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## SOLARTECH INTERNATIONAL HOLDINGS LIMITED

### 榮盛科技國際控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

### 2008/09 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Directors”) of Solartech International Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2009 together with last year’s comparative figures as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

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

\* For identification purposes only

	NOTES	Continuing operations		Discontinued operations		Total	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(Loss)/profit for the year attributable to:							
Equity holders of the Company		(470,900)	15,241	-	4,606	(470,900)	19,847
Minority interests		(105)	4,606	-	-	(105)	4,606
		<u>(471,005)</u>	<u>19,847</u>	<u>-</u>	<u>4,606</u>	<u>(471,005)</u>	<u>24,453</u>
Dividend	7	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
							(Restated)
(Loss)/earnings per share from continuing and discontinued operations	8						
- Basic						<u>(77.93 HK cents)</u>	<u>17.48 HK cents</u>
- Diluted						<u>(77.93 HK cents)</u>	<u>17.09 HK cents</u>
from continuing operations							
- Basic						<u>(77.93 HK cents)</u>	<u>13.42 HK cents</u>
- Diluted						<u>(77.93 HK cents)</u>	<u>13.13 HK cents</u>

## CONSOLIDATED BALANCE SHEET

At 30 June 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>411,412</b>	565,207
Prepayments for acquisition of property, plant and equipment		<b>1,600</b>	17,443
Prepaid lease payments for land – non-current portion		<b>105,394</b>	46,455
Interests in associates		<b>11,310</b>	322,417
Deferred tax assets		–	6,316
Goodwill		<b>23,389</b>	23,389
		<hr/> <b>553,105</b>	<hr/> 981,227
<b>Current assets</b>			
Inventories		<b>178,284</b>	266,765
Debtors, other loans and receivables, deposits and prepayments	9	<b>212,602</b>	311,844
Bills receivable		<b>13,172</b>	24,484
Prepaid lease payments for land – current portion		<b>2,593</b>	1,189
Derivative financial assets		<b>54</b>	1,702
Tax recoverable		<b>3,893</b>	1,396
Pledged deposits and bank balances		<b>48,136</b>	36,619
Bank balances and cash		<b>98,442</b>	85,817
		<hr/> <b>557,176</b>	<hr/> 729,816
<b>Current liabilities</b>			
Creditors, other advances and accrued charges	10	<b>138,805</b>	198,563
Bills payable		<b>107,144</b>	12,613
Amount due to an associate		–	202,054
Taxation		<b>7,776</b>	7,333
Obligations under finance leases		<b>4,077</b>	3,707
Borrowings		<b>185,846</b>	155,450
Derivative financial liabilities		<b>520</b>	9,171
		<hr/> <b>444,168</b>	<hr/> 588,891
<b>Net current assets</b>		<hr/> <b>113,008</b>	<hr/> 140,925
<b>Total assets less current liabilities</b>		<hr/> <b>666,113</b>	<hr/> 1,122,152

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Share option reserve of a listed subsidiary/ associate HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 July 2007	4,892	160,800	587,012	19,056	5,090	1,760	159,816	938,426	4,128	194,072	1,136,626
Exchange differences arising on translation of foreign operations, hedges of net investment in foreign operations and share of reserve of associates and jointly-controlled entities and total income for the year recognised directly in equity	-	-	-	52,351	-	-	-	52,351	-	19,051	71,402
Profit for the year	-	-	-	-	-	-	19,847	19,847	-	4,606	24,453
Total recognised income for the year	-	-	-	52,351	-	-	19,847	72,198	-	23,657	95,855
Placement of new shares	970	62,996	-	-	-	-	-	63,966	-	-	63,966
Issue of shares upon exercise of share options	175	4,951	-	-	-	-	-	5,126	-	-	5,126
Transfer upon exercise of share options	-	496	-	-	-	(496)	-	-	-	-	-
Forfeiture of share options	-	-	-	-	-	(1,034)	1,152	118	(118)	-	-
Appropriation	-	-	-	-	13,356	-	(13,356)	-	-	-	-
Increase in minority interests arising from deemed disposal of a listed subsidiary before re-classification into an associate	-	-	-	-	-	-	-	-	-	90,249	90,249
Re-classification of interest in a subsidiary into an associate	-	-	-	(9,235)	(6,897)	-	10,091	(6,041)	(3,194)	(305,275)	(314,510)
Recognition of equity-settled share-based payments	-	-	-	-	-	4,814	-	4,814	3,979	-	8,793
At 30 June 2008	6,037	229,243	587,012	62,172	11,549	5,044	177,550	1,078,607	4,795	2,703	1,086,105

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

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30 June 2009*

### **1. ORGANISATION AND OPERATIONS**

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

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

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

### **2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

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

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

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

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

*Effective date:*

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

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



### 3. SEGMENTAL INFORMATION

#### Business segments

For management purposes, the Group is currently organised into three principal operating divisions – (i) manufacture and trading of cables and wires, (ii) copper rods, and (iii) connectors and terminals.

