Solartech International Holdings Limited

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

Annual Report 2010

Contents

Corporate Information

Directors

Executive Directors

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

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

Company Secretary

CHAN Kam Yee

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Stock Code

1166

Website

www.1166hk.com

Auditors

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

Legal Advisor

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

Bermuda Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
26/F Tesbury Centre
28 Queen Road East
Wanchai
Hong Kong

Principal Banks (in alphabetical order)

Bank of China Limited
China CITIC Bank Corporation Limited
DBS Bank (Hong Kong) Limited

Chairman's Statement

Financial Results

The Directors announced that for the year ended 30 June 2010 (the "**year under review**"), the Company and its subsidiaries (the "**Group**") recorded a total turnover of approximately HK$1,404,280,000, representing an increase of 23.5% over the HK$1,136,945,000 for the corresponding period last year. Loss attributable to owners of the Company was approximately HK$138,660,000. Loss attributable to owners of the Company for the corresponding period last year was approximately HK$470,900,000. Loss per share was about HK8.32 cents (2008/09: loss per share HK389.67 cents (restated)).

Business Review

During the year under review, the Group continued to rationalise its operations. After completion on 30 April 2010 of the disposal of the business of manufacturing and trading of connectors and terminals and wire harnesses, which was mainly operated in regions outside the PRC, the Group's resources had been focused and deployed on the businesses of manufacturing and trading of cables, wires and copper products, which are based in Mainland China. Moreover, the Group also completed the acquisition of a copper-gold-silver mine in Mongolia on 4 May 2010, such investment will provide the Group a good opportunity to broaden its source of income by capitalising on the rising trend in copper prices.

By business segments, the Group's turnover for the year under review was approximately HK$1,404,280,000. Turnover for the cables and wires business was approximately HK$390,374,000, representing a decrease of 19.6% over the corresponding period last year of approximately HK$485,717,000 and accounted for 27.8% of the Group's total turnover. Turnover for the connectors and terminals/wire harnesses business was approximately HK$647,836,000, representing an increase of 24.3% from HK$521,096,000 for the corresponding period last year and accounted for 46.1% of the Group's total turnover. Turnover for the copper rod business was approximately HK$366,038,000, representing an increase of 205.7% over the corresponding period last year of approximately HK119,721,000 and accounted for 26.1% of the Group's total turnover.

By geographical segments, turnover for the American business increased by 28.2% from HK$496,508,000 for the corresponding period last year to approximately HK$636,386,000, which accounted for 45.3% of the total turnover. Turnover for the Mainland China and Hong Kong business increased by 24.3% from approximately HK$510,361,000 for the corresponding period last year to approximately HK$634,312,000, which accounted for 45.2% of the total turnover. Turnover for other Asian markets business decreased by 1.5% from approximately HK$102,575,000 for the corresponding period last year to approximately HK$101,074,000, which accounted for 7.2% of the total turnover. Turnover for the European business increased by 18.2% from approximately HK$27,501,000 for the corresponding period last year to approximately HK$32,508,000, which accounted for 2.3% of the total turnover.

Cables and Wires

The financial tsunami in the United States in 2008 and the persistent worries over the prospects of a global economic recovery has led to a more cautious consumption pattern, resulting in slow-down of sales. That explains for the decrease in turnover for the cables and wires business as the Group's major customers are primarily manufacturers of domestic appliances (white goods).

Connectors and Terminals/Wire Harnesses

Upon disposal of the relevant business, no further resources would be injected into such business for its operation and development, including the significant investments required for businesses which are scattered around in various developing countries.

Chairman's Statement

Business Review (continued)

Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires related products, which are primarily used in the production of power cords or cables for home appliances, electronic products and infrastructure facilities. During the year under review, the Group took a more cautious operating approach by diverting the production capacity of its Dongguan facilities to the provision of processing services for its customers. That allows the Group to transfer its finance costs and the fluctuations in copper prices to its customers and, at the same time, achieve better utilization of its machinery and equipment which in turn enhance the production efficiency of the Group.

Prospects

Except for China which is still able to achieve a planned economic growth, uncertainties remain in the global economic environment notwithstanding the signs of recovery. Therefore, the Group continues to concentrate its resources on the businesses of cables and wires and the manufacturing and trading of copper products based in Mainland China to minimise the Group's exposure to the negative effects brought about by the economic uncertainties in other countries. Besides, the PRC government has been implementing various measures to boost domestic demand, which is expected to benefit the Group's businesses of cables and wires and the manufacturing and trading of copper products in the Mainland market.

Considering the sustained growth in worldwide demand for mineral resources, and the introduction of policies by Mongolia which are beneficial to foreign investors and aimed at accelerating the development of the local mining industry, the Group completed the acquisition of a copper-gold-silver mine in Mongolia on 4 May 2010, and has engaged a professional advisor to finalise and implement the construction of Phase 1 of a copper processing plant and ancillary facilities at 1st Zone of the Mine in Mongolia. The Board considers that the acquisition will enable the Group to enter into this burgeoning sector, and the copper produced in the mining area can be partially used for hedging purpose and as the raw material required for the Group's existing copper business, which facilitates the vertical integration of the Group's copper business.

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

Final Dividend

The Directors resolved not to pay any final dividend for the year ended 30 June 2010 (2008/2009 final: nil).

Annual General Meeting

The 2010 Annual General Meeting of the Company ("**2010 Annual General Meeting**") will be held on Monday, 29 November 2010.

Closure Of Register Of Members

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2010 Annual General Meeting, the register of members of the Company will be closed from Thursday, 25 November 2010 to Monday, 29 November 2010, both days inclusive, during which no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Wednesday, 24 November 2010.

Chairman's Statement

Employees And Remuneration Policies

As at 30 June 2010, the Group had approximately 1,500 employees in Hong Kong, the People's Republic of China ("**PRC**") and overseas. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

Liquidity And Financial Resources

During the year ended 30 June 2010, the Group implemented a prudent financial management policy. As at 30 June 2010, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$267 million (30 June 2009: HK$147 million) and net current assets value being over approximately HK$250 million (30 June 2009: HK$113 million). The Group's gearing ratio as at 30 June 2010 was 0.18 (30 June 2009: 0.31), being a ratio of total bank borrowings of approximately HK$167 million (30 June 2009: HK$197 million) to shareholders' funds of approximately HK$902 million (30 June 2009: HK$626 million).

As at 30 June 2010, the Group had pledged certain property, plant and machinery, land use rights, fixed bank deposits and trade debtors with an aggregate net book value of approximately HK$266 million (30 June 2009: HK$288 million) to secure general banking facilities granted to the Group.

As at 30 June 2010, the Company had issued guarantees to the extent of approximately HK$5.3 million (30 June 2009: HK$218 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$5.3 million (30 June 2009: HK$267 million) was utilised. In addition, the Company had issued guarantees to a financial institution amounting to approximately HK$23.3 million (30 June 2009: HK$39 million) in respect of commodity trading of copper by its subsidiaries.

For the year ended 30 June 2010, the Group entered into copper forward contracts and foreign exchange forward contracts (collectively referred as "**derivative financial instruments**") to manage the copper price risks and foreign exchange risks. The Group's overall financial risk management focuses on the unpredictability of the financial markets, controls the level of financial risks that the Group can bear, and minimises any potential adverse effects on the financial performance of the Group. The purpose of the financial risk management is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose. The outstanding derivative financial instruments have been revalued and stated at their fair value as at 30 June 2010 and the net loss of the derivative financial instruments for the year ended 30 June 2010 was approximately HK$3,500,000 (2008/09: net loss of HK$140,000).

Change Of Chinese Name

On 19 July 2010, the Board resolved upon and approved the adoption of a new Chinese name "蒙古礦業控股有限公司" by the Company, for identification purposes, to replace the Chinese name "榮盛科技國際控股有限公司" with effect from 3 August 2010. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 3 August 2010. With effect from 10 August 2010, the shares of the Company have been traded on the Stock Exchange under its new Chinese name "蒙古礦業控股有限公司" and the Chinese stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "榮盛科技國際" to "蒙古礦業" to reflect the change of Chinese name while the English stock short name remains unchanged. Reference is made to the announcements of the Company dated 19 July 2010 and 5 August 2010.

Chairman's Statement

Significant Events

Capital Reorganisation

On 3 June 2009, the Board announced that the Company proposed to implement a reorganisation of the share capital of the Company (the "**Capital Reorganisation**") which involved (a) a consolidation of every five (5) ordinary shares of HK$0.01 each into one (1) ordinary share of HK$0.05 each (the "**Consolidated Share**") in the share capital of the Company immediately after share consolidation but before the Capital Reduction (as defined below) and the Subdivision (as defined below) ; (b) a reduction of the nominal value of the then issued Consolidated Shares from HK$0.05 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.04 on each of the then issued Consolidated Share (the "**Capital Reduction**"); and (c) a subdivision of each authorised but unissued Consolidated Share into five (5) ordinary shares of HK$0.01 each (the "**Adjusted Shares**") in the share capital of the Company immediately after the Capital Reorganisation becoming effective (the "**Subdivision**").

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

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

Placing of Existing Shares and Subscription for New Shares

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

Second Placing of New Shares under General Mandate

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

Significant Events (continued)

Third Placing of New Shares under Specific Mandate

On 15 October 2009, the Company and Kingston, as placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 400,000,000 new shares to independent investors at a price of HK$0.135 per placing share (the "**Third Placing**"). The net proceeds from the Third Placing amounted to approximately HK$52 million and were intended to be used for the possible acquisition of a copper-gold-silver mine in Mongolia and/or repayment of bank loan and general working capital of the Group. The shares were allotted and issued under the specific mandate granted to the Directors by the shareholders of the Company at the special general meeting of the Company held on 11 November 2009 and the Third Placing was completed on 20 November 2009. Details of the Third Placing were set out in the announcements of the Company dated 15 October 2009 and 11 November 2009 and the shareholders' circular issued by the Company on 23 October 2009.

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

On 10 November 2009, the Company entered into a sale and purchase agreement (the "**SPA**") in relation to an acquisition of Sun Progress Limited, a company incorporated under the laws of the British Virgin Islands which wholly-owns Ikh Shijir Erdene LLC, a company incorporated in Mongolia which in turn owns a copper-gold-silver mine (the "**Mine**") located in a place named Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia (the "**Acquisition**"). The consideration payable under the SPA was HK$1,500,000,000 (subject to adjustment) and to 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**") in the aggregate principal amount of HK$1,432,000,000 (subject to adjustment). The Acquisition constituted a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and was conditional, amongst other things, on approval of the shareholders of the Company. The Acquisition and the SPA were approved by the shareholders of the Company at the special general meeting of the Company held on 27 April 2010 (the "**SGM**"). Details of the Acquisition were set out in the announcements of the Company dated 30 November 2009, 21 December 2009, 12 February 2010 and 15 March 2010 and the shareholders' circular issued by the Company on 9 April 2010.

The Acquisition was duly completed on 4 May 2010 in accordance with the terms of the SPA. Pursuant to the terms of the SPA, the conversion price for the Convertible Bond was reset to HK$0.10 based on the average closing prices of the Company's shares for the consecutive 5 trading days immediately prior to the date of completion rounded up to the nearest two decimal places.

The Convertible Bond in the aggregate principal amount of HK$1,432,000,000 was issued on 4 May 2010. Pursuant to the successive conversions of the full amount of the Convertible Bond, an aggregate of 14,320,000,000 new ordinary shares of HK$0.01 each of the Company were issued in the period from 23 June 2010 to 9 September 2010 (the "**Conversion Period**"). Upon full conversion of the Convertible Bond and subsequent sales of the conversion shares, no single shareholder of the Company holds more than 30% of the share capital of the Company. Reference is made to the Next Day Disclosure Returns filed by the Company in the Conversion Period.

Increase of Authorised Share Capital

The increase of the authorised share capital of the Company from HK$300,000,000 to HK$500,000,000 by the creation of 20,000,000,000 new shares of HK$0.01 each in the share capital of the Company was approved by the shareholders of the Company at the SGM.

Significant Events (continued)

Disposal of Interests in Subsidiaries Constituting a Very Substantial Disposal

On 31 December 2009, Chau's Industrial Investments Limited, a wholly-owned subsidiary of the Company, as vendor entered into a conditional sale and purchase agreement with Perfect Asset Investments Limited, an investment holding company of Mr. Lau Man Tak ("**Mr. Lau**"), as purchaser in relation to the disposal of (i) the entire issued share capital in New Universe Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company (which indirectly holds 90% of equity interests in Brascabos Componentes Eletricos e Eletronicos Limitada ("**Brascabos**")) and (ii) 10% of the equity interests in Brascabos for an aggregate consideration of HK$30 million (the "**Disposal**"). Mr. Lau is an independent third party and was a director of the Company from 4 January 2002 to 31 March 2007. The Disposal constituted a very substantial disposal for the Company under Chapter 14 of the Listing Rules and was conditional, amongst other things, on shareholders' approval. The Disposal was approved by the shareholders of the Company at the special general meeting of the Company on 27 April 2010. Completion of the Disposal took place on 30 April 2010. Details of the Disposal were set out in the announcements of the Company dated 8 January 2010, 29 January 2010 and 12 March 2010 and the shareholders' circular issued by the Company on 9 April 2010.

