM.

A separate resolution will be proposed at the AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive director of the Company. The Board considers that Mr. Lo remains independent in character and judgment and the Board has found no information or circumstances to lead it to conclude otherwise.

CHAIRMAN'S STATEMENT

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 set out in Appendix 14 to the Listing Rules. The Audit Committee and external auditors have reviewed the audited results for the year ended 30 June 2012 and they agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the three independent non-executive directors of the Company. It has adopted terms of reference which are in line with the code provisions set out in Appendix 14 to the Listing Rules. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of executive directors and senior management and making recommendations to the Board from time to time.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all of the Directors, each of the Directors confirmed that he had complied with the required standards set out in the Model Code throughout the year ended 30 June 2012.

APPRECIATION

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

On behalf of the Board

Chau Lai Him
Chairman

26 September 2012

EXECUTIVE DIRECTORS

Mr. CHAU Lai Him, aged 61, is the chairman and managing director of the Group and the founder of the Group. Mr. Chau has been appointed as an executive director of the Company since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 30 years' experience in the cable and wire industry and extensive experience in the mining industry.

Mr. ZHOU Jin Hua, aged 54, joined the Group in 1986 and is the deputy chairman of the Company and the general manager of the Group's Dongguan manufacturing facilities. Mr. Zhou has been appointed as an executive director of the Company since November 1996. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 25 years' experience in the manufacturing of cable and wire products.

Mr. LIU Dong Yang, aged 38, joined the Group in September 1995 and has been appointed as an executive director since January 2010. Mr. Liu is the deputy general manager of Shanghai Chau's Electrical Company Limited and is responsible for the financial matters for the trading and manufacturing operations in Shanghai. He holds a professional diploma in international finance from Hunan Finance and Economics College, a bachelor degree in business administration from the Renmin University of China. He is a member of the Chinese Institute of Certified Public Accountants. He has more than 15 years' experience in finance and accounting.

Mr. BUYAN-OTGON Narmandakh, aged 37, has been appointed as an executive director of the Company since July 2010 and has focused on resources and investments and finance in Mongolia. He holds a diploma in economics and accounting from the Mongolian State University of Agriculture, a graduate diploma in public administration from the Government of Mongolia Academy of Management and a degree of M.B.A. in accounting from the National University of Mongolia. He has extensive experience in banking and finance in Mongolia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Kam Kwong, aged 55, has been appointed as an independent non-executive director of the Company since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a supervisory council member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management and is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

Mr. LO Wai Ming, Paulus, aged 60, has been appointed as an independent non-executive director of the Company since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has over 30 years' extensive experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a member of the Chartered Institute of Marketing and the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 47, has been appointed as an independent non-executive director of the Company since November 2006. He is the general manger of Sunf Pu Technology Co., Ltd., a company incorporated in Taiwan, Republic of China. He has more than 20 years' experience in the cable and wire industry.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. CHAN Kam Yee, Shirley, aged 52, has been appointed as the company secretary of the Company since November 2007. She has more than 25 years' experience in finance and accounting and more than 15 years' experience in company secretarial affairs. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Ms. LAM Sui Lan, Miranda, aged 43, rejoined the Group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 15 years' experience in sales and marketing in the field of cable and wire products.

Mr. CHAU Chi Ho, aged 31, rejoined the Group in August 2010. He is the assistant finance manager of Chau's Electrical Company Limited ("Chau's") and is a director of Santai Electronics Limited ("Santai"). He is responsible for accounting and financial management of Chau's and Santai's and their subsidiaries in Dongguan. He holds a bachelor's degree in Business Administration from the California State Polytechnic University Pomona, United States and has extensive experience in auditing, finance and accounting experience. He is the son of Mr. Chau Lai Him.

Mr. CHUI Chi Ho, aged 35, joined the Group in 2005 and is the accounting manager of Chau's Electrical Company Limited and is responsible for accounting and financial management. He is a director of Santai Electronics Limited. He holds a bachelor degree in Commerce (Accounting & Finance) from the Monash University, Australia. He is a member of CPA Australia and has more than 9 years' experience in auditing, finance and accounting experience.

Mr. ZHOU Qi Qin, aged 48, joined the Group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's Electrical Co., Ltd. He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 20 years' experience in manufacturing management.

Mr. KANG Jian, aged 43, joined the Group in December 2003 and is the general manager of Shanghai Chau's Electrical Co., Ltd. He is responsible for the day-to-day operations of the Shanghai manufacturing facilities including production, sales and marketing and business development. He holds a profession diploma in Accountancy and Management from Shanghai Light Industry College. He has more than 10 years' experience in management.

Mr. YUAN Hai Xiang, aged 45, joined the Group in March 1985 and is the operations manager of Dongguan Hua Yi Brass Products Company Limited ("Dongguan Hua Yi"). He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 25 years' experience in operations management.

Mr. SO Kang Ming, aged 58, joined the Group in February 2005 and is the assistant operations manager of Hua Yi Copper Products Company Limited ("Hua Yi"). He is responsible for purchasing, inventory control and logistics operations of Hua Yi. He has more than 20 years' experience in merchandising and logistics operations.

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 30 June 2012 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 20, 21 and 22, to the Financial Statements, respectively.

RESULTS

The results of the Group for the year ended 30 June 2012 are set out in the consolidated statement of comprehensive income on page 28 of this report.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2012.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 30 June 2012 are set out in note 33 to the Financial Statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 100.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of changes in the share capital of the Company during the year are set out in note 36 to the Financial Statements.

RESERVES

The Company's distributable reserves at 30 June 2012 was nil (30 June 2011: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2012 are set out in the consolidated statement of changes in equity on pages 32 and 33 of this report.

CONNECTED TRANSACTIONS

The related party transactions which do not constitute connected transactions under the Listing Rules, entered into by the Group during the year ended 30 June 2012 are disclosed in note 44 to the Financial Statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 June 2012.

CONTINGENT LIABILITIES

Significant contingent liabilities as at 30 June 2012 are disclosed in note 45 to the Financial Statements.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Chau Lai Him *(Chairman and Managing Director)*
Mr. Zhou Jin Hua
Mr. Liu Dong Yang
Mr. Buyan-Otgon Narmandakh

Independent non-executive Directors:

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

Messrs. Liu Dong Yang, Buyan-Otgon Narmandakh and Lo Wai Ming will retire by rotation from office as Directors at the forthcoming annual general meeting and Messrs. Liu Dong Yang, Buyan-Otgon Narmandakh and Lo Wai Ming, being eligible, will offer themselves for re-election pursuant to Bye-laws 86(2) and 87 of the Bye-laws of the Company.

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

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

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

Profiles of Directors and senior executives of the Group are set out on pages 11 and 12 to this report.

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

As at 30 June 2012, none of the Directors and the chief executives of the Company had any interests and short positions in the shares, underlying shares or 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**").

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

So far as is known to any of the Directors and chief executives of the Company, as at 30 June 2012, there were no persons other than a Director or a chief executive of the Company who had an interest or long positions in the shares or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO.

As at 30 June 2012, other persons, having interests or short positions in the shares and underlying shares of the group, were as follows:

Name of the Company's subsidiary	Substantial shareholder of the subsidiary	Capacity and nature of interest	Amount of fully paid registered capital of the subsidiary interested	Percentage of the subsidiary's 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 30 June 2012, no other person or corporation other than a Director or a chief executive of the Company had any interests or short positions in any shares or underlying shares of the Company which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTIONS

On 16 September 2002, the Company adopted a share option scheme (the "**Share Option Scheme**") which replaced the Company's share option scheme adopted in 1996. Particulars of these share option schemes are set out in note 42 to the Financial Statements.

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

				Number of share options			
Capacity	Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.7.2011	Granted during the year	Exercised during the year	Outstanding at 30.6.2012
Employees	20 April 2012	21 April 2012 to 20 April 2014	0.092 *Note 1*	—	126,120,000	(126,120,000) *Notes 2 & 3*	—
				—	126,120,000	(126,120,000)	—

Notes

(1) The closing price of the shares on the Stock Exchange on the date of grant was HK$0.092 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$0.0918.

(2) The closing price of the shares immediately before the date on which the 50,000,000 share options were exercised was HK$0.093.

(3) The closing price of the shares immediately before the date on which the 76,120,000 share options were exercised was HK$0.089.

As at 30 June 2012, the Company had no share options outstanding under the Share Option Scheme.

The details of fair value of the share options under the Share Option Scheme are disclosed in note 42 to the Financial Statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests in Shares and Underlying Shares of the Company" and in the section headed "Share Options" of this report, at no time during the year ended 30 June 2012 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2012 or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2012, the five largest customers of the Group together accounted for approximately 50.4% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 75.5% of the Group's total purchases, with the largest customer accounted for approximately 20.6% of the Group's total turnover and the largest supplier accounted for approximately 37.2% of the Group's total purchases during the year.

At no time during the year ended 30 June 2012 did any of the Directors, their respective associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or five largest suppliers.

EMOLUMENT POLICY

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

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

The Company has adopted share option schemes from time to time to provide incentive to eligible persons, including Directors and eligible employees of the Company, for their contribution and continuing efforts to promote the interests of the Group. Details of the Share Option Scheme are set out in note 42 to the Financial Statements.

RETIREMENT SCHEME

Particulars of the Group's retirement scheme are set out in note 43 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities during the year ended 30 June 2012.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

During the year ended 30 June 2012 (before and after the revision to the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (now known as the "**Corporate Governance Code and Corporate Governance Report**") came into effect on 1 April 2012), the Company has complied with the relevant code provisions set out in Appendix 14 to the Listing Rules, save and except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 of the Corporate Governance Code and Corporate Governance Report which are explained below.

Code provision A.2.1

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

During the year ended 30 June 2012, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for 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, non-executive directors should be appointed for a specific term, subject to re-election.

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

Code provision A.4.3

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

Mr. Lo Wai Ming has served as an independent non-executive director of the Company for more than nine years since 6 January 2000. He will retire from office by rotation at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with the Bye-laws of the Company and, being eligible, will offer himself for re-election at the AGM.

