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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Solartech International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

### **DISPOSAL OF INTERESTS IN SUBSIDIARIES CONSTITUTING A VERY SUBSTANTIAL DISPOSAL**

**Financial Adviser to the Company**



**KINGSTON CORPORATE FINANCE LIMITED**

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Terms used in this cover page, have the same meanings as defined in this circular.

A notice convening a special general meeting of the Company to be held at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong at 10:30 a.m. on Tuesday, 27 April 2010 is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use by the Shareholders at the special general meeting is enclosed herein. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of the Company in Hong Kong at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

\* For identification purposes only

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## DEFINITIONS

*In this circular unless the context requires otherwise the following terms have the meanings set opposite them:*

“Acquisition”	the proposed acquisition of the interests in the Sun Progress Group by the Company, which is the subject of the circular of the Company dated 9 April 2010
“BCEEAL”	Brascabos Componentes Elétricos e Eletrônicos da Amazônia Ltda., a Brazilian limited liability company, owned as to 99.99% by Brascabos and as to 0.01% by a wholly-owned subsidiary of New Universe
“Board”	the board of Directors
“Brascabos”	Brascabos Componentes Elétricos e Eletrônicos Ltda., a Brazilian limited liability company, owned as to 90% by a wholly-owned subsidiary of New Universe and as to 10% by the Vendor as at the date of the Latest Practicable Date
“Company”	Solartech International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Completion Date”	the day on which completion of the Sale and Purchase Agreement shall take place, being the fifth business day following the satisfaction of the conditions precedent under the terms of the Sale and Purchase Agreement (or such other date as the Vendor and the Purchaser may agree in writing)
“Director(s)”	Director(s) of the Company
“Disposal”	the disposal of the Sale Interests pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

## DEFINITIONS

“Independent Third Party”	third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company
“Latest Practicable Date”	7 April 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lau”	Mr. Lau Man Tak
“New Universe”	New Universe Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of the Latest Practicable Date
“New Universe Group”	New Universe and its subsidiaries
“Original Sellers”	Whirlpool S.A. and Brasmotor S.A.
“Purchaser”	Perfect Asset Investments Limited
“Quota Purchase Agreement”	the quota purchase agreement dated 30 May 2006 entered into by the Company in respect of the acquisition of the equity interests in Brascabos, which is the subject of the Company’s announcement and circular dated 2 June 2006 and 26 June 2006 respectively
“Remaining Group”	the Group other than the New Universe Group
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 31 December 2009 entered into between the Vendor, the Purchaser, the Company and Mr. Lau in respect of the Disposal
“Sale Interests”	the entire issued share capital in New Universe (which indirectly holds 90% of equity interests in Brascabos) and 10% of the equity interest in Brascabos
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)

## DEFINITIONS

“SGM”	the special general meeting of the Company to be convened on 27 April 2010 for the purpose of considering and, if thought fit approving amongst other things, the Disposal
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SIT”	SIT Electronics Company Limited, a limited liability company in Thailand and is indirectly wholly-owned by New Universe
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Progress Acquisition Agreement”	the conditional sale and purchase agreement dated 10 November 2009 entered into among the Company, Winner Progress Limited and Mr. Liu Yong, which was the subject of the announcement of the Company dated 30 November 2009 and the circular of the Company dated 9 April 2010
“Sun Progress Group”	Sun Progress Limited and its subsidiaries, Sun Progress Limited is proposed to be acquired by the Company pursuant to the Sun Progress Acquisition Agreement
“Supplier Sourcing Agreement”	the Supplier Sourcing Agreement dated 31 July 2006 entered into between Brascabos, Whirlpool S.A. and Brastemp da Amazônia S.A.
“Vendor”	Chau’s Industrial Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

LETTER FROM THE BOARD



**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)**

*Executive Directors:*

Mr. CHAU Lai Him

*(Chairman and Managing Director)*

Mr. ZHOU Jin Hua *(Deputy Chairman)*

Mr. HO Pang Cheng Vincent

Mr. CHAN Sio Keong

Mr. LIU Dong Yang

*Independent Non-Executive Directors:*

Mr. CHUNG Kam Kwong

Mr. LO Wai Ming

Mr. LO Chao Ming

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of business*

*in Hong Kong:*

Unit 7, 2nd Floor

Kingsford Industrial Centre

13 Wang Hoi Road

Kowloon Bay

Kowloon

Hong Kong

9 April 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**DISPOSAL OF INTERESTS IN SUBSIDIARIES  
CONSTITUTING A VERY SUBSTANTIAL DISPOSAL**

**INTRODUCTION**

The Company stated in its announcement dated 8 January 2010 that on 31 December 2009, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser in relation to the Disposal of the Sale Interests for an aggregate consideration of HK\$30 million. Completion is conditional upon the fulfilment of certain conditions precedent as set out in detail below.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval.

\* *For identification purposes only*

## LETTER FROM THE BOARD

The purpose of this circular is to, among other things, (i) provide you with further details of the transactions contemplated under the Sale and Purchase Agreement; (ii) financial information relating to the Group; (iii) set out a notice of the SGM; and (iv) other information as required under the Listing Rules.

### SALE AND PURCHASE AGREEMENT

- Date : 31 December 2009
- Parties : (i) The Vendor, an investment holding company wholly-owned by the Company
- (ii) The Purchaser, an investment holding company wholly-owned by Mr. Lau
- (iii) The Company, as guarantor of the Vendor's obligations under the Sale and Purchase Agreement
- (iv) Mr. Lau, as guarantor of the Purchaser's obligations under the Sale and Purchase Agreement

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and Mr. Lau is an Independent Third Party. The Directors noted that Mr. Lau owned 26% of the underwriter of an open offer announced by the Company in December 2008, whilst 74% of that underwriter was owned by Mr. Chau Lai Him, who is the Chairman, the managing Director and a substantial shareholder of the Company. Mr. Lau has confirmed to the Company that he has since 1 August 2009 ceased to have any interest in that underwriter entity. Mr. Lau was also a director of the Company from 4 January 2002 to 31 March 2007. He was involved in the Company's acquisition of interests in Brascabos and oversaw the business carried on by the New Universe Group (including Brascabos) as director of the Company. Mr. Lau first approached the Company in respect of the Disposal in early December 2009. Mr. Lau has confirmed to the Company that save as aforesaid, he has no other relationship with the Company or any of its connected persons and he has no understanding or arrangement with Mr. Chau (in his capacity as a substantial shareholder of the Company) with respect to the Disposal.

## LETTER FROM THE BOARD

- Assets to be disposed : The Sale Interests
- Consideration : An aggregate of HK\$30,000,000 for the Sale Interests is payable in cash on the Completion Date.

The consideration of HK\$30,000,000 was agreed after arm's length negotiations between the Purchaser and the Vendor. The Company took into account (i) the price/historical earnings ratio of approximately 7 times (by reference to the earnings attributable to the Sale Interests for the year ended 30 June 2009) which is close to the price/earning ratios of other listed manufacturing businesses of similar nature, despite the discount to unaudited consolidated net asset value attributable to the Sale Interests, (ii) the resources that the Company will continue to need to dedicate towards the operation and development of the business which is the subject of the Disposal including those located in diverse developing countries if the Disposal does not take place, which would include substantial further investments (expected to be not less than HK\$20 million for the year 2010) towards the expansion and/or automation of existing production lines and replacement of existing machinery which were acquired in the early 1990s, and (iii) the relatively heavy tax levy and lack of tax relief on the business located in countries other than the PRC, despite the net profit generated by such business.

- Conditions : Completion of the Sale and Purchase Agreement is conditional upon:



## LETTER FROM THE BOARD

- (i) passing of an ordinary resolution by the Shareholders who are not required to abstain from voting on that resolution under the Listing Rules in the SGM approving the Disposal as may be required under the Listing Rules;
- (ii) completion of the transfer of 5% equity interest in SIT currently held by five other subsidiaries of the Vendor to Stocko Electronics Asia Pacific Pte Ltd (an indirect wholly-owned subsidiary of New Universe); and
- (iii) the receipt by the Purchaser of a copy of a Brazilian legal opinion in a form reasonably satisfactory to the Purchaser opining on (a) that no consent or approval is required for the implementation of the transactions under the Sale and Purchase Agreement from any governmental authority in Brazil, Whirlpool S.A. or Brastemp da Amazônia S.A., (b) the implementation of the transactions under the Sale and Purchase Agreement would not give rise to a contractual right for Whirlpool S.A. or Brastemp da Amazônia S.A. to terminate the Supplier Sourcing Agreement; and (c) the nature and legality of BCEEAL's right in respect of certain of its property in Brazil.

If the above conditions are not fulfilled or (in the case of (ii) and (iii) only) waived in accordance with the terms of the Sale and Purchase Agreement on or before 30 April 2010 (or such later date as may be agreed between the Vendor and the Purchaser in writing), the Sale and Purchase Agreement will immediately terminate. All rights and obligations of the parties will cease upon such termination except that termination will not affect the then accrued rights and obligations of the parties (including the right to damages for the breach, if any, giving rise to the termination and any other pre-termination breach by any of the parties).

The condition referred to in (ii) above has been fulfilled.

## LETTER FROM THE BOARD

Post-completion obligations : New Universe has as its subsidiaries Brascabos and BCEEAL. These companies were acquired by the Company from the Original Sellers pursuant to the Quota Purchase Agreement, further particulars of which are disclosed in the Company's announcement and circular dated 2 June 2006 and 26 June 2006 respectively. The Quota Purchase Agreement contains certain post-completion obligations on the part of the Company in its capacity as purchaser. On 31 July 2006, the Supplier Sourcing Agreement was entered into between Brascabos, Whirlpool S.A. and Brastemp da Amazônia S.A. pursuant to which Whirlpool S.A. and Brastemp da Amazônia S.A. undertook to purchase from Brascabos 100% of their requirements for certain materials used in their manufacture process in South America (so long as Brascabos is able to meet the relevant product specifications) exclusively for four years and, depending on competitive performance (in terms of prices, quality and other performance criteria), for a further year (automatically renewable thereafter for successive periods of one year each, unless at least 90 days' prior written notice is given by any party to the Supplier Sourcing Agreement).

Given that the Disposal will result in the sale of the Company of its interests in Brascabos, the parties have agreed in the Sale and Purchase Agreement that the rights of the Company under the Quota Purchase Agreement be assigned to the Purchaser upon Completion.

In addition, the following undertakings were given by the parties under the Sale and Purchase Agreement:

- (i) The Company has undertaken to continue to comply with the obligation to make due payment of any outstanding amount of the Purchase Price (as defined in the Quota Purchase Agreement) in accordance with the terms and conditions under the Quota Purchase Agreement following Completion. The remaining balance of the Purchase Price of US\$875,000 is payable by 31 July 2010 pursuant to the Quota Purchase Agreement.

## LETTER FROM THE BOARD

- (ii) The Company has undertaken that on and after Completion it will not without the Purchaser's consent waive any covenants, obligation, conditions or restrictions, give any consent, or agree to any amendment or variation to any of the provisions under the Quota Purchase Agreement.
- (iii) The Company and the Vendor jointly and severally undertake to procure the trademark "Brascabos" and the domain names "brascabos.com" and "brascabos.net" be registered under the name of Brascabos within 3 months after Completion.
- (iv) Each of Mr. Lau and the Purchaser has agreed to continue to comply with certain obligations under the Quota Purchase Agreement after Completion as if they were parties thereto with effect from the Completion Date and to indemnify and keep indemnified the Company and the Vendor from and against any actions, claims or complaints made by the Original Sellers arising from or in connection with (x) any noncompliance or breach or non-performance by Mr. Lau, the Purchaser, Brascabos or BCEEAL of such obligations or (y) any tax that arises with respect to the operation of Brascabos and BCEEAL after the Completion Date. Such obligations include (a) (for so long as the Supplier Sourcing Agreement is in effect but in any event up to 31 July 2011) to retain such number of employees in Brascabos and BCEEAL as is commercially reasonable, to maintain and honour payments under the benefit plans for the Brascabos employees, to maintain certain insurance coverage, (b) (for a period up to and including 31 July 2013) to preserve and keep in possession records of Brascabos and BCEEAL for the defence by the Original Sellers of any audit, examination, administrative appeal or litigation in relation to taxation, and not to take any action without express written consent from the Original Sellers to cause Brascabos to accrue or pay liability for any tax obligation arising subsequent to the Company's acquisition of Brascabos but related to any tax period ending on or before such acquisition, and (c) (so long as the Supplier Sourcing Agreement is in effect) to invest in Brascabos to the extent necessary to meet all the requirements established in the Supplier Sourcing Agreement.

## LETTER FROM THE BOARD

### INFORMATION ON NEW UNIVERSE AND BRASCABOS

New Universe is an investment holding company and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date. Its subsidiaries (including Brascabos and BCEEAL) are principally engaged in the manufacture and trading of power cords and wire harnesses in Malaysia, the PRC, Thailand, Singapore and Brazil.

Brascabos is an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date, owned as to 90% by a wholly-owned subsidiary of New Universe and as to 10% by the Vendor. Brascabos and its subsidiary BCEEAL are principally engaged in the manufacture and trading of power cords and wire harnesses for large electrical home appliances and automotive parts in Brazil.

Based on the unaudited consolidated balance sheet of New Universe (in which the net asset values of Brascabos and BCEEAL are consolidated) which were prepared in accordance with generally accepted accounting principles in Hong Kong, the unaudited consolidated net asset value of New Universe as at 30 June 2009 was approximately HK\$86,772,000.

Based on the unaudited consolidated profit and loss account of New Universe (in which the results of Brascabos and BCEEAL are consolidated), which were prepared in accordance with generally accepted accounting principles in Hong Kong, the unaudited consolidated net profit (before and after taxation) for the financial years ended 30 June 2008 and 30 June 2009 were as follows:

	<b>For the year ended 30 June</b>	
	<b>2008</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
consolidated net profit before taxation	41,535	23,363
consolidated net profit after taxation	20,220	4,380

Based on the consolidated profit and loss account of New Universe (in which the results of Brascabos and BCEEAL are consolidated), which were prepared in accordance with generally accepted accounting principles in Hong Kong, the consolidated net profit (loss) before taxation and net profit (loss) after taxation for the six months ended 31 December 2008 and 31 December 2009 were as follows:

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2008</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited
consolidated net profit (loss) before taxation	13,609	(189,056)
consolidated net profit (loss) after taxation	9,068	(212,227)

## LETTER FROM THE BOARD

Upon Completion, each of New Universe and Brascabos will cease to be a subsidiary of the Company.

### FINANCIAL EFFECTS OF THE DISPOSAL

Pursuant to Hong Kong Financial Reporting Standard (“HKFRS”) No. 5 “Noncurrent Asset Held for Sale and Discontinued Operations”, New Universe Group has been classified as non-current asset held for sale since 31 December 2009 as New Universe Group constitutes the connectors and terminals segment of the Group and has been measured at the lower of its carrying value and fair values less costs to sell of HK\$28 million which was recorded in the audited interim accounts for the six months ended 31 December 2009 (the “audited interim accounts”). Accordingly, an impairment loss arising from adjustment to fair value less costs to sell of HK\$230,418,000 was recognised in the audited interim accounts.

As set out in the consolidated balance sheet of the Group as at 31 December 2009 contained in Appendix I to this circular, the Group had audited total assets and audited total liabilities of approximately HK\$1,027 million and HK\$520 million as at 31 December 2009 respectively. Assuming the Disposal had been completed on 31 December 2009, the unaudited pro forma total assets and total liabilities, as set out in the unaudited pro forma consolidated balance sheet of the Remaining Group contained in Appendix II to this circular, will be decreased to approximately HK\$894 million and HK\$387 million as at 31 December 2009 respectively.

The Group recorded a net loss attributable to equity holders of the Company of approximately HK\$394 million for the year ended 30 June 2009 as set out in the audited consolidated income statement of the Group contained in Appendix I in this circular. Assuming the Disposal had been completed at the beginning of the year ended 30 June 2009, a net loss attributable to equity holders of the Company of approximately HK\$458 million would be recorded for the year ended 30 June 2009 as set out in the unaudited pro forma consolidated income statement of the Remaining Group contained in Appendix II to this circular.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. Immediately before Completion, its subsidiaries are principally engaged in the business of manufacture of and trading in cables and wires, copper products, connectors and terminals and mining business.

New Universe (whose shares are being sold under the Disposal) is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of power cords, wire harnesses, connectors and terminals in Malaysia, Singapore, the PRC, Thailand and Brazil. If the Disposal does not take place, it is expected that the Company will need to continue to dedicate resources towards the operation and development of such business including those located in diverse developing countries, which would include substantial further investments as mentioned above. Further, lack of tax relief results in relatively heavy tax levy on the business located in countries other than the PRC. Upon Completion, the Company will have divested itself of all its interests

## LETTER FROM THE BOARD

in such business. Accordingly, the Company will continue to focus on, and dedicate its resources towards the manufacture and trading of cables and wires and copper products based in the PRC and its mining business based in Mongolia. As at the Latest Practicable Date, the Company and the Board have no other agreement, understanding, negotiation nor intention to dispose of or downsize such business.

The Disposal will generate additional free cash flow for the Group's operations. The Company intends to apply the estimated net proceeds from Disposal (after payment of expenses associated with the transaction) of approximately HK\$28 million as general working capital of the Group.

In view of the above, the Directors (including the Independent Non-executive Directors) consider that the terms of the Sale and Purchase Agreement are fair and reasonable, and the entering into the Sale and Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

### **SGM**

A notice convening the SGM to be held at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Tuesday, 27 April 2010 at 10:30 a.m., is set out from pages SGM-1 to SGM-2 of this circular.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is materially interested in the Disposal and therefore required to abstain from voting on the resolution approving the Disposal at the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the head office and principal place of business of Company in Hong Kong at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

### **RECOMMENDATION**

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

Your attention is drawn to the other information set out in this circular and the appendices to it.

Yours faithfully,  
For and on behalf of the Board  
**Solartech International Holdings Limited**  
**Chau Lai Him**  
*Chairman and Managing Director*

**A ACCOUNTANTS' REPORT**

The following is the text of an accountants' report on the Group, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, BDO Limited, Certified Public Accountants.



Tel: +852 2541 5041  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話：+852 2541 5041  
傳真：+852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

9 April 2010

The Board of Directors  
Solartech International Holdings Limited

Dear Sirs,

We set out below our report on the consolidated financial information of Solartech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the three years ended 30 June 2007, 2008 and 2009 and the six months ended 31 December 2009 (the "Relevant Periods") and the comparative financial information of the Group for the six months ended 31 December 2008 (the "31 December 2008 Comparative Information"), prepared on the basis set out in Note 3 of Section C below, for inclusion in the circular of the Company dated 9 April 2010 (the "Circular") in connection with the proposed disposal of (i) the entire issued share capital in New Universe Investments Limited, which is a limited liability company incorporated in the British Virgin Islands, and holds 90% of all the equity interests in Brascabos Componentes Eléctricos e Eletrônicos Ltda ("BCEEL"), which is a limited liability company incorporated in Brazil; and (ii) 10% of all the equity interests in BCEEL (collectively the "Sale Interests") by Chau's Industrial Investment Limited, a direct wholly-owned subsidiary of the Company (collectively the "Disposal").

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. During the Relevant Periods, 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 connectors and terminals. Hua Yi Copper Holdings Limited ("Hua Yi Copper") was a non-wholly-owned subsidiary of the Company before 22 April 2008 and Hua Yi Copper's shares are also listed on the Main Board of the Stock Exchange. Since 22 April 2008, Hua Yi Copper became an associate of the Company pursuant to Hua Yi Copper's acquisition of subsidiaries by way of issuing Hua Yi Copper's shares as partial settlement of the consideration, details of which are set out in Note 37 of Section C of this report. On 5 May 2009, the Group disposed of its entire equity interest in Hua Yi Copper. Hua Yi Copper and its subsidiaries (collectively the "Hua Yi Copper Group") are principally engaged in the manufacture and sale of copper rods and iron ore concentrated powder, life-like plants and production, and distribution and licensing of television programmes.

The Group has adopted 30 June as its financial year end for statutory reporting purposes.



The consolidated financial statements of the Group for the year ended 30 June 2007 were audited by Deloitte Touche Tohmatsu. The consolidated financial statements of the Group for the year ended 30 June 2008 were audited by Shu Lun Pan Horwath Hong Kong CPA Limited (merged with BDO McCable Lo Limited (renamed as BDO Limited) on 1 May 2009). The consolidated financial statements of the Group for the year ended 30 June 2009 and the six months ended 31 December 2009 were audited by us. All of these consolidated financial statements were audited in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2009.

The financial information and the notes thereto for the Relevant Periods (the “Financial Information”) have been prepared based on the audited consolidated financial statements of the Group for each of the Relevant Periods (the “Underlying Financial Statements”), which are prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. No adjustment was considered necessary to restate the Underlying Financial Statements to conform with Hong Kong Financial Reporting Standards and the disclosure requirements of the Rules Governing the listing of Securities on the Stock Exchange (the “Listing Rules”) except that (i) the Group re-presents the disclosures in the certain profit or loss items attributable to the Sale Interests for each of the years ended 30 June 2007, 2008 and 2009 presented in the Underlying Financial Statements as if the operations that have been discontinued during the Relevant Periods had been discontinued at the beginning of the earliest period presented for the purpose of preparing the Financial Information, further details of which are set out in Note 39 of Section C below and (ii) the new accounting treatment is adopted as a result of adoption of Hong Kong Accounting Standard No. 27 (Revised) “Consolidated and Separate Financial Statements” on the Group’s disposal of subsidiaries, details of which are set out in Notes 3, 17 and 37 of Section C below.

For the purpose of this report, we have carried out additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectus and the reporting accountant” as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 30 June 2007, 2008 and 2009 and the six months ended 31 December 2009 and of the consolidated results and cash flows of the Group for the Relevant Periods.

For the 31 December 2008 Comparative Information, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 December 2008 Comparative Information.