Fourth Placing of New Shares under General Mandate

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

Fifth Placing of New Shares under Specific Mandate

On 9 February 2010, the Company and Kingston, as placing agent, entered into a conditional placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 2,000,000,000 new shares, by a maximum of four tranches (in which each tranche was not less than 500,000,000 new shares, save for the last tranche), to independent investors at a price of HK$0.10 per placing share (the "**Fifth Placing**"). The maximum net proceeds from the Fifth Placing amounted to approximately HK$194 million which were intended to be used as to approximately HK$100 million for the repayment of bank loans and approximately HK$38 million as to the Acquisition. The remainder of the net proceeds of approximately HK$56 million was intended to be used for possible investment in the future. The shares were allotted and issued under the specific mandate granted to the Directors by the shareholders of the Company at the special general meeting of the Company held on 23 March 2010 and the Fifth Placing was completed on 19 April 2010. Details of the Fifth Placing were set out in the announcement of the Company dated 9 February 2010 and the shareholders' circular issued by the Company on 5 March 2010.

Significant Events (continued)

Conditional Placing of New Shares under Specific Mandate

On 16 September 2010, the Company and Kingston, as placing agent, entered into a conditional placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 7,200,000,000 new shares to independent investors at a price of HK$0.02 per placing share (the "**Conditional Placing**"). The maximum net proceeds from the Conditional Placing would amount to approximately HK$140 million of which approximately HK$75 million (approximately US$2.6 million to be incurred in the second half year of 2010 and US$7 million for the first half year of 2011) was intended to be used as initial set-up costs for Phase 1 for establishment of a copper processing plant at 1st Zone of the Mine, details as disclosed in the shareholders' circular issued by the Company on 9 April 2010, approximately HK$13 million was intended to be used for repayment of short term loans and the remainder of approximately HK$52 million was intended to be used for general working capital of the Group. The maximum number of 7,200,000,000 placing shares to be placed under the placing agreement would be issued pursuant to a specific mandate which was obtained at the special general meeting of the Company held on 18 October 2010. Details of the Conditional Placing were set out in the announcements of the Company dated 16 September 2010 and 18 October 2010 and the shareholders' circular issued by the Company on 29 September 2010.

Purchase, Sale Or Redemption Of The Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2010.

Compliance With The Code On Corporate Governance Practices

During the year ended 30 June 2010 (the "**Year**"), the Company complied with the code provisions set out in the Code on Corporate Governance Practices (the "**Code**") in Appendix 14 to the Listing Rules, save and except for the deviations from code provisions A.2.1 and A.4.1 of the Code which are explained below.

Code provision A.2.1

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

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

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

Compliance With The Code On Corporate Governance Practices (continued)

Code provision A.4.1

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

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

Audit Committee

The Audit Committee comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions of the Code. The Audit Committee and external auditors have reviewed the audited results for the year ended 30 June 2010 and they agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

Remuneration Committee

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

Compliance With The Model Code

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all of the Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 30 June 2010.

Appreciation

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

On behalf of the Board

Chau Lai Him
Chairman

20 October 2010

Directors and Senior Management

Executive Directors

Mr. CHAU Lai Him, aged 59, is the chairman and managing director of the Group and the founder of the Group. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 30 years' experience in the manufacturing of cable and wire products.

Mr. ZHOU Jin Hua, aged 52, joined the Group in 1986 and is the deputy chairman of the Company and the general manager of the Group's Dongguan manufacturing facilities. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 20 years' experience in the manufacturing of cable and wire products.

Mr. LIU Dong Yang, aged 36, joined the Group in September 1995 and has been appointed as executive director since January 2010. He is the deputy general manager of Shanghai Chau's Electrical Company Limited and is responsible for the financial matters for the trading and manufacturing operations in Shanghai. He holds a professional diploma in international finance from Hunan Finance and Economics College, a bachelor degree in business administration from the Renmin University of China. He is a member of the Chinese Institute of Certified Public Accountants. He has more than 10 years' experience in finance and accounting.

Mr. BUYAN-OTGON Narmandakh, aged 35, has been appointed as an executive director of the Company since July 2010. In the past 2 years, Mr. Buyan-Otgon has focused on resources and investments and finance in Mongolia. He holds a diploma in economics and accounting from the Mongolian State University of Agriculture, a graduate diploma in public administration from the Government of Mongolia Academy of Management and a degree of M.B.A. in accounting from the National University of Mongolia. He has extensive experience in banking and finance in Mongolia.

Independent Non-executive Directors

Mr. CHUNG Kam Kwong, aged 53, joined the Group in March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong and is a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia, and a supervisory council member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management and is independent non-executive director of Truly International Holdings Limited (Stock code: 732) which is listed on the main board of the Stock Exchange. From August 2004 to June 2009, he was an independent non-executive director of Hua Yi Copper Holdings Limited (Stock code: 559) which is listed on the main board of the Stock Exchange.

Mr. LO Wai Ming, Paulus, aged 58, joined the Group in January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has over 30 years' extensive experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a member of the Chartered Institute of Marketing and the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 45, joined the Group in November 2006. He is the deputy general manger of Sunf Pu Electric Wire & Cable Co., Ltd., a company incorporated in Taiwan, Republic of China. He has more than 20 years' experience in the cable and wire industry.

Directors and Senior Management

Senior Management

Ms. CHAN Kam Yee, Shirley, aged 50, rejoined the Group in February 2001 and is the Company Secretary of the Company. She is the group financial controller of Chau's Electrical Company Limited and is responsible for accounting, financial management and company secretarial affairs of the group. She has more than 20 years' experience in finance and accounting and more than 15 years' experience in company secretarial affairs. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Silvio POLLO, aged 59, joined the Group in May 2007 as the International Business Development Director. He is responsible for the overall management, strategic planning and business development in Europe and USA. He holds a master degree in Industrial Engineering from the Politecnico di Torino (Italy). Mr. Pollo has extensive experience in the electrical and manufacturing industry with wide exposure in international business development.

Ms. LAM Sui Lan, Miranda, aged 41, rejoined the Group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 10 years' experience in sales and marketing in the field of cable and wire products.

Mr. KAN Wai Kee, Ernest, aged 45, joined the Group in October 2001 and is the head of financial operations of the Group. He is responsible for internal audit function for the Group. He holds a bachelor's degree in Accountancy from the City University of Hong Kong and has more than 15 years' auditing, finance and accounting experience.

Mr. Ronald EYER, aged 38, joined the Group in August 2008 and is the general manager of Chau's Electrical International, Inc. He is responsible for the overall management, growth and strategic planning in North American Region. He holds a bachelor's degree in Business Management with Honors from the Indiana Business College, USA. Mr. Eyer has over 12 years of experience in business development, manufacturing, engineering and marketing in the power cord and wiring harness industry in the US, Canada and Mexico.

Mr. ZHOU Qi Qin, aged 46, joined the Group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's Electrical Co., Ltd. He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 15 years' experience in manufacturing management.

Mr. KANG Jian, aged 41, joined the Group in December 2003 and is the general manager of Shanghai Chau's Electrical Co., Ltd. He is responsible for the day-to-day operations of the Shanghai manufacturing facilities including production, sales and marketing and business development. He holds a profession diploma in Accountancy and Management from Shanghai Light Industry College. He has more than 9 years' experience in management.

Mr. YUAN Hai Xiang, aged 43, joined the Group in March 1985 and is the operations manager of Dongguan Hua Yi Brass Products Company Limited ("Dongguan Hua Yi"). He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 15 years' experience in operations management.

Mr. SO Kang Ming, aged 56, joined the Group in February 2005 and is the assistant operations manager of Hua Yi Copper Products Company Limited ("Hua Yi"). He is responsible for purchasing, inventory control and logistics operations of Hua Yi. He has about 15 years experience in merchandising and logistics operations.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2010.

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 18 and 19, to the financial statements, respectively.

Results

The results of the Group for the year ended 30 June 2010 are set out in the consolidated statement of comprehensive income on page 25.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2010.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 104.

Property, Plant and Equipment

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

Share Capital

Details of changes in the share capital of the Company during the year are set out in note 34 to the financial statements.

Reserves

The Company's distributable reserve at 30 June 2010 was nil (30 June 2009: Nil).

Directors' Report

Directors and Directors' Service Contracts

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

Executive directors:

Mr. Chau Lai Him *(Chairman and Managing Director)*	
Mr. Zhou Jin Hua	
Mr. Lam Chi Ming Francis	(resigned on 1 January 2010)
Mr. Liu Dong Yang	(appointed on 23 January 2010)
Mr. Liu Jin Rong	(resigned on 23 January 2010)
Mr. Ho Pang Cheng Vincent	(resigned on 30 April 2010)
Mr. Chan Sio Keong	(appointed on 1 January 2010 and resigned on 20 May 2010)
Mr. Buyan-Otgon Narmandakh	(appointed on 26 July 2010)

Independent non-executive directors:

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

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

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

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

Directors' Interests in Securities of the Company

As at 30 June 2010, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Substantial Shareholders and Other Persons' Interests in Securities of the Company

So far as is known to any of the Directors and chief executives of the Company, as at 30 June 2010, persons other than a Director or a chief executive of the Company who had an interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Long positions in the securities of the Company

Name of the Convertible Bond Holder	Outstanding Principal Amount of the Convertible Bond	Number of shares entitled on full conversion	Approximate percentage of the existing issued shares	Number of shares interested
Liu Yong	HK$1,332,000,000 *(Note 1)*	13,320,000,000 *(Note 1)*	283.06% *(Note 2)*	Nil *(Note 1)*

Notes :

(1) On 27 April 2010, a resolution for the creation and issue of the 3-year zero coupon unsecured convertible bond in the aggregate principal amount of HK$1,432,000,000 (the "Convertible Bond") was approved by the shareholders of the Company at the special general meeting held on 27 April 2010. On 4 May 2010, the Convertible Bond was issued to Mr. Liu Yong. The conversion price for the Convertible Bond was reset to HK$0.10. On 23 June 2010, 1,000,000,000 shares were issued pursuant to the conversions of the Convertible Bond by various parties, to whom Mr. Liu Yong transferred an aggregate principal amount of HK$100,000,000 of the Convertible Bond.

(2) As at 30 June 2010, the number of the issued shares was 4,705,660,362.

Save as disclosed above, so far as is known to any of the Directors and chief executives of the Company, as at 30 June 2010, no other person other than a Director or a chief executive of the Company had any interests or short positions in any shares or underlying shares of the Company which was recorded in the register kept by the Company under section 336 of the SFO.

Share Options

The Company

On 16 September 2002, the Company adopted a new share option scheme (the "New Share Option Scheme") which replaced the Company's old share option scheme adopted in 1996. Particulars of these share option schemes are set out in note 43 to the financial statements.

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

				Number of share options					
Capacity	Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.7.2009	Capital reorganisation during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2010
Employee	8 June 2009	9 June 2009 to 8 June 2011	0.395 *Note 1*	30,180,000	(24,144,000) *Note 1*	–	–	(6,036,000)	–
Others	27 May 2010	28 May 2010 to 27 May 2012	0.0904 *Note 2*	–	–	131,240,000	(131,240,000) *Note 3*	–	–
				30,180,000	(24,144,000)	131,240,000	(131,240,000)	(6,036,000)	–

Notes

(1) The closing price of the shares on the Stock Exchange on the date of grant was HK$0.068 and the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant was HK$0.079. Upon the capital reorganisation becoming effective on 10 July 2009, the number of shares falling to be issued upon exercise of the outstanding share options was adjusted from 30,180,000 to 6,036,000 and the exercise price of HK$0.079 per Share in respect of the outstanding share options was adjusted to HK$0.395 per share.

(2) The closing price of the shares on the Stock Exchange on the date of grant was HK$0.090 and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant was HK$0.0904.

(3) The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK$0.088.

At the balance sheet date, the Company had no share options outstanding under the New Share Option Scheme.

The details of fair value of the share options under the New Share Option Scheme are disclosed in note 43 to the financial statements.

Arrangement to Purchase Shares or Debentures

Other than the share option schemes as mentioned earlier, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

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

Major Customers and Suppliers

For the year ended 30 June 2010, the five largest customers of the Group together accounted for approximately 45.9% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 48.0% of the Group's total purchases during the year, with the largest supplier accounted for approximately 22.3% of the Group's total purchases during the year.

At no time during the period did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

Related Party transactions entered by the Group during the year ended 30 June 2010, which did not constitute connected transaction pursuant to the Listing Rules, are disclosed in note 45 to the financial statements.

Emolument Policy

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 43 to the financial statements.

Pre-Emptive Rights

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

Corporate Governance

The Company has complied throughout the period with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, except for the deviations from code provisions A.2.1 and A.4.1 of the Code which are explained below.

Code provision A.2.1

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

During the year ended 30 June 2010, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive industry experience. Mr. Chau is responsible for effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Code provision A.4.1

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

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

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors of the Company, all the Directors confirmed they have complied with the required standards set out in the Model Code throughout the year ended 30 June 2010.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Audit Committee

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

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

During the year, the audit committee met with the external auditors twice to understand and evaluate the financial risk associated to the Group and review the effectiveness of the Group's internal control.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 30 June 2010.

Events After Reporting Period

Details of significant events occurring after the end of reporting period are set out in note 48 of the financial statements.

Auditors

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

On behalf of the Board

Chau Lai Him
Chairman

20 October 2010

Corporate Governance Report

Corporate Governance Principles

The Group is committed to promoting good corporate governance, and has applied the principles in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Compliance of the Code Provisions

Throughout the financial year ended 30 June 2010 (the "Financial Year"), the Company complied with the Code except for the deviations from code provisions A.2.1 and A.4.1 of the Code which are explained below.

Code provision A.2.1

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

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

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

Code provision A.4.1

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

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

Directors' Securities Transactions

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

Corporate Governance Report

Board of Directors

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

The Board currently comprises a total of seven Directors, with four Executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Zhou Jin Hua (Deputy Chairman), Liu Dong Yang and Buyan-Otgon Narmandakh and three Independent Non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Save as disclosed herein, there is no relationship among members of the Board. More details of the Directors are disclosed on page 11.