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

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

#### For the year ended 30 June 2009

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Connectors and terminals <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER							
External sales	485,717	119,721	521,096	10,411	1,136,945	–	1,136,945
Inter-segment sales	17,897	29,684	123	–	47,704	(47,704)	–
Total sales	<u>503,614</u>	<u>149,405</u>	<u>521,219</u>	<u>10,411</u>	<u>1,184,649</u>	<u>(47,704)</u>	<u>1,136,945</u>
Inter-segment sales are charged at cost.							
RESULTS							
Segment results	<u>(112,978)</u>	<u>(55,055)</u>	<u>26,484</u>	<u>(35,942)</u>	<u>(177,491)</u>		<u>(177,491)</u>
Unallocated corporate income					659		659
Unallocated corporate expenses					(3,305)		(3,305)
Finance costs					(20,193)		(20,193)
Share of results of associates	(936)	(121,310)			(122,246)		(122,246)
Loss on deemed disposal of a listed associate		(54,595)			(54,595)		(54,595)
Loss on disposal of a listed associate		(89,736)			(89,736)		(89,736)
Discount on acquisition of additional interest in a subsidiary			1,971		1,971		1,971
Gain on asset swap					<u>14,322</u>		<u>14,322</u>
Loss before taxation					<u>(450,614)</u>		<u>(450,614)</u>
Taxation					<u>(20,391)</u>		<u>(20,391)</u>
Loss for the year					<u>(471,005)</u>		<u>(471,005)</u>

**For the year ended 30 June 2009**

At 30 June 2009

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

For the year ended 30 June 2008

	Continuing operations				Discontinued operations		Consolidated <i>HK\$'000</i>	
	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Connectors and terminals <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>	Life-like plants <i>HK\$'000</i>		Elimination <i>HK\$'000</i>
<b>TURNOVER</b>								
External sales	752,644	1,904,403	711,919	37,847	3,406,813	86,713	–	3,493,526
Inter-segment sales	19,185	254,601	428	–	274,214	–	(274,214)	–
	<u>771,829</u>	<u>2,159,004</u>	<u>712,347</u>	<u>37,847</u>	<u>3,681,027</u>	<u>86,713</u>	<u>(274,214)</u>	<u>3,493,526</u>
Inter-segment sales are charged at cost.								
<b>RESULTS</b>								
Segment results	21,930	37,351	66,419	(4,659)	121,041	5,736		126,777
Unallocated corporate income					9,403	–		9,403
Unallocated corporate expenses					(49,063)	(587)		(49,650)
Change in fair value of conversion option of convertible notes					7,167	–		7,167
Finance costs					(55,616)	(448)		(56,064)
Share of results of associates	284				284	–		284
Share of results of jointly-controlled entities		(625)			(625)	–		(625)
Gain on deemed disposal of a listed subsidiary					11,351	–		11,351
Profit before taxation					43,942	4,701		48,643
Taxation					(24,095)	(95)		(24,190)
Profit for the year					<u>19,847</u>	<u>4,606</u>		<u>24,453</u>

For the year ended 30 June 2008

At 30 June 2008

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

### Geographical segments

The Group's operations are located in Hong Kong, the Mainland China, Americas, Europe and other Asian regions.

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

	Continuing operations		Discontinued operations		Total turnover by geographical market	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Mainland China	<b>482,426</b>	2,433,396	–	–	<b>482,426</b>	2,433,396
Americas	<b>496,508</b>	670,266	–	84,554	<b>496,508</b>	754,820
Europe	<b>27,501</b>	53,040	–	1,201	<b>27,501</b>	54,241
Hong Kong	<b>27,935</b>	71,012	–	903	<b>27,935</b>	71,915
Other Asian regions	<b>102,575</b>	179,099	–	55	<b>102,575</b>	179,154
	<u><b>1,136,945</b></u>	<u>3,406,813</u>	<u>–</u>	<u>86,713</u>	<u><b>1,136,945</b></u>	<u>3,493,526</u>

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

	<b>The Group</b>			
	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Mainland China	<b>602,591</b>	732,942	<b>5,843</b>	119,466
Hong Kong	<b>257,239</b>	239,374	–	1,721
Americas	<b>162,347</b>	238,230	<b>28,927</b>	14,420
Other Asian regions	<b>68,503</b>	96,866	<b>7,978</b>	1,747
	<b><u>1,090,680</u></b>	<u>1,307,412</u>	<b><u>42,748</u></b>	<u>137,354</u>