## B FINANCIAL INFORMATION OF THE GROUP

## Consolidated statements of comprehensive income

	Notes	Year ended 30 June			Six months ended 31 December	
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 (Unaudited)	2009 HK\$'000
<b>CONTINUING OPERATIONS</b>						
Turnover	6	3,137,660	2,694,894	615,849	335,277	357,668
Cost of sales		(2,971,362)	(2,603,100)	(631,277)	(357,250)	(329,745)
Gross profit/(loss)		166,298	91,794	(15,428)	(21,973)	27,923
Interest income		12,370	13,107	1,073	377	349
Other income		26,924	22,242	20,585	2,973	747
General and administrative expenses		(123,479)	(121,288)	(87,743)	(51,779)	(40,186)
Selling and distribution expenses		(20,133)	(22,447)	(12,625)	(7,202)	(5,688)
Change in fair value of derivative financial instruments	25	(269)	47,830	(140)	(1,228)	5,059
Change in fair value of conversion option of convertible notes	33	5,325	7,167	-	-	-
(Impairment loss recognised)/reversal of allowance for doubtful debts		(5,773)	598	(5,976)	-	(1,169)
Impairment loss on a loan receivable	23	-	-	(44,960)	-	-
Impairment loss on property, plant and equipment		-	-	(60,566)	-	-
Finance costs	10	(57,769)	(49,157)	(15,820)	(6,804)	(6,950)
Share of results of associates	17	148	284	(122,246)	(139,428)	(1,881)
Share of results of jointly-controlled entity	18	(369)	(625)	-	-	-
Discount on acquisition of additional interests in subsidiaries	37	4,581	-	-	-	-
Gain on asset swap	38	-	-	14,322	-	-
Loss on disposal of a listed subsidiary/associate	37	(1,067)	(56,610)	(67,135)	-	-
Profit/(loss) before taxation from continuing operations		6,787	(67,105)	(396,659)	(225,064)	(21,796)
Taxation	11	(535)	(2,780)	(1,408)	(1,076)	1,082
Profit/(loss) for the year/period from continuing operations		6,252	(69,885)	(398,067)	(226,140)	(20,714)
<b>DISCONTINUED OPERATIONS</b>						
(Loss)/profit for the year/period from discontinued operations	39	(11,168)	26,377	4,258	9,068	(212,227)
(Loss)/profit for the year/period	8	(4,916)	(43,508)	(393,809)	(217,072)	(232,941)

	Notes	Year ended 30 June			Six months ended 31 December	
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 (Unaudited)	2009 HK\$'000
CONTINUING OPERATIONS						
Other comprehensive income:						
Exchange difference on translating foreign operations		30,934	62,167	(26,388)	(37,923)	14,131
Other comprehensive income for the year/period		30,934	62,167	(26,388)	(37,923)	14,131
Total comprehensive income for the year/period		<u>26,018</u>	<u>18,659</u>	<u>(420,197)</u>	<u>(254,995)</u>	<u>(218,810)</u>
(Loss)/profit for the year/period attributable to:						
Owners of the Company	12	782	(57,349)	(393,704)	(217,007)	(232,941)
Non-controlling interests		(5,698)	13,841	(105)	(65)	-
		<u>(4,916)</u>	<u>(43,508)</u>	<u>(393,809)</u>	<u>(217,072)</u>	<u>(232,941)</u>
Total comprehensive income for the year/period attributable to:						
Owners of the Company		24,119	(25,428)	(419,965)	(254,803)	(218,810)
Non-controlling interests		1,899	44,087	(232)	(192)	-
		<u>26,018</u>	<u>18,659</u>	<u>(420,197)</u>	<u>(254,995)</u>	<u>(218,810)</u>
Earnings/(loss) per share:						
from continuing and discontinued operations						
- Basic (HK cents)	14	0.80	(50.54)	(125.51)	(179.74)	(25.09)
- Diluted (HK cents)		0.75	(50.54)	(125.51)	(179.74)	(25.09)
from continuing operations						
- Basic (HK cents)		12.27	(73.79)	(126.87)	(187.31)	(2.23)
- Diluted (HK cents)		11.45	(73.79)	(126.87)	(187.31)	(2.23)

## Consolidated statements of financial position

	Notes	As at 30 June		As at 31 December	
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	611,996	565,207	411,412	310,229
Prepayments for acquisition of property, plant and equipment	15	22,648	17,443	1,600	1,600
Prepaid lease payments for land	16	80,220	46,455	105,394	96,794
Interests in associates	17	11,196	224,872	11,310	9,429
Interests in jointly-controlled entities	18	18,023	–	–	–
Deferred tax assets	35	6,275	6,316	–	–
Loans receivable	20	46,898	–	–	–
Goodwill	21	23,389	23,389	23,389	–
Total non-current assets		<u>820,645</u>	<u>883,682</u>	<u>553,105</u>	<u>418,052</u>
<b>Current assets</b>					
Inventories	22	512,092	266,765	178,284	115,411
Debtors, other loans and receivables, deposits and prepayments	23	516,946	311,844	212,602	133,118
Bills receivable	24	62,733	24,484	13,172	18,117
Prepaid lease payments for land	16	1,801	1,189	2,593	2,602
Derivative financial assets	25	2,034	1,702	54	788
Notes receivable	26	55,000	–	–	–
Tax recoverable		454	1,396	3,893	465
Pledged deposits and bank balances	27, 28	96,650	36,619	48,136	45,104
Bank balances and cash	28	<u>286,070</u>	<u>85,817</u>	<u>98,442</u>	<u>130,703</u>
Assets classified as held for sale	39	<u>1,533,780</u> <u>79,744</u>	<u>729,816</u> <u>–</u>	<u>557,176</u> <u>–</u>	<u>446,308</u> <u>162,931</u>
Total current assets		<u>1,613,524</u>	<u>729,816</u>	<u>557,176</u>	<u>609,239</u>

	Notes	As at 30 June			As at 31
		2007	2008	2009	December
		HK\$'000	HK\$'000	HK\$'000	2009
					HK\$'000
<b>Current liabilities</b>					
Creditors, other advances and accrued charges	29	232,468	198,563	138,805	53,782
Bills payable	30	161,019	12,613	107,144	84,100
Amount due to an associate	17	–	202,054	–	–
Taxation		11,289	7,333	7,776	327
Obligations under finance leases	31	3,185	3,707	4,077	860
Borrowings	32	717,719	155,450	185,846	214,314
Derivative financial liabilities	25	9,967	9,171	520	–
Deferred consideration payable	34	–	–	–	6,750
Convertible notes – liability components	33	72,128	–	–	–
Convertible notes – conversion option components	33	7,167	–	–	–
		<u>1,214,942</u>	<u>588,891</u>	<u>444,168</u>	<u>360,133</u>
Liabilities associated with assets classified as held for sale	39	<u>20,332</u>	<u>–</u>	<u>–</u>	<u>134,931</u>
Total current liabilities		<u>1,235,274</u>	<u>588,891</u>	<u>444,168</u>	<u>495,064</u>
Net current assets		<u>378,250</u>	<u>140,925</u>	<u>113,008</u>	<u>114,175</u>
Total assets less current liabilities		<u>1,198,895</u>	<u>1,024,607</u>	<u>666,113</u>	<u>532,227</u>
<b>Non-current liabilities</b>					
Obligations under finance leases	31	4,821	3,469	2,383	–
Borrowings	32	20,408	17,065	4,775	–
Deferred consideration payable	34	16,297	10,342	6,674	–
Deferred tax liabilities	35	20,743	5,171	26,281	25,030
Total non-current liabilities		<u>62,269</u>	<u>36,047</u>	<u>40,113</u>	<u>25,030</u>
<b>Total net assets</b>		<u><b>1,136,626</b></u>	<u><b>988,560</b></u>	<u><b>626,000</b></u>	<u><b>507,197</b></u>
<b>EQUITY</b>					
Capital and reserves					
Share capital	36	4,892	6,037	31,685	13,124
Reserves		933,534	975,025	593,815	479,736
Reserve of disposal group classified as held for sale	39	–	–	–	13,837
		<u>938,426</u>	<u>981,062</u>	<u>625,500</u>	<u>506,697</u>
Share option reserve of a listed associate		4,128	4,795	–	–
Non-controlling interests		<u>194,072</u>	<u>2,703</u>	<u>500</u>	<u>500</u>
<b>Total equity</b>		<u><b>1,136,626</b></u>	<u><b>988,560</b></u>	<u><b>626,000</b></u>	<u><b>507,197</b></u>

## Consolidated statements of changes in equity

	Share capital HK\$'000	Share premium HK\$'000	Contri- buted surplus and capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Share option reserve HK\$'000	(Accu- mulated losses)/ retained profits HK\$'000	Discon- tinued operations HK\$'000	Total HK\$'000	Share options reserve of a listed subsidiary/ associate HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2006	4,851	160,200	587,012	(4,281)	4,474	1,783	187,052	-	941,091	3,565	208,950	1,153,606
Total comprehensive income for the year	-	-	-	23,337	-	-	782	-	24,119	-	1,899	26,018
Repurchase of shares	(9)	(912)	-	-	-	-	-	-	(921)	-	-	(921)
Issue of shares upon exercise of share options	50	1,150	-	-	-	-	-	-	1,200	-	-	1,200
Transfer upon exercise of share options	-	362	-	-	-	(362)	-	-	-	(438)	438	-
Forfeiture of share options	-	-	-	-	-	(646)	1,847	-	1,201	(1,201)	-	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(10,539)	(10,539)
Recognition of equity-settled share-based payments	-	-	-	-	-	985	-	-	985	2,202	-	3,187
Increase in minority interests arising from deemed disposal of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	2,716	2,716
Dividends paid	-	-	-	-	-	-	(29,249)	-	(29,249)	-	-	(29,249)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(9,392)	(9,392)
Appropriation	-	-	-	-	616	-	(616)	-	-	-	-	-
At 30 June 2007	<u>4,892</u>	<u>160,800</u>	<u>587,012</u>	<u>19,056</u>	<u>5,090</u>	<u>1,760</u>	<u>159,816</u>	<u>-</u>	<u>938,426</u>	<u>4,128</u>	<u>194,072</u>	<u>1,136,626</u>
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
Total comprehensive income for the year	-	-	(20,430)	52,351	-	-	(57,349)	-	(25,428)	-	44,087	18,659
Placements 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)	-	-
Increase in minority interests arising from deemed disposal of a listed subsidiary before re-classification into an associate	-	-	-	-	-	-	-	-	-	-	90,249	90,249
Deemed disposal of a listed subsidiary without loss of control	-	-	20,430	-	-	-	-	-	20,430	-	(20,430)	-
Re-classification of interest in a subsidiary into an associate	-	-	-	(29,584)	(6,897)	-	10,091	-	(26,390)	(3,194)	(305,275)	(334,859)
Recognition of equity-settled share-based payments	-	-	-	-	-	4,814	-	-	4,814	3,979	-	8,793
Appropriation	-	-	-	-	13,356	-	(13,356)	-	-	-	-	-
At 30 June 2008 and 1 July 2008	<u>6,037</u>	<u>229,243</u>	<u>587,012</u>	<u>41,823</u>	<u>11,549</u>	<u>5,044</u>	<u>100,354</u>	<u>-</u>	<u>981,062</u>	<u>4,795</u>	<u>2,703</u>	<u>988,560</u>
Total comprehensive income for the period	-	-	-	(37,796)	-	-	(217,007)	-	(254,803)	-	(192)	(254,995)
Cancellation and lapse of share options	-	-	-	-	-	(5,044)	9,839	-	4,795	(4,795)	-	-
At 31 December 2008 (unaudited)	<u>6,037</u>	<u>229,243</u>	<u>587,012</u>	<u>4,027</u>	<u>11,549</u>	<u>-</u>	<u>(106,814)</u>	<u>-</u>	<u>731,054</u>	<u>-</u>	<u>2,511</u>	<u>733,565</u>

	Share capital	Share premium	Contributed surplus and capital reserve	Exchange reserve	Statutory reserve fund	Share option reserve	(Accumulated losses)/ retained profits	Discontinued operations	Total	Share options reserve of a listed subsidiary/ associate	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009 (unaudited)	6,037	229,243	587,012	4,027	11,549	-	(106,814)	-	731,054	-	2,511	733,565
Total comprehensive income for the period	-	-	-	11,535	-	-	(176,697)	-	(165,162)	-	(40)	(165,202)
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)	-	-	-	-	-	-
Release upon disposal of interests in a listed associate and asset swap	-	-	-	(11,768)	-	-	-	-	(11,768)	-	-	(11,768)
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	<u>31,685</u>	<u>274,304</u>	<u>587,012</u>	<u>3,794</u>	<u>5,652</u>	<u>667</u>	<u>(277,614)</u>	<u>-</u>	<u>625,500</u>	<u>-</u>	<u>500</u>	<u>626,000</u>
At 1 July 2009	31,685	274,304	587,012	3,794	5,652	667	(277,614)	-	625,500	-	500	626,000
Total comprehensive income for the period	-	-	-	14,131	-	-	(232,941)	-	(218,810)	-	-	(218,810)
Capital reorganisation	(25,348)	-	25,348	-	-	-	-	-	-	-	-	-
Placements of new shares	6,787	93,220	-	-	-	-	-	-	100,007	-	-	100,007
Discontinued operations	-	-	-	(13,837)	-	-	-	13,837	-	-	-	-
At 31 December 2009	<u>13,124</u>	<u>367,524</u>	<u>612,360</u>	<u>4,088</u>	<u>5,652</u>	<u>667</u>	<u>(510,555)</u>	<u>13,837</u>	<u>506,697</u>	<u>-</u>	<u>500</u>	<u>507,197</u>

*Notes:*

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

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

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

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

## Consolidated statements of cash flows

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 (Unaudited)	2009 HK\$'000
Cash flow from operating activities					
Profit/(loss) before taxation (continuing and discontinued operations)	1,007	(19,318)	(373,418)	(211,455)	(210,852)
Adjustments for:					
Equity-settled share-based payments	3,187	8,793	1,334	-	-
Loss on disposal of property, plant and equipment	3,242	1,770	5,484	2,480	4,518
Depreciation of property, plant and equipment	56,175	63,424	53,360	25,876	26,835
Charge of prepaid lease payments for land	2,183	2,273	1,846	590	1,391
Change in fair value of derivative financial instruments	269	(47,830)	140	1,228	(5,059)
Change in fair value of conversion option of convertible notes	(5,325)	(7,167)	-	-	-
Write-down/(write-back) of inventories	3,798	2,150	(2,605)	(11,541)	15,304
Impairment loss/(reversal of allowance) recognised for doubtful debts	6,065	(598)	11,175	-	280
Impairment loss arising from adjustment to fair value less costs to sell	28,000	-	-	-	230,418
Impairment loss on loan receivable	-	-	44,960	-	-
Impairment loss on property, plant and equipment	-	-	62,102	-	-
Share of results of associates	(148)	(284)	122,246	139,428	1,881
Share of results of a jointly-controlled entity	369	625	-	-	-
Loss on disposal of a listed subsidiary/associate	1,067	56,610	67,135	-	-
Gain on asset swap	-	-	(14,322)	-	-
Discount on acquisition of additional interests in a subsidiary	(4,581)	-	(1,971)	-	-
Interest income	(24,863)	(16,859)	(5,839)	(1,422)	(352)
Finance costs	66,874	56,064	20,193	7,613	7,521
Operating cash flows before working capital changes	137,319	99,653	(8,180)	(47,203)	71,885
(Increase)/decrease in inventories	(150,589)	26,407	99,792	83,325	(40,314)
Decrease/(increase) in debtors, other loans and receivables, deposits and prepayments	40,560	(162,809)	205,361	95,499	(78,138)
(Increase)/decrease in bills receivable	(28,016)	32,329	29,736	(6,754)	(4,945)
(Decrease)/increase in creditors, other advances and accrued charges	(27,566)	6,548	(71,662)	(39,086)	39,374



## APPENDIX I

## FINANCIAL INFORMATION OF THE GROUP

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 (Unaudited)	2009 HK\$'000
Increase/(decrease) in bills payable	78,021	(72,182)	19,531	2,402	(23,044)
Decrease/(increase) in derivative financial instruments	12,249	26,519	(7,143)	(8,697)	3,805
Increase in net assets classified as held for sale	-	(9,963)	-	-	-
Increase/(decrease) in amount due to an associate	-	16,374	(162,113)	(52,943)	-
Cash generated from/(used in) operations	61,978	(37,124)	105,322	26,543	(31,377)
Hong Kong profits tax paid	(3,701)	(2,131)	-	-	-
Taxation in other jurisdictions paid	(4,430)	(19,259)	(18,028)	(5,339)	(23,268)
Net cash inflow/(outflow) from operating activities	53,847	(58,514)	87,294	21,204	(54,645)
Investing activities					
Interest received	24,863	16,859	5,286	1,422	352
Purchase of property, plant and equipment	(101,459)	(114,706)	(36,704)	(20,025)	(14,913)
Additions of prepaid lease payments for land	(959)	(4,260)	-	-	-
Prepayments made for acquisition of property, plant and equipment	(22,648)	(17,443)	-	(8,995)	-
Proceeds from disposal of property, plant and equipment	3,277	5,115	2,069	4,163	-
Loan advanced to a third party	(15,338)	-	-	-	-
Net proceeds from disposal of a listed associate	-	-	23,760	-	-
Direct cost paid for disposal of subsidiaries	-	-	(3,506)	-	-
Net cash inflow in asset swap	-	-	62,682	-	-
Reclassification of a listed subsidiary into an associate	-	(102,038)	-	-	-
Acquisition of subsidiaries	(61,629)	-	-	-	-
Acquisition of additional interests in subsidiaries	(5,958)	-	-	-	-
Repayment in note receivables	-	55,000	-	-	-
Payment of deferred considerations	-	(160)	(6,825)	(6,825)	-
Repayment of loans receivable	-	30,324	-	-	-
Net cash generated (used in)/ from investing activities	(179,851)	(131,309)	46,762	(30,260)	(14,561)

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
				(Unaudited)	
Financing activities					
Interest paid on borrowings	(56,450)	(49,947)	(19,929)	(6,642)	(7,036)
Interest paid on finance leases	(1,035)	(645)	(264)	(152)	(409)
Proceeds from placements of shares	1,200	63,966	7,669	–	100,007
Proceeds from issue of shares of a listed subsidiary	1,649	110,278	–	–	–
Proceeds received from exercise of share options	–	5,126	2,384	–	–
Proceeds from open offer of shares	–	–	59,989	–	–
Repurchase of shares	(921)	–	–	–	–
Repayment of obligations under finance leases	(2,617)	(713)	(4,504)	(3,761)	(1,831)
New borrowings raised	2,285,249	1,638,069	270,772	109,279	118,092
Repayment of borrowings	(2,099,461)	(1,776,890)	(431,284)	(121,142)	(94,399)
(Increase)/decrease in pledged deposits and bank balances	(34,858)	60,031	16,034	(259)	3,032
Dividends paid	(29,249)	–	–	–	–
Dividends paid to minority shareholders	(9,392)	–	–	–	–
Repayment of convertible notes	–	(77,600)	–	–	–
	<u>54,115</u>	<u>(28,325)</u>	<u>(99,133)</u>	<u>(22,677)</u>	<u>117,456</u>
Net cash generated from/(used in) financing activities					
Net (decrease)/increase in cash and cash equivalents	(71,889)	(218,148)	34,923	(31,733)	48,250
Cash and cash equivalents at beginning of the year/period	358,228	290,795	80,204	80,204	98,442
Effect of foreign exchange rate changes	4,456	7,557	(16,685)	75	5,919
	<u>290,795</u>	<u>80,204</u>	<u>98,442</u>	<u>48,546</u>	<u>152,611</u>
<b>Cash and cash equivalents at end of the year/period</b>					
<b>Analysis of the balances of cash and cash equivalents</b>					
Bank balances and cash	286,070	85,817	98,442	50,799	130,703
Bank overdrafts	–	(5,613)	–	(2,253)	–
	<u>286,070</u>	<u>80,204</u>	<u>98,442</u>	<u>48,546</u>	<u>130,703</u>
Bank balances and cash attributable to assets classified as held for sale	4,725	–	–	–	21,908
	<u>290,795</u>	<u>80,204</u>	<u>98,442</u>	<u>48,546</u>	<u>152,611</u>

## C. NOTES TO THE FINANCIAL INFORMATION

### 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.

The Company is an investment holding company. The activities of the Company's subsidiaries, associates and jointly-controlled entities are set out in Notes 19, 17 and 18 respectively.

The Financial Information is presented in Hong Kong dollars, which is the functional currency of the Company.

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

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied all the new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the annual period beginning on or after 1 January 2009 throughout the Relevant Periods. Moreover, the Group early adopted the HKFRSs (Amendments) – Amendment to HKFRS 5 regarding disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations which is effective for the annual periods beginning on or after 1 January 2010.

At the date of this report, the following new HKFRSs that are potentially relevant to the Group, were in issue but are not effective and have not been early adopted in the preparation of the Financial Information:

		<b>Effective date</b>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 (except for Amendment to HKFRS 5 which has been early adopted in the Financial Information)	(i)
Amendment to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions	(i)
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(ii)
HKAS 24 (Revised)	Related Party Disclosures	(iii)
HKFRS 9	Financial Instruments	(iv)

*Effective date:*

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRSs.

#### Basis of preparation of Financial Information

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

#### Basis of consolidation

The Financial Information incorporates 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 Relevant Periods 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 transactions between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

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

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

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

**Business combinations**

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

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

**Subsidiaries**

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

**Associates**

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

The results and assets and liabilities of associates are incorporated in these Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

**Joint ventures**

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly-controlled entities. Joint control exists when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The results and assets and liabilities of jointly-controlled entities are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in jointly-controlled entities are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Groups share of the profit or loss and of changes in equity of the jointly-controlled entities, less any identified impairment losses. When the Group's share of losses of a jointly-controlled entity equals or exceeds its interest in that jointly-controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses

is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly-controlled entity.

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

#### **Non-current assets held for sale**

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

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

#### **Goodwill**

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in the profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

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

#### **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 statements 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.
- (v) Dividend income from investments is recognised when the Group's right to receive payment has been established.

**Borrowing costs**

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Property, plant and equipment**

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

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

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

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

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

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

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

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

#### **Prepaid lease payments for land**

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

#### **Impairment of assets excluding goodwill**

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

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

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

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

#### **Inventories**

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

#### **Income tax**

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/period. Taxable profit differs from profit as reported in consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.



(ii) *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all taxable temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates 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 investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

**Leases**

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

Assets held under finance leases are capitalised at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the consolidated statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

**Foreign currencies**

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

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

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

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

**Financial instruments**

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

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

*Financial assets*

The Group's financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors, other loans and receivables, bills receivable and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

The Group assesses at the end of each reporting period whether there is any objective evidence a financial asset or a group of financial assets is impaired. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and has an impact on the estimated future cash flows of the financial assets. Evidence of impairment may include indications that a significant financial difficulty of the debtor; a breach of contract; granting concession to debtor with financial difficulty; or it become probable that the debtor will enter bankruptcy or other financial reorganisation. The impairment is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

#### *Convertible notes*

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

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

#### *Financial guarantee contract*

Financial guarantee contract issued by the Group are measured initially at their fair value and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with the provision policies, or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

#### *Other financial liabilities*

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

#### Effective interest method

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

#### Equity instruments

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

#### Derivative financial instruments

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

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

#### Hedge accounting

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

#### Cash flow hedges

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

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

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

#### Hedges of net investments in foreign operations

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

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

#### Derivatives not qualified for hedging

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

#### Embedded derivatives

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

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

#### Derecognition

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

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

#### 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 Information. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

**Equity-settled share-based payment transactions**

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

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

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

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

*Share options granted to others*

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

**Employees' benefits**

*Short term benefits*

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

*Defined contribution pension obligations*

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

**Related parties**

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

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

##### **Fair value estimation**

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

##### **Impairment of goodwill**

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

##### **Net realisable value of inventories**

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

##### **Impairment of trade debtors and other assets**

The Groups management determines the allowance for impairment of trade debtors. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the allowance at the end of each reporting period.

##### **Depreciation of property, plant and equipment**

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

##### **Equity-settled share-based payments**

Equity-settled share-based payments is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the consolidated statements of comprehensive income and equity-settled share-based payments.

##### **Income taxes**

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

**5. FINANCIAL RISK MANAGEMENT****a. Financial risk management objectives and policies**

The Group's major financial instruments include debtors, other loans and receivables, bills receivable, notes receivable, deposits and bank balances derivative financial assets and liabilities, creditors, bills payable, obligations under finance leases, borrowings, deferred consideration payable, amount due to an associate, and convertible notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Foreign currency risk*

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, United States dollars, Renminbi and Brazil Real, which are the functional currencies of respective group companies. There is also no significant exposure arising from the outstanding foreign exchange forward contracts. The Group does not expect any significant exposure to foreign currency risks.

*Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position. In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

Except for the loans receivable from third parties, the Group has no significant concentration of credit with exposure spread over a number of counterparties and customers.

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

Except for the financial guarantees given by the Group as at 30 June 2008 as set out in Note 46, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees is disclosed in Note 46.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 23.

*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 32. 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 Group's fair value interest rate risk relates primarily to zero coupon convertible notes. The management would consider hedging significant fair value interest rate exposure should the need arise. Convertible notes were fully settled during the year ended 30 June 2008.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 32.

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the period and accumulated losses by approximately HK\$2,061,000 (six months ended 31 December 2008: increase/decrease the loss by HK\$1,716,000 (unaudited); year ended 30 June 2007: increase/decrease the loss by HK\$7,381,000; year ended 30 June 2008: increase/decrease the loss by HK\$1,232,000; year ended 30 June 2009: increase/decrease the loss by HK\$1,906,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the six months ended 31 December 2008 and each of the years ended 30 June 2007, 2008 and 2009.

#### Liquidity risk

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

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

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

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>
<b>30 June 2009</b>					
Borrowings	190,621	192,948	188,769	836	3,343
Obligations under finance leases	6,460	7,914	5,034	2,880	–
Creditors, other advances and accrued charges, and bills payable	245,949	246,100	246,100	–	–
Deferred consideration payable	6,674	6,790	–	6,790	–
	<u>449,704</u>	<u>453,752</u>	<u>439,903</u>	<u>10,506</u>	<u>3,343</u>
Derivative financial liabilities	<u>520</u>	<u>520</u>	<u>520</u>	<u>–</u>	<u>–</u>
<b>30 June 2008</b>					
Borrowings	172,515	188,583	165,994	6,963	15,626
Obligations under finance leases	7,176	7,931	3,962	3,615	354
Creditors, other advances and accrued charges, and bills payable and amount due to an associate	413,230	414,601	414,601	–	–
Deferred consideration payable	10,342	12,360	–	7,193	5,167
	<u>603,263</u>	<u>623,475</u>	<u>584,557</u>	<u>17,771</u>	<u>21,147</u>
Derivative financial liabilities	<u>9,171</u>	<u>9,171</u>	<u>9,171</u>	<u>–</u>	<u>–</u>
<b>30 June 2007</b>					
Borrowings	738,127	767,159	743,061	5,773	18,325
Obligations under finance leases	8,006	8,969	3,604	–	5,365
Creditors, other advances and accrued charges, and bills payable and amount due to an associate	393,487	394,381	394,381	–	–
Deferred consideration payable	16,297	19,582	–	7,222	12,360
Convertible notes	72,128	77,600	77,600	–	–
	<u>1,228,045</u>	<u>1,267,691</u>	<u>1,218,646</u>	<u>12,995</u>	<u>36,050</u>
Derivative financial liabilities	<u>9,967</u>	<u>9,967</u>	<u>9,967</u>	<u>–</u>	<u>–</u>

*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 25.

At 31 December 2009, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss for the period and accumulated losses by approximately HK\$2,148,000 (six months ended 31 December 2008: HK\$Nil (unaudited); year ended 30 June 2007: decrease/increase the loss by HK\$14,818,000; year ended 30 June 2008: decrease/increase the loss by HK\$4,983,000; year ended 30 June 2009: decrease/increase the loss by HK\$290,000) in respect of the instruments outstanding throughout the period.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the six months ended 31 December 2008 and each of the years ended 30 June 2007, 2008 and 2009.

**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 Information 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.  |

The Group's derivatives are measured at fair value. During the Relevant Periods, there are no significant transfers between Level 1 and Level 2.

<b>31 December 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Copper future contracts	769	–	–	769
Foreign exchange forward contracts	–	19	–	19
	<u>769</u>	<u>19</u>	<u>–</u>	<u>788</u>
<b>30 June 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Copper future contracts	9	–	–	9
Foreign exchange forward contracts	–	45	–	45
	<u>9</u>	<u>45</u>	<u>–</u>	<u>54</u>
Liabilities				
Foreign exchange forward contracts	–	520	–	520
	<u>–</u>	<u>520</u>	<u>–</u>	<u>520</u>
<b>30 June 2008</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Foreign exchange forward contracts	–	1,702	–	1,702
	<u>–</u>	<u>1,702</u>	<u>–</u>	<u>1,702</u>
Liabilities				
Copper future contracts	443	–	–	443
Foreign exchange forward contracts	–	8,728	–	8,728
	<u>443</u>	<u>8,728</u>	<u>–</u>	<u>9,171</u>

30 June 2007	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Interest rate swap	-	468	-	468
Foreign exchange forward contracts	-	1,566	-	1,566
	<u>-</u>	<u>2,034</u>	<u>-</u>	<u>2,034</u>
Liabilities				
Copper future contracts	2,111	-	-	2,111
Foreign exchange forward contracts	-	7,856	-	7,856
	<u>2,111</u>	<u>7,856</u>	<u>-</u>	<u>9,967</u>

## 6. TURNOVER

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

## 7. SEGMENTAL INFORMATION

### (a) Reportable segments

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

- (i) manufacture and trading of cables and wires;
- (ii) copper rods;
- (iii) connectors and terminals;
- (iv) life-like plants; and
- (v) production, distribution and licensing of television programmes ("TV Programmes")

As detailed in Note 39, the reporting segments (iii) and (iv) above are reclassified as assets held for sale during the Relevant Periods and the Group also ceased all operations relating to the reporting segment (v) during the year ended 30 June 2007. The related inventories of reporting segment (v) were fully sold or written off and no further sales transaction was generated from this segment. Accordingly, the results of the reporting segments (iii), (iv) and (v) were classified as discontinued operations during the Relevant Periods. The comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the Relevant Periods had been discontinued at the beginning of the earliest period presented in the Financial Information.

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**
*For the year ended 30 June 2007*

	Continuing operations				Discontinued operations				Total HK\$'000
	Cables and wires HK\$'000	Copper rods HK\$'000	Other HK\$'000	Total HK\$'000	Connectors and terminals HK\$'000	Life-like plants HK\$'000	Production, distribution and licensing of television programmes HK\$'000	Elimination HK\$'000	
Revenue from external customers	739,232	2,363,605	34,823	3,137,660	641,032	81,013	123	-	3,859,828
Inter-segment revenue	130,429	303,298	-	433,727	394	-	-	(434,121)	-
Reportable segment revenue	<u>869,661</u>	<u>2,666,903</u>	<u>34,823</u>	<u>3,571,387</u>	<u>641,426</u>	<u>81,013</u>	<u>123</u>	<u>(434,121)</u>	<u>3,859,828</u>
Inter-segment revenue are charged at cost									
Reportable segment profit/(loss)	<u>1,811</u>	<u>62,054</u>	<u>3,950</u>	<u>67,815</u>	<u>30,861</u>	<u>2,336</u>	<u>(551)</u>	<u>-</u>	<u>100,461</u>
Unallocated corporate income									13,920
Unallocated corporate expenses									(25,554)
Impairment loss arising from adjustment to fair value less cost to sell									(28,000)
Finance costs									(66,874)
Change in fair value of conversion option of convertible notes									5,325
Share of results of associates	148			148					148
Share of results of jointly-controlled associates entities		(369)		(369)					(369)
Discount on acquisition of subsidiaries									4,581
Loss on deemed disposal of a listed subsidiary									(1,067)
Depreciation	(40,313)	(1,838)	(2,075)	(44,226)	(11,949)	-	-	-	(56,175)
Taxation	<u>(1,075)</u>	<u>653</u>	<u>(113)</u>	<u>(535)</u>	<u>(5,261)</u>	<u>(127)</u>	<u>-</u>	<u>-</u>	<u>(5,923)</u>

For the year ended 30 June 2008

	Continuing operations				Discontinued operations			Total HK\$'000
	Cables and wires HK\$'000	Copper rods HK\$'000	Other HK\$'000	Total HK\$'000	Connectors and terminals HK\$'000	Life-like plants HK\$'000	Elimination HK\$'000	
Revenue from external customers	752,644	1,904,403	37,847	2,694,894	711,919	86,713	-	3,493,526
Inter-segment revenue	19,185	254,601	-	273,786	428	-	(274,214)	-
Reportable segment revenue	<u>771,829</u>	<u>2,159,004</u>	<u>37,847</u>	<u>2,968,680</u>	<u>712,347</u>	<u>86,713</u>	<u>(274,214)</u>	<u>3,493,526</u>
Inter-segment revenue are charged at cost								
Reportable segment profit/(loss)	<u>22,214</u>	<u>(31,235)</u>	<u>(4,659)</u>	<u>(13,680)</u>	<u>66,419</u>	<u>5,736</u>	<u>-</u>	<u>58,475</u>
Unallocated corporate income								9,403
Unallocated corporate expenses								(49,650)
Change in fair value of conversion option of convertible notes								7,167
Finance costs								(56,064)
Share of results of associates	284			284				284
Share of results of jointly-controlled associates entities		(625)		(625)				(625)
Loss on disposal of a listed subsidiary	-	(56,610)		(56,610)				(56,610)
Depreciation	(44,384)	(2,075)	(2,069)	(48,528)	(14,854)			(63,382)
Unallocated								(42)
								(63,424)
Taxation	<u>1,554</u>	<u>(4,127)</u>	<u>(207)</u>	<u>(2,780)</u>	<u>(21,315)</u>	<u>(95)</u>	<u>-</u>	<u>(24,190)</u>

For the year ended 30 June 2009

	Continuing operations			Discontinued operations			Total HK\$'000
	Cables and wires	Copper rods	Other	Total	Connectors and terminals	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	485,717	119,721	10,411	615,849	521,096	-	1,136,945
Inter-segment revenue	17,897	29,684	-	47,581	123	(47,704)	-
Reportable segment revenue	<u>503,614</u>	<u>149,405</u>	<u>10,411</u>	<u>663,430</u>	<u>521,219</u>	<u>(47,704)</u>	<u>1,136,945</u>
Inter-segment revenue are charged at cost							
Reportable segment (loss)/profit	<u>(113,914)</u>	<u>(243,500)</u>	<u>(35,942)</u>	<u>(393,356)</u>	<u>28,455</u>	<u>-</u>	<u>(364,901)</u>
Unallocated corporate income							659
Unallocated corporate expenses							(3,305)
Finance costs							(20,193)
Share of results of associates	(936)	(121,310)	-	(122,246)	-	-	(122,246)
Loss on disposal of a listed associate	-	(67,135)	-	(67,135)	-	-	(67,135)
Discount on acquisition of additional interest in a subsidiary	-	-	-	-	1,971	-	1,971
Depreciation	(23,581)	(5,725)	(2,061)	(31,367)	(14,381)	-	(45,748)
Unallocated							<u>(7,612)</u>
							(53,360)
Taxation	<u>(1,106)</u>	<u>(141)</u>	<u>(160)</u>	<u>(1,407)</u>	<u>(18,984)</u>	<u>-</u>	<u>(20,391)</u>



For the six months ended 31 December 2008 (Unaudited)

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

For the six months ended 31 December 2009

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

As at 30 June 2007

	Continuing operations				Total HK\$'000
	Cables and wires	Copper rods	Other	Connectors and terminals	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reportable segment assets	867,185	905,416	40,829	236,818	2,050,248
Additions to non-current assets	144,448	67,088	500	14,190	226,226
Reportable segment liabilities	114,533	180,016	2,353	98,249	395,151

As at 30 June 2008

	Continuing operations				Total HK\$'000
	Cables and wires	Copper rods	Other	Connectors and terminals	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reportable segment assets	826,971	–	409,015	296,298	1,532,284
Additions to non-current assets	95,034	3,072	23,154	16,094	137,354
Reportable segment liabilities	478,095	–	31,196	102,563	611,854

As at 30 June 2009

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

As at 31 December 2009

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

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

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
					(Unaudited)
<b>Loss before taxation and discontinued operations</b>					
Reportable segment profit/(loss)	100,461	58,475	(364,901)	(196,020)	(198,387)
Segment loss/(gain) from discontinued operations	539	(19,866)	(8,260)	(13,609)	189,056
Unallocated corporate expenses	(27,339)	(49,650)	(3,305)	(7,822)	(4,944)
Finance costs	(66,874)	(56,064)	(20,193)	(7,613)	(7,521)
Consolidated (loss)/gain before taxation from continuing operations	<u>6,787</u>	<u>(67,105)</u>	<u>(396,659)</u>	<u>(225,064)</u>	<u>(21,796)</u>
	<b>30 June 2007 HK\$'000</b>	<b>30 June 2008 HK\$'000</b>	<b>30 June 2009 HK\$'000</b>	<b>30 June 2009 HK\$'000</b>	<b>31 December 2009 HK\$'000</b>
<b>Assets</b>					
Reportable segment assets	2,050,248	1,532,284	1,101,990		817,945
Segment assets of discontinued operations	75,868	–	–		162,931
Unallocated corporate assets	<u>308,053</u>	<u>81,214</u>	<u>8,291</u>		<u>46,415</u>
Consolidated total assets	<u>2,434,169</u>	<u>1,613,498</u>	<u>1,110,281</u>		<u>1,027,291</u>
<b>Liabilities</b>					
Reportable segment liabilities	395,151	611,854	439,216		353,575
Segment liabilities of discontinued operations	30,845	–	–		134,931
Current tax liabilities	11,289	7,333	7,776		327
Deferred tax liabilities	20,743	5,171	26,281		25,030
Unallocated corporate liabilities	<u>839,515</u>	<u>580</u>	<u>11,008</u>		<u>6,231</u>
Consolidated total liabilities	<u>1,297,543</u>	<u>624,938</u>	<u>484,281</u>		<u>520,094</u>

**(c) Geographic 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 Mainland China, Americas, Europe and other Asian regions.

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

	Year ended 30 June			Six months ended 31 December	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
Mainland China	2,811,720	2,413,069	464,286	210,316	278,648
Americas	135,308	123,435	81,610	55,008	41,326
Europe	42,779	53,040	26,577	26,577	15,613
Hong Kong	105,084	81,159	23,273	23,273	10,177
Other Asian regions	42,769	24,191	20,103	20,103	11,904
	<u>3,137,660</u>	<u>2,694,894</u>	<u>615,849</u>	<u>335,277</u>	<u>357,668</u>

	Specific non-current assets			
	30 June 2007	30 June 2008	30 June 2009	31 December 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	649,480	447,276	433,780	404,147
Americas	62,152	74,195	70,452	13,423
Europe	–	497	398	124
Hong Kong	100,228	353,657	36,877	358
Other Asian regions	2,510	1,741	11,598	–
	<u>814,370</u>	<u>877,366</u>	<u>553,105</u>	<u>418,052</u>

**(d) Information about major customer**

Revenue from a customer in the cable and wires segment amounted to HK\$336,223,000, HK\$509,420,000 and HK\$415,758,000 for the years ended 30 June 2007, 2008 and 2009, respectively, and HK\$41,034,000 (unaudited) and HK\$30,052,000 for the six months ended 31 December 2008 and 2009, respectively.

Revenue from a customer in the connectors and terminals segment amounted to HK\$66,239,000, 65,917,000 and 50,320,000 for the years ended 30 June 2007, 2008 and 2009, respectively, and HK\$186,461,000 (unaudited) and HK\$253,502,000 for the six months ended 31 December 2008 and 2009, respectively.

## 8. (LOSS)/PROFIT FOR THE YEAR/PERIOD

The Group's (loss)/profit for the year/period from continuing and discontinued operations is arrived at after charging:

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
(Loss)/profit has been arrived at after charging:					
Auditors' remuneration	2,787	2,782	1,017	232	1,038
Depreciation of property, plant and equipment	56,175	63,424	53,360	25,876	26,835
Cost of inventories ( <i>Note (i)</i> )	3,607,825	3,262,528	1,066,956	602,322	705,338
Write-down/(back) of inventories, net ( <i>Note (i)</i> )	3,798	2,150	(2,605)	(11,541)	15,304
Charge of prepaid lease payments for land	2,183	2,621	1,846	590	1,391
Provisions for compensation to labour ( <i>Note (ii)</i> )	4,737	–	–	–	–
Operating lease rentals in respect of rental premises	5,452	4,945	2,780	1,537	1,320
Loss on disposal of property, plant and equipment	3,242	1,774	5,484	2,480	4,518
Exchange losses, net	–	–	4,433	256	284
Wages, salaries and pension attribution including directors' remuneration ( <i>Notes 9 and 44</i> )	184,759	190,714	123,012	71,079	80,789
Share-based payment expense	3,187	8,793	1,334	–	–
and after crediting:					
Exchange gains, net	2,870	571	–	19	566
Interest income on bank deposits	20,041	10,398	5,130	1,422	352
Interest income on notes receivables	4,822	–	–	–	–
Rental income	–	385	386	343	–
Subcontracting income	785	5,814	15,685	–	1,446
Sales of scrapped inventories	–	6,230	6,736	752	–
Interest income on other loans receivable	–	6,461	709	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Notes:

- (i) Cost of inventories includes HK\$69,209,000 (six months ended 31 December 2008: HK\$62,017,000 (unaudited); year ended 30 June 2007: HK\$167,570,000; year ended 30 June 2008: HK\$150,624,000; year ended 30 June 2009: HK\$99,394,000) for the six months ended 31 December 2009 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 separated above. Cost of inventories also included write-down/(back) of inventories, net.

- (ii) During the year ended 30 June 2007, the Group has recognised in the profit or loss an expense of HK\$4,737,000 in respect of provision for claims relating to dispute of labour compensation with the labour union for a Brazilian subsidiary which has been included in the cost of sales of the discontinued operations. The provision charged is estimated based on legal counsel's opinion and after considering the likelihood of actual payment.

#### 9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the remuneration of the directors and the five highest paid individuals for each of the Relevant Periods were as follows:

Name of directors	For the year ended 30 June 2007				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits	Retirement benefit scheme contributions	Total HK\$'000	
		HK\$'000	HK\$'000		
Mr. Chau Lai Him	–	11,213	19	11,232	
Mr. Zhou Jin Hua	–	1,357	–	1,357	
Mr. Lau Man Tak	–	3,160	9	3,169	
Mr. Liu Jin Rong	–	134	–	134	
Mr. Lo Chao Ming	53	–	–	53	
Mr. Lo Wai Ming	96	–	–	96	
Mr. Chung Kam Kwong	160	–	–	160	
Mr. Chow Kin Ming	–	1,075	7	1,082	
<b>Total</b>	<b>309</b>	<b>16,939</b>	<b>35</b>	<b>17,283</b>	

Name of directors	For the year ended 30 June 2008				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits	Share-based payment	Retirement benefit scheme contributions	
		HK\$'000	HK\$'000	HK\$'000	
Mr. Chau Lai Him	–	3,205	–	16	3,221
Mr. Zhou Jin Hua	–	1,368	379	–	1,747
Mr. Chow Kin Ming	–	1,268	–	9	1,277
Mr. Liu Jin Rong	–	142	190	–	332
Mr. Chan Kwan Hung	–	1,500	1,682	15	3,197
Mr. Lo Chao Ming	105	–	–	–	105
Mr. Lo Wai Ming	96	–	–	–	96
Mr. Chung Kam Kwong	194	–	–	–	194
<b>Total</b>	<b>395</b>	<b>7,483</b>	<b>2,251</b>	<b>40</b>	<b>10,169</b>

Name of directors	For the year ended 30 June 2009			
	Fees HK\$'000	Retirement		Total HK\$'000
		Salaries and other benefits HK\$'000	benefit scheme contributions HK\$'000	
Mr. Chau Lai Him	-	3,130	10	3,140
Mr. Zhou Jin Hua	-	1,367	-	1,367
Mr. Liu Jin Rong	-	144	-	144
Mr. Chan Kwan Hung	-	294	4	298
Mr. Ho Pang Cheng Vincent	-	86	3	89
Mr. Lam Chi Ming Francis	-	122	3	125
Mr. Lo Chao Ming	60	-	-	60
Mr. Lo Wai Ming	96	-	-	96
Mr. Chung Kam Kwong	420	-	-	420
Total	576	5,143	20	5,739

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

During the year ended 30 June 2008, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 43. The fair value of such options which has been recognised in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Financial Information is included in the above directors' remuneration disclosures. There was no share option granted to any director of the Company for the other periods of the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 30 June 2007, 2008 and 2009 and the six months ended 31 December 2008 and 2009.



The five highest paid individuals for the year ended 30 June 2007, 2008 and 2009 and the six months ended 31 December 2008 and 2009 of the Group include four, four, two, two and three, executive directors of the Company respectively, details of whose remuneration are included above. The emoluments of the remaining one, one, three, three and two non-director individuals were as follows:

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
Salaries and other benefits	1,446	2,008	4,007	1,929	1,610
Discretionary performance bonus	638	-	-	-	-
Contributions to retirement benefits schemes	873	-	425	17	-
Total	<u>2,957</u>	<u>2,008</u>	<u>4,432</u>	<u>1,946</u>	<u>1,610</u>

Remuneration of these individuals was within the following bands:

	Year ended 30 June			Six months ended 31 December	
	2007	2008	2009	2008	2009
Nil – HK\$1,000,000	-	-	1	2	2
HK\$1,00,001 – HK\$1,500,000	-	-	1	1	-
HK\$1,500,001 – HK\$2,000,000	-	-	-	-	-
HK\$2,000,001 – HK\$2,500,000	-	1	1	-	-
HK\$2,500,001 – HK\$3,000,000	1	-	-	-	-
Total	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>2</u>

## 10. FINANCE COSTS

An analysis of finance costs (continuing and discontinued operations) is as follows:

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	59,779	51,670	19,929	7,461	7,112
Interest on finance leases	1,035	645	264	152	409
Imputed interest on convertible notes	6,060	5,472	-	-	-
	66,874	57,787	20,193	7,613	7,521
Less: Interest capitalised	-	(1,723)	-	-	-
Total	<u>66,874</u>	<u>56,064</u>	<u>20,193</u>	<u>7,613</u>	<u>7,521</u>

## 11. TAXATION

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Hong Kong profits tax					
Current year	1,400	2,335	51	-	-
Under/(over)-provision in respect of prior years	976	(212)	179	-	-
Taxation in other jurisdictions:					
Current year	8,420	20,549	15,454	4,365	28,419
(Over)/under provision in respect of prior years	(3,242)	(585)	212	(170)	(5,478)
	7,554	22,087	15,896	4,195	22,941
Deferred taxation					
Current year	(1,631)	1,501	4,594	1,422	(852)
Effect of change in tax rate charge for the year	-	602	(99)	-	-
Total (continuing and discontinued operations)	<u>5,923</u>	<u>24,190</u>	<u>20,391</u>	<u>5,617</u>	<u>22,089</u>
Less: Taxation attributable to the discontinued operations (Note 39)					
- related to pre-tax profit	<u>(5,388)</u>	<u>(21,410)</u>	<u>(18,983)</u>	<u>(4,541)</u>	<u>(23,171)</u>
Taxation attributable to the continuing operations	<u>535</u>	<u>2,780</u>	<u>1,408</u>	<u>1,076</u>	<u>(1,082)</u>

Hong Kong profits tax is calculated at 16.5% (year ended 30 June 2008: 16.5%; year ended 30 June 2007: 17.5%) of the estimated assessable profit arising in Hong Kong during the year ended 30 June 2009. No Hong Kong profits tax has been provided during the six months ended 31 December 2008 and 2009 as the Group did not derive any assessable profit attributable to its operations in Hong Kong.