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

The roles of Chairman and Managing Director are not separate, please refer to the explanation in connection with Code provision A.2.1 as set out under the heading "Compliance with the Code Provisions". The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and all Directors receive adequate, complete and reliable information.

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

Board Operation

During the Financial Year, the Board held 21 meetings and the attendance record of each member of the Board is set out below:

	Attendance/eligible to attend
Executive Directors[1]	
Chau Lai Him, *Chairman and Managing Director*	21/21
Zhou Jin Hua, *Deputy Chairman*	21/21
Liu Dong Yang (appointed on 23 January 2010)	8/8
Independent Non-executive Directors	
Chung Kam Kwong	19/21
Lo Wai Ming	19/21
Lo Chao Ming	21/21
Resigned Directors	
Lam Chi Ming Francis (resigned on 1 January 2010)	10/10
Liu Jin Rong (resigned on 23 January 2010)	12/12
Ho Pang Cheng Vincent (resigned on 30 April 2010)	15/15
Chan Sio Keong (appointed on 1 January 2010 and resigned on 20 May 2010)	5/5

Note:

(1) This table shows the attendance record of each member of the Board during the Financial Year. Therefore, it does not include attendance record of Mr. Buyan-Otgon Narmandakh, who was appointed as an executive director of the Company on 26 July 2010.

Remuneration of Directors

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

During the Financial Year, the Remuneration Committee held one meeting and all committee members were present at the meeting. The Remuneration Committee has reviewed the remuneration packages of all Executive Directors and senior management, and made recommendations to the Board in connection with the remuneration of the Non-executive Directors. Details of the emoluments of the Directors are set out in note 9 to the financial statements.

Nomination of Directors

The Company has not established a Nomination Committee. The Board is responsible for all matters relating to the appointment of Directors either to fill a casual vacancy or as an addition to the existing Board. Pursuant to the Bye-laws of the Company, any director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next annual general meeting and shall then be eligible for re-election at such meeting. Every director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Bye-laws of the Company.

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

During the Financial Year, the Board reviewed the structure, size and composition of the Board and recommended the appointment of Mr. Liu Dong Yang and Mr. Chan Sio Keong as Executive Directors.

Auditors' Remuneration

During the Financial Year, the remuneration paid and payable to the auditors of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services was HK$1,455,000 and HK$908,000 respectively.

Corporate Governance Report

Audit Committee

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

During the Financial Year, the Audit Committee held three meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 30 June 2010 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

System of Internal Controls

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

General

The Directors acknowledge their responsibility in preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards.

The responsibilities of the auditors with respect to the financial reporting are set out in the Independent Auditors' Report on pages 23 and 24 of this Annual Report.

On behalf of the Board

Chau Lai Him
Chairman

20 October 2010

Independent Auditors' Report

BDO

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

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

香港干諾道中111號
永安中心25樓

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

We have audited the financial statements of Solartech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 103, which comprise the consolidated and company statements of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

Independent Auditors' Report

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate number: P05308

Hong Kong, 20 October 2010

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

		Continuing operations		Discontinued operation		Total	
		2010	2009	**2010**	2009	**2010**	2009
	NOTES	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*6 & 7*	**756,444**	615,849	**647,836**	521,096	**1,404,280**	1,136,945
Cost of sales		**(716,830)**	(631,399)	**(492,764)**	(435,557)	**(1,209,594)**	(1,066,956)
Gross profit/(loss)		**39,614**	(15,550)	**155,072**	85,539	**194,686**	69,989
Interest income		**664**	1,073	**2,353**	4,766	**3,017**	5,839
Other income		**3,599**	20,585	**2,656**	7,923	**6,255**	28,508
General and administrative expenses		**(100,101)**	(87,621)	**(67,176)**	(54,434)	**(167,277)**	(142,055)
Selling and distribution expenses		**(12,628)**	(12,625)	**(8,814)**	(11,416)	**(21,442)**	(24,041)
Change in fair value of derivative financial instruments	*24*	**(3,500)**	(140)	**–**	–	**(3,500)**	(140)
Change in fair value of convertible bond	*33*	**141,344**	–	**–**	–	**141,344**	–
Impairment loss recognised for doubtful debts, net	*22(iii)*	**(1,843)**	(5,976)	**(250)**	(5,199)	**(2,093)**	(11,175)
Impairment loss on loan receivable	*22(vi)*	**–**	(44,960)	**–**	–	**–**	(44,960)
Impairment loss on property, plant and equipment	*15*	**–**	(60,566)	**(26,430)**	(1,536)	**(26,430)**	(62,102)
Finance costs	*10*	**(30,677)**	(15,820)	**(817)**	(4,373)	**(31,494)**	(20,193)
Share of results of associates	*19*	**(2,230)**	(122,246)	**–**	–	**(2,230)**	(122,246)
Loss on disposal of subsidiaries	*39*	**–**	–	**(197,141)**	–	**(197,141)**	–
Loss on deemed disposal of a listed associate	*36*	**–**	(54,595)	**–**	–	**–**	(54,595)
Loss on disposal of a listed associate	*36*	**–**	(89,736)	**–**	–	**–**	(89,736)
Discount on acquisition of additional interest in a subsidiary	*36*	**–**	-	**–**	1,971	**–**	1,971
Gain on asset swap	*37*	**–**	14,322	**–**	–	**–**	14,322
Profit /(loss) before taxation	*8*	**34,242**	(473,855)	**(140,547)**	23,241	**(106,305)**	(450,614)
Taxation	*11*	**2,211**	(1,408)	**(34,566)**	(18,983)	**(32,355)**	(20,391)
Profit/(loss) for the year		**36,453**	(475,263)	**(175,113)**	4,258	**(138,660)**	(471,005)
Other comprehensive income:							
Exchange differences on translating foreign operations		**20,766**	(3,548)	**–**	(22,840)	**20,766**	(26,388)
Reclassification adjustments of exchange reserve upon disposal of interests in a listed associate and asset swap	*36 & 37*	**–**	–	**–**	(32,117)	**–**	(32,117)
Reclassification adjustments of exchange reserve upon disposal of subsidiaries	*39*	**–**	–	**(16,673)**	–	**(16,673)**	–
Other comprehensive income for the year		**20,766**	(3,548)	**(16,673)**	(54,957)	**4,093**	(58,505)
Total comprehensive income for the year		**57,219**	(478,811)	**(191,786)**	(50,699)	**(134,567)**	(529,510)

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

		Continuing operations		Discontinued operation		Total	
		2010	2009	**2010**	2009	**2010**	2009
	NOTES	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss) for the year attributable to:							
Owners of the Company	*12*	**36,453**	(475,263)	**(175,113)**	4,363	**(138,660)**	(470,900)
Non-controlling interest		**–**	–	**–**	(105)	**–**	(105)
		36,453	(475,263)	**(175,113)**	4,258	**(138,660)**	(471,005)
Total comprehensive income attributable to:							
Owners of the Company		**57,219**	(478,811)	**(191,786)**	(50,467)	**(134,567)**	(529,278)
Non-controlling interest		**–**	–	**–**	(232)	**–**	(232)
		57,219	(478,811)	**(191,786)**	(50,699)	**(134,567)**	(529,510)
(Loss)/earnings per share:							(Restated)
from continuing and discontinued operations	*14*						
– Basic (HK cents)						**(8.32)**	(389.67)
– Diluted (HK cents)						**(8.32)**	(389.67)
from continuing operations							
– Basic (HK cents)						**2.19**	(393.28)
– Diluted (HK cents)						**(5.45)**	(393.28)

Consolidated Statement of Financial Position

At 30 June 2010

	NOTES	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**294,277**	411,412
Prepayments for acquisition of property, plant and equipment	15	**–**	1,600
Prepaid lease payments for land	16	**96,573**	105,394
Intangible asset	17	**1,163,828**	–
Interest in an associate	19	**9,185**	11,310
Goodwill	20	**–**	23,389
Convertible bond	33	**141,081**	–
Total non-current assets		**1,704,944**	553,105
Current assets			
Inventories	21	**112,449**	178,284
Debtors, other loans and receivables, deposits and prepayments	22	**216,558**	212,602
Bills receivable	23	**18,662**	13,172
Prepaid lease payments for land	16	**2,631**	2,593
Derivative financial assets	24	**–**	54
Tax recoverable		**872**	3,893
Pledged deposits and bank balances	25 & 26	**49,988**	48,136
Bank balances and cash	26	**217,244**	98,442
Total current assets		**618,404**	557,176
Current liabilities			
Creditors, other advances and accrued charges	27	**63,258**	138,805
Bills payable	28	**120,128**	107,144
Taxation		**347**	7,776
Obligations under finance leases	29	**665**	4,077
Borrowings	30	**165,338**	185,846
Derivative financial liabilities	24	**11,766**	520
Deferred consideration payable	31	**6,825**	–
Total current liabilities		**368,327**	444,168
Net current assets		**250,077**	113,008
Total assets less current liabilities		**1,955,021**	666,113

Consolidated Statement of Financial Position

At 30 June 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Convertible bond	33	1,028,621	–
Obligations under finance leases	29	755	2,383
Borrowings	30	–	4,775
Deferred consideration payable	31	–	6,674
Deferred tax liabilities	32	23,573	26,281
Total non-current liabilities		1,052,949	40,113
Total net assets		902,072	626,000
EQUITY			
Capital and reserves			
Share capital	34	47,056	31,685
Reserves		854,516	593,815
Equity attributable to owners of the Company		901,572	625,500
Non-controlling interest		500	500
Total equity		902,072	626,000

The financial statements on pages 25 to 103 were approved and authorised for issue by the Board of Directors on 20 October 2010 and are signed on its behalf by:

Chau Lai Him
Director

Zhou Jin Hua
Director

Statement of Financial Position

At 30 June 2010

	NOTES	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILTIIES			
Non-current assets			
Interests in subsidiaries	*18*	**1,586,458**	350,678
Convertible bond	*33*	**141,081**	–
Total non-current assets		**1,727,539**	350,678
Current assets			
Deposits and prepayments		**263**	345
Bank balances and cash	*26*	**119,159**	10,261
Total current assets		**119,422**	10,606
Current liabilities			
Other advances and accrued charges		**898**	192
Amounts due to subsidiaries	*18*	**60,557**	60,557
Total current liabilities		**61,455**	60,749
Net current assets/(liabilities)		**57,967**	(50,143)
Total assets less current liabilities		**1,785,506**	300,535
Non-current liabilities			
Convertible bond	*33*	**1,028,621**	–
Total net assets		**756,885**	300,535
EQUITY			
Capital and reserves			
Share capital	*34*	**47,056**	31,685
Reserves	*35*	**709,829**	268,850
Total equity		**756,885**	300,535

Chau Lai Him
Director

Zhou Jin Hua
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Share option reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Share option reserve of a listed associate HK$'000	Non–controlling interest HK$'000	Total equity HK$'000
At 1 July 2008	6,037	229,243	587,012	62,172	11,549	5,044	177,550	1,078,607	4,795	2,703	1,086,105
Total comprehensive income for the year	–	–	–	(58,378)	–	–	(470,900)	(529,278)	–	(232)	(529,510)
Open offer of new shares *(Note 34)*	24,146	35,843	–	–	–	–	–	59,989	–	–	59,989
Placements of new shares *(Note 34)*	1,200	6,469	–	–	–	–	–	7,669	–	–	7,669
Issue of shares upon exercise of share options *(Note 34)*	302	2,082	–	–	–	–	–	2,384	–	–	2,384
Transfer upon exercise of share options *(Note 34)*	–	667	–	–	–	(667)	–	–	–	–	–
Cancellation and lapse of share options	–	–	–	–	–	(5,044)	9,839	4,795	(4,795)	–	–
Disposal of a listed associate	–	–	–	–	(5,897)	–	5,897	–	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(1,971)	(1,971)
Recognition of equity–settled share–based payments *(Note 43)*	–	–	–	–	–	1,334	–	1,334	–	–	1,334
At 30 June 2009	31,685	274,304	587,012	3,794	5,652	667	(277,614)	625,500	–	500	626,000

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Share option reserve HK$'000	Accumul-ated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 July 2009	31,685	274,304	587,012	3,794	5,652	667	(277,614)	625,500	500	626,000
Total comprehensive income for the year	–	–	–	4,093	–	–	(138,660)	(134,567)	–	(134,567)
Disposal of subsidiaries	–	–	–	–	(786)	–	786	–	–	–
Capital reorganisation *(Note 34)*	(25,348)	–	25,348	–	–	–	–	–	–	–
Placements of new shares *(Note 34)*	29,407	296,037	–	–	–	–	–	325,444	–	325,444
Issue of shares upon exercise of share options *(Note 34)*	1,312	10,552	–	–	–	–	–	11,864	–	11,864
Transfer upon exercise of share options *(Note 34)*	–	3,996	–	–	–	(3,996)	–	–	–	–
Issue of shares upon partial conversion of convertible bond *(Note 34)*	10,000	59,335	–	–	–	–	–	69,335	–	69,335
Recognition of equity-settled share-based payments *(Note 43)*	–	–	–	–	–	3,996	–	3,996	–	3,996
Cancellation and lapse of share options	–	–	–	–	–	(667)	667	–	–	–
At 30 June 2010	**47,056**	**644,224**	**612,360**	**7,887**	**4,866**	**–**	**(414,821)**	**901,572**	**500**	**902,072**

Notes:

The contributed surplus represented (i) the net balance after setting off accumulated losses of the Company as at 1 April 2002 from reduced share capital and cancelled share premium of the Company in accordance with the Company's capital reorganisation in September 2002; and (ii) the credit arising from the capital reduction in accordance with the Company's capital reorganisation in July 2009 as detailed in Note 34(i).