A separate resolution will be proposed at the AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive director of the Company. The Board considers that Mr. Lo remains independent in character and judgment and the Board has found no information or circumstances to lead it to conclude otherwise.

AUDIT COMMITTEE

The Company's Audit Committee comprises the three independent non-executive Directors.

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

During the year, the Audit Committee met with the external auditors twice to understand and evaluate the financial risk associated to the Group and review the effectiveness of the Group's internal control. The Audit Committee has reviewed with management and the external auditor the accounting principles and policies adopted by the Group and the Financial Statements.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the three independent non-executive directors of the Company. It has adopted terms of reference which are in line with the code provisions set out in Appendix 14 to the Listing Rules. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of executive directors and senior management and making recommendations to the Board from time to time.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 48 of the Financial Statements.

AUDITOR

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

On behalf of the Board

Chau Lai Him
Chairman

26 September 2012

CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

COMPLIANCE OF THE CODE PROVISIONS

Throughout the financial year ended 30 June 2012 (the "**Financial Year**"), the Company complied with the Code except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 which are explained below.

Code Provision A.2.1

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

During the Financial Year, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for providing leadership to the board of directors of the Company (the "**Board**"), effective running of the Board, ensuring all appropriate issues are discussed by the Board in a timely manner and formulating business strategies. The directors of the Company (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, non-executive directors should be appointed for a specific term, subject to re-election.

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

Code Provision A.4.3

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

Mr. Lo Wai Ming has served as an independent non-executive Director for more than nine years since 6 January 2000. He will retire from office by rotation at the forthcoming annual general meeting of the Company (the "**AGM**") in accordance with the Bye-laws and, being eligible, will offer himself for re-election at the AGM.

A separate resolution will be proposed at the AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive Director. The Board considers that Mr. Lo remains independent in character and judgment and the Board has found no information or circumstances to lead it to conclude otherwise.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

The Board currently comprises a total of seven Directors, with four executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Zhou Jin Hua (Deputy Chairman), Liu Dong Yang and Buyan-Otgon Narmandakh and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship among members of the Board. More details of the Directors are disclosed on page 11 of this report. The Board has published and maintained on its website and on the Stock Exchange's website an updated list of the Directors identifying their role and function.

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

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder of the Company or Director, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Managing Director.

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

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

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

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

Board Operation

During the Financial Year, the Board held ten Board meetings. The attendance records of each member of the Board at Board meetings, Audit Committee meetings, Nomination Committee meetings, Remuneration Committee meetings and the 2011 annual general meeting of the Company are set out below:

	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meeting	Board Meetings	2011 annual general meeting
Executive Directors					
Chau Lai Him	—	1	—	10	1
Zhou Jin Hua	—	—	—	10	1
Liu Dong Yang	—	—	—	10	—
Buyan-Otgon Narmandakh	—	—	—	10	—
Independent non-executive Directors					
Chung Kam Kwong	3	1	1	9	1
Lo Wai Ming	3	1	1	9	1
Lo Chao Ming	3	1	1	10	—

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the Financial Year, the Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

REMUNERATION COMMITTEE

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

During the Financial Year, the Remuneration Committee held three meetings and all committee members were present at the meeting(s). The Remuneration Committee has reviewed the remuneration packages of all executive Directors and senior management, assessed performance of executive Directors and senior management and made recommendations to the Board in connection with the remuneration of the non-executive Directors. Details of the emoluments of the Directors are set out in note 9 to the Financial Statements.

NOMINATION COMMITTEE

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

During the Financial Year, the Nomination Committee held one meeting and all committee members were present at the meeting(s). The Nomination Committee has determined the policy for the nomination of Directors, the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship, and senior management.

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

The Board recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company. The Company's circular to be despatched to shareholders of the Company (the "**Shareholders**") will contain detailed information of the Directors standing for re-election.

AUDITOR'S REMUNERATION

During the Financial Year, the remuneration paid and payable to the auditor of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services was HK$920,000 and HK$200,000, respectively.

AUDIT COMMITTEE

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

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

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

SHARE INTERESTS OF SENIOR MANAGEMENT

As at 30 June 2012, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INVESTOR RELATIONS

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

There was no significant change in the Company's constitutional documents during the Financial Year.

COMPANY SECRETARY

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

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

During the Financial Year, Ms. Chan has attended relevant professional seminars to update her skills and knowledge. She will comply with the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

SHAREHOLDERS' RIGHTS

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

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

PROCEDURES BY WHICH SHAREHOLDERS MAY CONVENE A SPECIAL GENERAL MEETING

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

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

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

Solartech International Holdings Limited
Unit 7, 2nd Floor, Kingsford Industrial Centre
13 Wang Hoi Road, Kowloon Bay
Kowloon, Hong Kong
E-mail: enquiry@solartechhk.com
Tel no.: (852) 2796 1628
Fax no.: (852) 2799 9835

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

VOTING BY POLL

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

SYSTEM OF INTERNAL CONTROLS

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

GENERAL

The Directors acknowledge their responsibility in preparing the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Company and in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 30 June 2012, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 26 and 27 of this Annual Report.

On behalf of the Board

Chau Lai Him
Chairman

26 September 2012

INDEPENDENT AUDITOR'S REPORT

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永安中心25樓

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

We have audited the consolidated financial statements of Solartech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 99, which comprise the consolidated and company statements of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate number: P05308

Hong Kong, 26 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	6 & 7	**612,863**	707,535
Cost of sales		**(605,339)**	(676,582)
Gross profit		**7,524**	30,953
Interest income		**8,381**	2,469
Other income and gains		**6,912**	19,956
General and administrative expenses		**(104,263)**	(103,129)
Selling and distribution expenses		**(8,905)**	(13,328)
Finance costs	10	**(16,890)**	(20,496)
Change in fair value of derivative financial instruments	27	**(21,087)**	21,802
Change in fair value of convertible bond	35	**—**	462,158
Change in fair value of investment properties, net	16	**54,714**	—
Change in fair value of financial assets at fair value through profit or loss	26	**12,395**	—
Impairment loss recognised for doubtful debts, net	24(iii)	**(288)**	(352)
Impairment loss on property, plant and equipment	15	**(28,343)**	(46,731)
Share of results of jointly-controlled entities	22	**(10)**	—
Share of results of an associate	21	**(471)**	(1,895)
Loss on disposal of an associate	21	**(1,509)**	—
Gain on disposal of a subsidiary	39	**—**	5,295
(Loss)/profit before taxation	8	**(91,840)**	356,702
Taxation	11	**(14,292)**	1,522
(Loss)/profit for the year attributable to owners of the Company	12	**(106,132)**	358,224
Other comprehensive income:			
Exchange differences on translating foreign operations		**84**	370
Reclassification adjustment of exchange reserve upon disposal of a subsidiary	39	**—**	(4,683)
Reclassification adjustment of exchange reserve upon disposal of an associate	21	**(2,816)**	—
Other comprehensive income for the year		**(2,732)**	(4,313)
Total comprehensive income for the year attributable to owners of the Company		**(108,864)**	353,911
(Loss)/earnings per share:	14		
– Basic (HK cents)		**(6.21)**	33.12
– Diluted (HK cents)		**(6.21)**	(8.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**186,112**	230,971
Prepayments for acquisition of property, plant and equipment	15	**8,426**	—
Investment properties	16	**119,564**	—
Prepaid lease payments for land	17	**92,597**	94,048
Mining right	18	**1,164,218**	1,164,515
Exploration and evaluation assets	19	**25,355**	—
Interest in an associate	21	**—**	7,666
Interests in jointly-controlled entities	22	**99,990**	—
Total non-current assets		**1,696,262**	1,497,200
Current assets			
Inventories	23	**78,511**	112,513
Debtors, other loans and receivables, deposits and prepayments	24	**176,248**	218,387
Bills receivable	25	**425**	2,539
Financial assets at fair value through profit or loss	26	**26,601**	—
Prepaid lease payments for land	17	**2,694**	2,659
Derivative financial assets	27	**117**	806
Tax recoverable		**—**	721
Pledged deposits and bank balances	28, 29	**47,931**	39,713
Bank balances and cash	29	**191,727**	181,369
Total current assets		**524,254**	558,707
Current liabilities			
Creditors, other advances and accrued charges	30	**40,491**	45,258
Bills payable	31	**109,935**	95,876
Taxation		**308**	54
Obligations under finance leases	32	**460**	471
Borrowings	33	**138,636**	59,831
Derivative financial liabilities	27	**446**	—
Total current liabilities		**290,276**	201,490
Net current assets		**233,978**	357,217
Total assets less current liabilities		**1,930,240**	1,854,417

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Obligations under finance leases	32	**332**	284
Deferred tax liabilities	34	**35,119**	22,273
Total non-current liabilities		**35,451**	22,557
Total net assets		**1,894,789**	1,831,860
EQUITY			
Capital and reserves			
Share capital	36	**27,719**	12,613
Reserves		**1,866,570**	1,818,747
Equity attributable to owners of the Company		**1,894,289**	1,831,360
Non-controlling interest		**500**	500
Total equity		**1,894,789**	1,831,860

The consolidated financial statements on pages 28 to 99 were approved and authorised for issue by the Board of Directors on 26 September 2012 and are signed on its behalf by:

Chau Lai Him
Director

Zhou Jin Hua
Director

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	2012 HK$' 000	2011 HK$' 000
Non-current assets			
Interests in subsidiaries	20	**1,530,461**	1,335,346
Total non-current assets		**1,530,461**	1,335,346
Current assets			
Deposits and prepayments		**138**	717
Bank balances and cash	29	**31,935**	95,793
Total current assets		**32,073**	96,510
Current liabilities			
Other advances and accrued charges		**126**	455
Amounts due to subsidiaries	20	**—**	60,557
Total current liabilities		**126**	61,012
Net current assets		**31,947**	35,498
Total net assets		**1,562,408**	1,370,844
EQUITY			
Capital and reserves			
Share capital	36	**27,719**	12,613
Reserves	37	**1,534,689**	1,358,231
Total equity		**1,562,408**	1,370,844

The financial statements on pages 28 to 99 were approved and authorised for issue by the Board of Directors on 26 September 2012 and are signed on its behalf by:

Chau Lai Him
Director

Zhou Jin Hua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 July 2010	47,056	644,224	612,360	7,887	4,866	(414,821)	901,572	500	902,072
Placements of new shares (Note 36)	72,000	68,317	—	—	—	—	140,317	—	140,317
Issue of shares upon conversion of convertible bond (Note 36)	133,200	302,360	—	—	—	—	435,560	—	435,560
Transactions with owners	205,200	370,677	—	—	—	—	575,877	—	575,877
Profit for the year	—	—	—	—	—	358,224	358,224	—	358,224
Other comprehensive income	—	—	—	(4,313)	—	—	(4,313)	—	(4,313)
Total comprehensive income for the year	—	—	—	(4,313)	—	358,224	353,911	—	353,911
Capital reorganisation (Note 36)	(239,643)	—	—	—	—	239,643	—	—	—
At 30 June 2011	12,613	1,014,901	612,360	3,574	4,866	183,046	1,831,360	500	1,831,860

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	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	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 July 2011	12,613	1,014,901	612,360	3,574	4,866	—	183,046	1,831,360	500	1,831,860
Placements of new shares (Note 36)	13,845	144,515	—	—	—	—	—	158,360	—	158,360
Issue of shares upon exercise of share options (Note 36)	1,261	10,340	—	—	—	—	—	11,601	—	11,601
Recognition of equity-settled share-based payments (Note 42)	—	—	—	—	—	1,832	—	1,832	—	1,832
Transactions with owners	15,106	154,855	—	—	—	1,832	—	171,793	—	171,793
Loss for the year	—	—	—	—	—	—	(106,132)	(106,132)	—	(106,132)
Other comprehensive income	—	—	—	(2,732)	—	—	—	(2,732)	—	(2,732)
Total comprehensive income for the year	—	—	—	(2,732)	—	—	(106,132)	(108,864)	—	(108,864)
Transfer upon exercise of share options (Note 36)	—	1,832	—	—	—	(1,832)	—	—	—	—
At 30 June 2012	27,719	1,171,588	612,360	842	4,866	—	76,914	1,894,289	500	1,894,789

Notes:

The contributed surplus represented (i) 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; and (ii) the credit arising from the capital reduction in accordance with the Company's capital reorganisation in July 2009.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	2012 HK$'000	2011 HK$'000
Cash flows from operating activities		
(Loss)/profit before taxation	**(91,840)**	356,702
Adjustments for:		
Interest income	**(8,381)**	(2,469)
Finance costs	**16,890**	20,496
Change in fair value of derivative financial instruments	**21,087**	(21,802)
Change in fair value of convertible bond	—	(462,158)
Change in fair value of investment properties, net	**(54,714)**	—
Change in fair value of financial assets at fair value through profit or loss	**(12,395)**	—
Impairment loss recognised for doubtful debts, net	**288**	352
Impairment loss on property, plant and equipment	**28,343**	46,731
Share of results of jointly-controlled entities	**10**	—
Share of results of an associate	**471**	1,895
Loss on disposal of an associate	**1,509**	—
Gain on disposal of a subsidiary	—	(5,295)
Depreciation of property, plant and equipment	**30,639**	35,696
(Write-back of provision for)/provision made for inventories	**(5,566)**	2,624
Charge of prepaid lease payments for land	**2,691**	2,697
Impairment loss on other receivables	**889**	2,486
Loss on disposal of property, plant and equipment, net	**167**	1,674
Share-based payment expense	**1,832**	—
Operating loss before working capital changes	**(68,080)**	(20,371)
Decrease/(increase) in inventories	**39,568**	(2,688)
Decrease/(increase) in debtors, other loans and receivables, deposits and prepayments	**39,344**	(4,935)
Decrease in bills receivable	**2,114**	16,123
Purchase of financial assets at fair value through profit or loss	**(14,206)**	—
Decrease in creditors, other advances and accrued charges	**(4,767)**	(18,000)
Increase/(decrease) in bills payable	**14,059**	(24,252)
(Decrease)/increase in derivative financial instruments	**(19,952)**	9,230
Cash used in operations	**(11,920)**	(44,893)
Taxation paid	**(680)**	(1,338)
Net cash used in operating activities	**(12,600)**	(46,231)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	2012 HK$'000	2011 HK$'000
Investing activities		
Interest received	**8,381**	2,469
Purchases of property, plant and equipment	**(11,338)**	(11,904)
Purchases of investment properties	**(64,850)**	—
Prepayments made for acquisition of property, plant and equipment	**(8,426)**	—
Purchases of exploration and evaluation assets	**(25,355)**	—
Acquisition of jointly-controlled entities	**(100,000)**	—
Proceeds from disposal of an associate	**2,963**	—
Proceeds from disposal of property, plant and equipment	**200**	1,490
Net cash inflow from disposal of a subsidiary	**—**	5,151
(Increase)/decrease in pledged deposits and bank balances	**(8,218)**	10,275
Payment of deferred consideration	**—**	(6,825)
Net cash (used in)/generated from investing activities	**(206,643)**	656
Financing activities		
Interest paid on borrowings	**(16,860)**	(9,724)
Interest paid on finance leases	**(30)**	(45)
Net proceeds from placements of new shares	**158,360**	140,317
Proceeds received from exercise of share options	**11,601**	—
Direct cost paid for the conversion of convertible bond	**—**	(549)
New borrowings raised	**204,140**	59,831
Repayment of obligations under finance leases	**(513)**	(665)
Repayment of borrowings	**(125,919)**	(183,356)
Net cash generated from financing activities	**230,779**	5,809
Net increase/(decrease) in cash and cash equivalents	**11,536**	(39,766)
Cash and cash equivalents at beginning of the year	**181,369**	217,244
Effect of foreign exchange rate changes	**(1,178)**	3,891
Cash and cash equivalents at end of the year	**191,727**	181,369
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**191,727**	181,369

Significant non-cash transaction

As disclosed in Note 15, addition to property, plant and equipment of the Group financed by a new finance lease amounted to HK$550,000 (2011: HK$Nil) during the year.

1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, and holding of mining right and exploration and evaluation assets. Its associate was principally engaged in the manufacture and trading of optical fibre cable and related products prior to the dispose by the Group during the year. Its jointly-controlled entities are engaged in holding of exploration and mining permits. Further details are set out in Notes 7, 20, 21 and 22.

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) Adoption of new/revised HKFRSs – effective 1 July 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards has no significant impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationship of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in Note 44.

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

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

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

Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
Amendments to HKAS 32	Offsetting Financial Assets Financial Liabilities[4]
Amendments to HKFRS 10 and HKFRS 12	Consolidated Financial Statements and Disclosure of Interest in Other Entities: Transition Guidance[3]
Amendments to HKAS 1(Revised)	Presentation of Items of Other Comprehensive Income[2]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 27 (2011)	Separate Financial Statements[3]
Annual Improvements Projects	Annual Improvement 2009-2011 Cycle[3]

Effective dates:

1 Annual periods beginning on or after 1 January 2012

2 Annual periods beginning on or after 1 July 2012

3 Annual periods beginning on or after 1 January 2013

4 Annual periods beginning on or after 1 January 2014

5 Annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

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

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

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

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

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

HKFRS 11 – Joint Arrangement

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly-controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation of financial statements

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income, expenses and unrealised gains on transaction between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

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.

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 profits) 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.

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

Subsidiaries

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

Interests in subsidiaries are included in the Company's 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.

Associate

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

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

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

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

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

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

Unrealised profits and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

3. BASIS OF PREPARATION AND 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 the profit or loss in the period in which they are incurred.

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

Property, plant and equipment

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

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

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

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

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

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

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 year in which the item is derecognised.

Investment properties

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

Prepaid lease payments for land

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

Mining rights

Mining rights are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over the useful life of the mine in accordance with the production plans and reserves of the mines on the unit-of-production method.

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

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are classified as mining right, and mineral properties under property, plant and equipment where appropriate. These assets are assessed for impairment annually and before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

— the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

— substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

— exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

— sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment of assets excluding goodwill and exploration and evaluation assets

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.

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

Impairment of assets excluding goodwill and exploration and evaluation assets (continued)

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 years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses, is assigned to inventories by the method most appropriate to the particular class of 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 year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years respectively 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. BASIS OF PREPARATION AND 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 profit, 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 interests in subsidiaries, associate and jointly-controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the 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.

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

Leases

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

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.

Foreign currencies

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in 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.

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

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

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for revenue recognition.

Loans and receivables

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

Impairment of financial assets

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 becomes 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.

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

Financial instruments (continued)

Financial assets (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from 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.

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

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

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

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

Convertible bond

Convertible bond issued by the Group that contains both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative components and liability component are recognised at fair value.

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

When the bond is converted, the carrying amount of the liability component together with the fair value of the conversion derivative at the time of conversion is transferred to share capital and share premium as consideration for the shares issued. When the bond is redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and conversion option derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bond using the effective interest method.

Derivatives not qualified for hedging

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

Derecognition

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

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

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the 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.

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

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

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

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

Employees' benefits

Short term benefits

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

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

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Reserve estimates and amortisation of mining right

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

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

Income taxes

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of property, plant and equipment

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

Estimated impairment of trade and loan receivables

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

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

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

Foreign currency risk

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

Credit risk

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

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Credit risk (continued)

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 24.

Interest rate risk

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

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 33.

At 30 June 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and decrease/increase the retained profits by approximately HK$1,386,000 (2011: decrease/increase the profit and retained profits by HK$598,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2011.

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.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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**
2012				
Borrowings	**138,636**	**142,231**	**142,231**	—
Obligations under finance leases	**792**	**833**	**486**	**347**
Creditors, other advances and accrued charges, and bills payable	**150,426**	**150,426**	**150,426**	—
	289,854	**293,490**	**293,143**	**347**
Derivative financial liabilities	**446**	**446**	**446**	—

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
2011				
Borrowings	59,831	60,204	60,204	—
Obligations under finance leases	755	780	493	287
Creditors, other advances and accrued charges, and bills payable	141,134	141,134	141,134	—
	201,720	202,118	201,831	287
Derivative financial liabilities	—	—	—	—

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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**
2012				
Other advances and accrued charges	**126**	**126**	**126**	—
Financial guarantee issued Maximum amount guaranteed	—	—	**41,783**	—

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
2011				
Amounts due to subsidiaries	60,557	60,557	60,557	—
Other advances and accrued charges	455	455	455	—
	61,012	61,012	61,012	—
Financial guarantee issued Maximum amount guaranteed	—	—	42,898	—

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 27.

At 30 June 2012, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss for the year and increase/decrease the retained profits by approximately HK$601,000 (2011: increase/decrease the profit and retained profits by approximately HK$506,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2011.

Price risk

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

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

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2012, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would decrease/increase the Group's loss for the year and increase/decrease the retained profits by HK$2,660,000 (2011: HK$Nil).

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 30 June 2012, the Group's derivatives are measured at fair value. During the year, there is no significant transfer between Level 1 and Level 2.

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value (continued)

	Group 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Copper future contracts	**117**	—	—	**117**
Financial assets at fair value through profit or loss	**26,601**	—	—	**26,601**
	26,718	—	—	**26,718**
Liabilities				
Copper future contracts	**(446)**	—	—	**(446)**

	Group 2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Copper future contracts	806	—	—	806

6. TURNOVER

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

7. SEGMENTAL INFORMATION

(a) Reportable segments

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

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

(i) manufacture and trading of cables and wires; and

(ii) manufacture and trading of copper rods.

On 4 May 2010, the Group completed its acquisition of mining operation located in the State of Mongolia and became engaged in the mining business, details of which are set out in the Company's announcements dated 30 November 2009 and 4 May 2010, and circular dated 9 April 2010. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2012 and 2011 and for the years then ended for the purpose of segment reporting.

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

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

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

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2012

	Cables and wires HK$'000	Copper rods HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	205,766	407,097	—	612,863	—	612,863
Inter-segment revenue	—	76,112	—	76,112	(76,112)	—
Reportable segment revenue	205,766	483,209	—	688,975	(76,112)	612,863
Reportable segment (loss)/profit	(61,463)	(35,392)	14,210	(82,645)	—	(82,645)
Finance costs	(3,226)	(13,664)	—	(16,890)	—	(16,890)
Write- back of provision for inventories	5,566	—	—	5,566	—	5,566
Change in fair value of derivative financial instruments	(9,491)	(4,865)	(6,731)	(21,087)	—	(21,087)
Change in fair value of financial assets at fair value through profit or loss	—	—	12,395	12,395	—	12,395
Change in fair value of investment properties, net	—	—	54,714	54,714		54,714
Impairment loss recognised for doubtful debts, net	(288)	—	—	(288)	—	(288)
Impairment loss on other receivables	—	(889)	—	(889)	—	(889)
Impairment loss on property, plant and equipment	(11,331)	(17,012)	—	(28,343)	—	(28,343)
Loss on disposal of an associate	—	—	(1,509)	(1,509)	—	(1,509)
Share of results of jointly-controlled entities	—	—	(10)	(10)	—	(10)
Share of results of an associate	—	—	(471)	(471)	—	(471)
Depreciation of property, plant and equipment	(13,578)	(7,621)	(9,440)	(30,639)	—	(30,639)
Taxation	674	(60)	(14,906)	(14,292)	—	(14,292)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2011

	Cables and wires HK$'000	Copper rods HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	316,551	390,984	—	707,535	—	707,535
Inter-segment revenue	311	102,334	—	102,645	(102,645)	—
Reportable segment revenue	316,862	493,318	—	810,180	(102,645)	707,535
Reportable segment (loss)/profit	(40,152)	(16,642)	422,455	365,661	—	365,661
Finance costs	(1,236)	(8,533)	(10,727)	(20,496)	—	(20,496)
Provision made for inventories	(2,624)	—	—	(2,624)	—	(2,624)
Change in fair value of derivative financial instruments	2,789	2,396	16,617	21,802	—	21,802
Change in fair value of convertible bond	—	—	462,158	462,158	—	462,158
Impairment loss recognised for doubtful debts, net	(352)	—	—	(352)	—	(352)
Impairment loss on property, plant and equipment	(25,123)	(12,868)	(8,740)	(46,731)	—	(46,731)
Impairment loss on other receivables	—	(2,486)	—	(2,486)	—	(2,486)
Share of results of an associate	—	—	(1,895)	(1,895)	—	(1,895)
Gain on disposal of a subsidiary	—	5,295	—	5,295	—	5,295
Depreciation of property, plant and equipment	(16,425)	(9,213)	(10,058)	(35,696)	—	(35,696)
Taxation	353	1,211	(42)	1,522	—	1,522

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

As at 30 June 2012

	Cables and wires HK$'000	**Copper rods HK$'000**	**Others HK$'000**	**Total HK$'000**
Reportable segment assets	**218,305**	**365,577**	**1,555,396**	**2,139,278**
Additions to non-current assets	**11,346**	**542**	**90,205**	**102,093**
Reportable segment liabilities	**74,546**	**211,890**	**3,864**	**290,300**

As at 30 June 2011

	Cables and wires HK$'000	Copper rods HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	274,851	330,506	1,361,285	1,966,642
Additions to non-current assets	11,636	144	124	11,904
Reportable segment liabilities	33,954	165,764	1,976	201,694

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

	For the year ended 30 June	
	2012 HK$'000	2011 HK$'000
(Loss)/ profit before taxation		
Reportable segment (loss)/profit	**(82,645)**	365,661
Unallocated corporate expenses	**(9,195)**	(8,959)
Consolidated (loss)/profit before taxation	**(91,840)**	356,702

7. SEGMENTAL INFORMATION (continued)

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

	30 June 2012 HK$'000	30 June 2011 HK$'000
Assets		
Reportable segment assets	2,139,278	1,966,642
Unallocated corporate assets	81,238	89,265
Consolidated total assets	2,220,516	2,055,907

	30 June 2012 HK$'000	30 June 2011 HK$'000
Liabilities		
Reportable segment liabilities	290,300	201,694
Taxation	308	54
Deferred tax liabilities	35,119	22,273
Unallocated corporate liabilities	—	26
Consolidated total liabilities	325,727	224,047

(c) Geographical information

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

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

	2012 HK$'000	2011 HK$'000
PRC	501,753	518,060
Americas	40,686	96,637
Europe	23,225	36,330
Hong Kong	16,310	25,585
Other Asian regions	30,889	30,923
	612,863	707,535

7. SEGMENTAL INFORMATION (continued)

(c) Geographical information (continued)

	Specified non-current assets	
	30 June 2012	30 June 2011
	HK$'000	HK$'000
PRC	**390,113**	314,683
Europe	**—**	254
Hong Kong	**16,511**	17,644
Other Asian regions	**1,289,638**	1,164,619
	1,696,262	1,497,200

(d) Information about major customers

During the year, no customer with whom the transactions exceed 10% of the Group's manufacturing and trading of cables and wires segment whereas two customers, each of them contributed revenue of HK$126,020,000 and HK$81,795,000 respectively, to the Group's manufacturing and trading of copper rods segment.

During the prior year, a customer contributed revenue of HK$76,909,000 to the Group's manufacturing and trading of cables and wires segment and a customer contributed revenue of HK$88,387,000 to the Group's manufacturing and trading of copper rods segment.

8. (LOSS)/PROFIT BEFORE TAXATION

	2012 HK$'000	2011 HK$'000
(Loss)/profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,120**	1,048
Depreciation of property, plant and equipment	**30,639**	35,696
Cost of inventories (Note)	**605,339**	676,582
(Write-back of provision for)/provision made for inventories (Note 23)	**(5,566)**	2,624
Charge of prepaid lease payments for land	**2,691**	2,697
Operating lease rentals in respect of rented premises	**766**	848
Impairment loss on other receivables	**889**	2,486
Loss on disposal of property, plant and equipment, net	**167**	1,674
Wages, salaries and retirement benefit scheme contributions including directors' remuneration (Notes 43 and 9)	**35,545**	33,918
Share-based payment expense (Note 42)	**1,832**	—
and after crediting:		
Rental income	**3,230**	1,300
Sale of scrapped inventories	**1**	209
Exchange differences, net	**2,331**	15,407

Note:

Cost of inventories includes HK$26,676,000 (2011: HK$32,845,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above. Cost of inventories also includes net write-back of inventories of HK$5,566,000 (2011: net write-down of inventories of HK$2,624,000).

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

Name of director	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Mr. Chau Lai Him	**—**	—	**5,662**	5,062	**12**	12	**5,674**	5,074
Mr. Zhou Jin Hua	**—**	—	**1,396**	1,259	**12**	128	**1,408**	1,387
Mr. Liu Dong Yang	**144**	145	**148**	120	**49**	22	**341**	287
Mr. Buyan-Otgon Narmandakh	**140**	130	**—**	—	**—**	—	**140**	130
Mr. Chung Kam Kwong	**240**	120	**—**	—	**—**	—	**240**	120
Mr. Lo Wai Ming	**144**	96	**—**	—	**—**	—	**144**	96
Mr. Lo Chao Ming	**60**	60	**—**	—	**—**	—	**60**	60
Total	**728**	551	**7,206**	6,441	**73**	162	**8,007**	7,154

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

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

The five highest paid individuals of the Group include two (2011: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2011: three) non-director individuals were as follows:

	2012	2011
	HK$'000	HK$'000
Salaries and other benefits	**3,081**	3,040
Contributions to retirement benefit schemes	**199**	301
	3,280	3,341

Remuneration of these individuals was within the following bands:

	Number of individuals	
	2012	2011
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**2**	2

10. FINANCE COSTS

	The Group	
	2012	2011
	HK$' 000	HK$' 000
Interest on bank and other borrowings wholly repayable within five years	**16,860**	9,724
Interest on finance leases	**30**	45
Imputed interest on convertible bond (Note 35)	—	10,727
	16,890	20,496

11. TAXATION

	The Group	
	2012	2011
	HK$' 000	HK$' 000
Hong Kong profits tax:		
Under-provision in respect of prior years	—	42
Taxation in other jurisdictions:		
Current year	**632**	701
Under/(over)-provision in respect of prior years	**1,031**	(160)
	1,663	583
Deferred taxation (Note 34)	**12,629**	(2,105)
Tax credit for the year	**14,292**	(1,522)

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

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

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the years ended 30 June 2012 and 2011.

11. TAXATION (continued)

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

	The Group	
	2012	2011
	HK$'000	HK$'000
(Loss)/profit before taxation	**(91,840)**	356,702
Tax at the PRC income tax rate of 25% (2011: 25%)	**(22,960)**	89,176
Tax effect of expenses not deductible for tax purpose	**25,095**	35,372
Tax effect of income not taxable for tax purpose	**(5,446)**	(124,632)
Tax effect of tax losses not recognised	**3,721**	53
Utilisation of tax losses previously not recognised	**(271)**	(1,692)
Under/(over)-provision in respect of prior years	**1,031**	(118)
Effect of different tax rates of the Company's subsidiaries operating outside the PRC	**13,002**	(155)
Tax effect on share of results of an associate and jointly-controlled entities	**120**	474
Taxation for the year	**14,292**	(1,522)

12. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss from ordinary activities attributable to owners of the Company for the year ended 30 June 2012 includes a loss of HK$5,993,000 (2011: a profit of HK$441,061,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 30 June 2012 (2011: HK$Nil).

14. (LOSS)/EARNINGS PER SHARE

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

(Loss)/profit

	2012 HK$'000	2011 HK$'000
(Loss)/profit for the purpose of basic (loss)/earnings per share	**(106,132)**	358,224
Effect of dilutive ordinary shares:		
Interest on convertible bond	—	10,727
Change in fair value of convertible bond	—	(462,158)
Loss for the purpose of diluted loss per share	**(106,132)**	(93,207)

Number of shares

	2012	2011
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,709,592,005**	1,081,736,314
Effect of dilutive ordinary shares:		
Convertible bond	—	59,511,933
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,709,592,005**	1,141,248,247

During the year ended 30 June 2012, the Company did not have any significant dilutive potential ordinary shares.

15. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
COST:						
At 1 July 2010	240,348	21,432	48,001	388,051	16,848	714,680
Currency realignment	11,478	932	2,050	10,148	638	25,246
Additions	—	2,229	1,859	2,073	5,743	11,904
Reclassification	—	—	1,158	(1,158)	—	—
Disposals	—	—	(1,272)	(19,327)	(1,559)	(22,158)
At 30 June 2011 and 1 July 2011	251,826	24,593	51,796	379,787	21,670	729,672
Currency realignment	3,353	287	592	2,851	223	7,306
Additions	—	—	356	1,823	9,709	11,888
Disposals	—	—	(8)	(82)	(1,048)	(1,138)
At 30 June 2012	**255,179**	**24,880**	**52,736**	**384,379**	**30,554**	**747,728**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2010	108,724	11,768	38,328	251,726	9,857	420,403
Currency realignment	5,514	529	1,682	6,754	386	14,865
Provided for the year	12,868	1,021	2,129	17,304	2,374	35,696
Impairment loss	—	—	—	46,731	—	46,731
Reclassification	—	—	565	(565)	—	—
Eliminated on disposals	—	—	(1,146)	(16,736)	(1,112)	(18,994)
At 30 June 2011 and 1 July 2011	127,106	13,318	41,558	305,214	11,505	498,701
Currency realignment	1,713	161	500	2,205	125	4,704
Provided for the year	13,337	1,088	2,133	10,436	3,645	30,639
Impairment loss	—	—	—	28,343	—	28,343
Eliminated on disposals	—	—	(7)	(74)	(690)	(771)
At 30 June 2012	**142,156**	**14,567**	**44,184**	**346,124**	**14,585**	**561,616**
NET CARRYING AMOUNT:						
At 30 June 2012	**113,023**	**10,313**	**8,552**	**38,255**	**15,969**	**186,112**
At 30 June 2011	124,720	11,275	10,238	74,573	10,165	230,971

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

At 30 June 2012, the net carrying amount of property, plant and equipment of the Group includes motor vehicles of HK$791,000 (2011: HK$755,000) that were held under finance leases. None of the leases includes contingent rentals. During the year, addition to property, plant and equipment of the Group financed by a new finance lease amounted to HK$550,000 (2011: HK$Nil).

The Group has pledged buildings with aggregate net carrying amount as at 30 June 2012 of HK$100,070,000 (2011: HK$110,748,000) to secure banking facilities granted to the Group (Note 28).

At 30 June 2012, the Group was in the process of obtaining the relevant title documents of certain of its buildings with aggregate carrying amount of HK$8,742,000 (2011: HK$9,557,000).

For the year ended 30 June 2012, the Group's cables and wires segment and copper rods segment incurred segment losses, before impairment, of HK$50,132,000 and HK$18,380,000 respectively. As a result, management considered and identified that the related plant and machinery items in the Group's property, plant and equipment under the cables and wires segment and copper rods segment were under-utilised and damaged. In the opinion of the directors of the Company, it was not cost-effective to incur additional repairs and maintenance costs to restore the condition of those items, for which the recoverable amount of those items was nil. Accordingly, full provision for impairment loss of HK$28,343,000 (2011: HK$46,731,000) in aggregate, to these individual plant and machinery items, was recognised in profit or loss.

At 30 June 2012, the prepayment amounts represented prepayments made for acquisition of a new production line and certain items of property, plant and equipment.

16. INVESTMENT PROPERTIES

	Note	The Group	
		2012	2011
		HK$'000	HK$'000
Fair value:			
At beginning of year		—	—
Additions on acquisition of subsidiaries*	38(b)	**64,850**	—
Fair value gains, net		**54,714**	—
At end of year		**119,564**	—

* It comprised the acquisition considerations and costs directly attributable to the acquisition allocated to investment properties. Further details of the acquisition of subsidiaries which gave rise to the recognition of the investment properties above are set out in Note 38(b).

Investment properties were valued at 30 June 2012 by Peak Vision Appraisals Limited ("Peak Vision"), an independent firm of professionally qualified valuers, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies. This valuation gave rise to net fair value gains of HK$54,714,000 during the year.

16. INVESTMENT PROPERTIES (continued)

The Group's carrying amount of investment properties is analysed as follows:

	2012 HK$'000	2011 HK$'000
Situated in the PRC held under		
– medium term lease	112,238	—
– long term lease	7,326	—
	119,564	—

17. PREPAID LEASE PAYMENTS FOR LAND

	Notes	The Group 2012 HK$'000	 2011 HK$'000
Carrying amount:			
At beginning of year		96,707	99,204
Disposal of a subsidiary	39	—	(4,345)
Charge to the profit or loss for the year	8	(2,691)	(2,697)
Currency realignment		1,275	4,545
At end of year		95,291	96,707

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

	2012 HK$'000	2011 HK$'000
Leasehold land situated in the PRC held under		
– medium term lease	93,789	95,160
Leasehold land situated in Hong Kong held under		
– medium term lease	1,502	1,547
	95,291	96,707
Analysed for reporting purposes as:		
Non-current	92,597	94,048
Current	2,694	2,659
	95,291	96,707

The Group has pledged prepaid lease payments for land with aggregate carrying amount as at 30 June 2012 of HK$92,932,000 (2011: HK$94,314,000) to secure banking facilities granted to the Group (Note 28).

At 30 June 2012, 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$34,363,000 (2011: HK$34,874,000).

18. MINING RIGHT

	The Group
	HK$'000
COST:	
At 1 July 2010	1,170,025
Exchange realignments	704
At 30 June 2011 and 1 July 2011	1,170,729
Exchange realignments	(304)
At 30 June 2012	**1,170,425**
ACCUMULATED AMORTISATION:	
At 1 July 2010	6,197
Exchange realignments	17
At 30 June 2011 and 1 July 2011	6,214
Exchange realignments	(7)
At 30 June 2012	**6,207**
NET CARRYING AMOUNT:	
At 30 June 2012	**1,164,218**
At 30 June 2011	1,164,515

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

During the year ended 30 June 2010, the mining right was amortised using the straight-line method over the expected useful life of 30 years and the amortisation charge was included in general and administrative expenses.

During the prior year, the Group reassessed the amortisation method which is to write off the cost less accumulated impairment losses over the useful life of the mine in accordance with the production plans and reserves of the mine based on the unit-of-production method. This change in accounting estimate has been accounted for prospectively since the prior year.

19. EXPLORATION AND EVALUATION ASSETS

	The Group	
	2012	2011
	HK$'000	HK$'000
Exploration permits		
Cost:		
At beginning of year	—	—
Additions	**25,355**	—
At end of year (Note)	**25,355**	—

Note:

As at 30 June 2012, the amount represented exploration permits in the locations of Uguujit of Orkhontuul soum in Selenge province and Undur of Bugat soum in Gobi-Altai province, the State of Mongolia. These exploration permits were granted for an initial periods of 3 years. As at 30 June 2012, the residual valid period of the permits ranged from 6 to 9 months. In the opinion of the directors, in the event that the exploration and evaluation works have not been completed before the respective expiry dates of the exploration permits, the Group is confident that it can renew all exploration permits before the respective expiry dates.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**8**	8
Amounts due from subsidiaries	**2,988,867**	3,070,301
	2,988,875	3,070,309
Less: impairment loss on investment cost	**(8)**	(8)
impairment loss on amounts due from subsidiaries	**(1,458,406)**	(1,734,955)
	1,530,461	1,335,346

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.

Accumulated impairment losses on investment cost and amounts due from subsidiaries of HK$8,000 (2011: HK$8,000) and HK$1,458,406,000 (2011: HK$1,734,955,000) respectively were recognised as at 30 June 2012 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 were unsecured, interest-free and repayable on demand.

20. INTERESTS IN SUBSIDIARIES (continued)

The following list contains only the particulars of the principal subsidiaries as at 30 June 2012 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
Aberdeen Investments Limited	Samoa	US$1	100%	Property holding
Chau's Electrical (BVI) Company Limited	British Virgin Islands/PRC	US$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK$1,000 ordinary HK$500,000 non-voting deferred (Note (a))	100%	Manufacture and trading of cable and wire products
Chau's Industrial Investments Limited	British Virgin Islands	US$1,000	100%	Investment holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. #	PRC	US$14,925,000	100%	Manufacture and trading of copper products
東莞三泰電器有限公司 Dongguan Santai Electrical Appliances Co., Ltd. #	PRC	HK$64,000,000	100%	Property holding
東莞橋梓周氏電業有限公司 Dongguan 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
Great Measure Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Hua Yi Copper Products Company Limited	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products
Ikh Shijir Erdene LLC	State of Mongolia	US$100,000	100%	Mining business (not yet commenced)

20. 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
Santai Electronics Limited	Hong Kong	HK$2	100%	Investment holding
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd. #	PRC	US$2,500,000	100%	Manufacture and trading of cable and wire products
Sun Progress Limited	British Virgin Islands	US$1	100%	Investment holding
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 or to participate in any distribution on winding up.

(b) Except for Chau's Industrial Investments Limited and Great Measure Investments Limited, all the subsidiaries are indirectly held by the Company.

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

21. INTEREST IN AN ASSOCIATE

	The Group	
	2012	2011
	HK$' 000	HK$' 000
Share of net assets	—	7,666

On 23 December 2011, the Group entered into a sale and purchase agreement with the 75%-owner of the associate for the disposal of its entire 20% equity interest in 侯馬普天榮盛光纜有限公司 at a cash consideration of RMB2,400,000, net of direct costs incurred on disposal. A net loss on disposal of interest in the associate of HK$1,509,000, including reclassification adjustment of exchange reserve of HK$2,816,000 upon the disposal, was recognised in the profit or loss for the year.

The following sets out the particulars of the associate as at 30 June 2011:

Name of company/ form of business structure	Place of establishment	Proportion of nominal value of 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 financial statements of the above company are not audited by BDO Limited or any of its member firms.

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

	2012	2011
	HK$' 000	HK$' 000
Total assets	—	77,885
Total liabilities	—	(39,553)
Net assets	—	38,332
Group's share of net assets of associate	—	7,666

	2012	2011
	HK$' 000	HK$' 000
Revenue before the disposal by the Group	**41,381**	65,104
Loss for the year before the disposal by the Group	**(2,355)**	(9,475)
Group's share of results of associate for the year	**(471)**	(1,895)

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**99,990**	—

During the year ended 30 June 2012, the Group acquired 10% equity interest in Venture Max Limited ("Venture Max") for a consideration of HK$100,000,000. Further details of the Group's acquisition of equity interest in Venture Max are set out in Note 38(a).

Particulars of the Group's jointly-controlled entities are as follows:-

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

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

The summarised financial information of the Group's jointly-controlled entities is as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**101,521**	—
Current assets	**49**	—
Current liabilities	**(1,580)**	—
Share of net assets	**99,990**	—
Share of the jointly-controlled entities' results:		
Revenue	—	—
Expenses	**(10)**	—
	(10)	—
Taxation	—	—
Loss for the year	**(10)**	—

23. INVENTORIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**43,700**	66,346
Work in progress	**2,728**	3,290
Finished goods	**32,083**	42,877
	78,511	112,513

During the year, the Group has carried out its regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgment. As a result, inventories of HK$Nil (2011: HK$2,624,000) has been determined that its carrying amount falls below its estimated net realisable value and was recorded as a write-down in the profit or loss. On the other hands, during the year, certain inventories in the aggregate amount of HK$5,566,000 (2011: HK$Nil) that were impaired in the prior years were sold in the year and were recorded as a write-back of provision for inventories in profit or loss, resulting in net write-back of provision for inventories by HK$5,566,000 (2011: provision made for inventories of HK$2,624,000) for the year ended 30 June 2012 (Note 8).

24. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS

At 30 June 2012, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$67,658,000 (2011: HK$107,384,000).

(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	
	2012	2011
	HK$'000	HK$'000
Within 30 days	**63,457**	99,821
31 - 60 days	**1,271**	5,682
61 - 90 days	**452**	838
Over 90 days	**2,478**	1,043
	67,658	107,384

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

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

	The Group	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**5,849**	5,919
Impairment loss recognised	**483**	901
Reversal of allowance for doubtful debts	**(195)**	(549)
Uncollectible amounts written off	**(3,126)**	(496)
Currency realignment	**24**	74
At end of year	**3,035**	5,849

At 30 June 2012, the Group's trade debtors of HK$3,035,000 (2011: HK$5,849,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**65,180**	106,341
Past due and not impaired	**2,478**	1,043
	67,658	107,384

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.

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

(v) At 30 June 2012, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$2,949,000 (2011: HK$9,555,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

(vi) Due from related companies

At 30 June 2012, included in the Group's debtors, other loans and receivables, deposits and prepayments were amounts due from related companies in the aggregate amount of HK$2,826,000 (2011: HK$39,611,000). As at 30 June 2012, the aggregate balance is unsecured, interest-free and has no fixed terms of repayment. At 30 June 2011, except for a loan receivable of HK$30,120,000 which was unsecured, interest-bearing at 6% per annum and repayable on 31 December 2011, the remaining aggregate balances of HK$9,491,000 were unsecured, interest-free and had no fixed terms of repayment. The maximum outstanding balance due from the related companies during the year was HK$39,611,000. As at 30 June 2012 and 2011, a director of the Company is a close family member of certain directors of the above related companies.

(vii) Loans receivable

As at 30 June 2012, included in the Group's debtors, other loans and receivables, deposits and prepayments were loans receivable and the related interest receivables of HK$36,508,000 (2011: HK$Nil) in aggregate due from three independent third parties. Those loans were interest-bearing at 15% per annum and repayable in the period from January 2013 to February 2013.

25. BILLS RECEIVABLE

As at 30 June 2012 and 2011, all bills receivable aged within 90 days.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2012	2011
	HK$'000	HK$'000
Equity securities held for trading and listed in Hong Kong	**26,601**	—

The fair values of the equity securities are determined based on the quoted market prices. During the year, a gain on change in fair value of HK$12,395,000 was recognised in profit or loss.

27. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative not qualified for hedging

	The Group			
	2012		2011	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Copper future contracts	**117**	**(446)**	806	—

Copper future contracts

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

	As at 30 June 2012	As at 30 June 2011
Quantities (in tonnes)	**905**	9,655
Average price per tonne	**US$7,764**	US$9,483
Delivery period	**From July 2012 to February 2013**	From July 2011 to February 2012
Fair value (loss)/gain of copper future contracts recognised as current (liabilities)/assets(in HK$'000)	**(329)**	806

The above derivatives are measured at fair values at the end of each reporting period and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices at the end of reporting periods. The loss on change in fair value of derivative financial instruments of HK$21,087,000 (2011: gain of HK$21,802,000) has been recognised in profit or loss during the year.

28. PLEDGE OF ASSETS

At 30 June 2012, 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	**2012**	2011
		HK$'000	HK$'000
Property, plant and equipment	15	**100,070**	110,748
Prepaid lease payments for land	17	**92,932**	94,314
Pledged deposits and bank balances		**47,931**	39,713
		240,933	244,775

29. BANK BALANCES AND CASH (INCLUDING THE PLEDGED BALANCES)

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

	The Group	
	2012	2011
	HK$' 000	HK$' 000
Bank balances and cash and pledged deposits were denominated in the following currencies:		
Renminbi ("RMB")	**106,562**	59,036
HK$	**54,270**	97,792
US$	**77,914**	60,725
EURO	**912**	3,105
MT$	**—**	424
	239,658	221,082

	The Company	
	2012	2011
	HK$' 000	HK$' 000
Bank balances and cash were denominated in the following currencies:		
HK$	**19,314**	84,781
US$	**12,621**	11,012
	31,935	95,793

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.

30. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 30 June 2012, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$18,429,000 (2011: HK$21,423,000).

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Within 30 days	**14,052**	17,437
31 - 60 days	**3,642**	3,253
61 - 90 days	**401**	392
Over 90 days	**334**	341
	18,429	21,423

31. BILLS PAYABLE

At 30 June 2012 and 2011, all bills payable aged within 90 days, which are secured by certain pledged bank deposits, details of which are set out in Note 28.

32. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**486**	493	**460**	471
In the second to fifth years inclusive	**347**	287	**332**	284
	833	780		
Less: Future finance charges	**(41)**	(25)		
Present value of lease obligations	**792**	755	**792**	755
Less: Amount due within one year			**(460)**	(471)
Amount due after one year			**332**	284

It is the Group's policy to lease certain of its 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 4% (2011: 4%) 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.

33. BORROWINGS

	The Group	
	2012	2011
	HK$'000	HK$'000
Borrowings are secured, repayable within one year and are analysed as follows:		
Bank loans	**85,470**	—
Trust receipt loans	**53,166**	59,831
	138,636	59,831

The average effective interest rates of the bank borrowings range from 2.98% to 6.74% (2011: 2.65% to 6.40%) per annum.

Over 95% of the Group's bank borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

At 30 June 2012, the Group had available HK$116,711,000 (2011: HK$181,424,000) 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 28. Certain borrowings are also secured by the corporate guarantees of the Company and its subsidiaries.

34. DEFERRED TAX

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

	The Group			
	Investment properties	**Accelerated tax depreciation**	**Properties**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2010	—	16,494	7,079	23,573
Exchange realignment	—	469	336	805
Credit to profit or loss for the year (Note 11)	—	(1,690)	(415)	(2,105)
At 30 June 2011	—	15,273	7,000	22,273
Exchange realignment	—	123	94	217
Charge/(credit) to profit or loss for the year (Note 11)	14,906	(1,856)	(421)	12,629
At 30 June 2012	**14,906**	**13,540**	**6,673**	**35,119**

34. DEFERRED TAX (continued)

At 30 June 2012, the Group has unused tax losses of HK$163,839,000 (2011: HK$133,000,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses of HK$126,309,000 (2011: HK$95,968,000) may be carried forward indefinitely and the remaining amount of HK$37,530,000 (2011: HK$37,032,000) would expire in five years from the respective dates of incurrence.

At 30 June 2012 and 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with interests in subsidiaries in the PRC for which deferred tax assets have not been recognised is in total amount of approximately HK$8,094,000 (2011: HK$10,865,000).

35. CONVERTIBLE BOND

The Group and the Company

On 4 May 2010, the Company issued a convertible bond with principal amount of HK$1,432,000,000 as part of the purchase consideration for the acquisition of subsidiaries. The convertible bond bears zero coupon interest and has maturity date of 36 months from date of issue with a right to convert at a maximum of 9,546,666,667 shares of the Company at conversion price of HK$0.15 per share. As detailed in the Company's announcement dated 4 May 2010, the conversion price of the convertible bond was reset to HK$0.10 and accordingly the maximum number of shares that can be converted was adjusted to 14,320,000,000. Unless previously converted, the convertible bond will mature and will be redeemed by the Company at par on the maturity date.

The exercise of conversion options embedded in the convertible bond would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The embedded derivatives of conversion options are therefore accounted for as a financial asset and liability in respect of the Put Option and the Call Option respectively. The principal of HK$1,432,000,000 with initial recognition of fair value at HK$1,081,526,000 of the convertible bond has been split into liability and derivative components. On issue of the convertible bond, the fair values of the derivative components were determined using an option pricing model and the amounts were carried as derivative component of an asset (the Put Option) and liability (the Call Option) until extinguished on conversion or redemption of the convertible bond. The liability component was initially recognised at fair value based on a discount rate of 10.36% per annum and was carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative components were measured at respective fair values on the issue date and any subsequent changes in fair value of the derivative components at the end of reporting period were recognised in profit or loss.

During the prior year, principal amount of HK$1,332,000,000, in aggregate, of the convertible bond was converted into shares of the Company. The conversions gave rise to the issue of 13,320,000,000 shares of HK$0.10 each of the Company and derecognition in carrying value of liability component by HK$1,017,082,000 and derecognition in carrying values of the Call Option and the Put Option by HK$27,269,000 and HK$608,242,000 respectively.

As at 30 June 2011, the convertible bond has been fully converted.

During the prior year, the net fair value of the derivative components of the convertible bond increased and resulted in an aggregate fair value gain of HK$462,158,000.

35. CONVERTIBLE BOND (continued)

The Group and the Company (continued)

	Liability component of convertible bond	The Call Option	The Put Option	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Liability/(asset) at 1 July 2010	1,006,355	22,266	(141,081)	887,540
Issue of shares upon conversion of convertible bond (Note 36(iv))	(1,017,082)	(27,269)	608,242	(436,109)
Fair value loss/(gain)	—	5,003	(467,161)	(462,158)
Effective interest expense recognised (Note 10)	10,727	—	—	10,727
Liability/(asset) at 30 June 2011	—	—	—	—

Imputed interest on the convertible bond for the year ended 30 June 2011 was calculated using the effective interest method by applying the effective interest rate of 9.91% per annum.

36. SHARE CAPITAL

	Number of shares		Share capital	
	2012	2011	**2012**	2011
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each:				
Authorised (Note (i))	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning of the year	**1,261,283**	4,705,660	**12,613**	47,056
Capital reorganisation (Note (i))	—	(23,964,377)	—	(239,643)
Placements of new shares (Note (ii))	**1,384,510**	7,200,000	**13,845**	72,000
Exercise of share options (Note (iii))	**126,120**	—	**1,261**	—
Issue of shares upon conversion of convertible bond (Note (iv))	—	13,320,000	—	133,200
At end of the year	**2,771,913**	1,261,283	**27,719**	12,613

Notes:

(i) During the prior year, pursuant to a resolution passed at the special general meeting of the Company held on 1 June 2011, a capital reorganisation was effected such that the authorised share capital of the Company remained at HK$500,000,000 being represented by 50,000,000,000 shares. The capital reorganisation involved (i) share consolidation of every 20 issued shares of HK$0.01 each into 1 consolidated share of HK$0.20 each; and (ii) capital reduction for each issued consolidated share from HK$0.20 each to HK$0.01 each by cancellation of HK$0.19 each on each issued consolidated share.

The credit arising from the capital reduction of HK$239,643,000 was transferred to the contributed surplus account and immediately offset the same amount of the then accumulated losses of the Company.

(ii) During the year, aggregate number of 1,384,510,000 (2011: 7,200,000,000) new ordinary shares of par value of HK$0.01 (2011: HK$0.01) each were issued at subscription prices ranging from HK$0.07 each to HK$0.20 each (2011: subscription price at HK$0.02 each) to the then independent third parties of the Company at aggregate proceeds of HK$158,360,000 (2011: HK$140,317,000), net of issuing expenses, of which HK$13,845,000 (2011: HK$72,000,000) was credited to share capital and the remaining balance of HK$144,515,000 (2011: HK$68,317,000) was credited to the share premium account.

(iii) During the year, 126,120,000 new ordinary shares of par value of HK$0.01 each were issued at option price of HK$0.092 each on exercise of 126,120,000 (Note 42) share options at aggregate proceeds of HK$11,601,000, net of issuing expenses, of which HK$1,261,000 was credited to share capital and the remaining balance of HK$10,340,000 was credited to the share premium account. In addition, the amount attributable to the related share options of HK$1,832,000 was transferred from share option reserve to the share premium account.

(iv) During the prior year, an aggregate number of 13,320,000,000 new ordinary shares of par value of HK$0.01 each were issued at a conversion price of HK$0.10 each on exercise of conversion option of the convertible bond, resulting in recognition of the net aggregate amount of derivative components and the liability component of the convertible bond, at the respective dates of conversions in aggregate amount of approximately HK$436,109,000 (Note 35). The conversions gave rise to a credit to share capital of HK$133,200,000 and the remaining balance of HK$302,360,000, net of issuing expenses of HK$549,000, were credited to the share premium account.

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

37. 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 2010	644,224	763,907	—	(698,302)	709,829
Placements of new shares (Note 36)	68,317	—	—	—	68,317
Issue of shares upon conversion of convertible bond (Note 36)	302,360	—	—	—	302,360
Transactions with owners	370,677	—	—	—	370,677
Profit and total comprehensive income for the year	—	—	—	38,082	38,082
Capital reorganisation (Note 36)	—	—	—	239,643	239,643
At 30 June 2011 and 1 July 2012	1,014,901	763,907	—	(420,577)	1,358,231
Placements of new shares (Note 36)	144,515	—	—	—	144,515
Issue of shares upon exercise of share options (Note 36)	10,340	—	—	—	10,340
Recognition of equity-settled share–based payments (Note 42)	—	—	1,832	—	1,832
Transactions with owners	154,855	—	1,832	—	156,687
Profit and total comprehensive income for the year	—	—	—	19,771	19,771
Transfer upon exercise of share options (Note 36)	1,832	—	(1,832)	—	—
At 30 June 2012	**1,171,588**	**763,907**	—	**(400,806)**	**1,534,689**

Notes:

The contributed surplus represented (i) 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; and (ii) the credit arising from the capital reduction in accordance with the Company's capital reorganisation in July 2009.

The share option reserve represented the grant-date fair value of the actual or estimated number of unexercised outstanding share options granted to the eligible parties.

38. ACQUISITION OF INTERESTS IN JOINTLY-CONTOLLED ENTITIES AND SUBSIDIARIES

(a) On 5 July 2011, the Group entered into a sale and purchase agreement with Hero Wisdom Limited (the "Vendor"), pursuant to which the Group has conditionally agreed to acquire from the Vendor 10% equity interest in Venture Max, a company incorporated in the British Virgin Islands which holds exploration and mining permits in the State of Mongolia through Mongolian Copper Mining LLC ("MCM"), Venture Max's wholly-owned subsidiary incorporated in the State of Mongolia (Venture Max and MCM are collectively referred to as the "Venture Max Group"), at a cash consideration of HK$100,000,000. The acquisition was completed on 5 March 2012. Further details of the acquisition were set out in the announcements of the Company dated 5 July 2011 and 5 March 2012.

Notwithstanding that the Group holds 10% equity interest in the Venture Max Group, there is a contractual arrangement between the Group and the Vendor such that the economic activities of the Venture Max Group is subject to the joint control of the Group and the Vendor and none of them has unilateral control over the economic activities of the Venture Max Group. Accordingly, the Venture Max Group is accounted for as the Group's jointly-controlled entities.

Under Hong Kong Financial Reporting Standard 3 (revised) "Business Combinations" ("HKFRS 3"), an entity shall determine whether a transaction or other event is a business combination by applying the definition of HKFRS 3, which requires that the assets acquired and liabilities assumed constitute a business. Given the fact that technical report and mining plan of the Venture Max Group's mine have not been finalised and the Venture Max Group has not involved in any mining activity up to the completion date of the acquisition, the Venture Max Group is not considered as a business under the definition of HKFRS 3 by the directors of the Company. In this regard, the initial measurement of the Group's interests in the Venture Max Group would be the allocation of the consideration in proportionate to the fair value of the assets and liabilities of the Venture Max Group.

(b) On 12 December 2011, the Group entered into an agreement pursuant to which the Group agreed to acquire the entire issued share capital of Santai Electronics Limited ("Santai"), a company incorporated in Hong Kong, at a total cash consideration of RMB43,000,000 (equivalent to approximately HK$52,614,000) (the "Santai Acquisition"). Santai is the beneficial owner of the land use rights of an industrial complex located in Dongguan City, the PRC (the "Santai Property") through its wholly-owned subsidiary, Dongguan Santai Electrical Appliances Co., Limited ("Dongguan Santai"). Santai and Dongguan Santai are collectively referred to as the "Santai Group".

On the same date, the Group entered into an agreement pursuant to which the Group agreed to acquire the entire issued share capital of Aberdeen Investments Limited ("Aberdeen"), a company incorporated in Samoa, at a total cash consideration of RMB10,000,000 (equivalent to approximately HK$12,236,000) (the "Aberdeen Acquisition"). Aberdeen is the legal and beneficial owner of certain property units in Dongguan City, the PRC (the "Aberdeen Property").

Santai and Aberdeen are wholly-owned subsidiaries of Shougang Concord Technology Holdings Limited whose shares are listed on the Stock Exchange. Both of the Santai Acquisition and the Aberdeen Acquisition were completed on 22 June 2012, further details of which are set out in the Company's announcements dated 12 December 2011 and 22 June 2012.

In the opinion of the directors of the Company, the Santai Property and the Aberdeen Property and the related activities of the acquirees are not indicative of businesses, and therefore the Santai Acquisition and the Aberdeen Acquisition are not considered as business combinations under the definition of HKFRS 3. Accordingly the Santai Acquisition and the Aberdeen Acquisition are considered as acquisitions of assets (i.e. mainly investment properties). In this regard, the initial measurement of assets and liabilities acquired would be the allocation of the total consideration based on their relative fair values.

38. ACQUISITION OF INTERESTS IN JOINTLY-CONTOLLED ENTITIES AND SUBSIDIARIES (continued)

(b) (continued)

Based on the foregoing, the Santai Acquisition and the Aberdeen Acquisition gave rise to the additions of investment properties of HK$64,850,000 at the completion date.

Total cash outflow for the Santai Acquisition and the Aberdeen Acquisition during the year was the total consideration of HK$64,850,000 paid in cash.

39. DISPOSAL OF A SUBSIDIARY

On 19 November 2010, the Group entered into a conditional sale and purchase agreement with a purchaser in relation to the disposal of its entire equity interest in Jingjiang Hua Ling Copper Products Co., Limited ("Jingjiang"), a then wholly-owned subsidiary of the Company, for a cash consideration of RMB4,500,000, equivalent to approximately HK$5,173,000. The disposal had been completed during the prior year.

The disposed net assets of Jingjiang at the date of disposal are summarised as follows:

	Note	HK$' 000
Net assets disposed of:		
Prepaid lease payments for land	17	4,345
Debtors, other loans and receivables, deposits and prepayments		194
Bank balances and cash		22
Net identifiable assets and liabilities		4,561
Reclassification adjustment of exchange reserves upon disposal		(4,683)
Gain on disposal of a subsidiary		5,295
Total consideration		5,173
Consideration satisfied by:		
Cash consideration		5,173
Net cash inflow arising on disposal:		
Cash consideration		5,173
Bank balances and cash		(22)
		5,151

40. CAPITAL COMMITMENTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	**1,854**	—
Capital expenditure authorised but not contracted for in respect of acquisition of:		
Motor vehicle	**—**	6,880

41. LEASE COMMITMENTS

The Group as lessor

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

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**6,333**	—
In the second to fifth year inclusive	**21,197**	—
	27,530	—

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	
	2012	2011
	HK$'000	HK$'000
Within one year	**714**	200

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

42. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 16 September 2002 (the "Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees and others providing similar services of employees, and 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, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant, and the nominal value of a share.

During the year, equity-settled share-based payments of HK$1,832,000 (2011: HK$Nil) was recognised in profit or loss.

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

					Number of share options				
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding At 1.7.2010, 30.6.2011 and 1.7.2011 '000	Granted during the year '000	Exercised during the year '000 (Note 36(iii))	Lapsed/ cancelled during the year '000	Outstanding at 30.6.2012 '000
Employees	20 April 2012	21 April 2012 to 20 April 2014	Immediate	0.092	—	126,120	(126,120)	—	—

42. SHARE OPTION SCHEME (continued)

The fair value of share options granted to employees during the year, determined at the date of grant of the share options, is expensed over the vesting period. The fair value was calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	Date of grant
Share price on the date of grant	HK$0.092
Exercise price	HK$0.092
Expected volatility	70%
Expected life	0.5 year
Risk-free rate	0.15%
Expected dividend yield	Nil

The volatility of share options granted during the year was generated from Bloomberg based on the Company's 125-day historical share prices before the dates of valuation.

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year was HK$0.091 (2011: HK$Nil).

At the end of the reporting period and the date of this annual report, the Company had no outstanding number of share option under the Share Option Scheme.

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

43. RETIREMENT BENEFIT SCHEME

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

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK$4,334,000 (2011: HK$4,128,000).

44. RELATED PARTY TRANSACTIONS

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

Related party relationship	Type of transaction	The Group	
		2012	2011
		HK$'000	HK$'000
Company in which a close family member of a director of the Company is a director	Rental income on leases of motor vehicles	**955**	1,276
Company in which a close family member of a director of the Company is a director	Loan interest income	**660**	1,372
Company in which a director of the Company is a director	Proceeds on sale of property, plant and equipment	—	340

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

Compensation of key management personnel of the Group

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

45. CONTINGENT LIABILITIES

(i) During the prior year, certain subsidiaries of the Company (collectively the "Chau's") and other unrelated parties were named as joint defendants in a lawsuit brought by a number of plaintiffs, and alleges that the Chau's was causally related to its electrical cord incorporated within certain air-conditioning units, which were involved in fires, resulting in deaths and personal injuries (the "Claim 1"). On 29 August 2011, the Chau's legal counsel filed an appearance and responsive pleading and vigorously defended the Chau's in response to the First Amended Complaint for Damages received from the plaintiffs' counsel. No amount of claim was ascertained in respect of the Claim 1 since the prior year and as of the date of this annual report.

The allegations of liability, as against the Chau's, for the Claim 1 have been denied and are contested. The Chau's has been retained by its product liability insurer who will pay any related legal costs and expenses.

According to legal advice from legal counsel of the Chau's, up to the date of this annual report, the Claim 1 is still in the discovery stage and it is possible to defend the claim by the Chau's.

(ii) Certain plaintiffs sustained damage to their home and personal property due to a fire that was allegedly caused by products of a customer of the Chau's (the "Customer"). The Chau's is not a party to the lawsuits. During the year, the Customer has demanded defense and indemnification under the Chau's liability insurance policy (the "Claim 2"). On 23 July 2012, the Chau's legal counsel issued a reservation of rights letter on the behalf of the liability insurer of the Chau's in response to the Cutstomer's demand letter and has been obtaining additional documentation from the Customer regarding the claim to assess its demand for defense and indemnification in respect of the Claim 2. No amount of claim was ascertained as of the date of this annual report.

According to legal advice from legal counsel of the Chau's, up to the date of this annual report, the lawsuits among the plaintiffs and the Customer are still in the discovery stage and it is premature to determine the probable outcome, responsibility and liability of the Chau's in the Claim 2.

46. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes borrowings disclosed in Note 33, obligations under finance leases disclosed in Note 32, bank balances and cash disclosed in Note 29 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	
	2012	2011
	HK$'000	HK$'000
Debts	**139,428**	60,586
Cash and cash equivalents	**(239,658)**	(221,082)
Net debts	**(100,230)**	(160,496)
Equity	**1,894,789**	1,831,860
Net debts to equity ratio	**N/A**	N/A

47. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2012 and 2011 may be categorised as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost	**416,331**	442,008
Financial assets at fair value through profit or loss	**26,601**	—
Derivative financial liabilities at fair value	**117**	806
Financial liabilities		
Financial liabilities at amortised cost	**289,854**	201,720
Derivative financial liabilities at fair value	**446**	—

48. EVENT AFTER REPORTING PERIOD

During the prior year, the Chau's and one of its customers were sued in a lawsuit by a number of plaintiffs who alleges deaths and personal deaths from a fire incident proximately related to its electrical cords incorporated within certain air-conditioning units (the "Claim 3"). In November 2010, the plaintiffs demanded US$10,000,000 to settle the case which was disagreed by the Chau's. On 19 May 2011, the plaintiffs amended the settlement demand at US$4,000,000 (the "Demand").

On 10 August 2012, a release and settlement agreement was made and entered into between the plaintiffs and Chau's pursuant to which both parties have agreed to a final settlement (the "Settlement") and compromised to waive, release, indemnify, and forever discharge Chau's liabilities in respect of the Claim 3. Out of the Settlement, an amount of US$75,000 would be settled by the Group. On 6 September 2012, the Group has fully paid its responsible part of the Settlement and therefore the liabilities of the Chau's in respect of the Claim 3 have been discharged.

FINANCIAL SUMMARY

RESULTS

The Group

	Year ended 30 June 2012 HK$'000	Year ended 30 June 2011 HK$'000	Year ended 30 June 2010 HK$'000	Year ended 30 June 2009 HK$'000	Year ended 30 June 2008 HK$'000
Turnover	**612,863**	707,535	1,404,280	1,136,945	3,493,526
(Loss)/profit before taxation	**(91,840)**	356,702	(106,305)	(450,614)	48,643
Taxation	**(14,292)**	1,522	(32,355)	(20,391)	(24,190)
(Loss)/profit for the year	**(106,132)**	358,224	(138,660)	(471,005)	24,453
(Loss)/profit attributable to:					
Owners of the Company	**(106,132)**	358,224	(138,660)	(470,900)	19,847
Non-controlling interests	**—**	—	—	(105)	4,606
	(106,132)	358,224	(138,660)	(471,005)	24,453

ASSETS AND LIABILITIES

	At 30 June 2012 HK$'000	At 30 June 2011 HK$'000	At 30 June 2010 HK$'000	At 30 June 2009 HK$'000	At 30 June 2008 HK$'000
Total assets	**2,220,516**	2,055,907	2,323,348	1,110,281	1,711,043
Total liabilities	**(325,727)**	(224,047)	(1,421,276)	(484,281)	(624,938)
	1,894,789	1,831,860	902,072	626,000	1,086,105
Attributable to:					
Owners of the Company	**1,894,289**	1,831,360	901,572	625,500	1,083,402
Non-controlling interests	**500**	500	500	500	2,703
	1,894,789	1,831,860	902,072	626,000	1,086,105