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

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

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 (Unaudited)	2009 HK\$'000
Profit/(loss) before taxation (continuing and discontinued operations)	<u>1,007</u>	<u>(19,318)</u>	<u>(373,418)</u>	<u>(211,455)</u>	<u>(210,852)</u>
Tax at the PRC income tax rate of 25% (year ended 30 June 2007:27%)	272	(4,830)	(93,355)	(52,864)	(52,713)
Tax effect of expenses not deductible for tax purpose	15,161	26,034	98,346	21,189	86,729
Tax effect of income not taxable for tax purpose	(6,749)	(1,964)	(56,475)	(13,444)	(10,979)
Tax effect of tax losses not recognised	609	4,768	39,414	17,733	404
Utilisation of tax losses previously not recognised	(923)	(80)	(5,119)	-	(2,467)
(Over)/under provision in respect of prior years	(2,266)	(797)	391	(170)	(5,478)
Tax effect on share of results of jointly controlled entities	100	-	-	-	-
Tax effect on share of results of associates	(40)	(4,509)	32,396	34,857	470
Effect of different tax rates of the Company's subsidiaries operating outside of the PRC and changes in tax rates	<u>(241)</u>	<u>5,568</u>	<u>4,793</u>	<u>(1,684)</u>	<u>6,123</u>
Tax for the year	<u>5,923</u>	<u>24,190</u>	<u>20,391</u>	<u>5,617</u>	<u>22,089</u>

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% for the years ended 30 June 2008 and 2009 and the six months ended 31 December 2008 and 2009.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. For the year ended 30 June 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, the PRC, 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%.

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

The consolidated loss from ordinary activities attributable to owners of the Company for the six months ended 31 December 2009 includes a loss of HK\$1,863,000 (six months ended 31 December 2008: a loss of HK\$5,067,000 (unaudited); year ended 30 June 2007: a loss of HK\$13,390,000; year ended 30 June 2008: a loss of HK\$8,578,000; year ended 30 June 2009: a loss of HK\$10,227,000) which has been dealt with in the financial statements of the Company.

## 13. DIVIDENDS

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
Final dividend paid in respect of year 2005/2006 at HK\$0.04 per share	19,466	-	-	-	-
Interim dividend paid in respect of year 2006/2007 at HK\$0.02 per share	9,783	-	-	-	-
Total	<u>29,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Directors do not recommend the payment of a dividend for the years ended 30 June 2008 and 2009 and the six months ended 31 December 2008 and 2009.

## 14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the years/periods attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the respective years/periods, as adjusted to reflect the capital reorganisation for the six months ended 31 December 2009.

**From continuing and discontinued operations**

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

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
Profit/(loss) for the year/period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	782	(57,349)	(393,704)	(217,007)	(232,941)

**Number of shares**

	Year ended 30 June			Six months ended 31 December	
	2007	2008	2009	2008	2009
Weighted average number of ordinary shares for the purpose of basic loss per share	97,370,575	113,469,399	313,680,668	120,730,872	928,384,134
Effect of dilutive potential ordinary shares:					
Share options	6,993,129	2,554,161#	-#	-#	-#
Convertible notes	14,109,091*	-*	-	-	-
	<u>118,472,795</u>	<u>116,023,560</u>	<u>313,680,668</u>	<u>120,730,872</u>	<u>928,384,134</u>

- # As share options outstanding for the years ended 30 June 2008 and 2009 and the six months ended 31 December 2008 and 2009 had an anti-dilutive effect on the respective basic loss per share, the conversion of the above potential dilutive shares is not assumed in the computation of diluted losses per share for such year/periods. Therefore the basic and diluted losses per share for the respective years/periods are equal.
- \* The convertible notes have an anti-dilutive effect on the basic earnings per share of the Group from continuing and discontinued operations for the year ended 30 June 2007 and 2008. Accordingly, the effect of the convertible notes was not included in the calculation of diluted earnings per share from continuing and discontinued operations for the year ended 30 June 2007 and 2008.

#### From continuing operations

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

	Year ended 30 June			Six months ended 31 December	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the year/period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	11,950	(83,726)	(397,962)	(226,140)	(20,714)

(Unaudited)

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

#### From discontinued operations

Basic earnings/(loss) per share from discontinued operations were (11.47) HK cents, 23.25 HK cents, 1.36 HK cents for the years ended 30 June 2007, 2008 and 2009, respectively, and 7.57 HK cents (unaudited) and (22.86) HK cents for the six months ended 31 December 2008 and 2009, respectively. They were based on the profit/loss for the years/periods from discontinued operations of a loss of HK\$11,168,000, a profit of HK\$26,377,000, a profit of HK\$4,258,000 for the years ended 30 June 2007, 2008 and 2009, respectively, and a profit of HK\$9,133,000 (unaudited) and a loss of HK\$212,227,000 for the six months ended 31 December 2008 and 2009, respectively.

Diluted earnings/(loss) per share from discontinued operations were (11.47) HK cents, 23.25 HK cents, 1.36 HK cents for the years ended 30 June 2007, 2008 and 2009, respectively, and 7.57 HK cents (unaudited) and (22.86) HK cents for the six months ended 31 December 2008 and 2009, respectively. They were based on the profit/loss for the years/periods from discontinued operations of a loss of HK\$11,168,000, a profit of HK\$26,377,000, a profit of HK\$4,258,000 for the years ended 30 June 2007, 2008 and 2009, respectively, and a profit of HK\$9,133,000 (unaudited) and a loss of HK\$212,227,000 for the six months ended 31 December 2008 and 2009, respectively.

The denominators used are the same as those detailed above for basic and diluted losses per share for continuing and discontinued operations except that the share options outstanding in the year ended 30 June 2007 had an anti-dilutive effect on the basic loss per share of the discontinued operations for that year.

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

	Construction in progress HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST							
At 1 July 2006	43,723	248,651	25,517	73,725	356,865	18,763	767,244
Currency realignment	2,105	11,048	1,150	3,028	17,547	1,030	35,908
Acquisition of subsidiaries	-	-	-	3,642	42,292	660	46,594
Additions	55,171	31,482	5,596	8,230	119,064	7,185	226,728
Reclassification	(62,099)	37,054	-	5,174	19,871	-	-
Transfer to assets classified as held for sales	-	(28,922)	-	(2,831)	(8,718)	(171)	(40,642)
Disposals	(697)	-	-	(10,097)	(2,159)	(413)	(13,366)
At 30 June 2007	38,203	299,313	32,263	80,871	544,762	27,054	1,022,466
Currency realignment	6,069	31,166	3,144	6,953	51,208	2,372	100,912
Additions	35,002	4,803	6,649	6,661	82,242	1,997	137,354
Reclassification	(9,667)	303	-	464	8,900	-	-
Disposals	-	-	(190)	(1,687)	(17,947)	(893)	(20,717)
Reclassification of interest in a subsidiary into an associate	(1,392)	(88,161)	(7,493)	(6,823)	(179,430)	(6,485)	(289,784)
At 30 June 2008	68,215	247,424	34,373	86,439	489,735	24,045	950,231
Currency realignment	42	(281)	(172)	(2,302)	(14,753)	(18)	(17,484)
Additions	13,326	326	495	2,194	26,341	66	42,748
Acquisition of subsidiaries under asset swap	1,391	55,682	-	923	55,893	1,896	115,785
Reclassification	(1,475)	-	-	-	1,475	-	-
Disposal of subsidiaries under asset swap	(63,783)	(63,532)	(6,438)	(5,055)	(98,717)	(1,036)	(238,561)
Disposals	-	-	(3,013)	(13,845)	(4,874)	(6,862)	(28,594)
At 30 June 2009	17,716	239,619	25,245	68,354	455,100	18,091	824,125
Currency realignment	1,858	5	50	1,098	9,240	1	12,252
Additions	388	-	118	11,171	3,186	371	15,234
Reclassification	(1,391)	-	-	-	1,391	-	-
Disposals	-	-	-	(8,605)	(595)	(713)	(9,913)
Transfer to assets classified as held for sale	(18,571)	(2,200)	(2,910)	(22,201)	(107,742)	(230)	(153,854)
At 31 December 2009	-	237,424	22,503	49,817	360,580	17,520	687,844

	Construction in progress HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 July 2006	-	79,736	9,660	53,255	202,329	10,215	355,195
Currency realignment	-	3,279	412	1,653	6,023	524	11,891
Provided for the year	-	12,388	2,532	5,944	32,633	2,678	56,175
Transfer to assets classified as held for sales	-	(1,463)	-	(1,678)	(2,632)	(171)	(5,944)
Eliminated on disposals	-	-	-	(5,787)	(978)	(82)	(6,847)
At 30 June 2007	-	93,940	12,604	53,387	237,375	13,164	410,470
Currency realignment	-	9,344	1,131	4,059	16,932	1,426	32,892
Provided for the year	-	13,211	2,666	7,881	36,377	3,289	63,424
Reclassification	-	-	-	(234)	234	-	-
Reclassification of interest in a subsidiary into an associate	-	(26,874)	(1,519)	(3,686)	(72,457)	(3,394)	(107,930)
Eliminated on disposal	-	-	(39)	(1,478)	(11,814)	(501)	(13,832)
At 30 June 2008	-	89,621	14,843	59,929	206,647	13,984	385,024
Currency realignment	-	(103)	(136)	(961)	(3,906)	26	(5,080)
Provided for the year	-	12,057	1,828	4,582	32,562	2,331	53,360
Impairment loss	-	17,842	-	791	43,469	-	62,102
Disposal of subsidiaries under asset swap	-	(23,996)	(677)	(2,240)	(34,522)	(217)	(61,652)
Eliminated on disposals	-	-	(2,194)	(12,611)	(512)	(5,724)	(21,041)
At 30 June 2009	-	95,421	13,664	49,490	243,738	10,400	412,713
Currency realignment	-	4	44	531	3,450	1	4,030
Provided for the period	-	6,240	682	8,118	10,660	1,135	26,835
Eliminated on disposals	-	-	-	(4,657)	(233)	(505)	(5,395)
Transfer to assets classified as held for sale	-	(602)	(2,392)	(14,394)	(43,129)	(51)	(60,568)
At 31 December 2009	-	101,063	11,998	39,088	214,486	10,980	377,615
NET CARRYING AMOUNT							
At 30 June 2007	38,203	205,373	19,659	27,484	307,387	13,890	611,996
At 30 June 2008	68,215	157,803	19,530	26,510	283,088	10,061	565,207
At 31 June 2009	17,716	144,198	11,581	18,864	211,362	7,691	411,412
At 31 December 2009	-	136,361	10,505	10,729	146,094	6,540	310,229

At 31 December 2009, 30 June 2009, 2008 and 2007, the net carrying amount of property, plant and equipment of the Group includes plant and machinery of HK\$2,039,000, HK\$8,545,000, HK\$7,365,000 and HK\$5,106,000; motor vehicles of HK\$1,913,000, HK\$2,015,000, HK\$2,554,000 and HK\$4,714,000, and equipment, furniture and fixtures of HK\$Nil, HK\$10,000, HK\$16,000 and HK\$16,000, respectively in respect of assets held under finance leases. None of the leases includes contingent rentals. During the Relevant Periods, additions to plant and machinery of the Group financed by new finance leases were HK\$321,000, HK\$4,201,000, HK\$1,158,000 and HK\$2,028,000 for six months ended 31 December 2009, year ended 30 June 2009, year ended 30 June 2008 and year ended 30 June 2007, respectively.

The Group has pledged buildings and plant and machinery with aggregate net carrying amount at 31 December 2009, 30 June 2009, 2008 and 2007 of HK\$128,236,000, HK\$136,829,000, HK\$206,324,000 and HK\$130,904,000 to secure banking facilities granted to the Group (Note 27).

At 31 December 2009, 30 June 2009, 2008 and 2007, the Group was in the process of obtaining the relevant title documents of certain of its buildings with aggregate carrying amount of HK\$10,330,000, HK\$10,768,000, HK\$10,248,000 and HK\$11,020,000, respectively.

As at 31 December 2009 and 30 June 2009, 2008 and 2007, the prepayments amount represented prepayments made for acquisition of items of property, plant and equipment.

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

The recoverable amount of the property, plant and equipment as at 30 June 2009 has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, average growth rate of 0% per annum and discount rate of 10%. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin.

#### 16. PREPAID LEASE PAYMENTS FOR LAND

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009 HK\$'000
Net carrying amount:				
At beginning of year/period	94,321	82,021	47,644	107,987
Acquisition of subsidiaries under asset swap	–	–	67,482	–
Additions	959	4,260	–	–
Disposal of subsidiaries under asset swap	–	–	(5,248)	–
Charge to the profit or loss for the period/year	(2,183)	(2,273)	(1,846)	(1,391)
Exchange realignments	4,443	10,511	(45)	–
Reclassification of interest in a subsidiary into as associate	–	(46,875)	–	–
Transfer to assets classified as held for sale	(15,519)	–	–	(7,200)
	<u>82,021</u>	<u>47,644</u>	<u>107,987</u>	<u>99,396</u>
At end of year/period	<u>82,021</u>	<u>47,644</u>	<u>107,987</u>	<u>99,396</u>



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

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Leasehold land situated in the PRC held under				
– medium term lease	72,646	38,493	99,061	97,783
– long term lease	7,650	7,470	7,290	–
Leasehold land situated in Hong Kong held under medium term lease	1,725	1,681	1,636	1,613
	<u>82,021</u>	<u>47,644</u>	<u>107,987</u>	<u>99,396</u>
Analysed for reporting purposes as:				
Non-current	80,220	46,455	105,394	96,794
Current	<u>1,801</u>	<u>1,189</u>	<u>2,593</u>	<u>2,602</u>
	<u>82,021</u>	<u>47,644</u>	<u>107,987</u>	<u>99,396</u>

At 30 June 2007, 2008 and 2009 and 31 December 2009, the Group has pledged prepaid lease payments for land with aggregate carrying amount of HK\$27,081,000, HK\$26,665,000, HK\$101,236,000 and HK\$102,266,000, respectively, to secure banking facilities granted to the Group (Note 27).

At 30 June 2007, 2008 and 2009 and 31 December 2009, the Group was in the process of obtaining the relevant title documents of certain of its land use rights with aggregate carrying amount of HK\$13,416,000, HK\$13,479,000, HK\$64,626,000 and HK\$63,777,000 respectively.

#### 17. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Share of net assets	<u>11,196</u>	<u>224,872</u>	<u>11,310</u>	<u>9,429</u>

The following only sets out the particulars of the associate at 31 December 2009 which principally affects the Group's results for the Relevant Periods or form a substantial portion of the net assets of the Group, as the directors are of the opinion that a full list of all the associates would be of excessive length.

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

*Note:* On 22 April 2008, Hua Yi Copper, the then listed subsidiary of the Company, became an associate of the Group. On 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party for the disposal of its entire equity interests in Hua Yi Copper at a net cash consideration of HK\$23,760,000. The disposal was completed on 5 May 2009. Further details are set out in Note 37.

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

	As at 30 June			As at 31 December
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000
Total assets	115,784	1,647,639	77,940	79,339
Total liabilities	(59,804)	(881,979)	(21,389)	(32,196)
Net assets	<u>55,980</u>	<u>765,660</u>	<u>56,551</u>	<u>47,143</u>
Group's share of net assets of associates	11,196	322,417	11,310	9,429
Fair value adjustment upon recognition as an associate*	—	(97,545)	—	—
	<u>11,196</u>	<u>224,872</u>	<u>11,310</u>	<u>9,429</u>

\* The Group's interest in Hua Yi Copper as an associate (after control in the former subsidiary is lost) was initially measured at fair value at the date that control is lost and that any resulting gain or loss should be recognised in profit or loss. Accordingly, this fair value adjustment is made therefor.

	For the year ended 30 June			For the six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
Revenue	88,156	890,547	1,256,493	1,159,237	50,292
Profit/(loss) for year/period	739	(118)	(248,857)	(308,079)	(9,408)
Group's share of results of associates for the year/period	<u>148</u>	<u>284</u>	<u>(122,246)</u>	<u>(139,428)</u>	<u>(1,881)</u>

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

## 18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
Share of net assets	18,023	–	–	–

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

Name of company/ form of business structure	Place of establishment	Proportion of nominal value of issued/ registered capital indirectly held by the Company	Principal activities
常州栢濤樓宇智能 有限公司	PRC	40%	Inactive
福建金藝銅業有限公司	PRC	45%	Manufacture and sale of copper wires

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

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
Share of the jointly-controlled entities' assets and liabilities:				
Current assets	8,694	–	–	–
Non-current assets	30,684	–	–	–
Current liabilities	(7,759)	–	–	–
Non-current liabilities	(13,776)	–	–	–
Net assets	18,023	–	–	–
Share of the jointly-controlled entities' results:				
Income	–	8,844	–	–
Expenditure and taxation	(369)	(9,469)	–	–
Loss for the year/period	(369)	(625)	–	–

On 22 April 2008 Hua Yi Copper, then listed subsidiary of the Company, became an listed associate of the Company as a result of deemed disposal as further detailed in Note 37 and as a result, Hua Yi Copper's jointly-controlled entity has been derecognised from the consolidated statement of financial position of the Group on the same date.

## 19. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries during the Relevant Periods 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
BCEEL	Brazil/Brazil	BRL3,335,000	100%	Manufacture and trading of power cords and wire harness
Chau's Electrical (BVI) Company Limited	British Virgin Islands/PRC	US\$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK\$1,000 ordinary HK\$500,000 non-voting deferred (Note 1)	100%	Manufacture and trading of cable and wire products
Chau's Electrical International, Inc.	United States of America	US\$20,000	100%	Trading of cable and wire products
Chau's Industrial Investments Limited	British Virgin Islands	US\$1,000	100%	Investment holding
Citigain Industrial Limited	Hong Kong	HK\$1,000	100%	Investment holding
Crown Earth Investments Limited	Hong Kong/PRC	HK\$100	100%	Property holding
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd.#	PRC	HK\$6,810,000 (Note 4)	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
Hua Yi Copper Holdings Limited	Bermuda	HK\$134,626,900	Note 37	Investment holding
Hua Yi Copper Products Company Limited (Note 3)#	Hong Kong	HK\$5,000,000	100%	Manufacture and trading of copper products

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
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. (Note 3) <sup>#</sup>	PRC	US\$14,925,000	100%	Manufacture and trading of copper products
昆山周氏電業有限公司 Kunshan Chau's Electrical Company Limited <sup>#</sup>	PRC	US\$5,000,000	100%	Manufacture and trading of cable and wire products
昆山華藝銅業有限公司 Kunshan Hua Yi Copper Products Company Limited	PRC	US\$1,650,000	100%	Manufacture and trading of copper products
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd. <sup>#</sup>	PRC	US\$2,500,000	100%	Manufacture and trading of cable and wire products
Solartech Investments Limited	British Virgin Islands	US\$1	100%	Investment holding
Stocko Electronics Asia Pacific Pte Ltd	Singapore	S\$100,000	100%	Trading in wire harness and connectors
TEM Electronics (M) Sdn. Bhd.	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
SIT Electronic Company Limited	Thailand	THB13,000,000	100%	Manufacture of wire harness and connectors
Wah Yeung Capital Resources Limited	British Virgin Islands	US\$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US\$1	100%	Investment holding
Brightpower Assets Management Limited	British Virgin Islands	US\$1	100%	Investment holding

<sup>#</sup> Wholly-owned foreign enterprise

<sup>\*</sup> Equity joint venture

*Notes:*

1. 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.
2. Except for Chau's Industrial Investments Limited, all the subsidiaries are indirectly held by the Company.
3. Hua Yi Copper Products Company Limited and Dongguan Hua Yi Brass Products Co., Ltd, were acquired during the year ended 30 June 2009 under the asset swap as disclosed in Note 38.
4. Dongguan Qiaozi Chau's Electrical Co., Ltd. ("Qiaozi Chau's") was established by the Group with an independent Chinese party in the PRC. Under the management agreement with the Chinese party, the Group was responsible for all of the assets and liabilities of the joint venture and is entitled to the profit derived from its operations after the payment of a fixed amount as management fee to the Chinese party each year. During the year ended 30 June 2008, the PRC joint venture partner agreed to surrender its ownership in Qiaozi Chau's to the Group at no consideration. The transfer was approved by the PRC relevant authority and Qiaozi Chau's became a wholly-foreign-owned enterprise since January 2007.

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

**20. LOANS RECEIVABLE**

As disclosed in Note 42, pursuant to a loan agreement entered into between the Group (through the Hua Yi Copper Group) and an independent third party during the year ended 30 June 2007, a prepayment of HK\$31,560,000 for acquisition of property, plant and equipment had been assigned and reclassified as loan to the third party during the year ended 30 June 2007. In addition, the Group (through the Hua Yi Copper Group) has advanced an additional amount of HK\$15,338,000 to such party during the year ended 30 June 2007. The aggregate amount of loans receivable at 30 June 2007 amounted to HK\$46,898,000, which was interest-bearing at 2.5% per annum and secured by the plant and machinery of the third party and had no fixed repayment terms. In the opinion of directors of the Company, the amount would not be recoverable within 12 months from 30 June 2007.

On 22 April 2008, Hua Yi Copper, the then listed subsidiary of the Company, became an associate of the Company as a result of deemed disposal as further detailed in Note 37 and as a result, the loans receivable was derecognised from the consolidated statement of financial position of the Group on the same date.

**21. GOODWILL**

At 30 June 2007, 2008 and 2009, goodwill of HK\$23,389,000 arising from acquisition of subsidiaries in the year ended 30 June 2007 was allocated to one cash generating unit ("CGU"), representing the Group's manufacture and trading of connectors and terminals business in Brazil, details of which are set out in Note 34.

During the years ended 30 June 2007, 2008 and 2009, management of the Group determines that there is no impairment of the CGU containing the goodwill.

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period with average growth rate ranging from 10% to 18% per annum and discount rate ranging from 8% to 10%. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin.

On 31 December 2009, the Group entered into a conditional sale and purchase agreement in relation to the disposal of the Sale Interests which are principally engaged in the manufacture and trading of connectors and terminals in Malaysia, Singapore, the PRC, Thailand; and the Brazil CGU. The estimated net proceeds, net of expenses, from the disposal is approximately HK\$28 million. Up to the date of approval of Financial Information, the disposal has not been completed.

The above goodwill of HK\$23,389,000, which is attributable to the Brazil CGU, is transferred to assets classified as held for sale as at 31 December 2009 and is disclosed in Note 39.

## 22. INVENTORIES

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Raw materials	355,923	105,717	92,588	111,647
Work in progress	26,069	38,252	14,975	23,451
Finished goods	130,100	122,796	70,721	68,196
	<u>512,092</u>	<u>266,765</u>	<u>178,284</u>	<u>203,294</u>
Transfer to assets classified as held for sale	–	–	–	(87,883)
	<u>512,092</u>	<u>266,765</u>	<u>178,284</u>	<u>115,411</u>

During the Relevant Periods, the Group has carried out its regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgment. As a result, the carrying amounts of certain inventories were determined to decline below their estimated net realisable value; on the other hand certain inventories that were partially impaired in the prior reporting periods were sold in subsequent period which were recorded as a write-back of inventories in the profit or loss. Based on the assessment, the carrying amount of inventories was written down by HK\$15,304,000 (six months ended 31 December 2008: written-back of HK\$11,541,000 (unaudited); year ended 30 June 2007: written down by HK\$3,798,000; year ended 30 June 2008: written down by: HK\$2,150,000; year ended 30 June 2009: written-back of HK\$2,605,000) (included in "cost of sales") for the six months ended 31 December 2009.