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 outstanding share options granted to the eligible parties.

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	2010 HK$'000	2009 HK$'000
Operating activities		
Loss before taxation	**(106,305)**	(450,614)
Adjustments for:		
Equity-settled share-based payments	**3,996**	1,334
Loss on disposal of property, plant and equipment	**8,120**	5,484
Loss on disposal of a listed associate	**–**	89,736
Loss on disposal of subsidiaries	**197,141**	–
Loss on deemed disposal of a listed associate	**–**	54,595
Depreciation of property, plant and equipment	**53,092**	53,360
Amortisation of intangible asset	**6,197**	–
Charge of prepaid lease payments for land	**2,752**	1,846
Change in fair value of derivative financial instruments	**3,500**	140
Change in fair value of convertible bond	**(141,344)**	–
Write-down/(back) of inventories, net	**2,618**	(2,605)
Impairment loss recognised for doubtful debts, net	**2,093**	11,175
Impairment loss on prepayments for acquisition of property, plant and equipment	**1,600**	–
Impairment loss on loan receivable	**–**	44,960
Impairment loss on property, plant and equipment	**26,430**	62,102
Share of results of associates	**2,230**	122,246
Gain on asset swap	**–**	(14,322)
Discount on acquisition of additional interest in a subsidiary	**–**	(1,971)
Interest income	**(3,017)**	(5,839)
Finance costs	**31,494**	20,193
Operating profit/(loss) before working capital changes	**90,597**	(8,180)
(Increase)/decrease in inventories	**(31,234)**	99,792
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments	**(197,051)**	205,361
(Increase)/decrease in bills receivable	**(6,115)**	29,736
Increase/(decrease) in creditors, other advances and accrued charges	**84,896**	(71,662)
Increase in bills payable	**12,984**	19,531
Increase/(decrease) in derivative financial instruments	**7,800**	(7,143)
Decrease in amount due to an associate	**–**	(162,113)
Cash (used in)/generated from operations	**(38,123)**	105,322
Taxation in other jurisdictions paid	**(36,335)**	(18,028)
Net cash (used in)/generated from operating activities	**(74,458)**	87,294

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	2010 *HK$'000*	2009 *HK$'000*
Investing activities		
Interest received	3,017	5,286
Purchases of property, plant and equipment	(25,209)	(36,704)
Acquisition of subsidiaries	(83,887)	–
Proceeds from disposal of property, plant and equipment	275	2,069
Net proceeds from disposal of a listed associate	–	23,760
Net cash inflow from disposal of subsidiaries	7,934	–
Direct costs paid for disposal of subsidiaries	(4,044)	(3,506)
Net cash inflow in asset swap	–	62,682
Payment of deferred consideration	–	(6,825)
Net cash (used in)/generated from investing activities	(101,914)	46,762
Financing activities		
Interest paid on borrowings	(14,094)	(19,929)
Interest paid on finance leases	(707)	(264)
Net proceeds from open offer of shares	–	59,989
Net proceeds from placements of shares	325,444	7,669
Proceeds received from exercise of share options	11,864	2,384
New borrowings raised	189,763	270,772
(Increase)/decrease in pledged deposits and bank balances	(1,852)	16,034
Repayment of obligations under finance leases	(3,681)	(4,504)
Repayment of borrowings	(215,046)	(431,284)
Net cash generated from/(used in) financing activities	291,691	(99,133)
Net increase in cash and cash equivalents	115,319	34,923
Cash and cash equivalents at beginning of the year	98,442	80,204
Effect of foreign exchange rate changes	3,483	(16,685)
Cash and cash equivalents at end of the year	217,244	98,442
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	217,244	98,442

Notes to the Financial Statements

For the year ended 30 June 2010

1. Organisation and Operations

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, manufacture and trading of connectors and terminals and mining business. Its associate is principally engaged in the manufacture and trading of optical fibre cable and related products. During the year, the Group's business of the manufacture and trading of connectors and terminals was disposed of, details of which are set out in Notes 7 and 39.

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

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

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded Derivatives

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

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. The revised standard has had no impact on the current year as there has been no business combination transaction as defined under HKFRS 3.

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

(a) (continued)

HKAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions are recognised within equity and no longer give rise to goodwill, nor gain from bargain purchase. Furthermore, the amended standard specifies that accounting when control is lost and any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The amended standard has had no impact on the current year as there has been no transaction with non-controlling interest or transaction whereby an interest in an entity is retained after the loss of control of that entity.

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

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

(b) Potential impact arising on HKFRSs not yet effective

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

		Effective date
HKFRSs (Amendments)	Improvements to HKFRSs 2009	(i)
HKFRSs (Amendments)	Improvements to HKFRSs 2010	(ii)
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions	(i)
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(iii)
HKAS 24 (Revised)	Related Party Disclosures	(iv)
HKFRS 9	Financial Instruments	(v)

Effective date:

(i) Annual periods beginning on or after 1 January 2010
(ii) Annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
(iii) Annual periods beginning on or after 1 July 2010
(iv) Annual periods beginning on or after 1 January 2011
(v) Annual periods beginning on or after 1 January 2013

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

(b) Potential impact arising on HKFRSs not yet effective (continued)

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.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. Significant Accounting Policies

Statement of compliance

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

Basis of preparation of financial statements

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

Basis of consolidation

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

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

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

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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

Before 1 July 2009, acquisition of subsidiaries and business was accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Since 1 July 2009, 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 disposed 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.

3. Significant Accounting Policies (continued)

Subsidiaries

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

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

Associates

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

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

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

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

Goodwill

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

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

3. Significant Accounting Policies (continued)

Goodwill (continued)

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 statement of cash flows.

Revenue recognition

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

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

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

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

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

Borrowing costs

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

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

Deferred overburden removal costs

Stripping ratios are determined by comparing the quantity of minerals mined to the quantity of overburden, or waste removed to access the minerals. Costs are deferred to the statement of financial position, where appropriate, when the actual stripping ratios vary from the planned mine average stripping ratios. Deferral of costs to the statement of financial position is not made where the actual stripping ratio is expected to be evenly distributed. Costs, which have previously been deferred to the consolidated statement of financial position (deferred overburden removal costs), are included in the profit or loss on the units of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

3. Significant Accounting Policies (continued)

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 construction in progress, over their estimated useful lives, using the reducing balance method, at the following rates per annum:

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

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

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

Prepaid lease payments for land

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

Mining rights

Mining rights are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Mining rights are amortised using the straight-line method over the expected useful life of 30 years.

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.

3. Significant Accounting Policies (continued)

Impairment of assets excluding goodwill (continued)

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

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

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

Inventories

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

Income taxes

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

(i) *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years 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 statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

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

3. Significant Accounting Policies (continued)

Income taxes (continued)

(ii) Deferred tax (continued)

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

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

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

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

Leases

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

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

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

3. Significant Accounting Policies (continued)

Foreign currencies

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are 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 and derivative component of convertible bond. 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The Group derecognises a financial asset only when the contractual rights to the cash flows form the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The initial recognition and subsequent measurement of derivative component of convertible bond issued by the Group are set out respective accounting policies below.

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the terms of the borrowings.

Financial guarantee contract

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

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Other financial liabilities

Other financial liabilities including creditors, bills payable, obligation under finance leases, borrowings, liability component of convertible bond 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.

Convertible bond

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

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

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derivative financial instruments

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

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

Derivatives not qualified for hedging

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

Derecognition

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

Provisions

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

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

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

3. Significant Accounting Policies (continued)

Provisions (continued)

Provision for close down, restoration and environmental costs

One consequence of minerals mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the profit or loss on a prospective basis over the remaining life of the operation. Provision for close down and restoration costs does not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at the end of each reporting period to reflect changes in conditions.

Contingent liabilities

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

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

Equity-settled share-based payment transactions

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

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

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

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

3. Significant Accounting Policies (continued)

Equity-settled share-based payment transactions (continued)

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 year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Defined contribution pension obligations

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

Related parties

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

4. Key Sources of Estimation Uncertainty

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

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.

4. Key Sources of Estimation Uncertainty (continued)

Depreciation of property, plant and equipment

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

Reserve estimates

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

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Income taxes

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

5. Financial Risk Management

a. Financial risk management objectives and policies

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

Foreign currency risk

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

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Credit risk

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

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 22.

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 30. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 30.

At 30 June 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses by approximately HK$1,653,000 (2009: increase/decrease the loss and accumulated losses 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 the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2009.

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

The Group	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*
2010					
Borrowings	**165,338**	**167,678**	**167,678**	**–**	**–**
Obligations under finance leases	**1,420**	**1,583**	**803**	**780**	**–**
Creditors, other advances and accrued charges, and bills payable	**183,386**	**183,386**	**183,386**	**–**	**–**
Deferred consideration payable	**6,825**	**6,825**	**6,825**	**–**	**–**
Liability component of convertible bond	**1,006,355**	**1,332,000**	**–**	**–**	**1,332,000**
	1,363,324	**1,691,472**	**358,692**	**780**	**1,332,000**
Derivative financial liabilities	**11,766**	**221,743**	**221,743**	**–**	**–**
2009					
Borrowings	190,621	193,784	188,769	5,015	–
Obligations under finance leases	6,460	7,914	5,034	2,880	–
Creditors, other advances and accrued charges, and bills payable	245,949	246,100	246,100	–	–
Deferred consideration payable	6,674	6,790	–	6,790	–
	449,704	454,588	439,903	14,685	–
Derivative financial liabilities	520	520	520	–	–

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
2010					
Amounts due to subsidiaries	**60,557**	**60,557**	**60,557**	**–**	**–**
Other advances and accrued charges	**898**	**898**	**898**	**–**	**–**
Liability component of convertible bond	**1,006,355**	**1,332,000**	**–**	**–**	**1,332,000**
	1,067,810	**1,393,455**	**61,455**	**–**	**1,332,000**
Financial guarantee issued					
Maximum amount guaranteed	**–**	**–**	**28,558**	**–**	**–**
2009					
Amounts due to subsidiaries	60,557	60,557	60,557	–	–
Other advances and accrued charges	192	192	192	–	–
	60,749	60,749	60,749	–	–
Financial guarantee issued					
Maximum amount guaranteed	–	–	32,055	–	–

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 24.

At 30 June 2010, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses by approximately HK$22,730,000 (2009: increase/decrease the loss and accumulated losses by approximately HK$290,000) in respect of the instruments outstanding throughout the year.

5. Financial Risk Management (continued)

a. Financial risk management objectives and policies (continued)

Copper price risk (continued)

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

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

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

5. Financial Risk Management (continued)

b. Fair value (continued)

At 30 June 2010, the Group's derivatives are measured at fair value. During the year, there are no significant transfers between Level 1 and Level 2.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets/(liabilities)				
Put option of convertible bond	–	**141,081**	–	141,081
Copper future contracts	**(11,766)**	–	–	(11,766)
Call option of convertible bond	–	**(22,266)**	–	(22,266)
	(11,766)	**118,815**	–	107,049

6. Turnover

Turnover, which is also the revenue, represents the amounts received and receivable for goods sold and provision of services (2009: goods sold) to outside customers, net of returns and discounts and sales related taxes during the year.

7. Segmental Information

(a) Reportable segments

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

(i) manufacture and trading of cables and wires;

(ii) copper rods; and

(iii) connectors and terminals.

As detailed in Note 39, on 31 December 2009, the Company entered into a conditional sale and purchase agreement to dispose of its business of the manufacture and trading of connectors and terminals and it has been completed on 30 April 2010. Further details are set out in the Company's announcement and circular dated 8 January 2010 and 9 April 2010 respectively. Accordingly, the business segment of manufacture and trading of connectors and terminals was classified as discontinued operation. The comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

As detailed in Note 38, on 4 May 2010, the Group completed its acquisition of mining operation located in the State of Mongolia and became engaged in the mining business, details of which are set out in the Company's announcements dated 30 November 2009 and 4 May 2010, and circular dated 9 April 2010. However, no active operation took place between the date of acquisition and 30 June 2010 and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2010 and for the year then ended for the purpose of segment reporting.