#### 4. (LOSS)/PROFIT BEFORE TAXATION

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

## 5. FINANCE COSTS

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

## 6. TAXATION

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

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

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

## 7. DIVIDEND

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

## 8. (LOSS)/EARNINGS PER SHARE

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

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

### For continuing and discontinued operations

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

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(Loss)/profit for the year attributable to equity holders of the Company for the purpose of basic (loss)/earnings per share	<b>(470,900)</b>	19,847
	<b>Number of shares</b>	
	<b>2009</b>	2008 (Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>604,230,789</b>	113,547,539
Effect of dilutive potential ordinary shares:		
Share options	–	2,554,161
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b>604,230,789</b>	116,101,700

### For continuing operations

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

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

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

### From discontinued operations for the year ended 30 June 2008

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

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

Included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK\$142,551,000 (2008: HK\$280,880,000).

- (i) The Group allows an average credit period of 90 days to its trade customers.
- (ii) The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

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

## 10. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

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

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

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

## 11. DEEMED DISPOSAL OF INTEREST IN A LISTED ASSOCIATE/SUBSIDIARY, DISPOSAL OF INTEREST IN A LISTED ASSOCIATE, DISCOUNT ON ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

### Year ended 30 June 2008

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

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

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

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



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

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

### **Year ended 30 June 2009**

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

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

During the current year, the Group acquired from the minority shareholder an additional 9.5% equity interest in a 90.5%-owned subsidiary at nil consideration, which then became the wholly-owned indirect subsidiary of the Company. The excess of the carrying amounts of the net assets of the subsidiary attributable to the interests over the cost of acquisition amounting to HK\$1,971,000 is recognised as discount on acquisition.

## 12. ACQUISITION AND DISPOSAL OF SUBSIDIARIES UNDER AN ASSET SWAP ARRANGEMENT

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

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

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

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

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

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

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

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

### Business Review

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

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

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

### *Cables and Wires*

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

### *Connectors and Terminals/Wire Harnesses*

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

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

### *Results of an Associated Company*

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

### *Copper Rod Business*

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

### **Prospects**

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

### *Asset Swap*

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

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

### *Newly Constructed Plant*

Brazil is one of the leading automobiles manufacturer in the world. Data has shown that the electrical appliances and electronics consumer markets have picked up rapidly. In addition, the winning of the rights to host 2014 World Cup and 2018 Olympic Games will motivate the economy of Brazil. The completion of the construction of the new plant in Manaus, Brazil in January 2009 and the successful consolidation of the plan for production expansion in the trading zone at Manaus, Brazil will not only reduce the operating costs for sales to the local clientele and enhance the services quality, but also will cope with the opportunities brought by the local market, once recovers, in a more timely manner.

### *Cost Control*

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

### *Pursuit to Explore New Clienteles and Products with Higher Profit Margins*

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

## **ANNUAL GENERAL MEETING**

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

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2009 Annual General Meeting, the register of members of the Company will be closed from Thursday, 19 November 2009 to Friday, 20 November 2009, both days inclusive, during which no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Wednesday, 18 November 2009.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2009, the Group had approximately 3,500 employees in Hong Kong, the People’s Republic of China (“**PRC**”) and overseas. The Group’s remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 30 June 2009, the Group had implemented a prudent financial management policy. As at 30 June 2009, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK\$147 million (30 June 2008: HK\$122 million) and net current assets value being over approximately HK\$113 million (30 June 2008: HK\$141 million). The Group’s gearing ratio as at 30 June 2009 was 0.31 (30 June 2008: 0.17), being a ratio of total bank borrowings of approximately HK\$197 million (30 June 2008: HK\$180 million) to shareholders’ funds of approximately HK\$626 million (30 June 2007: HK\$1,079 million).

As at 30 June 2009, the Group had pledged certain property, plant and machinery, land use rights, fixed bank deposits and trade debtors with an aggregate net book value of approximately HK\$288 million (30 June 2008: HK\$295 million) to secure general banking facilities granted to the Group.

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

For the year ended 30 June 2009, the Group entered into copper forward contracts, foreign exchange forward contracts and interest rates swap contracts (collectively referred as “**derivative financial instruments**”) to manage the copper price risks, foreign exchange risks and interest rate risks. The Group had not engaged in any forward contracts in the period from August 2008 to February 2009. These derivative financial instruments were entered into in accordance with the Group’s hedging policies, but they were not qualified for hedge accounting under the new HKFRS which became effective from 1 January 2006. Therefore, the outstanding derivative financial instruments have been revalued and stated at their fair value at the balance sheet date and the changes in fair value were charged to current year’s income statement.