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

At 31 December 2009, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK\$84,551,000 (30 June 2007: HK\$399,130,000; 30 June 2008: HK\$280,880,000 and 30 June 2009: HK\$142,551,000).

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

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Within 30 days	273,812	200,159	126,175	79,347
31 – 60 days	69,964	27,242	9,370	3,796
61 – 90 days	33,081	29,810	3,539	697
Over 90 days	22,273	23,669	3,467	711
	<u>399,130</u>	<u>280,880</u>	<u>142,551</u>	<u>84,551</u>

At 31 December 2009, the Group's trade debtors of HK\$Nil (30 June 2007: HK\$10,696,000; 30 June 2008: HK\$25,869,000 and 30 June 2009: HK\$1,477,000) were discounted to banks with recourse.

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

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
At beginning of period/year	380	6,445	5,426	15,338
Impairment loss recognised	6,065	105	12,060	2,621
Reversal of allowance for doubtful debts	–	(703)	(885)	(2,341)
Uncollectable amounts written off	–	(437)	(2,477)	(1,437)
Disposal of subsidiary	–	–	1,215	–
Exchange realignments	–	16	(1)	130
	<u>6,445</u>	<u>5,426</u>	<u>15,338</u>	<u>14,311</u>
At end of period/year	<u>6,445</u>	<u>5,426</u>	<u>15,338</u>	<u>14,311</u>

At 31 December 2009, the Group's trade debtors of HK\$14,311,000 (30 June 2007: HK\$6,445,000; 30 June 2008: HK\$5,426,000 and 30 June 2009: HK\$15,338,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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

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

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Neither past due nor impaired	376,857	257,211	139,084	83,840
Past due but not impaired	<u>22,273</u>	<u>23,669</u>	<u>3,467</u>	<u>711</u>
	<u>399,130</u>	<u>280,880</u>	<u>142,551</u>	<u>84,551</u>

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

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



(v) At 31 December 2009, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK\$2,788,000 (30 June 2007: HK\$61,794,000; 30 June 2008: HK\$2,581,000; 30 June 2009: HK\$3,395,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at the end of reporting period.

(vi) **Amounts due from related companies**

At 31 December 2009, included in the Group's debtors, other loans and receivables, deposits and prepayments were amounts due from related companies in the aggregate amount of HK\$9,893,000 (30 June 2007: HK\$Nil; 30 June 2008: HK\$Nil; 30 June 2009: HK\$10,894,000). The amounts are unsecured, interest-free and have no fixed terms of repayment, and the maximum outstanding balance due from the related companies during the six months ended 31 December 2009 and the year ended 30 June 2009 is HK\$10,894,000. A director of these related companies is also a director of the Company as at 30 June 2009 and 31 December 2009.

(vii) At 31 December 2009 and 30 June 2007, an amount of HK\$157,342,000 and HK\$5,230,000 respectively of debtors, other loans and receivables, deposits and prepayments was transferred to assets classified as held for sale.

(viii) **Impairment on a loan receivable**

On 4 February 2009, the Group and the Hua Yi Copper Group entered into an asset swap arrangement as further detailed in Note 38. As a result of the completion of the asset swap arrangement, the Group acquired a loan receivable in the amount of HK\$44,407,000 due from a third party. The loan receivable was interest-bearing at 2.5% per annum, secured by the plant and machinery of the third party, and was repayable on 30 June 2009.

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

24. **BILLS RECEIVABLE**

As at 30 June 2007, 30 June 2008, 30 June 2009 and 31 December 2009, all bills receivable aged within 90 days.

25. **DERIVATIVE FINANCIAL ASSETS/LIABILITIES**

(A) **Derivative not qualified for hedging**

	As at 30 June 2007		As at 30 June 2008		As at 30 June 2009		As at 31 December 2009	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Copper future contracts	-	(2,111)	-	(443)	9	-	769	-
Interest rate swap	468	-	-	-	-	-	-	-
Foreign exchange forward contracts	1,566	(7,856)	-	-	45	(520)	19	-
	<u>2,034</u>	<u>(9,967)</u>	<u>-</u>	<u>(443)</u>	<u>54</u>	<u>(520)</u>	<u>788</u>	<u>-</u>

*Copper future contracts*

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

	As at 30 June 2007	As at 30 June 2008	As at 30 June 2009	As at 31 December 2009
Quantities (in tonnes)	2,500	750	75	375
Average price per tonne	US\$7,599	US\$8,519	US\$4,958	US\$7,373
Delivery period	From July 2007 to September 2007	From July 2008 to September 2008	From July 2009 to September 2009	From January 2010 to March 2010
Fair value (loss)/gain of copper future contracts recognised as current (liabilities)/assets (in HK\$'000)	<u>(2,111)</u>	<u>(443)</u>	<u>9</u>	<u>769</u>

*Interest rate swap*

Notional amount	Maturity	Swap	Fair value gain recognised as current asset as at			
			30 June 2007 HK\$'000	30 June 2008 HK\$'000	30 June 2009 HK\$'000	31 December HK\$'000
USD5,000,000	13 September 2009 (Early redeemed on 13 March 2008)	Received USD at structure rate (Note)	468	-	-	-
		Paid USD interest rate at LIBOR minus 0.8%				

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

*Foreign exchange forward contracts*

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

At 30 June 2007

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

As at 30 June 2009

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

As at 31 December 2009

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain	
			HK\$'000	HK\$'000
US\$700,000 or US\$2,100,000/month	24 May 2010	HK\$7.735/US\$1	2	-
US\$700,000 or US\$2,100,000/month	24 May 2010	HK\$7.7499 to HK\$7.7399/US\$1	17	-
			<u>19</u>	<u>-</u>

The above derivatives are measured at fair value at end of each reporting period and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices and the fair values of interest rate swap and foreign exchange forward contracts were provided by banks or financial institutions at the end of reporting periods. The (loss)/gain on change in fair value of derivative financial instruments for the year ended 30 June 2007, 2008 and 2009 and the six months ended 31 December 2008 and 2009 is (HK\$269,000), HK\$47,830,000, (HK\$140,000), (HK\$1,228,000) (unaudited) and HK\$5,059,000, respectively and has been recognised in the profit or loss during the respective Relevant Periods.

**(B) Hedge of net investments in foreign operations**

	As at 30 June 2007		As at 30 June 2008		As at 30 June 2009		As at 31 December 2009	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Foreign exchange forward contracts	-	-	1,702	(8,728)	-	-	-	-

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

As at 30 June 2008

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

During the year ended 30 June 2008 and 2007, the Group entered into certain foreign exchange forward contracts designated as hedges in respect of the Group's investment in the operations of Brazil. No such forward currency contracts was entered into and remained outstanding as at 30 June 2009 and 31 December 2009. The terms of the foreign exchange forward contracts were negotiated to hedge the foreign operations, which were assessed to be highly effective.

During the year ended 30 June 2008, the loss on such effective hedging instrument of HK\$13,419,000 (2007: HK\$3,256,000) was recognised in the equity in the exchange reserve, which will be recognised in profit or loss on disposal of the foreign operations. As at 30 June 2008, the net fair value of the liabilities of hedging instrument amounted to HK\$7,026,000.

**26. NOTES RECEIVABLE**

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

The notes receivable have been fully settled during the year ended 30 June 2008.

## 27. PLEDGE OF ASSETS

At 30 June 2007, 2008 and 2009 and 31 December 2009, the Group has pledged the following assets to secure general banking facilities granted to the Group. The carrying amounts of these assets are analysed as follows:

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
Property, plant and equipment	130,904	206,324	136,829	128,236
Prepaid lease payments for land	27,081	26,665	101,236	102,266
Trade debtors	10,696	25,869	1,477	–
Fixed bank deposits and bank balances	96,650	36,619	48,136	45,104
	<u>265,331</u>	<u>295,477</u>	<u>287,678</u>	<u>275,606</u>

## 28. BANK BALANCES AND CASH (INCLUDING THE PLEDGED DEPOSITS)

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

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
Bank balances and cash and pledged deposits were denominated in the following currencies:				
Renminbi (“RMB”)	165,513	28,831	60,403	85,280
HK\$	127,886	51,832	43,682	48,349
US\$	70,109	23,194	27,747	46,682
RM	7,542	3,853	7,314	8,352
SGD	1,069	1,365	749	4,133
THB	1,606	1,648	3,163	1,942
BRL	704	1,547	1,566	1,837
EUR	8,291	10,166	1,954	1,140
	<u>382,720</u>	<u>122,436</u>	<u>146,578</u>	<u>197,715</u>
Transferred to assets classified as held for sale	–	–	–	(21,908)
Total	<u>382,720</u>	<u>122,436</u>	<u>146,578</u>	<u>175,807</u>

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.

## 29. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 30 June 2007, 2008 and 2009 and 31 December 2009, the Group has trade creditors of HK\$110,881,000, HK\$108,527,000, HK\$62,743,000 and HK\$29,038,000, respectively which were included in the Group's creditors, other advances and accrued charges. At 31 December 2009, an amount of HK\$124,397,000 included in creditors, other advances and accrued charges was transferred to liabilities associated with assets classified as held for sale.

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

	The Group			As at 31 December 2009 HK\$'000
	As at 30 June			
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
Within 30 days	62,466	73,224	44,262	22,347
31 – 60 days	30,461	24,428	4,317	3,536
61 – 90 days	15,127	8,152	2,727	1,111
Over 90 days	2,827	2,723	11,437	2,044
	<u>110,881</u>	<u>108,527</u>	<u>62,743</u>	<u>29,038</u>

## 30. BILLS PAYABLE

At 30 June 2007, 2008 and 2009 and 31 December 2009, all bills payable aged within 90 days.

## 31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			As at 31 December 2009 HK\$'000
	As at 30 June			
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
Amounts payable under finance leases:				
Within one year	3,604	3,962	5,034	4,481
In the second to fifth year inclusive	5,365	3,969	2,880	2,287
	8,969	7,931	7,914	6,768
Less: Future finance charges	(963)	(755)	(1,454)	(1,818)
Present value of lease obligations	8,006	7,176	6,460	4,950
Less: Transfer to liabilities associated with assets classified as held for sales	-	-	-	(4,090)
	<u>8,006</u>	<u>7,176</u>	<u>6,460</u>	<u>860</u>

	Present value of minimum lease payments			
	As at 30 June		As at 31 December	
	2007	2008	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	3,185	3,707	4,077	3,377
In the second to fifth year inclusive	4,821	3,469	2,383	1,573
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Present value of lease obligations	8,006	7,176	6,460	4,950
Less: Transfer to liabilities associated with assets classified as held for sales	-	-	-	(4,090)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	8,006	7,176	6,460	860
Less: Amount due within one year	(3,185)	(3,707)	(4,077)	(860)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Amount due after one year	<u>4,821</u>	<u>3,469</u>	<u>2,383</u>	<u>-</u>

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates and the average effective borrowing rate was 6%, 5%, 8% and 8% per annum for the years ended 30 June 2007, 2008 and 2009 and the six month ended 31 December 2009, respectively. 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.

## 32. BORROWINGS

	2007	As at 30 June 2008	2009	31 December 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowings are analysed as follows:				
Bank loans	238,779	166,006	163,811	154,650
True receipt loans	483,827	896	26,810	59,664
Other loans	15,521	–	–	–
	<u>738,127</u>	<u>166,902</u>	<u>190,621</u>	<u>214,314</u>
Bank overdrafts	–	5,613	–	–
	<u>738,127</u>	<u>172,515</u>	<u>190,621</u>	<u>214,314</u>
Secured	330,358	172,515	190,621	214,314
Unsecured	407,769	–	–	–
	<u>738,127</u>	<u>172,515</u>	<u>190,621</u>	<u>214,314</u>
The carrying amounts of borrowings repayable:				
Within one year	717,719	155,450	185,846	214,314
More than one year but not exceeding two years	5,102	5,688	4,775	–
More than two years but not exceeding five years	15,306	11,377	–	–
	<u>738,127</u>	<u>172,515</u>	<u>190,621</u>	<u>214,314</u>
Amount due within one year shown under current liabilities	<u>(717,719)</u>	<u>(155,450)</u>	<u>(185,846)</u>	<u>(214,314)</u>
Amount due over one year shown under non-current liabilities	<u>20,408</u>	<u>17,065</u>	<u>4,775</u>	<u>–</u>

As at 31 December 2009, the average effective interest rates of the bank borrowings ranged from 5.58% to 7.84% (30 June 2007: from 5.6% to 9%; 30 June 2008: from 5.25% to 15%; 30 June 2009: from 5.01% to 8.96%) per annum.

As at 30 June 2007, except for an amount of HK\$12,821,000 which carried interest at fixed rates ranging from 7% to 36% per annum, other loans were unsecured, interest-free and repayable on demand.

As at 30 June 2007, 2008, 2009 and 31 December 2009, over 95% of the Group's bank borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

At 31 December 2009, the Group had available HK\$144,476,000 (30 June 2007: HK\$248,502,000; 30 June 2008: HK\$71,853,000; 30 June 2009: HK\$187,967,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 27. Certain bank borrowings are also secured by corporate guarantees given by the Company and certain of its subsidiaries in the Group.



## 33. CONVERTIBLE NOTES

	As at 30 June			As at 31
	2007	2008	2009	December
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Debt component of convertible notes, at amortised cost	72,128	-	-	-
Conversion option component of convertible notes, at fair value	7,167	-	-	-
	<u>79,295</u>	<u>-</u>	<u>-</u>	<u>-</u>

On 24 April 2006, the Company entered into subscription agreements with 8 investors, which are independent third parties of the Company, for the issue of zero-coupon convertible notes with the maturity date being the first business day after the second anniversary from the date of issue. The aggregate principal amount of the convertible notes is US\$10,000,000 (equivalent to HK\$77,600,000). The subscribers are entitled to convert the convertible notes at a conversion price of HK\$1.1 per share commencing on and excluding the 14th day after the issue date up to and including the date which is 14 days prior to the maturity date. In the event that the average closing price for any 30 consecutive dealing days represents 150% or more of the conversion price, the outstanding principal amount of the convertible notes will be mandatorily converted into the ordinary shares of the Company at the conversion price of HK\$1.1 per share. The Company is required to redeem the convertible notes at its face value for the outstanding principal amount of the convertible notes which have not been converted on maturity.

The completion date of the issue of the convertible notes was on 9 May 2006. During the year, none of the investors has converted the convertible notes and the convertible notes were fully settled in cash on 8 May 2008 and the conversion option component of the convertible notes of HK\$7,167,000 (2007: HK\$Nil) was recognised in the profit or loss for the year ended 30 June 2008.

The fair value of the conversion options were valued by a professional valuer at the date of grant and 30 June 2007 and the change in the fair value of the embedded derivatives of HK\$5,325,000 had been recognised to profit or loss during the year ended 30 June 2007. The valuer adopted discounted Black-Scholes option pricing model in measuring the fair value of the conversion option. The liability component of convertible notes was initially recognised as the residual amount after separating the conversion option derivatives of convertible notes and is carried at amortised cost subsequently. The effective interest rate of the liability component of convertible notes was 8.81% per annum.

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

	At 30 June 2007
Weighted average share price	HK\$0.97
Expected volatility	69%
Expected life	0.87 years
Risk-free rate	4.19%
Expected dividend yield	<u>6.19%</u>

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

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

	<i>HK\$'000</i>
At 1 July 2006	66,068
Interest charge	<u>6,060</u>
At 30 June 2007	72,128
Interest charge	5,472
Repayment	<u>(77,600)</u>
At 30 June 2008	<u><u>–</u></u>

The fair value of the liability component of the convertible notes at 30 June 2007, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for equivalent non-convertible bonds at the end of the reporting period of 6.49% per annum, was HK\$73,855,000.

#### 34. ACQUISITION OF SUBSIDIARY AND DEFERRED CONSIDERATION PAYABLE

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

- (i) part of the consideration amounting to HK\$57,071,000 was satisfied by the Group by cash;
- (ii) the remaining consideration of HK\$20,529,000 would be repayable in four instalments as follows:

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

The above transaction was completed on 2 August 2006.

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

The carrying amount of the deferred consideration payable as at 30 June 2007, 2008, 2009 and 31 December 2009, was HK\$16,297,000, HK\$10,342,000, HK\$6,674,000 and HK\$6,750,000 respectively.

The net assets acquired in the transaction completed during the year ended 30 June 2007; and the goodwill arising, are as follows:

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

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

If the acquisition had been completed on 1 July 2006, total Group revenue for the year end 30 June 2007 would have been approximately HK\$3,903.6 million, and loss for that year would have been HK\$3.3 million. The pro forma information is for illustrative purposes only and is not necessarily an indicative of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2006, nor is it intended to be a projection of future results.

\* HKFRS 3 (August 2004) is adopted.

## 35. DEFERRED TAX

The followings are the major deferred tax (assets)/liabilities recognised by the Group and the movements were:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Allowance for doubtful debts	Write down of inventories	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2006	21,299	-	(621)	(146)	(365)	(193)	19,974
Acquisition of subsidiaries	-	-	-	-	(1,359)	(2,672)	(4,031)
Exchange realignment	469	-	-	23	190	(526)	156
(Credit)/charge to the profit or loss for the year	(380)	-	382	123	359	(2,115)	(1,631)
At 30 June 2007	21,388	-	(239)	-	(1,175)	(5,506)	14,468
Exchange realignment	(665)	-	-	-	(240)	(863)	(1,768)
(Credit)/charge to the profit or loss for the year	(243)	-	(555)	-	33	2,266	1,501
Effect of change in tax rate	602	-	-	-	-	-	602
Reclassification of interest in a subsidiary into an associate	(15,948)	-	-	-	-	-	(15,948)
At 30 June 2008	5,134	-	(794)	-	(1,382)	(4,103)	(1,145)
Exchange realignment	(73)	-	-	-	298	832	1,057
(Credit)/charge to the profit or loss for the year	(229)	26	794	-	1,084	2,919	4,594
Effect of change in tax rate	(99)	-	-	-	-	-	(99)
Acquisition of subsidiaries under asset swap	14,514	7,360	-	-	-	-	21,874
At 30 June 2009	19,247	7,386	-	-	-	(352)	26,281
Exchange realignment	20	-	-	-	-	(10)	10
Credit to the profit or loss for the period	(852)	-	-	-	-	-	(852)
Transfer to liabilities associated with assets classified as held for sale	(771)	-	-	-	-	362	(409)
At 31 December 2009	17,644	7,386	-	-	-	-	25,030

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

	Group			As at 31
	As at 30 June			December
	2007	2008	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax liabilities	20,743	5,171	26,281	25,030
Deferred tax assets	(6,275)	(6,316)	–	–
	<u>14,468</u>	<u>(1,145)</u>	<u>26,281</u>	<u>25,030</u>

At 30 June 2007, 2008 and 2009 and 31 December 2009, the Group has unused tax losses of HK\$65,205,000, HK\$37,549,000, HK\$152,217,000 and HK\$142,922,000 respectively that are available for offset against future profits. Deferred tax asset has been recognised in respect of HK\$1,580,000 of such tax losses as at 30 June 2007. No deferred tax asset has been recognised in respect of the such tax losses for 30 June 2008 and 2009 and 31 December 2009 due to the unpredictability of future profit streams. At 30 June 2007, 2008 and 2009 and 31 December 2009, tax losses of HK\$38,715,000, HK\$6,527,000, HK\$109,452,000 and HK\$106,376,000 may be carried forward indefinitely and the remaining amount of HK\$26,490,000, HK\$31,022,000, HK\$42,765,000 and HK\$36,546,000 respectively would expire in 5 years after the respective years of incurrence.

Save as disclosed above, the Group had no other significant unprovided deferred tax assets or liabilities as at 30 June 2007, 2008 and 2009 and 31 December 2009.

### 36. SHARE CAPITAL

	Numbers of shares			As at 31
	As at 30 June			December
	2007	2008	2009	2009
	'000	'000	'000	'000
Ordinary shares of HK\$0.01 each:				
Authorised ( <i>Note (i)</i> )	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>
Issued and fully paid at beginning of the year/period	485,064	489,154	603,654	3,168,451
Capital reorganisation ( <i>Note (i)</i> )	–	–	–	(2,534,761)
Placements of new shares ( <i>Note (ii)</i> )	–	97,000	120,000	678,730
Open offer of new shares ( <i>Note (iii)</i> )	–	–	2,414,617	–
Exercise of share options ( <i>Note (iv)</i> )	5,000	17,500	30,180	–
Shares repurchase ( <i>Note (v)</i> )	(910)	–	–	–
At end of year/period	<u>489,154</u>	<u>603,654</u>	<u>3,168,451</u>	<u>1,312,420</u>

	Share capital			As at 31
	As at 30 June			December
	2007	2008	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.01 each:				
Authorised ( <i>Note (i)</i> )	300,000	300,000	300,000	300,000
Issued and fully paid at beginning of the year/period	4,851	4,892	6,037	31,685
Capital reorganisation ( <i>Note (i)</i> )	-	-	-	(25,348)
Placements of new shares ( <i>Note (ii)</i> )	-	970	1,200	6,787
Open offer of new shares ( <i>Note (iii)</i> )	-	-	24,146	-
Exercise of share options ( <i>Note (iv)</i> )	50	175	302	-
Shares repurchase ( <i>Note (v)</i> )	(9)	-	-	-
At end of year/period	4,892	6,037	31,685	13,124

## Notes:

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

The credit arising from the capital reduction of HK\$25,348,000 was transferred to the contributed surplus account of the Company during the six months ended 31 December 2009.

- (ii) During the six months ended 31 December 2009, aggregate number of 678,730,000 new ordinary shares of par value of HK\$0.01 each were issued at subscription prices ranging from HK\$0.135 each to HK\$0.220 each to the then independent third parties of the Company at an aggregate consideration of HK\$100,007,000, net of issuing expenses, of which HK\$6,787,000 was credited to share capital and the remaining balance of HK\$93,220,000 was credited to the share premium account.

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

During the year ended 30 June 2008, 97,000,000 new ordinary shares of par value HK\$0.01 each were issued at subscription price HK\$0.680 each to the then independent third parties of the Group at an aggregate consideration, net of issuing expenses, of HK\$63,966,000, of which HK\$970,000 was credited to share capital and the remaining balance of HK\$62,996,000 was credited to the share premium account.

- (iii) During the year ended 30 June 2009, 2,414,617,448 new ordinary shares of par value HK\$0.01 each were issued under an open offer at a subscription price of HK\$0.027 each at an aggregate consideration of HK\$59,989,000, net of issuing expenses, of which HK\$24,146,000 was credited to share capital and the remaining balance of HK\$35,843,000 was credited to the share premium account.
- (iv) During the year ended 30 June 2009, 30,180,000 new ordinary shares of par value HK\$0.01 each were issued at subscription prices of HK\$0.079 each on exercise of 30,180,000 share options at an aggregate consideration of HK\$2,384,000, net of issuing expenses, of which HK\$302,000 was credited to share capital and the remaining balance of HK\$2,082,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK\$667,000 has been transferred from share option reserve to the share premium account.