7. Segmental Information (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2010

	Continuing operations				Discontinued operation		
	Cables and wires *HK$'000*	Copper rods *HK$'000*	Others *HK$'000*	Total *HK$'000*	Connectors and terminals *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from external customers	390,374	366,038	32	756,444	647,836	–	1,404,280
Inter-segment revenue	14,381	113,001	–	127,382	256	(127,638)	–
Reportable segment revenue	404,755	479,039	32	883,826	648,092	(127,638)	1,404,280
Reportable segment (loss)/profit	(35,855)	(9,315)	124,313	79,143	(140,547)	–	(61,404)
Finance costs	(3,394)	(10,589)	(16,694)	(30,677)	(817)	–	(31,494)
Change in fair value of derivative financial instruments	(2,585)	1,622	(2,537)	(3,500)	–	–	(3,500)
Change in fair value of convertible bond	–	–	141,344	141,344	–	–	141,344
Impairment loss recognised for doubtful debts, net	(1,739)	(104)	–	(1,843)	(250)	–	(2,093)
Impairment loss on prepayments for property, plant and equipment	(1,600)	–	–	(1,600)	–	–	(1,600)
Impairment loss on property, plant and equipment	–	–	–	–	(26,430)	–	(26,430)
Share of results of associates	(2,230)	–	–	(2,230)	–	–	(2,230)
Amortisation on intangible asset	–	–	(6,197)	(6,197)	–	–	(6,197)
Loss on disposal of subsidiaries	–	–	–	–	(197,141)	–	(197,141)
Depreciation of property, plant and equipment	(25,744)	(9,046)	(2,327)	(37,117)	(15,975)	–	(53,092)
Taxation	918	1,344	(51)	2,211	(34,566)	–	(32,355)

7. Segmental Information (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2009

	Continuing operations				Discontinued operation		
	Cables and wires	Copper rods	Others	Total	Connectors and terminals	Elimination	Total
	HK$'000	*HK$'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	503,614	149,405	10,411	663,430	521,219	(47,704)	1,136,945
Reportable segment (loss)/ profit	(116,380)	(182,181)	(173,863)	(472,424)	23,241	–	(449,183)
Finance costs	(10,244)	(5,576)	–	(15,820)	(4,373)	–	(20,193)
Impairment loss recognised for doubtful debts, net	(2,215)	(3,288)	(473)	(5,976)	(5,199)	–	(11,175)
Impairment loss on property, plant and equipment	(35,909)	–	(24,657)	(60,566)	(1,536)	–	(62,102)
Impairment loss on loan receivable	–	(44,960)	–	(44,960)	–	–	(44,960)
Change in fair value of derivative financial instruments	(912)	868	(96)	(140)	–	–	(140)
Share of results of associates	(936)	(121,310)	–	(122,246)	–	–	(122,246)
Loss on deemed disposal of a listed associate	–	–	(54,595)	(54,595)	–	–	(54,595)
Loss on disposal of a listed associate	–	–	(89,736)	(89,736)	–	–	(89,736)
Discount on acquisition of additional interest in a subsidiary	–	–	–	–	1,971	–	1,971
Gain on asset swap	–	–	14,322	14,322	–	–	14,322
Depreciation of property, plant and equipment	(25,025)	(3,910)	(10,187)	(39,122)	(14,238)	–	(53,360)
Taxation	(1,107)	(142)	(159)	(1,408)	(18,983)	–	(20,391)

7. Segmental Information (continued)

(a) Reportable segments (continued)

As at 30 June 2010

	Continuing operations				Discontinued operation	
	Cables and wires *HK$'000*	Copper rods *HK$'000*	Others *HK$'000*	Total *HK$'000*	Connectors and terminals *HK$'000*	Total *HK$'000*
Reportable segment assets	**350,786**	**359,493**	**1,593,150**	**2,303,429**	**–**	**2,303,429**
Additions to non-current assets	**3,081**	**154**	**1,167,206**	**1,170,441**	**21,572**	**1,192,013**
Reportable segment liabilities	**115,852**	**230,958**	**1,045,450**	**1,392,260**	**–**	**1,392,260**

As at 30 June 2009

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

7. Segmental Information (continued)

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

	For the year end 30 June 2010 HK$'000	2009 HK$'000
Loss before taxation and discontinued operation		
Reportable segment loss	(61,404)	(449,183)
Segment loss/(profit) from discontinued operation	140,547	(23,241)
Unallocated corporate expense	(44,901)	(1,431)
Consolidated profit/(loss) before taxation from continuing operations	34,242	(473,855)

	30 June 2010 HK$'000	30 June 2009 HK$'000
Assets		
Reportable segment assets	2,303,429	1,101,990
Unallocated corporate assets	19,919	8,291
Consolidated total assets	2,323,348	1,110,281

	30 June 2010 HK$'000	30 June 2009 HK$'000
Liabilities		
Reportable segment liabilities	1,392,260	439,216
Current tax liabilities	347	7,776
Deferred tax liabilities	23,573	26,281
Unallocated corporate liabilities	5,096	11,008
Consolidated total liabilities	1,421,276	484,281

7. Segmental Information (continued)

(c) Geographical segments

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

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

	2010	2009
	HK$'000	*HK$'000*
Mainland China	**586,809**	464,286
Americas	**91,806**	81,610
Europe	**29,731**	26,577
Hong Kong	**23,666**	23,273
Other Asian regions	**24,432**	20,103
	756,444	615,849

	Specified non-current assets	
	2010	2009
	HK$'000	*HK$'000*
Mainland China	**389,496**	433,780
Americas	**99**	70,452
Europe	**318**	398
Hong Kong	**10,122**	36,877
Other Asian regions	**1,163,828**	11,598
	1,563,863	553,105

(d) Information about major customer

During the year, a customer contributed revenues of HK$61,857,000 (2009: HK$66,094,000) and HK$396,880,000 (2009: HK$415,758,000) to the Group's cables and wires segment and connectors and terminals segment, respectively.

8. Profit/(Loss) Before Taxation

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss) before taxation has been arrived at after charging:						
Auditors' remuneration	**1,545**	891	**748**	126	**2,293**	1,017
Depreciation of property, plant and equipment	**37,117**	39,122	**15,975**	14,238	**53,092**	53,360
Amortisation of intangible asset	**6,197**	–	**–**	–	**6,197**	–
Cost of inventories *(Note)*	**716,830**	631,399	**492,764**	435,557	**1,209,594**	1,066,956
Write-down/(back) of inventories, net	**2,618**	(10,796)	**–**	8,191	**2,618**	(2,605)
Charge of prepaid lease payments for land	**2,602**	1,666	**150**	180	**2,752**	1,846
Operating lease rentals in respect of rented premises	**1,423**	1,224	**1,437**	1,556	**2,860**	2,780
Impairment loss on prepayments for acquisition of property, plant and equipment	**1,600**	–	**–**	–	**1,600**	–
Loss on disposal of property, plant and equipment	**2,225**	1,582	**5,895**	3,902	**8,120**	5,484
Exchange difference, net	**(1,485)**	5,045	**(4,894)**	(612)	**(6,379)**	4,433
Wages, salaries and pension attribution including directors' remuneration *(Notes 44 and 9)*	**63,436**	40,929	**31,562**	82,083	**94,998**	123,012
Equity-settled share-based payments expense *(Note 43)*	**3,996**	1,334	**–**	–	**3,996**	1,334
and after crediting:						
Interest income on bank deposits	**664**	363	**2,353**	4,767	**3,017**	5,130
Rental income	**–**	386	**–**	–	**–**	386
Sub-contracting income	**32,632**	15,685	**–**	–	**32,632**	15,685
Sales of scrapped inventories	**36**	989	**15**	5,747	**51**	6,736
Interest income on other loans receivable	**–**	709	**–**	–	**–**	709

Note:

Cost of inventories includes HK$90,806,000 (2009: HK$99,394,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land net for which the amounts are also included in the respective total amounts disclosed separately above. Cost of inventories includes net write-down of inventories of HK$2,618,000 (2009: write-back of inventories HK$2,605,000).

9. Remuneration of Directors and Five Highest Paid Individuals

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

Name of director	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Mr. Chau Lai Him	**–**	–	**3,825**	3,130	**12**	10	**3,837**	3,140
Mr. Zhou Jin Hua	**–**	–	**1,380**	1,367	**–**	–	**1,380**	1,367
Mr. Liu Jin Rong	**–**	–	**88**	144	**–**	–	**88**	144
Mr. Ho Pang Cheng, Vincent	**–**	–	**783**	86	**39**	3	**822**	89
Mr. Lo Chao Ming	**60**	60	**–**	–	**–**	–	**60**	60
Mr. Lo Wai Ming	**96**	96	**–**	–	**–**	–	**96**	96
Mr. Chung Kam Kwong	**120**	420	**–**	–	**–**	–	**120**	420
Mr. Chan Kwan Hung	**–**	–	**–**	294	**–**	4	**–**	298
Mr. Lam Chi Ming, Francis	**–**	–	**624**	122	**6**	3	**630**	125
Mr. Chan Sio Keung	**–**	–	**256**	–	**5**	–	**261**	–
Mr. Liu Dong Yang	**–**	–	**123**	–	**–**	–	**123**	–
Total	**276**	576	**7,079**	5,143	**62**	20	**7,417**	5,739

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: HK$Nil).

The five highest paid individuals of the Group include two (2009: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2009: three) individuals were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other benefits	**4,125**	4,007
Contributions to retirement benefit schemes	**404**	425
	4,529	4,432

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

Remuneration of these individuals was within the following bands:

	Number of individuals 2010	2009
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$2,500,000	**–**	1

10. Finance Costs

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**13,869**	15,614	**225**	4,315	**14,094**	19,929
Interest on finance leases	**115**	206	**592**	58	**707**	264
Imputed interest on convertible bond	**16,693**	–	**–**	–	**16,693**	–
	30,677	15,820	**817**	4,373	**31,494**	20,193

11. Taxation

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax:						
Current year	**–**	51	**–**	–	**–**	51
Under-provision in respect of prior years	**51**	179	**–**	–	**51**	179
Taxation in other jurisdictions:						
Current year	**968**	390	**35,117**	15,064	**36,085**	15,454
(Over)/under-provision in respect of prior years	**(714)**	161	**(431)**	51	**(1,145)**	212
	305	781	**34,686**	15,115	**34,991**	15,896
Deferred taxation *(Note 32)*	**(2,516)**	627	**(120)**	3,967	**(2,636)**	4,594
Effect of change in tax rate	**–**	–	**–**	(99)	**–**	(99)
Tax (credit)/charge for the year	**(2,211)**	1,408	**34,566**	18,983	**32,355**	20,391

11. Taxation (continued)

Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit arising in Hong Kong during the year.

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

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Loss before taxation	**(106,305)**	(450,614)
Tax at the PRC income tax rate of 25% (2009: 25%)	**(26,576)**	(112,654)
Tax effect of expenses not deductible for tax purpose	**130,834**	114,817
Tax effect of income not taxable for tax purpose	**(79,607)**	(53,647)
Tax effect of tax losses not recognised	**211**	39,414
Utilisation of tax losses previously not recognised	**(2,507)**	(5,119)
(Over)/under-provision in respect of prior years	**(1,094)**	391
Effect of different tax rates of the Company's subsidiaries operating outside of the PRC and changes in tax rates	**10,537**	4,793
Tax effect on share of results of associates	**557**	32,396
Taxation for the year	**32,355**	20,391

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the year ended 30 June 2010 and 2009.

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

The consolidated loss from ordinary activities attributable to owners of the Company for the year ended 30 June 2010 includes a profit of HK$110,686,000 (2009: a loss of HK$10,227,000) which has been dealt with in the financial statements of the Company.

13. Dividend

The directors do not recommend the payment of any dividend for the year ended 30 June 2010 (2009: HK$Nil).

14. (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/earnings for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the capital reorganisation during the year (Note 34(i)). Basic and diluted (loss)/earnings per share amounts for the year ended 30 June 2009 is restated to take into effect the capital reorganisation during the year.

From continuing and discontinued operations

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

Loss

	2010	2009
	HK$'000	*HK$'000*
Loss for the purpose of basic from continuing and discontinued operations loss per share	**(138,660)**	(470,900)

Number of shares

	2010	2009
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,666,662,450**	120,846,158

The computation of diluted loss per share from continuing and discontinued operations does not assume the conversion of the Company's outstanding convertible bond and the exercise of share options since the conversion and exercise would have an anti-dilutive effect in the respective years. Therefore, the basic and diluted loss per share amounts for the respective years are equal.

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

From continuing operations

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

Earnings/(loss)

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Earnings/(loss) for the purpose of basic loss per share from continuing operations	**36,453**	(475,263)
Effect of dilutive ordinary shares:		
Interest on convertible bond (net of tax)	**13,939**	–
Change in fair value of convertible bond	**(141,344)**	–
Loss for the purpose of diluted loss per share	**(90,952)**	(475,263)

Number of shares

	2010	2009
		(Restated)
Weighted average number of shares for the purpose of loss per share from continuing operations	**1,666,662,450**	120,846,158
Effect of dilutive potential ordinary shares:		
Convertible bond	**2,223,187**	–
Weighted average number of shares for the purpose of diluted loss per share from continuing operations	**1,668,885,637**	120,846,158

The computation of diluted loss per share from continuing operations does not assume the exercise of the Company's outstanding share options during the year ended 30 June 2009 since its exercise would have an anti-dilutive effect in the prior year. Therefore, the basic and diluted loss per share amounts for the prior year are equal.

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

From discontinued operation

Basic loss per share for the discontinued operation is HK10.51 cents per share (2009: earnings per share of HK3.61 cents per share (restated)) and diluted loss per share for the discontinued operation is HK10.51 cents per share (2009: diluted earnings per share of HK3.52 cents per share (restated)), based on the following data:

(Loss)/earnings

	2010 ***HK$'000***	2009 *HK$'000* (Restated)
(Loss)/earnings for the purpose of basic loss per share from discontinued operation	**(175,113)**	4,363

Number of shares

	2010	2009 (Restated)
Weighted average number of shares for the purpose of loss per share from discontinued operations	**1,666,662,450**	120,846,158
Effect of dilutive potential ordinary shares:		
Share options	**–**	3,067,747
Weighted average number of shares for the purpose of diluted loss per share from discontinued operation	**1,666,662,450**	123,913,905

The computation of diluted loss per share from discontinued operation does not assume the conversion of the Company's outstanding convertible bond during the year ended 30 June 2010 since its exercise would have an anti-dilutive effect in the current year. Therefore, the basic and diluted loss per share amounts for the current year are equal.

Loss for the year ended 30 June 2009 attributable to owners of the Company is restated as a result of the re-presentation of the Group's manufacture and trading of connectors and terminals operation as if it had been discontinued at the beginning of the year ended 30 June 2009.