The Group’s overall financial risk management focuses on the unpredictability of the financial markets, controls the level of financial risks that the Group can bear, and minimises any potential adverse effects on the financial performance of the Group. The purpose of the financial risk management is to ensure that transactions undertaken are in accordance with the Group’s policies and not for speculative purpose. The net loss of the derivative financial instruments for the year ended 30 June 2009 was approximately HK\$140,000 (2007/08: net gain of HK\$47,830,000).

## **CHANGE OF AUDITORS AND RE-APPOINTMENT OF AUDITORS**

### **Change of Auditors**

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

Save for the above, Deloitte has confirmed that there were no circumstances connected with its resignation which should be brought to the attention of the shareholders of the Company (the “**Shareholders**”). The Directors and the Audit Committee of the Company also confirmed that there are no circumstances in respect of the change of auditors which they consider should be brought to the attention of the shareholders of the Company. The Directors has resolved to appoint Shu Lun Pan Horwath Hong Kong CPA Limited (“**Shu Lun Pan Horwath**”) (renamed as Shu Lun Pan Hong Kong CPA Limited in May 2009) as the new auditors of the Group to



fill the casual vacancy arising from the resignation of Deloitte and to hold office until the conclusion of the 2008 annual general meeting of the Company (the “**2008 AGM**”). At the 2008 AGM held on 24 November 2008, Shu Lun Pan Horwath has been appointed as the auditors of the Company.

### **Re-appointment of Auditors**

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

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

## **SIGNIFICANT EVENTS**

### **Proposed Acquisition**

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

## Asset Swap and Solartech Open Offer

### *The Asset Swap*

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

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

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

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

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

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

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

#### *Completion of the Asset Swap*

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

#### *Solartech Open Offer*

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

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

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

### *Results of the Solartech Open Offer*

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

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

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

### *Shareholding Structure of the Company after the Solartech Open Offer*

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

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

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

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

### **Disposal of Entire Equity Interest in Hua Yi Copper Holdings Limited**

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

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

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

### **Capital Reorganisation**

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

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

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

### **Placing of Existing Shares and Subscription for New Shares**

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

### **Second Placing of Existing Shares and Subscription for New Shares**

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

### **Third Placing of New Shares under General Mandate**

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

## **SIGNIFICANT EVENTS OF HUA YI COPPER HOLDING LIMITED PRIOR TO 30 APRIL 2009**

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

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

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

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

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

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

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

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

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

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

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

### **Placing of New Shares of Hua Yi Copper**

On 5 December 2008, Hua Yi Copper and Kingston Securities entered into a placing agreement pursuant to which Kingston Securities agreed to place, on a best effort basis, 104,000,000 ordinary shares of HK\$0.05 each in the share capital of Hua Yi Copper (the “**Hua Yi Copper Placing Shares**”) at a price of HK\$0.30 per Share (the “**Placing**”). The issuance of the Hua Yi Copper Placing Shares was subject to the approval of the shareholders of Hua



Yi Copper to grant a specific mandate in respect of such issuance (the “**Specific Mandate**”). At the special general meeting held on 19 January 2009, the shareholders of Hua Yi Copper approved to grant the Specific Mandate. Pursuant to the Specific Mandate, the Placing was completed on 22 January 2009 and a total of 104,000,000 Hua Yi Copper Placing Shares were issued. The details of the Placing were set out in the circular of Hua Yi Copper dated 31 December 2008.

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

### **Disposal of Interest in Joint Venture Company of Hua Yi Copper**

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

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

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

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

During the year ended 30 June 2009 (the “**Year**”), the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the “**Code**”) in Appendix 14 of the Listing Rules, save and except for the deviation from code A.2.1 and A.4.1 of the Code which is explained below.

#### **Code provision A.2.1**

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

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

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

#### **Code provision A.4.1**

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

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

#### **AUDIT COMMITTEE**

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

#### **REMUNERATION COMMITTEE**

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

#### **COMPLIANCE WITH THE MODEL CODE**

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

## **APPRECIATION**

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

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

Hong Kong SAR, 12 October 2009

*As at the date of this announcement, the executive Directors are Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Liu Jin Rong, Mr. Ho Pang Cheng Vincent and Mr. Lam Chi Ming Francis and the independent non-executive Directors are Mr. Lo Wai Ming, Mr. Chung Kam Kwong and Mr. Lo Chao Ming.*