During the year ended 30 June 2008, 17,500,000 (2007: 5,000,000) new ordinary shares of par value HK\$0.01 each were issued at subscription prices ranging from HK\$0.240 to HK\$0.320 each on exercise of 17,500,000 (2007: 5,000,000) share options at an aggregate consideration, net of issuing expenses, of HK\$5,126,000 (2007: HK\$1,200,000), of which HK\$175,000 (2007: HK\$50,000) was credited to share capital and the remaining balance of HK\$4,951,000 (2007: HK\$1,150,000) was credited to the share premium account. In addition, an amount attributable to the related share options of HK\$496,000 (2007: HK\$362,000) has been transferred from share option reserve to the share premium account.

- (v) During the year ended 30 June 2007, the Company repurchased 910,000 of its own shares of HK\$0.01 each through the Stock Exchange at a price of HK\$1.01 per share. The aggregate consideration paid by the Company was HK\$921,000. The above shares were cancelled upon repurchase.

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

### 37. DISCOUNT ON ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES AND DISPOSAL OF INTEREST IN A LISTED SUBSIDIARY/ASSOCIATE

#### Year ended 30 June 2007

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

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

As a result of the exercise of 5,996,000 share options of Hua Yi Copper during the year, the Group's interest in Hua Yi Copper had been diluted from 60.28% to 59.74% as at 30 June 2007, resulting in a loss on deemed disposal of partial interest in a listed subsidiary of HK\$1,067,000.

#### 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 without loss of control in Hua Yi Copper resulted in decrease in non-controlling interests by approximately HK\$20,430,000 and an increase in capital reserve by the same amount.

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

After the Hua Yi Copper Acquisition completed on 22 April 2008, the Company's interest in Hua Yi 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:-

	22 April 2008
	<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	56,610
Reclassification as an interest in an associate at fair value at the date of loss of control of a former subsidiary	221,158
Release of exchange reserve	29,584
Release of capital reserve	20,430
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%.

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 the above disposals of interests in the listed associate amounting to HK\$67,135,000, including recognition of exchange reserve of HK\$421,000 upon the disposal, was recognised in the profit or loss for the year.

During the year ended 30 June 2009, 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 in profit or loss as discount on acquisition rather than within equity under revised HKAS 27 as the amount is insignificant.

**38. 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 HY Products Group became subsidiaries of the Group and their results were consolidated to the Group's Financial Information since the date of acquisition in the year ended 30 June 2009.

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 HK\$'000
	Acquirees' carrying amount		Sub-total HK\$'000	Acquirees' carrying amount		Sub-total HK\$'000	
	before the Asset Swap HK\$'000	Fair value adjust- ments HK\$'000		before the Asset Swap HK\$'000	Fair value adjust- ments 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 Product Group acquired							2,385
Assignment of the HY Products Shareholder Loan							107,570
							<u>109,955</u>
Satisfied by: Part of consideration on disposal of subsidiaries under the Asset Swap (Note 38(ii))							<u>109,955</u>

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 ended 30 June 2009, the revenue of the Group and the loss of the Group for the year ended 30 June 2009 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 payments for land	5,248
Prepayment for acquisition of property, plant and equipment	14,000
Inventories	16,303
Debtors, deposits and prepayments	34,929
Bills receivable	2,525
Bank balances and cash	3,857
Creditors, other advances and accrued charges	(26,149)
Amounts due to associates	(38,794)
The Solartech Enterprises Shareholder Loan and the Fund Resources Shareholder Loan	(167,064)
Taxation	(354)
Borrowings	(65,000)
	<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/>
	<b>129,955</b>
	<hr/>
Consideration satisfied by:	
Net assets of the Modern China Group and the HY Products Group and the HY Products Shareholder Loan acquired ( <i>Note 38(i)</i> )	109,955
Amount due from the Hua Yi Copper Group as further consideration	20,000
	<hr/>
	<b>129,955</b>
	<hr/>
Net cash inflow/(outflow) in Asset Swap:	
Bank balances and cash acquired	66,539
Bank balances and cash disposed of	(3,857)
	<hr/>
	<b>62,682</b>
	<hr/>

39. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

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

According to the supplemental agreements entered into among the 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 is extended during the year ended 30 June 2008. On 22 April 2008, Hua Yi Copper, the then listed subsidiary of the Company, became an listed associate as a result of deemed disposal as further detailed in Note 37 and accordingly the assets classified as held for sale and the associated liabilities have been derecognised from the consolidated statement of financial position of the Group on the same date.

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

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

As at 30 June 2007, the trade debtor balances included in debtors, deposits and prepayments aged within 30 days. The trade creditor balances included in creditors and accrued charges aged within 30 days. The bills payable aged within 90 days.

The subsidiaries to be disposed of has constituted a cash outflow of HK\$7,647,000 in the Group's operating activities, cash outflow of HK\$6,000 in the Group's investing activities and cash outflow of HK\$1,119,000 in the Group's financing activities for the year ended 30 June 2007.

The subsidiaries to be disposed of contributed HK\$81,013,000 to the Group's turnover and incurred a loss of HK\$25,354,000 to the Group's loss for the year ended 30 June 2007.

- (ii) On 31 December 2009, the Group entered into a conditional sale and purchase agreement with a purchaser in relation to the disposal of the Sale Interests, for an aggregate consideration of HK\$28,000,000, net of expenses. The Sale Interests constitute the Group's connectors and terminals segment. Details of the disposal were set out in the announcement of the Company dated 8 January 2010.

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

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

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

Details of the cash flows contributed by the Sale Interests are set out in Note 49(iv)(c)).

The results of the Life-like Plant Business and Sales Interests for each of the Relevant Periods are presented below:

	Year ended 30 June			Six months ended 31 December								
	2008			2009								
	Life-like Plant Business Interests HK\$'000	Life-like Plant Business Interests HK\$'000	Sale Interests HK\$'000	Life-like Plant Business Interests HK\$'000	Life-like Plant Business Interests HK\$'000	Sale Interests HK\$'000						
Revenue	81,013	641,032	722,045	86,713	711,919	798,632	-	296,365	296,365	-	469,391	469,391
Expenses and finance costs	(80,714)	(618,560)	(699,274)	(82,012)	(668,833)	(750,845)	-	(497,855)	(497,855)	-	(428,029)	(428,029)
Profit of the discontinued operations	299	22,472	22,771	4,701	43,086	47,787	-	23,241	23,241	-	13,609	13,609
Loss recognised on the remeasurement to fair value	(28,000)	-	(28,000)	-	-	-	-	-	-	-	(230,418)	(230,418)
(Loss)/profit of the discontinued operations before tax	(27,701)	22,472	(5,229)	4,701	43,086	47,787	-	23,241	23,241	-	13,609	13,609
Income tax related to pre-tax profit	(127)	(5,261)	(5,388)	(95)	(21,315)	(21,410)	-	(18,983)	(18,983)	-	(4,541)	(4,541)
(Loss)/profit for the year/period from the discontinued operations	(27,828)	17,211	(10,617)	4,606	21,771	26,377	-	4,258	4,258	-	9,068	9,068

TV Programmes also contributed revenue and loss of HK\$123,000 and HK\$551,000 to the Group during the year ended 30 June 2007 respectively.

## 40. CAPITAL COMMITMENTS

	As at 30 June		31 December	
	2007	2008	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of:				
Leasehold improvements	169	31	–	–
Plant and machinery	7,864	10,000	2,086	10,004
Equipment, furniture and fixtures	2,759	2,532	–	–
	<u>10,792</u>	<u>12,563</u>	<u>2,086</u>	<u>10,004</u>

## 41. LEASE COMMITMENTS

## The Group as lessee

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

	As at 30 June		31 December	
	2007	2008	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	2,511	104	3,407	3,064
In the second to fifth years inclusive	<u>1,202</u>	<u>53</u>	<u>2,378</u>	<u>1,544</u>
	<u>3,713</u>	<u>157</u>	<u>5,785</u>	<u>4,608</u>

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

## 42. MAJOR NON-CASH TRANSACTIONS

During the six months ended 31 December 2009, prepayments for acquisition of property, plant and equipment with carrying amount of HK\$Nil (six months ended 31 December 2008: HK\$1,843,000 (unaudited); year ended 30 June 2007: HK\$119,959,000; year ended 30 June 2008: HK\$22,648,000; year ended 30 June 2009: HK\$1,843,000) have been reclassified to property, plant and equipment which have been put into operation in the period.

During the six months ended 31 December 2009, additions to property, plant and equipment of the Group financed by new finance leases were HK\$321,000 (six months ended 31 December 2008: HK\$Nil (unaudited); year ended 30 June 2007: HK\$5,310,000; year ended 30 June 2008: HK\$Nil; year ended 30 June 2009: HK\$4,201,000) during the period.

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

During the year ended 30 June 2007, pursuant to a loan agreement entered into between the Group and an independent third party, a prepayment of HK\$31,560,000 for acquisition of property, plant and equipment had been assigned, and reclassified as loan to a third party.

## 43. SHARE OPTION SCHEME

## (i) The Company

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

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

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

During the six months ended 31 December 2008 and 2009, no share-based payment has been recognised in the profit or loss (year ended 30 June 2007: HK\$3,187,000; year ended 30 June 2008: HK\$8,793,000; year ended 30 June 2009: HK\$1,334,000).

The following table discloses movements in the Company's Share Option Scheme during each of the Relevant Periods.

## Year ended 30 June 2007

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



## Year ended 30 June 2008

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK\$	Outstanding at 1.7.2007 '000	Number of share options			Outstanding at 30.6.2008 '000	Exercisable period
						Granted during the year '000	Exercised during the year '000	Lapsed during the year '000		
Director										
- Zhou Jin Hua	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	-	3,000	-	-	3,000	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
- Liu Jin Rong	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	-	1,500	-	-	1,500	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
- Chan Kwan Hung	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	-	4,500	-	-	4,500	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
Employees	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	-	15,600	-	-	15,600	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
Others	26 May 2005	26 May 2005 to 25 May 2008	Fully vested at date of grant	0.32	18,950	-	(11,600)	(7,350)	-	26 May 2005 to 25 May 2008
Others	5 January 2006	1 February 2006 to 31 January 2009	5 January 2006 to 1 February 2006 5 January 2006 to 1 February 2007 5 January 2006 to 1 February 2008	0.24	23,650	-	(5,900)	(11,080)	6,670	1 February 2007 to 31 January 2008 1 February 2008 to 31 January 2009
Others	5 November 2007	1 August 2008 to 31 July 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	-	18,000	-	-	18,000	1 August 2008 to 31 July 2011 1 August 2009 to 31 July 2011 1 August 2010 to 31 July 2011
					42,600	42,600	(17,500)	(18,430)	49,270	

## For the year ended 30 June 2009

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK\$	Outstanding at 1.7.2008 '000	Number of share options			Outstanding at 30.6.2009 '000	Exercisable period
						Granted during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000		
Director										
- Zhou Jin Hua	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	3,000	-	-	(3,000)	-	N/A
- Liu Jin Rong	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	1,500	-	-	(1,500)	-	N/A
- Chan Kwan Hung	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	4,500	-	-	(4,500)	-	N/A
Employees	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	15,600	-	-	(15,600)	-	N/A
Others	5 January 2006	1 February 2006 to 31 January 2009	5 January 2006 to 1 February 2006 5 January 2006 to 1 February 2007 5 January 2006 to 1 February 2008	0.24	6,670	-	-	(6,670)	-	N/A
Others	5 November 2007	1 August 2008 to 31 July 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	18,000	-	-	(18,000)	-	N/A
Employee	8 June 2009	9 June 2009 to 8 July 2011	Immediate on the grant date	0.079*	-	60,360	(30,180)	-	30,180	9 June 2009 to 8 June 2011
					<u>49,270</u>	<u>60,360</u>	<u>(30,180)</u>	<u>(49,270)</u>	<u>30,180</u>	

## For the six months ended 31 December 2009

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

\* The exercise price of the share options was adjusted from HK\$0.079 to HK\$0.395 pursuant to the capital reorganisation during the six months ended 31 December 2009.

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year ended 30 June 2007 was HK\$0.96 (unadjusted) (year ended 30 June 2008: HK\$0.45 (unadjusted); year ended 30 June 2009: HK\$0.067 (unadjusted)).

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

Share prices on the respective dates of grant	HK\$0.069 to HK\$0.550
Exercise price	HK\$0.079 to HK\$0.590
Expected volatility	75.21% to 96.61%
Average expected life	1 year to 3.24 years
Average risk-free rate (per annum)	0.19% to 3.92%
Expected dividend yield	Nil

For the year ended 30 June 2009, the volatility was generated from Bloomberg based on the Company's 360 days (2008: 400 days; 2007: 180 days) historical shares prices before the dates of valuation.

At 31 December 2009 and the date of the Financial Information, the Company had adjusted number of 6,036,000 share options outstanding under the share option scheme, which represented approximately 0.46% of the Company's shares in issue as at 31 December 2009. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 6,036,000 additional ordinary shares of the Company and additional share capital of HK\$60,000 and share premium account of HK\$2,324,000 (before issue expenses), respectively.

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

**(ii) Hua Yi Copper**

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

which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

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

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

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

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

The following tables disclose movements in Hua Yi Share Option Scheme during the year ended 30 June 2007:

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

As further detailed in Note 37, Hua Yi Copper ceased to be a subsidiary of the Group during the year ended 30 June 2008.

**44. RETIREMENT BENEFITS SCHEME**

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

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

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

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

During the six months ended 31 December 2009, the Group made retirement benefits schemes contributions of HK\$1,933,000 (six months ended 31 December 2008: HK\$2,466,000 (unaudited), year ended 30 June 2007: HK\$5,131,000; year ended 30 June 2008: HK\$6,463,000; year ended 30 June 2009: HK\$5,063,000).

**45. RELATED PARTY TRANSACTIONS**

In addition to the transactions detailed elsewhere in these Financial Information, the Group entered into the following transactions with related companies (six months ended 31 December 2008, year ended 30 June 2008 and 2009: subsidiaries of an associate):

	Year ended 30 June			Six months ended 31 December	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Sales of goods	–	–	1,498	–	631
Purchases of goods	–	85,216	149,930	126,026	23,258
Rental expenses of factory premises	–	–	–	460	–
Rental expenses of staff quarters	–	217	537	–	–
Rental income of office premises	–	45	251	194	–
Management fee expenses	–	353	646	561	–
	<u>–</u>	<u>85,574</u>	<u>151,672</u>	<u>127,081</u>	<u>23,258</u>

During certain period in the year ended 30 June 2009 and the six months ended 31 December 2009, a director of the above related companies is also a director of the Company. During the prior years/period, these companies are subsidiaries of an associate of the Group.

The above transactions were determined with reference to the terms mutually agreed between the Group and the related parties (30 June 2008 and 2009: subsidiaries of an associate).

As at 30 June 2008, the Group has pledged certain deposits and bank balances and property, plant and equipment in the amount of HK\$18,000,000 (30 June 2007: HK\$97,960,000) and corporate guarantees were given to secure banking facilities granted to an associate which were released pursuant to the Asset Swap during the year ended 30 June 2009.

**Compensation of key management**

The key management of the Group comprises all directors and highest paid non-director individuals whose remuneration is disclosed in Note 9.

## 46. CONTINGENT LIABILITIES

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

## 47. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 29 and obligations under finance leases in Note 31, liability component of convertible notes in Note 33, bank balances and cash in Note 28 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statements 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 each reporting period was as follows:

	The Group			
	2007	30 June 2008	2009	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Debts	810,255	179,691	197,081	215,174
Bank balances and cash	<u>(382,720)</u>	<u>(122,436)</u>	<u>(146,578)</u>	<u>(175,807)</u>
Net debts	<u>427,535</u>	<u>57,255</u>	<u>50,503</u>	<u>39,367</u>
Equity	<u>1,136,626</u>	<u>988,560</u>	<u>626,000</u>	<u>507,197</u>
Net debt to equity ratio	<u>38%</u>	<u>6%</u>	<u>8%</u>	<u>8%</u>

## 48. 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 2007, 2008, 2009 and 31 December 2009 may be categorised as follows:

	As at 30 June			31 December
	2007	2008	2009	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>				
Loans and receivables (including bank balances and cash) at amortised cost	1,064,297	458,764	372,352	372,042
Derivative financial assets at fair value	<u>2,034</u>	<u>1,702</u>	<u>54</u>	<u>788</u>

	As at 30 June		31 December	
	2007	2008	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	1,155,917	603,263	449,704	359,806
Derivative financial liabilities at fair value	<u>9,967</u>	<u>9,171</u>	<u>520</u>	<u>-</u>

#### 49. EVENTS AFTER REPORTING PERIOD AND SIGNIFICANT EVENT IN THE PERIOD

- (i) On 15 January 2010, and the Company entered into a placing agreement with Kingston Securities Limited ("Kingston") pursuant to which the Company has conditionally agreed to place through Kingston, on a fully underwritten basis, 262,000,000 placing shares for an aggregate estimated net proceeds of HK\$30.5 million to not fewer than six places who and whose ultimate beneficial owners are third parties independent of and will not be connected with the Company and its connected persons (as defined in the Listing Rules). The placement was completed on 27 January 2010. Further details are set out in the announcement of the Company dated 15 January 2010.
- (ii) On 9 February 2010, and the Company entered into a placing agreement with Kingston pursuant to which the Company has conditionally agreed to place through Kingston, on a best effort basis, up to 2,000,000,000 placing shares, by a maximum of four tranches for an aggregate estimated maximum net proceeds of HK\$194.0 million, to not less than six places who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). Further details are set out in the announcement and circular of the Company dated 9 February 2010 and 5 March 2010, respectively. A resolution has been passed in connection with the above placing in a special general meeting of the Company on 23 March 2010. Further details are set out in the announcement of the Company dated 23 March 2010.
- (iii) On 10 November 2009, the Company entered into the sale and purchase agreement with the vendor and Mr. Liu Yong as the vendor's guarantor pursuant to which the Company has conditionally agreed to acquire from the vendor the entire issued share capital of Sun Progress Limited, a company incorporated in the British Virgin Islands and is wholly-owned by the vendor, which holds licences in respect of the copper-gold-silver mine located in a place named Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia through its subsidiary, Ikh Shijir Erdene LLC (a company incorporated in Mongolia with limited liability). The consideration payable under the sale and purchase agreement is HK\$1,500,000,000 and shall be satisfied by the Company at the completion of the acquisition by (i) payment of HK\$68,000,000 in cash; and (ii) the issuance by the Company of a convertible bond with a face value of HK\$1,432,000,000. This acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and has not been completed as at 31 December 2009 and the date of approval of these Financial Information. Further details are set out in the announcement of the Company dated 30 November 2009.
- (iv) As mentioned in Note 39, the Group entered into a conditional sale and purchase agreement dated 31 December 2009 for disposal of its entire interests in the Sale Interests which has not been completed as of the date of this report.

- (a) Included below are the assets and liabilities of the Sale Interests incorporated into the Group's consolidated statements of financial position as at 30 June 2007, 2008 and 2009 and 31 December 2009:

	2007 HK\$'000	As at 30 June 2008 HK\$'000	2009 HK\$'000	As at 31 December 2009 HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	67,448	79,281	85,284	-
Prepaid lease payments for land	7,470	7,290	7,110	-
Deferred tax assets	6,275	5,484	1,874	-
Goodwill	23,389	23,389	23,389	-
	<u>104,582</u>	<u>115,444</u>	<u>117,657</u>	<u>-</u>
Total non-current assets				
<b>Current assets</b>				
Inventories	70,101	102,016	80,300	-
Debtors, other loans and receivables, deposits and prepayments	76,779	87,887	83,767	-
Prepaid lease payments for land	180	180	180	-
Tax recoverable	5,313	-	416	-
Bank balances and cash	27,715	22,493	19,206	-
	<u>180,088</u>	<u>212,576</u>	<u>183,869</u>	<u>-</u>
Assets classified as held for sale	-	-	-	162,931
Total current assets	<u>180,088</u>	<u>212,576</u>	<u>183,869</u>	<u>162,931</u>
<b>Current liabilities</b>				
Creditors, other advances and accrued charges	82,100	81,531	76,913	-
Taxation	10,117	6,688	7,017	-
Obligations under finance leases	1,228	438	2,443	-
Borrowings	-	16,841	4,348	-
Due to group companies	109,102	102,805	110,014	-
	<u>202,547</u>	<u>208,303</u>	<u>200,735</u>	<u>-</u>
Liabilities associated with assets classified as held for sale	-	-	-	134,931
Total current liabilities	<u>202,547</u>	<u>208,303</u>	<u>200,735</u>	<u>134,931</u>
Net current assets/(liabilities)	<u>(22,459)</u>	<u>4,273</u>	<u>(16,866)</u>	<u>28,000</u>
Total assets less current liabilities	<u>82,123</u>	<u>119,717</u>	<u>100,791</u>	<u>28,000</u>
<b>Non-current liabilities</b>				
Obligations under finance leases	2,045	1,623	2,171	-
Borrowings	-	-	4,775	-
Deferred consideration payable	16,297	10,342	6,674	-
Deferred tax liabilities	197	959	399	-
	<u>18,539</u>	<u>12,924</u>	<u>14,019</u>	<u>-</u>
Total non-current liabilities				
<b>Net assets</b>	<b><u>63,584</u></b>	<b><u>106,793</u></b>	<b><u>86,772</u></b>	<b><u>28,000</u></b>



- (b) Included below are the results of the Sale Interests incorporated into the Group's consolidated statements of comprehensive income during the Relevant Periods:

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
				(Unaudited)	
CONTINUING OPERATIONS					
Turnover	641,032	711,919	521,096	296,365	469,391
Cost of sales	<u>(569,080)</u>	<u>(586,965)</u>	<u>(435,679)</u>	<u>(245,072)</u>	<u>(375,593)</u>
Gross profit	71,952	124,954	85,417	51,293	93,798
Interest income	11,788	3,444	4,766	1,045	3
Other income	2,631	9,702	7,923	1,513	3,134
General and administrative expenses	(44,889)	(71,305)	(54,312)	(31,766)	(51,136)
Selling and distribution expenses	(12,536)	(17,250)	(11,416)	(7,667)	(4,755)
(Impairment loss recognised)/ reversal of allowance for doubtful debts	(111)	-	(5,199)	-	889
Impairment loss arising from adjustment to fair value less costs to sell	-	-	-	-	(230,418)
Impairment loss on property, plant and equipment	-	-	(1,536)	-	-
Finance costs	(6,363)	(6,459)	(4,373)	(809)	(571)
Discount on acquisition of additional interests in subsidiaries	<u>-</u>	<u>-</u>	<u>1,971</u>	<u>-</u>	<u>-</u>
Profit/(loss) before taxation	22,472	43,086	23,241	13,609	(189,056)
Taxation	<u>(5,261)</u>	<u>(21,315)</u>	<u>(18,983)</u>	<u>(4,541)</u>	<u>(23,171)</u>
Profit/(loss) for the year/period	<u>17,211</u>	<u>21,771</u>	<u>4,258</u>	<u>9,068</u>	<u>(212,227)</u>