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

	Construction in progress HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 July 2008	68,215	247,424	34,373	86,439	489,735	24,045	950,231
Currency realignment	42	(281)	(172)	(2,302)	(14,753)	(18)	(17,484)
Additions	13,326	326	495	2,194	26,341	66	42,748
Acquisition of subsidiaries under asset swap *(Note 37(i))*	1,391	55,682	–	923	55,893	1,896	115,785
Reclassification	(1,475)	–	–	–	1,475	–	–
Disposal of subsidiaries under asset swap *(Note 37(ii))*	(63,783)	(63,532)	(6,438)	(5,055)	(98,717)	(1,036)	(238,561)
Disposals	–	–	(3,013)	(13,845)	(4,874)	(6,862)	(28,594)
At 30 June 2009 and 1 July 2009	17,716	239,619	25,245	68,354	455,100	18,091	824,125
Currency realignment	1,967	2,711	223	1,987	12,035	395	19,318
Additions	–	–	70	20,570	3,842	2,118	26,600
Reclassification	(19,683)	18,292	–	2,028	(637)	–	–
Disposal of subsidiaries *(Note 39)*	–	(20,274)	(2,828)	(28,467)	(79,358)	(224)	(131,151)
Disposals	–	–	(1,278)	(16,471)	(2,931)	(3,532)	(24,212)
At 30 June 2010	**–**	**240,348**	**21,432**	**48,001**	**388,051**	**16,848**	**714,680**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 July 2008	–	89,621	14,843	59,929	206,647	13,984	385,024
Currency realignment	–	(103)	(136)	(961)	(3,906)	26	(5,080)
Provided for the year	–	12,057	1,828	4,582	32,562	2,331	53,360
Impairment loss	–	17,842	–	791	43,469	–	62,102
Disposal of subsidiaries under asset swap *(Note 37(ii))*	–	(23,996)	(677)	(2,240)	(34,522)	(217)	(61,652)
Eliminated on disposals	–	–	(2,194)	(12,611)	(512)	(5,724)	(21,041)
At 30 June 2009 and 1 July 2009	–	95,421	13,664	49,490	243,738	10,400	412,713
Currency realignment	–	1,230	134	1,086	4,678	346	7,474
Provided for the year	–	12,472	1,233	14,158	23,088	2,141	53,092
Impairment loss	–	10	–	1,840	24,512	68	26,430
Disposal of subsidiaries *(Note 39)*	–	(409)	(2,417)	(18,628)	(41,888)	(147)	(63,489)
Reclassification	–	–	–	989	(989)	–	–
Eliminated on disposals	–	–	(846)	(10,607)	(1,413)	(2,951)	(15,817)
At 30 June 2010	**–**	**108,724**	**11,768**	**38,328**	**251,726**	**9,857**	**420,403**
NET CARRYING AMOUNT							
At 30 June 2010	**–**	**131,624**	**9,664**	**9,673**	**136,325**	**6,991**	**294,277**
At 30 June 2009	17,716	144,198	11,581	18,864	211,362	7,691	411,412

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

At 30 June 2010, the net carrying amount of property, plant and equipment of the Group includes plant and machinery of HK$593,000 (2009: HK$8,545,000), motor vehicles of HK$1,208,000 (2009: HK$2,015,000) and equipment, furniture and fixtures of HK$Nil (2009: HK$10,000) in respect of assets held under finance leases. None of the leases includes contingent rentals. During the year, additions to property, plant and equipment of the Group financed by new finance leases were HK$1,391,000 (2009: HK$4,201,000).

The Group has pledged buildings and plant and machinery with aggregate net carrying amount at 30 June 2010 of HK$121,619,000 (2009: HK$136,829,000) to secure banking facilities granted to the Group (Note 25).

At 30 June 2010, the Group was in the process of obtaining the relevant title documents of certain of its buildings with aggregate carrying amount of HK$10,005,000 (2009: HK$10,768,000).

As at 30 June 2009, the prepayments amount represented prepayments made for acquisition of items of property, plant and equipment. During the year, the vendor of relevant items of property, plant and equipment failed to supply the items in satisfied condition and has not committed to refund the prepayments to the Group. In this regard, the Group assessed that the carrying amount of the prepayments was fully impaired and therefore an impairment loss of HK$1,600,000 was recognised in profit or loss of the year.

For the year ended 30 June 2010, 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$26,430,000 (2009: HK$62,102,000).

The recoverable amount of the property, plant and equipment has been determined based on a value-in-use calculation which 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% per annum. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin.

16. Prepaid Lease Payments for Land

		The Group	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Carrying amount:			
At beginning of year		**107,987**	47,644
Acquisition of subsidiaries under asset swap	*37(i)*	**–**	67,482
Disposal of subsidiaries under asset swap	*37(ii)*	**–**	(5,248)
Disposal of subsidiaries	*39*	**(7,140)**	–
Charge to the profit or loss for the year	*8*	**(2,752)**	(1,846)
Exchange realignments		**1,109**	(45)
At end of year		**99,204**	107,987

16. Prepaid Lease Payments for Land (continued)

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

	2010 ***HK$'000***	2009 *HK$'000*
Leasehold land situated in the PRC held under		
– medium term lease	**97,613**	99,061
– long term lease	**–**	7,290
Leasehold land situated in Hong Kong held under		
– medium term lease	**1,591**	1,636
	99,204	107,987
Analysed for reporting purposes as:		
Non-current	**96,573**	105,394
Current	**2,631**	2,593
	99,204	107,987

The Group has pledged prepaid lease payments for land with aggregate carrying amount at 30 June 2010 of HK$94,870,000 (2009: HK$101,236,000) to secure banking facilities granted to the Group (Note 25).

At 30 June 2010, the Group was in the process of obtaining the relevant title documents of certain of its land use rights with aggregate carrying amount of HK$63,651,000 (2009: HK$64,626,000).

17. Intangible Asset

	The Group Mining right *HK$'000*
COST	
Additions on acquisition of subsidiaries*	**1,165,413**
Exchange realignments	**4,612**
At 30 June 2010	**1,170,025**
ACCUMULATED AMORTISATION	
Charge for the year and at 30 June 2010	**6,197**
NET CARRYING AMOUNT	
At 30 June 2010	**1,163,828**
At 30 June 2009	**–**

* It comprised the acquisition consideration and costs directly attributable to the acquisition. Further details of the acquisition of subsidiaries which gave rise to the recognition of the mining right above are set out in Note 38.

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

The mining right is amortised using the straight-line method over the expected useful life of 30 years.

18. Interests in Subsidiaries

	The Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	**8**	8
Amounts due from subsidiaries	**2,918,434**	1,617,679
	2,918,442	1,617,687
Less: impairment loss on investment cost	**(8)**	(8)
impairment loss on amounts due from subsidiaries	**(1,331,976)**	(1,267,001)
	1,586,458	350,678

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

Accumulated impairment losses on investment cost and amounts due from subsidiaries of HK$8,000 (2009: HK$8,000) and HK$1,331,976,000 (2009: HK$1,267,001,000) respectively were recognised as at 30 June 2010 because the related recoverable amounts of the investment cost and the amounts due from subsidiaries with reference to the higher of fair value less costs to sell and value in use of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment cost and amounts due therefrom are reduced to their recoverable amounts.

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

18. Interests in Subsidiaries (continued)

The following list contains only the particulars of the principal subsidiaries at 30 June 2010 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
Chau's Electrical (BVI) Company Limited	British Virgin Islands/ PRC	US$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK$1,000 ordinary HK$500,000 non-voting deferred *(Note (a))*	100%	Manufacture and trading of cable and wire products
Chau's Electrical International, Inc.	United States of America	US$20,000	100%	Trading of cable and wire products
Chau's Industrial Investments Limited	British Virgin Islands	US$1,000	100%	Investment holding
Citigain Industrial Limited	Hong Kong	HK$1,000	100%	Investment holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. #	PRC	US$14,925,000	100%	Manufacture and trading of copper products
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd. #	PRC	HK$6,810,000	100%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd. *	PRC	HK$47,400,000	86%	Manufacture and trading of chemical products
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks
Great Measure Investments Limited *(Note (c))*	British Virgin Islands	US$1	100%	Investment holding
Hua Yi Copper Products Company Limited	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products

18. Interests in Subsidiaries (continued)

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Group	Principal activities
Ikh Shijir Erdene LLC *(Note (d))*	State of Mongolia	US$100,000	100%	Mining business
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd. #	PRC	US$2,500,000	100%	Manufacture and trading of cable and wire products
Solartech Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Sun Progress Limited *(Note (d))*	British Virgin Islands	US$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding

Wholly-owned foreign enterprise
* Equity joint venture

Notes:

(a) The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up.

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

(c) The subsidiary was newly incorporated during the year.

(d) The subsidiaries were acquired during the year (Note 38).

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

19. Interest in an Associate

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Share of net assets	**9,185**	11,310

19. Interest in an Associate (continued)

The following only sets out the particulars of the associate at 30 June 2010.

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

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

	2010 **HK$'000**	2009 *HK$'000*
Total assets	**88,133**	77,940
Total liabilities	**(42,210)**	(21,389)
Net assets	**45,923**	56,551
Group's share of net assets of associate	**9,185**	11,310

	2010 **HK$'000**	2009 *HK$'000*
Revenue	**89,841**	1,256,493
Loss for the year	**(11,149)**	(248,857)
Group's share of results of associate for the year	**(2,230)**	(122,246)

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

20. Goodwill

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

On 31 December 2009, the Group entered into a conditional sale and purchase agreement in relation to the disposal of the entire equity interest in New Universe Investments Limited ("New Universe"), an indirect wholly-owned subsidiary of the Company and its subsidiaries (the "Disposal"). New Universe and its subsidiaries (the "Disposal Group") are principally engaged in the manufacture and trading of connectors and terminals in Malaysia, Singapore, the PRC, Thailand; and the Brazil CGU. The Disposal has been completed on 30 April 2010 and the goodwill of HK$23,389,000 (Note 39) attributable to the Brazil CGU was derecognised and in determination of loss on disposal accordingly.

21. Inventories

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**69,943**	92,588
Work in progress	**4,812**	14,975
Finished goods	**37,694**	70,721
	112,449	178,284

During the year, the Group has carried out its regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgment. As a result, the carrying amounts of certain inventories in the aggregate amount of HK$2,618,000 (2009: HK$8,191,000) were determined to decline below their estimated net realisable value and were recorded as a write-down in the profit or loss for the year. On the other hands, during the year, certain inventories in the aggregate amount of HK$Nil (2009: HK$10,796,000) that were partially impaired in the prior years were sold in the year and were recorded as a write-back of inventories in the profit or loss, resulting in net write-down of inventories by HK$2,618,000 (2009: write-back of HK$2,605,000) (included in "cost of sales") for the year ended 30 June 2010 (Note 8).

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

At 30 June 2010, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$113,970,000 (2009: HK$142,551,000).

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

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**108,610**	126,175
31 – 60 days	**4,533**	9,370
61 – 90 days	**575**	3,539
Over 90 days	**252**	3,467
	113,970	142,551

At 30 June 2010, the Group's trade debtors in the amount of HK$Nil (2009: HK$1,477,000) (Note 25) were discounted to banks with recourse.

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
At beginning of year	**15,338**	5,426
Impairment loss recognised	**3,271**	12,060
Reversal of allowance for doubtful debts	**(1,178)**	(885)
Uncollectible amounts written off	**(5,934)**	(47)
Disposal of subsidiaries	**(5,579)**	(1,215)
Exchange realignments	**1**	(1)
At end of year	**5,919**	15,338

At 30 June 2010, the Group's trade debtors of HK$5,919,000 (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.

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

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**113,718**	139,084
Past due and not impaired	**252**	3,467
	113,970	142,551

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

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

(v) At 30 June 2010, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$19,769,000 (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) Loan receivable

On 4 February 2009, the Group and Hua Yi Copper and its subsidiaries (collectively the "Hua Yi Copper Group") entered into an asset swap arrangement as further detailed in Note 37. As a result of the completion of the asset swap arrangement, the Group acquired a loan receivable in the amount of HK$44,407,000 (Note 37(i)) due from a third party. The loan receivable was interest-bearing at 2.5% per annum, secured by the plant and machinery of the third party, and was repayable on 30 June 2009.

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

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

(vii) Due from related companies

At 30 June 2010, 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$24,504,000 (2009: HK$10,894,000). The amounts are unsecured, interest-free and have no fixed terms of repayment, which is also the maximum outstanding balance due from the related companies during the year. A director of these related companies is also a director of the Company as at the end of reporting period.

23. Bills Receivable

As at 30 June 2010 and 2009, all bills receivable aged within 90 days.

24. Derivative Financial Assets/Liabilities

Derivative not qualified for hedging

	The Group			
	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Copper future contracts	**–**	**(11,766)**	9	–
Foreign exchange forward contracts	**–**	**–**	45	(520)
Total	**–**	**(11,766)**	54	(520)

Copper future contracts

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

	As at 30 June 2010	As at 30 June 2009
Quantities (in tonnes)	**(4,455)**	75
Average price per tonne	**US$6,606**	US$4,958
Delivery period	**From July 2010 to February 2011**	From July 2009 to September 2009
Fair value (loss)/gain of copper future contracts recognised as current (liabilities)/assets (in HK$'000)	**(11,766)**	9

24. Derivative Financial Assets/Liabilities (continued)

Derivative not qualified for hedging (continued)

Forward foreign exchange contracts

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

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

The above derivatives are measured at fair values at the end of each reporting period and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices and the fair values of foreign exchange forward contracts were provided by banks or financial institutions at the end of reporting periods. The loss on change in fair value of derivative financial instruments of HK$3,500,000 (2009: HK$140,000) has been recognised in the profit or loss during the year.

25. Pledge of Assets

At 30 June 2010, the Group has pledged the following assets to secure general banking facilities granted to the Group. The carrying amounts of these assets are analysed as follows:

		The Group	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Property, plant and equipment	*15*	**121,619**	136,829
Prepaid lease payments for land	*16*	**94,870**	101,236
Trade debtors	*22(ii)*	**–**	1,477
Fixed bank deposits and bank balances		**49,988**	48,136
		266,477	287,678

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

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
Renminbi ("RMB")	**93,219**	60,403
HK$	**157,005**	43,682
US$	**16,223**	27,747
EUR	**785**	1,954
RM	**–**	7,314
SGD	**–**	749
THB	**–**	3,163
BRL	**–**	1,566
	267,232	146,578

	The Company	
	2010	2009
	HK$'000	*HK$'000*
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
HK$	**118,157**	10,247
US$	**1,002**	14
Total	**119,159**	10,261

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

27. Creditors, Other Advances and Accrued Charges

At 30 June 2010, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$33,426,000 (2009: HK$62,743,000).

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**20,572**	44,262
31 – 60 days	**6,944**	4,317
61 – 90 days	**3,234**	2,727
Over 90 days	**2,676**	11,437
	33,426	62,743

28. Bills Payable

At 30 June 2010 and 2009, all bills payable aged within 90 days.

29. Obligations Under Finance Leases

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**803**	5,034	**665**	4,077
In the second to fifth years inclusive	**780**	2,880	**755**	2,383
	1,583	7,914		
Less: Future finance charges	**(163)**	(1,454)		
Present value of lease obligations	**1,420**	6,460	**1,420**	6,460
Less: Amount due within one year			**(665)**	(4,077)
Amount due after one year			**755**	2,383

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates and the average effective borrowing rate was 8% (2009: 8%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

30. Borrowings

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Borrowings are secured and are analysed as follows:		
Bank loans	**114,503**	163,811
Trust receipt loans	**50,835**	26,810
	165,338	190,621
The carrying amounts of borrowings repayable:		
Within one year	**165,338**	185,846
More than one year but not exceeding two years	**–**	4,775
	165,338	190,621
Amount due within one year shown under current liabilities	**(165,338)**	(185,846)
Amount due over one year shown under non-current liabilities	**–**	4,775

The average effective interest rates of the bank borrowings range from 4.60% to 9.35% (2009: 5.01% to 8.96%) per annum.

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

At 30 June 2010, the Group had available HK$45,271,000 (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 25.

31. Deferred Consideration Payable

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

(i) part of the consideration amounting to HK$57,071,000 was satisfied by the Group by cash;

(ii) the remaining consideration of HK$20,529,000 would be repayable in four instalments as follows:

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

The above transaction was completed on 2 August 2006.

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

At 30 June 2010, the carrying amount of the deferred consideration payable was HK$6,825,000 (2009: HK$6,674,000). Subsequent to the end of reporting period, the amount has been fully settled.

32. Deferred Tax

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

	The Group					
	Accelerated tax depreciation *HK$'000*	**Properties** *HK$'000*	**Tax losses** *HK$'000*	**Write down of inventories** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 July 2008	5,134	–	(794)	(1,382)	(4,103)	(1,145)
Exchange realignment	(73)	–	–	298	832	1,057
(Credit)/charge to the profit or loss for the year *(Note 11)*	(229)	26	794	1,084	2,919	4,594
Effect of change in tax rate	(99)	–	–	–	–	(99)
Acquisition of subsidiaries under asset swap *(Note 37(i))*	14,514	7,360	–	–	–	21,874
At 30 June 2009	19,247	7,386	–	–	(352)	26,281
Exchange realignment	189	85	–	–	(38)	236
Credit to the profit or loss for the year *(Note 11)*	(2,244)	(392)	–	–	–	(2,636)
Disposal of subsidiaries *(Note 39)*	(698)	–	–	–	390	(308)
At 30 June 2010	**16,494**	**7,079**	**–**	**–**	**–**	**23,573**

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

	The Group	
	2010 ***HK$'000***	2009 *HK$'000*
Deferred tax liabilities	**23,573**	26,281

At 30 June 2010, the Group has unused tax losses of HK$142,556,000 (2009: HK$152,217,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses of HK$107,638,000 (2009: HK$109,452,000) may be carried forward indefinitely and the remaining amount of HK$34,918,000 (2009: HK$42,765,000) would expire in five years from the respective dates of incurrence.

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

33. Convertible Bond

The Group and the Company

On 4 May 2010, the Company issued a convertible bond with principal amount of HK$1,432,000,000 as part of the purchase consideration for the acquisition of subsidiaries, further details of which are set out in Note 38. The convertible bond bears zero coupon interest and has maturity date of 36 months from date of issue with a right to convert at a maximum of 9,546,666,667 shares of the Company at conversion price of HK$0.15 per share. As detailed in the Company's announcement dated 4 May 2010, the conversion price of the convertible bond was reset to HK$0.10 and accordingly the maximum number of shares can be converted was adjusted to 14,320,000,000. Unless previously converted, the convertible bond will mature and will be redeemed by the Company at par on the maturity date. Other principal terms of the convertible bond are set out below:

(1) Subject to the conversion restrictions (as described in (3) below), convertible bond holder shall have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the convertible bond registered in its name into shares and provided further that any conversion shall be made in amounts of not less than a whole multiple of HK$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the convertible bond is less than HK$1,000,000, the whole (but not part only) of the outstanding principal amount of the convertible bond may be converted. This option of the convertible bond holder is referred to the Call Option.

(2) Subject to the conversion restriction (as described in (3) below), the Company has the right to require the convertible bond holder to mandatorily convert any convertible bond remaining outstanding at the maturity date into conversion shares at the then applicable conversion price. This option of the Company as the issuer of the convertible bond is referred to the Put Option.

(3) The convertible bond may not be converted to the extent that, following such conversion, a holder of the convertible bond, together with its concert parties, would directly or indirectly control or be interested in an aggregate of 29.9% or more of the issued shares immediately following the issue of the relevant conversion shares (or such other amount as may from time to time be specified in The Code on Takeovers and Mergers as being the level for triggering a mandatory general offer), or if a holder of the convertible bond would otherwise be obliged to make a general offer for the issued shares under Rule 26 of The Code on Takeovers and Mergers.

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

33. Convertible Bond (continued)

On 23 June 2010, principal amount of HK$100,000,000 of the convertible bond was converted into shares of the Company. The partial conversion gave rise to the issue of 1,000,000,000 shares of HK$0.01 each of the Company (Note 34(v)) and reduction in carrying value of liability component by HK$75,410,000 and decrease in carrying values of the Call Option and the Put Option by HK$2,925,000 and HK$9,000,000, respectively. As at 30 June 2010, the remaining principal amount of the convertible bond amounted to HK$1,332,000,000 with carrying value of liability component of HK$1,006,355,000 and the Call Option and the Put Option of HK$22,266,000 and HK$141,081,000, respectively.

Note: During the year, fair value of the derivative component of the convertible bond increased and resulted in a fair value gain of HK$141,344,000.

	Liability component of convertible bond *HK$'000*	The Call Option *HK$'000*	The Put Option *HK$'000*	Total *HK$'000*
Liability/(asset) at issue date	1,065,072	92,145	(75,691)	1,081,526
Issue of shares upon conversion of convertible bond *(Note 34(v))*	(75,410)	(2,925)	9,000	(69,335)
Fair value gain	–	(66,954)	(74,390)	(141,344)
Effective interest expense recognised *(Note 10)*	16,693	–	–	16,693
Liability/(asset) at 30 June 2010	**1,006,355**	**22,266**	**(141,081)**	**887,540**

Imputed interest on the convertible bond for the year ended 30 June 2010 is calculated using the effective interest method by applying the effective interest rate of 9.91% per annum.

The fair values of the derivative components of the convertible bond are determined taking into account the valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professionally qualified valuers, using the Binomial Model with the major inputs as at issue date and 30 June 2010 as follows:

	Issue date	Conversion date	30 June 2010
Share price	HK$0.139	HK$0.073	**HK$0.054**
Exercise price	HK$0.100	HK$0.100	**HK$0.100**
Volatility	81%	83%	**83%**
Risk-free rate	1.21%	1.16%	**1.06%**

34. Share Capital

	Number of shares		Share capital	
	2010	2009	**2010**	2009
	000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.01 each:				
Authorised *(Note (i))*	**30,000,000**	30,000,000	**300,000**	300,000
Increase of authorised ordinary shares *(Note (i))*	**20,000,000**	–	**200,000**	–
	50,000,000	30,000,000	**500,000**	300,000
Issued and fully paid:				
At beginning of the year	**3,168,451**	603,654	**31,685**	6,037
Capital reorganisation *(Note (i))*	**(2,534,761)**	–	**(25,348)**	–
Placements of new shares *(Note (ii))*	**2,940,730**	120,000	**29,407**	1,200
Open offer of new shares *(Note (iii))*	**–**	2,414,617	**–**	24,146
Exercise of share options *(Note (iv))*	**131,240**	30,180	**1,312**	302
Issue of shares upon conversion of convertible bond *(Note (v))*	**1,000,000**	–	**10,000**	–
At end of the year	**4,705,660**	3,168,451	**47,056**	31,685

Notes:

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

In addition, pursuant to an ordinary resolution passed at the special general meeting of the Company held on 27 April 2010, the authorised share capital of the Company was increased from HK$300,000,000 to HK$500,000,000 and the number of authorised shares was also increased from 30,000,000,000 shares to 50,000,000,000 shares.

(ii) During the year, aggregate number of 2,940,730,000 (2009: 120,000,000) new ordinary shares of par value of HK$0.01 (2009: HK$0.01) each were issued at subscription prices ranging from HK$0.100 each to HK$0.220 (2009: HK$0.066) each to the then independent third parties of the Company at aggregate proceeds of HK$325,444,000 (2009: HK$7,669,000), net of issuing expenses, of which HK$29,407,000 (2009: HK$1,200,000) was credited to share capital and the remaining balance of HK$296,037,000 (2009: HK$6,469,000) was credited to the share premium account.

(iii) During the year ended 30 June 2009, 2,414,617,448 new ordinary shares of par value HK$0.01 each were issued under an open offer at a subscription price of HK$0.027 each at aggregate proceeds 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.

34. Share Capital (continued)

Notes: (continued)

(iv) During the year, 131,240,000 (2009: 30,180,000) shares new ordinary shares of par value of HK$0.01 (2009: HK$0.01) each were issued at option price of HK$0.0904 (2009: HK$0.079) each on exercise of 131,240,000 (2009: 30,180,000) (Note 43) share options at an aggregate proceeds of HK$11,864,000 (2009: HK$2,384,000), net of issuing expenses, of which HK$1,312,000 (2009: HK$302,000) was credited to share capital and the remaining balance of HK$10,552,000 (2009: HK$2,082,000) was credited to the share premium account. In addition, an amount attributable to the related share options of HK$3,996,000 (2009: HK$667,000) has been transferred from share option reserve to the share premium account.

(v) During the year, 1,000,000,000 new ordinary shares of par value HK$0.01 each were issued at a conversion price of HK$0.10 each on exercise of the convertible bond, resulting in release of the financial derivative components and the liability component in aggregate, at the date of conversion of approximately HK$69,335,000 (Note 33). The partial conversion gave rise to a credit to share capital of HK$10,000,000 and the remaining balance of HK$59,335,000 was credited to the share premium account.

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

35. Reserves of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2008	229,243	738,559	5,044	(55,497)	917,349
Placements of new shares *(Note 34)*	6,469	–	–	–	6,469
Open offer of new shares *(Note 34)*	35,843	–	–	–	35,843
Issue of shares upon exercise of share options *(Note 34)*	2,082	–	–	–	2,082
Transfer upon exercise of share options *(Note 34)*	667	–	(667)	–	–
Cancellation and lapse of share options	–	–	(5,044)	5,044	–
Recognition of equity-settled share-based payments *(Note 43)*	–	–	1,334	–	1,334
Total comprehensive income for the year	–	–	–	(694,227)	(694,227)
At 30 June 2009 and 1 July 2009	274,304	738,559	667	(744,680)	268,850
Capital reorganisation *(Note 34)*	–	25,348	–	–	25,348
Placements of new shares *(Note 34)*	296,037	–	–	–	296,037
Issue of shares upon exercise of share options *(Note 34)*	10,552	–	–	–	10,552
Transfer upon exercise of share options *(Note 34)*	3,996	–	(3,996)	–	–
Issue of shares upon conversion of convertible bond *(Note 34)*	59,335	–	–	–	59,335
Recognition of equity-settled share-based payments *(Note 43)*	–	–	3,996	–	3,996
Cancellation and lapse of share options	–	–	(667)	667	–
Total comprehensive income for the year	–	–	–	45,711	45,711
At 30 June 2010	**644,224**	**763,907**	**–**	**(698,302)**	**709,829**

35. Reserves of the Company (continued)

Notes:

The contributed surplus represented (i) the net balance after setting off accumulated losses of the Company as at 1 April 2002 from reduced share capital and cancelled share premium of the Company in accordance with the Company's capital reorganisation in September 2002; and (ii) the credit arising from the capital reduction in accordance with the Company's capital reorganisation in July 2009 as detailed in Note 34(i).

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

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

On 22 January 2009, Hua Yi Copper, the then listed 45.42%-owned associate of the Group, has placed 104,000,000 new shares to public shareholders and the Company's interest in Hua Yi Copper has been reduced from 45.42% to 28.62%, resulting in a loss on deemed disposal of partial interest of the listed associate of HK$54,595,000 for the year ended 30 June 2009.

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

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 as discount on acquisition for the year ended 30 June 2009.