- (c) Included below are cash flows of the Sale Interests incorporated into the Group's consolidated statements of cash flows during the Relevant Periods:

	Year ended 30 June			Six months ended 31 December	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
					(Unaudited)
<b>Cash flow from operating activities</b>					
Profit/(loss) before taxation	22,472	43,086	23,241	13,609	(189,056)
Adjustments for:					
Loss on disposal of property, plant and equipment	-	-	3,989	-	4,328
Depreciation of property, plant and equipment	8,730	15,812	14,381	7,046	8,697
Charge of prepaid lease payments for land	180	180	180	90	90
Write-down of inventories	-	-	-	-	15,304
Impairment loss recognised for doubtful debts	111	-	5,199	-	-
Impairment loss arising from adjustment to fair value less costs to sell	-	-	-	-	230,418
Impairment loss on property, plant and equipment	-	-	1,536	-	-
Discount on acquisition of additional interests in a subsidiary	-	-	(1,971)	-	-
Interest income	(11,788)	(3,444)	(4,766)	(1,045)	(3,088)
Finance costs	6,363	6,459	4,373	809	571
Operating cash flows before working capital changes	26,068	62,093	46,162	20,509	67,264
(Increase)/decrease in inventories	(42,818)	(31,915)	21,945	17,488	(22,887)
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments	(48,034)	(11,108)	(1,079)	19,476	(66,464)
Increase/(decrease) in creditors, other advances and accrued charges	61,663	(569)	(8,286)	(24,055)	47,484
Increase/(decrease) in amount due to group companies	88,923	(6,297)	7,209	15,608	15,810
Cash generated from/(used in) operations	85,802	12,204	65,951	49,026	41,207
Taxation refund/(paid)	4,108	1,884	(87)	(1,017)	(24,204)
Net cash inflow/(outflow) from operating activities	89,910	14,088	65,864	48,009	17,003
<b>Investing activities</b>					
Interest received	11,788	3,444	4,766	1,045	3,088
Purchase of property, plant and equipment	(1,341)	(1,880)	(37,824)	(18,414)	(12,788)
Additions of prepaid lease payment for land	(7,830)	-	-	-	-
Acquisition of subsidiaries	(7,092)	-	-	-	-
Payment of deferred considerations	-	(5,955)	-	(4,572)	-

	Year ended 30 June			Six months ended	
	2007	2008	2009	31 December	
	HK\$'000	HK\$'000	HK\$'000	2008	2009
				(Unaudited)	
Net cash used in investing activities	(4,475)	(4,391)	(33,058)	(21,941)	(9,700)
<b>Financing activities</b>					
Interest paid	(6,363)	(6,459)	(4,373)	(809)	(495)
Proceeds from placement of shares	-	-	-	-	8
Repayment of obligations under finance leases	-	(1,212)	-	(1,308)	(523)
New bank loans raised	1,638	16,841	2,553	-	-
Repayment of bank loans	(656)	-	(7,718)	(16,116)	(9,199)
Net cash (used in)/generated from financing activities	(5,381)	9,170	(9,538)	(18,233)	(10,209)
Net increase/(decrease) in cash and cash equivalents	80,054	18,867	23,268	7,835	(2,906)
Cash and cash equivalents at beginning of the year/period	17,190	27,715	22,493	22,493	19,206
Effect of foreign exchange rate changes	(69,529)	(24,089)	(26,555)	(15,057)	5,608
Cash and cash equivalents at end of the year/period	<u>27,715</u>	<u>22,493</u>	<u>19,206</u>	<u>15,271</u>	<u>21,908</u>

#### D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies in the Group have been prepared in respect of any period subsequent to 31 December 2009.

Yours faithfully  
For and on behalf of  
**BDO Limited**  
*Certified Public Accountants*  
Hong Kong

**Lam Siu Fung**  
Practising Certificate number: P05308

**E. WORKING CAPITAL**

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's financial resources, including internally generated funds and presently available credit facilities, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular.

**F. INDEBTEDNESS**

At the close of business on 28 February 2010, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK\$204,535,000, comprising secured bank loans of approximately HK\$147,727,000, secured trust receipt, loans, factoring loans and discounted bills of approximately HK\$52,332,000 and obligation under finance leases of approximately of HK\$4,476,000; and unsecured deferred consideration payable of approximately HK\$6,775,000.

The Group's certain bank deposits, prepaid lease payments for land and property, plant and equipment with an aggregate carrying value of approximately HK\$250,881,000 are pledged to banks to secure general banking facilities granted to the Group. Property, plant and equipment of subsidiaries of the Group with an aggregate carrying value of HK\$6,263,000 (before any impairment loss arising from adjustments to fair value less costs to sell) are held under finance leases. Certain secured bank borrowings of the Group are also secured by corporate guarantees given by the Company and certain of its subsidiaries in the Group.

As at 28 February 2010, the Group has capital expenditure contracted for but not provided in the financial statements in respect of acquisition of plant and machinery of HK\$10,004,000.

Save as disclosed above and apart from the intra-group liabilities and normal trade bills arising in the ordinary course of business, at the close of business on 28 February 2010, the Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or contingent liabilities.

**G. FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP**

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

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

The Company intends to produce copper but not gold or silver in respect of the mining business at this stage. To this end, pursuant to the investment plan of the Acquisition, the Company intends to establish a copper processing plant in Mongolia upon completion of the Acquisition. The project comprises two phases. Phase I is expected to commence in the second half of 2010 following Completion and consist of initial set-up costs, including work in relation to the survey, design and the construction of processing plant, office, storage for explosive materials, garage and repair unit and staff accommodation, open pit mining preparation, ore processing work and ancillary work all of which are expected to be completed in first half of 2012. After the completion of construction of Phase 1, the mining business is expected to produce 5,000 tonnes of copper cathode per year in the first twelve months of operation. The Company proposes to commence development of Phase II after the satisfactory completion and operation of Phase I which is expected to be on or around late 2012. Phase II is expected to increase the processing capacity of the mining business to 30,000 tonnes of copper cathode per year.

Apart from the Acquisition, the Company continues to strive for strategic acquisitions in mining and processing of copper. Given that demand for copper primarily comes from the production of cable, wire and electrical products for both the electrical and building industries, the Directors consider demand for copper will continue to be driven by the growth in the electronics and building industries in the future. The Directors also believe that, driven by the strong economic growth in the PRC, the demand for copper will continue in the near future as well.

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

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

The accompanying illustrative and unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”), including the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows, has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed disposal (the “Disposal”) of the entire equity interest in New Universe Investments Limited and 10% equity interest in Brascabos Componentes Eléctricos e Eletrônicos Ltda (collectively referred to as the “Disposal Group”) by the Group (defined below) as if the Disposal had been taken place on 31 December 2009 for the unaudited pro forma consolidated statement of financial position, and on 1 July 2008 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows. Solartech International Holdings Limited (the “Company”) and its subsidiaries are collectively referred to as the Group. The Group without the Disposal Group is referred to as the Remaining Group.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying Unaudited Pro Forma Financial Information of the Remaining Group, it may not give a true picture of the actual financial position or results of the Remaining Group’s operations that would have been attained had the Disposal actually occurred on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information does not purport to predict the Remaining Group’s future financial position or results of operations.

**(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP**

The unaudited pro forma consolidated statement of financial position is based on the audited consolidated statement of financial position of the Group as at 31 December 2009 which has been extracted from financial information of the Group as set out in Appendix I, and adjusted to reflect the effect of the Disposal.

As the unaudited pro forma consolidated statement of financial position of the Remaining Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Remaining Group as at the date to which it is made up to or at any future date.

	The Group as at 31 December 2009 <i>HK\$'000</i>	The Disposal Group as at 31 December 2009 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 2)</i>	The Remaining Group as at 31 December 2009 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	310,229			310,229
Prepayments for acquisition of property, plant and equipment	1,600			1,600
Prepaid lease payments for land	96,794			96,794
Interests in associates	9,429			9,429
Total non-current assets	<u>418,052</u>			<u>418,052</u>
<b>Current assets</b>				
Inventories	115,411			115,411
Debtors, other loans and receivables, deposits and prepayments	133,118			133,118
Bills receivable	18,117			18,117
Prepaid lease payments for land	2,602			2,602
Derivative financial assets	788			788
Tax recoverable	465			465
Pledged deposits and bank balances	45,104			45,104
Bank balances and cash	130,703		30,000	160,703
	446,308			476,308
Assets classified as held for sale	<u>162,931</u>	(162,931)		<u>-</u>
Total current assets	<u>609,239</u>			<u>476,308</u>
<b>Current liabilities</b>				
Creditors, other advances and accrued charges	53,782		2,000	55,782
Bills payable	84,100			84,100
Taxation	327			327
Obligations under finance leases	860			860
Borrowings	214,314			214,314
Deferred consideration payable	6,750			6,750
	360,133			362,133
Liabilities associated with assets classified as held for sale	<u>134,931</u>	(134,931)		<u>-</u>
Total current liabilities	<u>495,064</u>			<u>362,133</u>
Net current assets	<u>114,175</u>			<u>114,175</u>
Total assets less current liabilities	<u>532,227</u>			<u>532,227</u>

	The Group as at 31 December 2009 HK\$'000	The Disposal Group as at 31 December 2009 HK\$'000	Pro forma adjustment HK\$'000 (Note 2)	The Remaining Group as at 31 December 2009 HK\$'000
<b>Non-current liabilities</b>				
Deferred tax liabilities	25,030			25,030
Total non-current liabilities	25,030			25,030
Total net assets	507,197			507,197
<b>EQUITY</b>				
Capital and reserves				
Share capital	13,124			13,124
Reserves	479,736		13,837	493,573
Reserves of disposal group classified as held for sale	13,837		(13,837)	-
Equity attributable to owners of the Company	506,697			506,697
Non-controlling interests	500			500
Total equity	507,197			507,197



**(II) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF  
THE REMAINING GROUP**

The unaudited pro forma consolidated income statement is based on the audited consolidated income statement of the Group for the year ended 30 June 2009 which has been extracted from the financial information of the Group as set out in Appendix I and adjusted to reflect the effect of the Disposal.

As the unaudited pro forma consolidated income statement of the Remaining Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of operation of the Remaining Group for the year ended to which it is made up to or for any future period.

	The Group for the year ended 30 June 2009 <i>HK\$ '000</i>	The Disposal Group for the year ended 30 June 2009 <i>HK\$ '000</i> <i>(Note 3)</i>	Pro forma adjustment <i>HK\$ '000</i> <i>(Note 4)</i>	The Remaining Group for the year ended 30 June 2009 <i>HK\$ '000</i>
<b>CONTINUING OPERATIONS</b>				
Turnover	615,849			615,849
Cost of sales	<u>(631,277)</u>			<u>(631,277)</u>
<b>Gross loss</b>	(15,428)			(15,428)
Interest income	1,073			1,073
Other income	20,585			20,585
General and administrative expenses	(87,743)			(87,743)
Selling and distribution expenses	(12,625)			(12,625)
Change in fair value of derivative financial instruments	(140)			(140)
Impairment loss recognised for doubtful debts	(5,976)			(5,976)
Impairment loss on a loan receivable	(44,960)			(44,960)
Impairment loss on property, plant and equipment	(60,566)			(60,566)
Finance costs	(15,820)			(15,820)
Share of results of associates	(122,246)			(122,246)
Loss on disposal of a listed associate	(67,135)			(67,135)
Loss on disposal of subsidiaries	-		(59,559)	(59,559)
Gain on asset swap	<u>14,322</u>			<u>14,322</u>
<b>Loss before taxation from continuing operations</b>	(396,659)			(456,218)
Taxation	<u>(1,408)</u>			<u>(1,408)</u>
<b>Loss for the year from continuing operations</b>	<u>(398,067)</u>			<u>(457,626)</u>
<b>DISCONTINUED OPERATIONS</b>				
Profit for the year from discontinued operations	<u>4,258</u>	<u>(4,258)</u>		<u>-</u>
Loss for the year	<u>(393,809)</u>			<u>(457,626)</u>

**(III) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP**

The unaudited pro forma consolidated statement of cash flows is based on the audited consolidated statement of cash flows of the Group for the year ended 30 June 2009 which has been extracted from the financial information of the Group as set out in Appendix I and adjusted to reflect the effects of the Disposal.

As the unaudited pro forma consolidated statement of cash flows of the Remaining Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Remaining Group for the year ended to which it is made up to or for any future period.

	The Group for the year ended 30 June 2009 HK\$'000	The Disposal Group for the year ended 30 June 2009 HK\$'000 (Note 3)	Pro forma adjustments		The Remaining Group for the year ended 30 June 2009 HK\$'000
			HK\$'000 (Note 4)	HK\$'000 (Note 5)	
<b>Cash flow from operating activities (continuing and discontinued operations)</b>					
Loss before taxation	(373,418)	(23,241)	(59,559)		(456,218)
Adjustments for:					
Equity-settled share-based payments	1,334				1,334
Loss on disposal of property, plant and equipment	5,484	(3,989)			1,495
Loss on disposal of a listed associate	67,135				67,135
Depreciation of property, plant and equipment	53,360	(14,381)			38,979
Loss on disposal of subsidiaries	-		59,559		59,559
Charge of prepaid lease payments for land	1,846	(180)			1,666
Change in fair value of derivative financial instruments	140				140
Write-back of inventories	(2,605)				(2,605)
Allowance for doubtful debts	11,175	(5,199)			5,976
Share of results of associates	122,246				122,246
Gain on asset swap	(14,322)				(14,322)
Discount on acquisition of additional interest in a subsidiary	(1,971)	1,971			-
Impairment loss on a loan receivable	44,960				44,960
Interest income	(5,839)	4,766			(1,073)
Impairment loss on property, plant and equipment	62,102	(1,536)			60,566
Finance costs	20,193	(4,373)			15,820

	The Group for the year ended 30 June 2009 HK\$'000	The Disposal Group for the year ended 30 June 2009 HK\$'000 (Note 3)	Pro forma adjustments		The Remaining Group for the year ended 30 June 2009 HK\$'000
			HK\$'000 (Note 4)	HK\$'000 (Note 5)	
Operating loss before working capital changes	(8,180)				(54,342)
Decrease in inventories	99,792	(21,945)			77,847
Decrease in debtors, other loans and receivables, deposits and prepayments	205,361	1,079			206,440
Decrease in bills receivable	29,736				29,736
Decrease in creditors, other advances and accrued charges	(71,662)	8,286			(63,376)
Increase in bills payable	19,531				19,531
Increase in derivative financial instruments	(7,143)				(7,143)
Decrease in due to the Disposal Group	–	(7,209)			(7,209)
Decrease in amount due to an associate	(162,113)				(162,113)
<b>Cash generated from operations</b>	105,322				39,371
Taxation in other jurisdictions paid	(18,028)	87			(17,941)
<b>Net cash generated from operating activities</b>	<u>87,294</u>				<u>21,430</u>
<b>Investing activities</b>					
Interest received	5,286	(4,766)			520
Purchases of property, plant and equipment	(36,704)	37,824			1,120
Net proceed from disposal of subsidiaries	–			5,507	5,507
Proceeds from disposal of property, plant and equipment	2,069				2,069
Net proceeds from disposal of a listed associate	23,760				23,760
Direct cost paid for disposal of subsidiaries	(3,506)				(3,506)
Net cash inflow in asset swap	62,682				62,682
Payment of deferred consideration	(6,825)				(6,825)
<b>Net cash generated from investing activities</b>	<u>46,762</u>				<u>85,327</u>

	The Group for the year ended 30 June 2009 HK\$'000	The Disposal Group for the year ended 30 June 2009 HK\$'000 (Note 3)	Pro forma adjustments		The Remaining Group for the year ended 30 June 2009 HK\$'000
			HK\$'000 (Note 4)	HK\$'000 (Note 5)	
<b>Financing activities</b>					
Interest paid on borrowings	(19,929)	4,373			(15,556)
Interest paid on finance leases	(264)				(264)
Proceeds from open offer of shares	59,989				59,989
Proceeds from placement of shares	7,669				7,669
Issue of share capital					
Proceeds received from exercise of share options	2,384				2,384
New borrowing raised	270,772	(2,553)			268,219
Decrease in pledged deposits and bank balances	16,034				16,034
Repayment of obligations under finance leases	(4,504)				(4,504)
Repayment of borrowings	(431,284)	7,718			(423,566)
<b>Net cash used in financing activities</b>	<u>(99,133)</u>				<u>(89,595)</u>
<b>Net increase in cash and cash equivalents</b>	34,923				17,162
<b>Cash and cash equivalents at beginning of year</b>	80,204	(22,493)			57,711
<b>Effect of foreign exchange rate changes</b>	<u>(16,685)</u>	26,555			<u>9,870</u>
<b>Cash and cash equivalents at end of year</b>	<u>98,442</u>	(19,206)			<u>84,743</u>
<b>Analysis of the balances of cash and cash equivalents</b>					
Bank balances and cash	<u>98,442</u>	(19,206)	5,507		<u>84,743</u>

**Notes to the Unaudited Pro Forma Financial Information of the Remaining Group**

1. The adjustment reflects the derecognition of the net asset value of the Disposal Group included in the financial information of the Group as at 31 December 2009 as if the Disposal had been completed on 31 December 2009.
2. The adjustments reflect (i) net cash consideration of HK\$28,000,000, which is derived from the gross cash proceeds of HK\$30,000,000 based on the terms stated in the sale and purchase agreement of the Disposal, less estimated legal and professional fees and other direct costs of HK\$2,000,000; (ii) the release of related exchange reserve of HK\$13,837,000 to profit or loss resulting from the Disposal.

For the purpose of the unaudited pro forma consolidated statement of financial position, legal and professional fees and other direct costs are assumed to be unsettled and included in creditors, other advances and accrued charges of the Group.

3. The adjustment reflects the exclusion of the operating results and cash flows of the Disposal Group for the year ended 30 June 2009 as if the Disposal had taken place on 1 July 2008.
4. The adjustment reflects the estimated loss of HK\$59,559,000 resulting from the Disposal, which is derived from the net cash consideration of HK\$28,000,000 less HK\$106,793,000 and HK\$19,234,000 which are the net asset value of the Disposal Group included in the financial information of the Group and the release of related exchange reserve respectively as at 1 July 2008, assuming that the Disposal had taken place on 1 July 2008.

For the purpose of the unaudited pro forma consolidated statement of cash flows, legal and professional fees and other direct costs are assumed to be fully settled.

5. The adjustment reflects the net cash inflow amounting to approximately HK\$5,507,000 resulting from the Disposal as if the Disposal had taken place on 1 July 2008, which represents (i) the estimated net cash consideration received for the Disposal of HK\$28,000,000 as mentioned in Note 4 above; and (ii) the cash and bank balances of the Disposal Group of approximately HK\$22,493,000 as at 1 July 2008 assumed to be disposed of pursuant to the Disposal.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE  
REMAINING GROUP**

The following is the text of an accountants' report from BDO Limited, the reporting accountants of the Company, in respect of the unaudited pro forma financial information of the Remaining Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.



Tel: +852 2541 5041  
Fax: +852 2815 2239  
www.bdo.com.hk

電話：+852 2541 5041  
傳真：+852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港干諾道中111號  
永安中心25樓

9 April 2010

The Board of Directors  
Solartech International Holdings Limited  
No. 7, 2nd Floor  
Kingsford Industrial Centre  
13 Wang Hoi Road  
Kowloon Bay  
Kowloon  
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Solartech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") in respect of the proposed disposal of the entire equity interest in New Universe Investments Limited and 10% equity interest in Brascabos Componentes Elétricos e Eletrônicos Ltda (collectively referred to as the "Disposal Group"), which have been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the Group's proposed disposal of the Disposal Group (the "Disposal"), might have affected the financial information of the Group. The Group without the Disposal Group is referred to as the Remaining Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Circular.

**Respective Responsibilities of Directors of the Company and Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Remaining Group as at 31 December 2009 or any future date; or
- the financial results and cash flows of the Remaining Group for the year ended 30 June 2009 or for any future period.

**Opinion**

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully  
For and on behalf of  
**BDO Limited**  
*Certified Public Accountants*  
Hong Kong

**Lam Siu Fung**  
Practising Certificate number: P05308



(i) *For the six months ended 31 December 2009*

### **FINANCIAL RESULTS**

The Board announced that for the six months ended 31 December 2009 (the “period under review”), total turnover of the Remaining Group was approximately HK\$357,668,000. During the period under review, the Company continued to rationalise its operations by disposing of part of its overseas businesses, which gave rise to impairment against the relevant business and its goodwill on its consolidated income statement in accordance with Hong Kong Accounting Standards. Loss attributable to shareholders was approximately HK\$20,714,000. Loss per share was approximately HK2.23 cents for the period under review.

### **BUSINESS REVIEW**

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

By business segments, turnover of the cables and wires business was approximately HK\$187,934,000 which accounted for 52.5% of the Remaining Group’s total turnover. Turnover of the copper rod business was approximately HK\$169,702,000, accounting for 47.5% of the Remaining Group’s turnover.

By geographical segments, turnover of the American business was approximately HK\$41,326,000, which accounted for 11.6% of the total turnover. Turnover of the Mainland China and Hong Kong business was approximately HK\$288,825,000, which accounted for 80.8% of the total turnover. Turnover of other Asian markets, was approximately HK\$11,904,000, which accounted for 3.3% of the total turnover. Turnover of the European business was approximately HK\$15,613,000, which accounted for 4.4% of the total turnover.

### **Cables and Wires**

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

**Copper Rod Business**

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

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

**PROSPECTS**

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

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

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

**EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2009, the Remaining Group had approximately 1,700 employees in Hong Kong and the People's Republic of China ("PRC"). The Remaining 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 AND GEARING**

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

**CHARGES AND CONTINGENT LIABILITIES**

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

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

As at 31 December 2009, except for the guarantees mentioned above, the Remaining Group did not have any significant contingent liabilities.

For the six months ended 31 December 2009, the Remaining Group entered into copper forward contracts and foreign exchange forward contracts (collectively referred as "derivative financial instruments") to manage the copper price risks and foreign exchange risks. The Remaining Group's overall financial risk management focuses on the unpredictability of the financial markets, controls the level of financial risks that the Remaining Group can bear, and minimises any potential adverse effects on the financial performance of the Remaining Group. The purpose of the financial risk management is to ensure that transactions undertaken are in accordance with the Remaining Group's policies and not for speculative purpose. The outstanding derivative financial instruments have been revalued and stated at

their fair value at the balance sheet date and the changes in fair value were charged to the income statement. The net profit of the derivative financial instruments for the six months ended 31 December 2009 was approximately HK\$5,059,000.

## COMMITMENTS

### Capital Commitments

	<b>31 December 2009</b> <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:	
Plant and machinery	8,400
	<u>8,400</u>

### Lease Commitments

#### *The Remaining Group as lessee*

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

	<b>31 December 2009</b> <i>HK\$'000</i>
Within one year	0
In the second to fifth years inclusive	0
	<u>0</u>
	<u>0</u>

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

**BORROWINGS**

**31 December**  
**2009**  
*HK\$'000*

Borrowings are secured and are analysed as follows:

Bank loans	154,650
Trust receipt loans	<u>59,664</u>
	<u><u>214,314</u></u>

The carrying amounts of borrowings repayable:

Within one year	214,314
More than one year but not exceeding two years	<u>–</u>
	214,314
Amount due within one year shown under current liabilities	<u>(214,314)</u>
Amount due over one year shown under non-current liabilities	<u><u>–</u></u>

The average effective interest rates of the bank borrowings range from 5.58% to 7.84% per annum.