37. 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 the HY Products Group to Wah Yeung (the "HY Products Shareholder Loan") in the consideration for the Group's disposal of i) 100% equity interest in Solartech Enterprises Limited ("Solartech Enterprises") and its subsidiaries (the "Solartech Enterprises Group") and the unsecured and interest-free shareholder's loan owed by the Solartech Enterprises Group to Chau's Industrial (the "Solartech Enterprises Shareholder Loan"); and ii) 100% equity interest in Fund Resources Limited ("Fund Resources") and its subsidiary (the "Fund Resources Group"), and the unsecured and interest-free shareholder's loan owed by the Fund Resources Group to Chau's Electrical (the "Fund Resources Shareholder Loan"). An additional consideration of HK$20,000,000 is also payable by the Hua Yi Copper Group to the Group under the Asset Swap. The Asset Swap was completed on 4 February 2009. Further details are set out in the Company's circular dated 31 December 2008 and announcement dated 10 December 2008.

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

(i) Acquisition of subsidiaries under the Asset Swap

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

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

	Modern China Group			HY Products Group			
	Acquirees' carrying amount before the Asset Swap	Fair value adjustments	Sub-total	Acquirees' carrying amount before the Asset Swap	Fair value adjustments	Sub-total	Fair value as at the completion date
	HK$'000	*HK$'000*	*HK$'000*	*HK'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment *(Note 15)*	69,343	22,068	91,411	24,374	–	24,374	115,785
Prepaid lease payments for land *(Note 16)*	60,109	7,373	67,482	–	–	–	67,482
Loan receivable *(Note 22 (vi))*	44,407	–	44,407	–	–	–	44,407
Inventories	–	–	–	24,780	–	24,780	24,780
Debtors, deposits and prepayments	131,580	–	131,580	20,644	–	20,644	152,224
Bills receivables	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)
Bills payables	(75,000)	–	(75,000)	–	–	–	(75,000)
Amount due to an associate	(18,853)	–	(18,853)	–	–	–	(18,853)
The HY Products Shareholder Loan	(107,570)	–	(107,570)	–	–	–	(107,570)
Taxation	–	–	–	(432)	–	(432)	(432)
Borrowings	(111,858)	–	(111,858)	(140,535)	–	(140,535)	(252,393)
Deferred tax liabilities *(Note 32)*	(10,620)	(7,360)	(17,980)	(3,894)	–	(3,894)	(21,874)
Net assets of the Modern China Group and the HY Products Group acquired							2,385
Assignment of the HY Products Shareholder Loan							107,570
							109,955
Satisfied by:							
Part of consideration on disposal of subsidiaries under the Asset Swap *(Note 37 (ii))*							109,955

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

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

(ii) Disposal of subsidiaries under the Asset Swap

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

	HK$'000
Property, plant and equipment *(Note 15)*	176,909
Prepaid lease payments for land *(Note 16)*	5,248
Prepayment for acquisition of property, plant and equipment	14,000
Inventories	16,303
Debtors, deposits and prepayments	34,929
Bills receivable	2,525
Bank balances and cash	3,857
Creditors, other advances and accrued charges	(26,149)
The Solartech Enterprises Shareholder Loan and the Fund Resources Shareholder Loan	(167,064)
Amounts due to associates	(38,794)
Taxation	(354)
Borrowings	(65,000)
Net deficiency in assets of the Solartech Enterprises Group and the Fund Resources Group	(43,590)
Assignment of the Solartech Enterprises Shareholder Loan and the Fund Resources Shareholder Loan	167,064
Reclassification adjustment of exchange reserve upon disposal	(11,347)
Direct costs incurred for the disposal	3,506
Gain on the Asset Swap	14,322
	129,955
Consideration satisfied by:	
Net assets of the Modern China Group and the HY Products Group and the HY Products Shareholder Loan acquired *(Note 37(i))*	109,955
Amount due from the Hua Yi Copper Group as further consideration	20,000
	129,955
Net cash inflow/(outflow) on the Asset Swap:	
Bank balances and cash acquired	66,539
Bank balances and cash disposed of	(3,857)
	62,682

38. Acquisition of Subsidiaries

On 10 November 2009, the Company entered into a sale and purchase agreement with a 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 a mining licence in respect of a copper-gold-silver mine located in the State of Mongolia through its wholly-owned subsidiary, Ikh Shijir Erdene LLC ("ISE"), a company incorporated in the State of Mongolia with limited liability (the "Acquisition"). The consideration payable under the sale and purchase agreement is HK$1,500,000,000 and was satisfied by the Company at the completion of the Acquisition as to (i) HK$68,000,000 in cash; and (ii) HK$1,432,000,000 by the issue of convertible bond by the Company to the vendor with initial recognition of net carrying value of HK$1,081,526,000 (Note 33). The Acquisition was completed on 4 May 2010, further details of which are set out in the Company's announcements dated 30 November 2009 and 4 May 2010 and circular dated 9 April 2010. Details of the principal terms of the Company's convertible bond are set out in Note 33.

Under Hong Kong Financial Reporting Standard 3 (revised) "Business Combinations" ("HKFRS 3"), an entity shall determine whether a transaction or other event is a business combination by applying the definition in HKFRS 3, which requires that the assets acquired and liabilities assumed constitute a business. Given the fact that both Sun Progress Limited and ISE were not involved in any mining activity up the completion date of the Acquisition, the Acquisition is not considered as a business combination under the definition of HKFRS 3 by the directors of the Company and is therefore considered as an acquisition of asset – principally the mining right only. In this regard, the initial measurement of assets and liabilities acquired would be the allocation of consideration based on their relative fair values. Further details of the intangible asset arising from the mining right of ISE are set out in Note 17.

Total cash outflow for the Acquisition during the year was HK$83,887,000 representing (i) payment of HK$68,000,000 in cash; and (ii) direct costs incurred for the Acquisition of HK$15,887,000.

39. Disposal of Subsidiaries

On 31 December 2009, the Group entered into a conditional sale and purchase agreement with a purchaser in relation to the disposal of its entire equity interest in the Disposal Group, for a cash consideration of HK$30,000,000. The Disposal Group constitutes the Group's connectors and terminals segment. Details of the Disposal were set out in the announcement and circular of the Company dated 8 January 2010 and 9 April 2010 respectively and it was completed on 30 April 2010.

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

	Notes	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	*15*	67,662
Prepaid lease payments for land	*16*	7,140
Goodwill	*20*	23,389
Inventories		94,451
Debtors, other loans and receivables, deposits and prepayments		191,002
Tax recoverable		1,988
Bills receivable		625
Bank balances and cash		22,066
Creditors, other advances and accrued charges		(160,443)
Obligations under finance leases		(2,750)
Taxation		(5,052)
Deferred tax liabilities	*32*	(308)
Net identifiable assets and liabilities		239,770
Reclassification adjustment of exchange reserves upon disposal		(16,673)
Direct costs incurred for the Disposal		4,044
Loss on disposal of subsidiaries		(197,141)
Total consideration		30,000
Consideration satisfied by:		
Cash consideration		30,000
Net cash inflow arising on disposal:		
Cash consideration		30,000
Bank balances and cash		(22,066)
		7,934

40. Capital Commitments

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	**8,400**	2,086

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:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**600**	3,407
In the second to fifth years inclusive	**200**	2,378
	800	5,785

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

42. Major Non-Cash Transactions

During the prior year, prepayments for acquisition of property, plant and equipment with carrying amount of HK$1,843,000 had been reclassified to property, plant and equipment which had been put into operation in the prior year.

During the prior year, as disclosed in Note 36, 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's amount due from the Hua Yi Copper Group in the amount of HK$10,894,000 as at 5 May 2009 was reclassified from amounts due from associates into amounts due from related companies on the same date.

As disclosed in Note 15, additions to property, plant and equipment of the Group financed by new finance leases were HK$1,391,000 (2009: HK$4,201,000) during the year.

43. Share Option Scheme

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

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

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

During the year, equity-settled share-based payments of HK$3,996,000 (2009: HK$1,334,000) (Note 8) has been recognised in the profit or loss.

43. Share Option Scheme (continued)

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

For the year ended 30 June 2010

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding at 1.7.2009 '000	Granted during the year '000	Exercised during the year '000 (Note 34(iv))	Capital reorganisation during the year '000 (Note 34(i))	Lapsed/ cancelled during the year '000	Outstanding at 30.6.2010 '000
					Number of share options					
Employee	8 June 2009	9 June 2009 to 8 July 2011	Immediate on the grant date	0.395*	30,180	–	–	(24,144)	(6,036)	–
Others	27 May 2010	28 May 2010 to 27 May 2012	Immediate on the grant date	0.0904	–	131,240	(131,240)	–	–	–
					30,180	131,240	(131,240)	(24,144)	(6,036)	–

* The exercise of the share options was adjusted from HK$0.079 to HK$0.395 pursuant to the capital reorganisation during the year (Note 34(i)).

43. Share Option Scheme (continued)

For the year ended 30 June 2009

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding at 1.7.2008 '000	Granted during the year '000	Exercised during the year '000 (Note 34(iv))	Lapsed/ cancelled during the year '000	Outstanding at 30.6.2009 '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)	–
– 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)	–
– 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)	–
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)	–
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)	–
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)	–
Employee	8 June 2009	9 June 2009 to 8 July 2011	Immediate on the grant date	0.079	–	60,360	(30,180)	–	30,180
					49,270	60,360	(30,180)	(49,270)	30,180

43. Share Option Scheme (continued)

The fair value of share options granted to other parties providing similar services of employees during the year, determined at the date of grant of the share options, is expensed over the vesting period. These fair values were calculated using the Black-Scholes Options Oricing Model. The inputs into the model were as follows:

Date of Grant	27 May 2010
Share price on the date of grant	**0.0900**
Exercise price	**0.0904**
Expected volatility	**91%**
Expected life	**1 year**
Risk-free rate	**0.4%**
Expected dividend yield	**Nil**

The volatility of share options granted during the year was generated from Bloomberg based on the Company's 250-day historical share prices before the dates of valuation.

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year was HK$0.0880 (2009: HK$0.0670).

At the end of the reporting period and the date of the approval of these financial statements, the Company had no outstanding number of share option under the share option scheme.

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

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 Asian 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 year, the Group made retirement benefits schemes contributions of HK$5,951,000 (2009: HK$5,063,000).

45. Related Party Transactions

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Rental income of office premises	–	251
Rental expenses of staff quarters	–	537
Management fee expenses	–	646
Sales of property, plant and equipment	200	–

During the year, the Group purchased goods from and sold goods to related company (2009: associates and related companies) in the amounts of HK$58,758,000 (2009: HK$149,930,000) and HK$1,266,000 (2009: HK$1,498,000), respectively. Further details of connected transactions of the Group are set out in the directors' report.

During the current year, a director of the above related companies is also a director of the Company. During the prior year, 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 counterparties.

Compensation of key management personnel of the Group

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

46. Capital Risk Management

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

The capital structure of the Group consists of debts, which includes the liability component of convertible bond in Note 33, borrowings disclosed in Note 30, obligations under finance leases disclosed in Note 29, bank balances and cash disclosed in Note 26 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

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

46. Capital Risk Management (continued)

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Debts	**1,173,113**	197,081
Cash and cash equivalents	**(267,232)**	(146,578)
Net debts	**905,881**	50,503
Equity	**902,072**	626,000
Net debts to equity ratio	**100%**	8%

47. Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2010 and 2009 may be categorised as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost	**502,452**	372,352
Derivative financial assets at fair value (including derivative component of convertible bond)	**141,081**	54
Financial liabilities		
Financial liabilities measured at amortised cost	**1,363,324**	449,704
Derivative financial liabilities at fair value (including derivative component of convertible bond)	**34,032**	520

48. Events After Reporting Period

(i) After the end of reporting period, 13,320,000,000 new ordinary shares of par value HK$0.01 each were issued at the conversion price of HK$0.10 each on conversions of the entire outstanding convertible bond, resulting in derecognition of the financial derivative components and the liability component at the respective dates of conversions.

(ii) On 16 September 2010, 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, up to 7,200,000,000 placing shares for an aggregate estimated net proceeds of HK$140 million to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and will not be connected with the Company and its connected persons (as defined in the Listing Rules). Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 18 October 2010, the placing was approved, further details of which are set out in the announcements of the Company dated 16 September 2010 and 18 October 2010.

Financial Summary

Results

The Group

	Year ended 30 June 2010 *HK$'000*	Year ended 30 June 2009 *HK$'000*	Year ended 30 June 2008 *HK$'000*	Year ended 30 June 2007 *HK$'000*	Year ended 30 June 2006 *HK$'000*
Turnover	**1,404,280**	1,136,945	3,493,526	3,859,828	2,115,548
(Loss)/profit before taxation	**(106,305)**	(450,614)	48,643	1,007	135,356
Taxation	**(32,355)**	(20,391)	(24,190)	(5,923)	(21,354)
(Loss)/profit for the year	**(138,660)**	(471,005)	24,453	(4,916)	114,002
(Loss)/profit attributable to:					
Owners of the Company	**(138,660)**	(470,900)	19,847	782	78,856
Non-controlling interests	**–**	(105)	4,606	(5,698)	35,146
	(138,660)	(471,005)	24,453	(4,916)	114,002

Assets and liabilities

	At 30 June 2010 *HK$'000*	At 30 June 2009 *HK$'000*	At 30 June 2008 *HK$'000*	At 30 June 2007 *HK$'000*	At 30 June 2006 *HK$'000*
Total assets	**2,323,348**	1,110,281	1,711,043	2,434,169	2,119,212
Total liabilities	**(1,421,276)**	(484,281)	(624,938)	(1,297,543)	(965,606)
	902,072	626,000	1,086,105	1,136,626	1,153,606
Attributable to:					
Owners of the Company	**901,572**	625,500	1,083,402	942,554	944,656
Non-controlling interests	**500**	500	2,703	194,072	208,950
	902,072	626,000	1,086,105	1,136,626	1,153,606