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

**FOREIGN EXCHANGE EXPOSURE**

Most of the Solartech Remaining 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 Solartech Remaining Group does not expect any significant exposure to foreign currency risks.

**SIGNIFICANT EVENTS**

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

(ii) *For the year ended 30 June 2009*

**FINANCIAL RESULTS**

For the year ended 30 June 2009 (the “year under review”), the total turnover for the Remaining Group was approximately HK\$615,849,000. Loss attributable to shareholders was approximately HK\$397,962,000. The loss per share was approximately HK126.87 cents for the year under review.

**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 Remaining 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 Remaining Group's total turnover for the year under review was approximately HK\$615,894,000. The turnover for the cable and wire business was approximately HK\$485,717,000, which accounted for 78.9% of the Remaining Group's total turnover. As for copper rod business, the turnover was approximately HK\$119,721,000, which accounted for 19.4% of the total turnover.

By geographical segments, the turnover for the American business decreased to approximately HK\$81,611,000, which accounted for 13.3% of the total turnover. For the Mainland China and Hong Kong business, the turnover was approximately HK\$487,559,000, which accounted for 79.2% of the total turnover. As for other Asian markets, the turnover decreased to approximately HK\$20,102,000, which accounted for 3.3% of the total turnover. The turnover for the European business also decreased to approximately HK\$26,577,000, 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.

#### **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 Remaining 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.

#### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2009, the Remaining Group had approximately 1,747 employees in Hong Kong and the People's Republic of China ("PRC"). The Remaining 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**

During the year ended 30 June 2009, the Remaining Group had implemented a prudent financial management policy. As at 30 June 2009, the Remaining Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK\$128 million and net current assets value being over approximately HK\$130 million. The Remaining Group's gearing ratio as at 30 June 2009 was 0.34, being a ratio of total bank borrowings of approximately HK\$183 million to shareholders' funds of approximately HK\$539 million.

**CHARGES AND CONTINGENT LIABILITIES**

As at 30 June 2009, the Remaining 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 to secure general banking facilities granted to the Remaining Group.

As at 30 June 2009, the Company had issued guarantees to the extent of approximately HK\$218 million to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$262 million was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK\$39 million in respect of commodity trading of copper by its subsidiaries.

As at 30 June 2009, except for the guarantees mentioned above, the Remaining Group did not have any significant contingent liabilities.

**COMMITMENTS****(a) Capital Commitments**

	<b>2009</b>
	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:	
Plant and machinery	2,086
	<u>2,086</u>



**(b) Lease Commitments***The Remaining Group as lessee*

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

	<b>2009</b> <i>HK\$'000</i>
Within one year	345
In the second to fifth years inclusive	<u>0</u>
	<b>345</b>

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

**BORROWINGS**

**The  
Remaining  
Group  
2009**  
*HK\$'000*

Borrowings are secured and are analysed as follows:

Bank loans	154,688
Trust receipt loans	<u>26,810</u>
	181,498
Bank overdrafts	<u>–</u>
	<b>181,498</b>

The carrying amounts of borrowings repayable:

Within one year	181,498
More than one year but not exceeding two years	–
More than two years but not exceeding five years	<u>–</u>
	181,498
Amount due within one year shown under current liabilities	<u>(181,498)</u>
	–
Amount due over one year shown under non-current liabilities	<b>–</b>

The average effective interest rates of the bank borrowings and bank overdrafts range from 5.31% – 8.96% per annum.

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

#### **FOREIGN EXCHANGE EXPOSURE**

Most of the Solartech Remaining 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 Solartech Remaining Group does not expect any significant exposure to foreign currency risks.

#### **SIGNIFICANT EVENTS**

##### **Asset Swap**

Remaining Group completed the asset swap on 4 February 2009, with the purpose to rationalize of the business of the Remaining Group and Hua Yi Copper Holding Limited ("Hua Yi Copper") and its subsidiaries (the "Hua Yi Group"), in order to optimize the operational efficiency of each group and improve their respective profitability.

Upon completion of the transaction, the Remaining 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 Remaining 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.

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

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.

(iii) *For the year ended 30 June 2008*

#### **FINANCIAL RESULTS**

For the year ended 30 June 2008 (“the year under review”), the Remaining Group recorded a turnover of approximately HK\$2,694,894,000 for the year under review. Loss attributable to shareholders was HK\$83,726,000. Loss per share for the year under review were about HK73.79 cents.

#### **BUSINESS REVIEW**

During the year under review, although the global economic slowdown presented a harsh environment for the manufacturing industry, the Remaining Group had actively expanded its clientele and undergone business integration, with better allocation of resources, achieving steady development in our business. By business segment, cable and wire business reported a turnover of approximately HK\$752,644,000, accounting for 27.9% of the Remaining Group’s total turnover. Sales of copper rod products amounted to approximately HK\$1,904,403,000, representing 70.7% of the Remaining Group’s total turnover.

By geographical segment, driven by the hard work of the international sales and marketing department set up during the year under review, the turnover of the Remaining Group's American business was approximately HK\$123,435,000, accounting for 4.6% of the total turnover. With the effort of the international sales and marketing department, our European business also secured new major customers and accordingly enlarged the market share of Remaining Group, its turnover reached approximately HK\$53,040,000, and accounted for 2.0% of the total turnover. As for Mainland China and Hong Kong, the market brought in turnover of approximately HK\$2,494,228,000 and accounted for 92.6% of the total turnover. Turnover for other markets in Asia was around HK\$24,191,000, accounting for 0.9% of the total turnover.

### **Cables and Wires**

With orders for cable and wire from home appliance manufacturers affected by weakened consumer sentiment, turnover from the segment during the year under review had only slightly increased to HK\$752,644,000. High prices in plastics and metal and rising labour costs also exerted pressure on production costs and dragged down the profit of the segment.

### **Copper Rod Business**

The Remaining Group's copper rod businesses are operated through its Subsidiaries Hua Yi Copper Products Co. Ltd and Dongguan Hua Yi Brass Products Co. Ltd. ("Hua Yi Copper").

Hua Yi Copper manufactures and trades copper rods and copper wires used primarily in producing power wires and cables for home electrical appliances and electronic products. During the year under review, economies around the world slowed down, which affected the demand for home appliances and consumer electronics. However, with its long-standing customer network and market leadership established over the years, Hua Yi Copper was able to maintain a steady inflow of orders for copper rod products. Hua Yi Copper was able to sustain stable growth in the volume of copper rod products manufactured for its own sales, with a monthly output of approximately 3,600 tonnes. It also continued to develop high value-added downstream products, including annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires.

During the year under review, copper prices lingered at a high level. Between July 2007 and June 2008, the average spot price of copper at the London Metal Exchange ("LME") reached US\$7,785 per tonne, which was approximately 10% higher than the price of US\$7,078 per tonne for the previous 12 months. The higher copper price as compared with last year and the higher proportion of copper rods produced for sales kept the finance costs of purchasing copper cathodes at a high level, which squeezed its overall profit margins.

**EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2008, the Remaining Group had approximately 3,700 employees in Hong Kong and the People's Republic of China ("PRC"). The Remaining 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**

During the year ended 30 June 2008, the Remaining Group had implemented a prudent financial management policy. As at 30 June 2008, the Remaining Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK\$96 million and net current assets value being over approximately HK\$136 million. The Remaining Group's gearing ratio as at 30 June 2008 was 0.17, being a ratio of total bank borrowings of approximately HK\$161 million to shareholders' funds of approximately HK\$974 million.

**CHARGES AND CONTINGENT LIABILITIES**

As at 30 June 2008, the Remaining 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\$259 million to secure general banking facilities granted to the Remaining Group.

As at 30 June 2008, the Company had issued guarantees to the extent of approximately HK\$104 million to banks to secure general banking facilities granted to its subsidiaries and associates, of which, approximately HK\$48 million was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK\$16 million in respect of commodity trading of copper by its subsidiary.

As at 30 June 2008, except for the guarantees mentioned above, the Remaining Group did not have any significant contingent liabilities.

## COMMITMENTS

## (a) Capital Commitments

	2008 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:	
Leasehold improvements	31
Plant and machinery	10,000
Equipment, furniture and fixtures	<u>2,532</u>
	<u><u>12,563</u></u>

## (b) Lease Commitments

*The Remaining Group as lessee*

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

	2008 <i>HK\$'000</i>
Within one year	104
In the second to fifth years inclusive	<u>53</u>
	<u><u>157</u></u>

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

**BORROWINGS**

**2008**  
*HK\$'000*

Borrowings are analysed as follows:

Bank loans	149,165
Trust receipt loans	896
Other loans	—
	150,061
Bank overdrafts	5,613
	155,674
Secured	155,674
Unsecured	—
	155,674

The carrying amounts of borrowings repayable:

Within one year	138,609
More than one year but not exceeding two years	5,688
More than two years but not exceeding five years	11,377
	155,674
Amount due within one year shown under current liabilities	(138,609)
Amount due over one year shown under non-current liabilities	17,065

The average effective interest rates of the bank borrowings and bank overdrafts range from 5.25% to 8.924% per annum.

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

**FOREIGN EXCHANGE EXPOSURE**

Most of the Solartech Remaining 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 Solartech Remaining Group does not expect any significant exposure to foreign currency risks.

(iv) *For the year ended 30 June 2007*

**FINANCIAL RESULTS**

For the year ended 30 June 2007, the Remaining Group recorded a turnover of approximately HK\$3,137,660,000. Profit attributable to shareholders was approximately HK\$11,950,000. Profit per share were approximately HK12.27 cent.

**BUSINESS REVIEW**

By business segments, sales of cable and wire business approximated at HK\$739,232,000, representing about 23.6% of the Remaining Group's total turnover, while sales of copper rod products was approximately HK\$2,363,605,000, making up about 75.3% of the total turnover.

By geographical segments turnover from Mainland China and Hong Kong grew to approximately HK\$2,916,804,000, representing about 93.0% of the Remaining Group's total turnover. The Americas market recorded approximately HK\$135,308,000 in turnover, accounting for 4.3% of the total turnover. Other markets in Asia was about HK\$42,769,000, accounting for 1.4% of the Remaining Group total turnover, while turnover from Europe increased to approximately HK\$42,779,000 accounting for 1.4% of the total turnover.

**Cables and Wires**

During the year under review, many smaller manufacturers were ousted from the market because of persistently high metal prices. As for the Remaining Group's core cable and wire business, riding on a solid foundation, it was able to secure more customers and expand market share. Total turnover from the business grew to HK\$739,232,000.

**Copper Rod Business**

During the year under review, the booming Chinese economy and domestic and overseas manufacturers expanding their production scale in the PRC had fueled demand for copper rod products. However, with copper price standing persistently high, translating into higher procurement cost in relation to purchase of copper cathode, many small factories with limited capital were ousted. The industry consolidation worked in favor of Hua Yi Copper's copper rod business. Hua Yi Copper processed approximately 3,500 tonnes of copper products per month manufactured for and sold by itself.



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

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

### **EMPLOYEES**

As at 30 June 2007, the Remaining Group had approximately 4,900 employees in Hong Kong and the People's Republic of China ("PRC"). The Remaining 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**

During the year ended 30 June 2007, the Remaining Group had implemented a prudent financial management policy. As at 30 June 2007, the Remaining Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK\$355 million and net current assets value being over approximately HK\$401 million. The Remaining Group's gearing ratio as at 30 June 2007 was 0.82, being a ratio of total bank borrowings of approximately HK\$723 million to shareholders' funds of approximately HK\$876 million.

### **CHARGES AND CONTINGENT LIABILITIES**

As at 30 June 2007, the Remaining 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\$264 million to secure general banking facilities granted to the Remaining Group.

As at 30 June 2007, the Company had issued guarantees to the extent of approximately HK\$222 million to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$738 million was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK\$39 million in respect of commodity trading of copper by its subsidiaries.

As at 30 June 2007, except for the guarantees mentioned above, the Remaining Group did not have any contingent liabilities.

## COMMITMENTS

## (a) Capital Commitments

	2007 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:	
Leasehold improvements	169
Plant and machinery	7,864
Equipment, furniture and fixtures	<u>2,759</u>
	<u><u>10,792</u></u>

## (b) Lease Commitments

*The Remaining Group as lessee*

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

	2007 HK\$'000
Within one year	2,511
In the second to third years inclusive	<u>1,202</u>
	<u><u>3,713</u></u>

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

**BORROWINGS**

	2007 HK\$'000
Borrowings are analysed as follows:	
Bank loans	238,779
Trust receipt loans	483,827
Other loans	<u>15,521</u>
	738,127
Bank overdrafts	<u>–</u>
	<u><u>738,127</u></u>
Secured	330,358
Unsecured	<u>407,769</u>
	<u><u>738,127</u></u>
The carrying amounts of borrowings repayable:	
Within one year	717,719
More than one year but not exceeding two years	5,102
More than two years but not exceeding five years	<u>15,306</u>
	738,127
Amount due within one year shown under current liabilities	<u>(717,719)</u>
Amount due over one year shown under non-current liabilities	<u><u>20,408</u></u>

The average effective interest rates of the bank borrowings range from 5.6% to 9% per annum.

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

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

**FOREIGN EXCHANGE EXPOSURE**

Most of the Remaining 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 Solartech Remaining Group does not expect any significant exposure to foreign currency risks.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' Interests in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) to be notified to the Company and the Stock Exchange; or (ii) pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code") to be notified to the Company and the Stock Exchange are as follows:

#### *Long position in Shares*

Name of director	Capacity	Number of Shares	Approximate shareholding percentage
Mr. Chau Lai Him	Interest of controlled corporation ( <i>Note</i> )	134,804,297	8.56

*Note:* These Shares are held by Venture Success Holdings Limited, a company wholly-owned by Mr. Chan Lai Him who is the Chairman and Managing Director of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) to be notified to the Company and the Stock Exchange; or (ii) pursuant to Section 352 of the SFO to be entered in the register referred to therein, or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' interests**

As at the Latest Practicable Date, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

*(1) Long positions in Shares and underlying shares of equity derivatives of the Company*

Name	Capacity	Number of Shares interested	Approximate percentage
Venture Success Holdings Limited (Note)	Beneficial owner	134,804,297	8.56%

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

*(2) Long positions in shares and underlying shares of the subsidiaries of the Company*

Name of the Company's subsidiary	Substantial shareholder of such subsidiary	Nature of interest	Number of existing shares/fully paid registered capital	Approximate percentage of shareholding
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, as at the Latest Practicable Date and so far as known to the Directors or chief executive of the Company, no other person (not being a Director or chief executive of the Company) had any interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group other than contracts expiring or determinable by the Company or the relevant member of the Group within one year without payment of any compensation (other than statutory compensation).

### 4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date,

- (i) none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2009, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and significant in relation to the business of the Group.

### 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his respective associates had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company).

### 6. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

- (a) the placing agreement dated 9 February 2010 entered into between the Company and Kingston Securities Limited ("**Kingston Securities**") (as placing agent) in respect of a best efforts placing of up to 2,000,000,000 Shares at a price of HK\$0.10 per Share, which was the subject of the announcement of the Company dated 9 February 2010;
- (b) the placing agreement dated 15 January 2010 entered into between the Company and Kingston Securities (as placing agent) in respect of a fully

underwritten placing of 262,000,000 Shares at a price of HK\$0.12 per Share, which was the subject of the announcement of the Company dated 15 January 2010;

- (c) the Sale and Purchase Agreement;
- (d) the sale and purchase agreement dated 10 November 2009 entered into among the Company, Winner Progress Limited and Mr. Liu Yong in relation to the proposed acquisition by the Company of the entire issued share capital of Sun Progress Limited, for a consideration of HK\$1,500,000,000 (subject to adjustment) which was the subject of the announcement of the Company dated 30 November 2009;
- (e) the placing agreement dated 15 October 2009 entered into between the Company and Kingston Securities (as the placing agent) in respect of a best efforts placing of up to 400,000,000 Shares at a price of HK\$0.135 per Share, which was the subject of the announcement of the Company dated 15 October 2009;
- (f) the memorandum of understanding dated 14 October 2009 entered into by the Company and Winner Progress Limited in relation to the proposed acquisition by the Company of the entire issued share capital of Sun Progress Limited for a consideration to be determined, which was the subject of the announcement of the Company dated 14 October 2009;
- (g) the placing agreement dated 28 August 2009 entered into between the Company and Kingston Securities (as placing agent) in respect of a fully underwritten placing of 152,000,000 Shares at a price of HK\$0.140 per Share, which was the subject of the announcement of the Company dated 28 August 2009;
- (h) the top-up placing and subscription agreement dated 10 July 2009 entered into among the Company, Venture Success Holdings Limited (“**Venture Success**”) (a Shareholder of the Company) and Kingston Securities (as placing agent) in respect of a placing and top-up subscription of 126,730,000 Shares at a price of HK\$0.22 per Share, which was the subject of the announcement of the Company dated 10 July 2009;
- (i) the top-up placing and subscription agreement dated 15 June 2009 entered into among the Company, Venture Success and Kingston Securities (as placing agent) in respect of a placing and top-up subscription of 120,000,000 Shares at a price of HK\$0.066 per Share, which was the subject of the announcement of the Company dated 15 June 2009;
- (j) the sale and purchase agreement dated 30 April 2009 entered into between Skywalk Assets Management Limited (an indirect wholly-owned subsidiary of the Company) (as vendor) and Intense Rise Holdings Limited (as purchaser) in respect of the sale and purchase of 80,426,375 shares of Hua Yi



Copper Holdings Limited (“Hua Yi”), a then subsidiary of the Company) for a total consideration of HK\$24,127,912.50, which was the subject of the announcement of the Company dated 30 April 2009;

- (k) the underwriting agreement dated 5 December 2008 entered into between the Company and Venture Success (as underwriter) in relation to the underwriting and certain other arrangements in respect of an open offer of the Company, which was the subject of the joint announcement of the Company and Hua Yi dated 10 December 2008 and the circular of the Company dated 31 December 2008;
- (l) the sale and purchase agreement dated 5 December 2008 entered into between Wah Yeung Capital Resources Limited (a subsidiary of Hua Yi), the Company and Hua Yi in respect of the purchase by the Company of the entire issued capital of each of Modern China Enterprises Limited and Hua Yi Copper Products Company Limited and related shareholder’s loan for a consideration (“HY Subsidiaries Consideration”) of approximately HK\$189.6 million (subject to set-off arrangement pursuant to the Set-off Deed (as defined below)), which was the subject of the joint announcement of the Company and Hua Yi dated 10 December 2008 and the circular of the Company dated 31 December 2008;
- (m) the sale and purchase agreement dated 5 December 2008 entered into between Chau’s Industrial Investments Limited (a wholly-owned subsidiary of the Company), Hua Yi and the Company in respect of the purchase by Hua Yi of the entire issued share capital of Solartech Enterprises Limited and the related shareholder’s loan for a consideration (“Solartech Enterprises Consideration”) of approximately HK\$101.0 million (subject to set-off arrangement pursuant to the Set-off Deed (as defined below)), which was the subject of the joint announcement of the Company and Hua Yi dated 10 December 2008 and the circular of the Company dated 31 December 2008;
- (n) the sale and purchase agreement dated 5 December 2008 entered into between Chau’s Electrical Company Limited (a wholly-owned subsidiary of the Company), Hua Yi and the Company in respect of the purchase by Hua Yi of the entire issued share capital of Fund Resources Limited and the related shareholder’s loan for a consideration (“Fund Resources Consideration”) of approximately HK\$77.1 million (subject to set-off arrangement pursuant to the Set-off Deed (as defined below)), which was the subject of the joint announcement of the Company and Hua Yi dated 10 December 2008 and the circular; and
- (o) the deed of set-off and transition arrangements (the “Set-off Deed”) dated 5 December 2008 entered into between the Company, Chau’s Industrial Investments Limited, Chau’s Electrical Company Limited, Hua Yi and Wah Yeung Capital Resources Limited in respect of the sale and purchase of all the issued shares in the Solartech Enterprises Limited, Fund Resources Limited, Modern China Enterprises Limited and Hua Yi Copper Products Company

Limited and their respective subsidiaries, pursuant to which the payment obligation of the Company for the HY Subsidiaries Consideration was set-off against the payment obligation of Hua Yi for the aggregate of the Solartech Enterprises Consideration and the Fund Resources Consideration with the difference to be settled in cash. Details of the transaction were set out in the joint announcement of the Company and Hua Yi dated 10 December 2008 and the circular of the Company dated 31 December 2008.

## 7. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

## 8. EXPERT'S QUALIFICATIONS AND CONSENTS

The qualification of the experts who have provided their advices which are contained in this circular is set out as follows:

Name	Qualification
BDO Limited ("BDO")	Certified public accountants

BDO has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its letters and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, BDO did not have any direct or indirect interests in any assets which had been, since 31 December 2009, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, BDO was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 9. MISCELLANEOUS

- (a) The registered address of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Ms. Chan Kam Yee. 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.
- (e) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal office of the Company at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong from the date of this circular up to and including the date of SGM:

- (a) the annual reports of the Company for each of the two years ended 30 June 2008 and 30 June 2009 and the interim report of the Company for the six months ended 31 December 2009;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the accountants' report on the Group, the text of which is set out in appendix I to this circular;
- (d) the accountants' report issued by BDO Limited in connection with the unaudited pro forma financial information of the Remaining Group, the text of which is set out in appendix II to this circular;
- (e) the letter issued by BDO Limited referred to in the paragraph headed "Expert's qualifications and consents" in this appendix;
- (f) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (g) the Company's circular dated 9 April 2010 in respect of the Acquisition; and
- (h) this circular.

## NOTICE OF SGM



### 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)**

**NOTICE IS HEREBY GIVEN THAT** the special general meeting of Solartech International Holdings Limited (the “**Company**”) will be held at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Tuesday, 27 April 2010 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT**

- (i) the transactions contemplated under the agreement dated 31 December 2009 (the “**Sale and Purchase Agreement**”, a copy of which has been produced to the meeting and marked “A” and signed by the Chairman of the meeting for the purpose of identification) entered into between Chau’s Industrial Investments Limited (“**Chau’s**”), a wholly-owned subsidiary of the Company (as vendor), Perfect Asset Investment Limited (“**Perfect Asset**”) (as purchaser), the Company (as guarantor of Chau’s obligations) and Mr. Lau Man Tak (as guarantor of Perfect Asset’s obligation(s)) in relation to the disposal by Chau’s of the entire issued share capital of New Universe Investments Limited and the 10% equity interest in Brascabos Componentes Elétricos e Eletrônicos Ltda. be and are hereby approved; and
- (ii) the Directors be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with or to implement and/or give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the Directors, in the interest of the Company.”

By order of the Board  
**Solartech International Holdings Limited**  
**Chau Lai Him**  
*Chairman and Managing Director*

Hong Kong, 9 April 2010

\* *For identification purposes only*

## NOTICE OF SGM

*Head office and principal place of business in Hong Kong:*

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

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority must be delivered to the head office and principal place of business of the Company in Hong Kong at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong not less than fortyeight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
6. As at the date of this notice, the executive Directors are Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Ho Pang Cheng Vincent, Mr. Chan Sio Keong and Mr. Liu Dong Yang and the independent non-executive Directors are Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming.