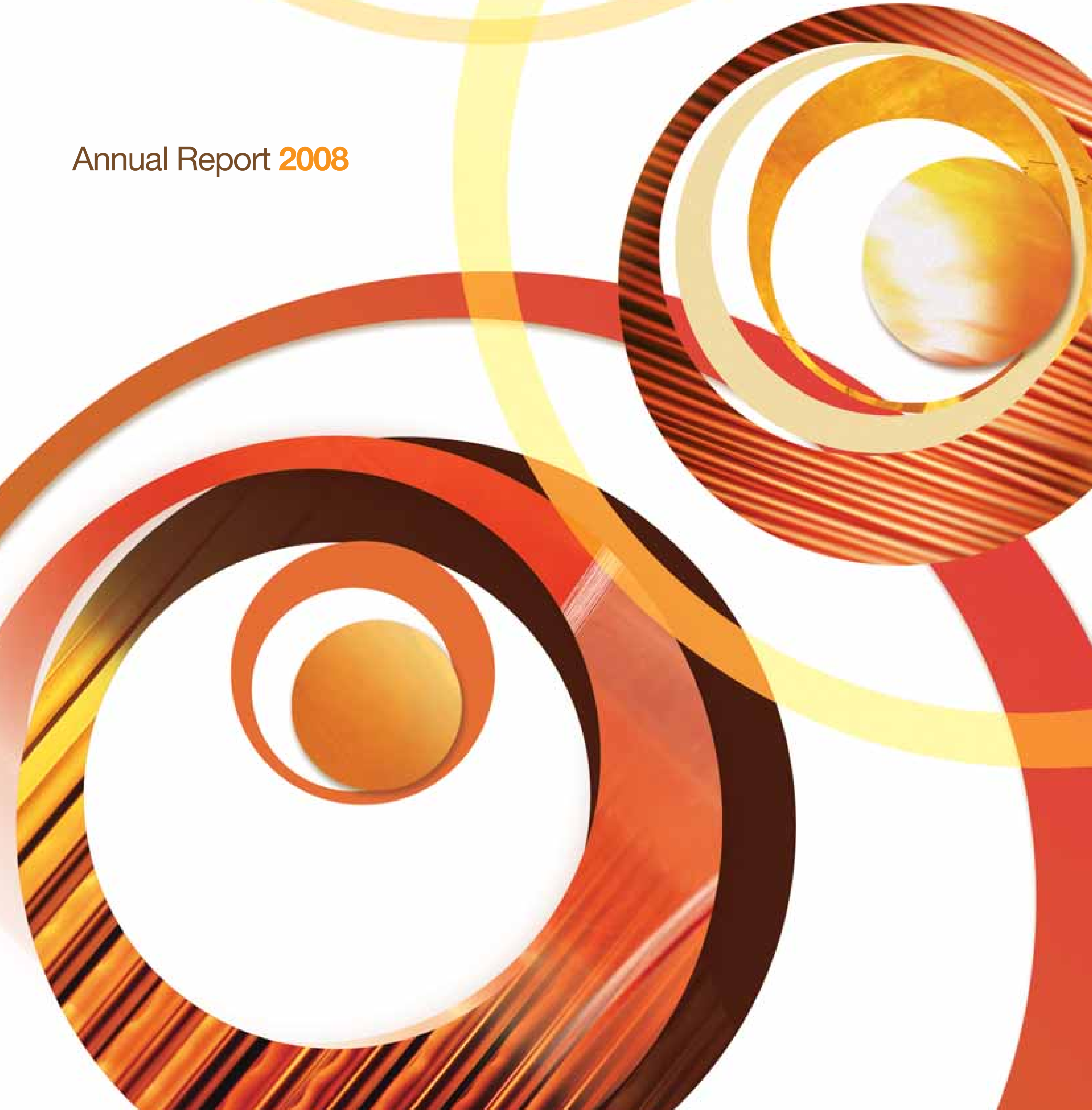
Hua Yi Copper Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 559

Annual Report 2008



Content

Corporate Information

DIRECTORS

Executive Directors

CHAU Lai Him *(Chairman and Managing Director)*
CHU Yuk Kuen
CHAN Sio Keong
CHAN Kwan Hung

Independent Non-Executive Directors

CHUNG Kam Kwong
LEE Kin Keung
LO Chao Ming

COMPANY SECRETARY

WONG Ngan

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

0559

WEBSITE

www.huayicopper.com

AUDITOR

Shu Lun Pan Horwath Hong Kong CPA Limited
20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISOR

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS (in alphabetical order)

Banco De Oro Unibank Inc., Hong Kong Branch
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited
Wing Hang Bank, Limited

FINANCIAL RESULTS

Hua Yi Copper Holdings Limited (the "Company") and its subsidiaries (the "Group") recorded a turnover of approximately HK$3,075,921,000 for the year ended 30 June 2008, representing an increase of 11.9% when compared to approximately HK$2,748,039,000 last year. Profit attributable to shareholders was approximately HK$10,663,000 (2007: loss attributable to shareholders of approximately HK$14,154,000). Basic earnings per share were approximately HK1.38 cents (2007: basic loss per share of approximately HK2.11 cents).

BUSINESS REVIEW

During the year under review, the traditional copper rod business of the Group remained stable. In recent years, given the global surge in demand for natural resources, coupled with the continued growth in the Chinese economic cities, automobile, infrastructure and real estate sectors, demands for metals and minerals like iron, copper and related products will sustain in the long run. Heeding this trend, the Company decided to diversify its operation to cover mineral resources business. In August 2007, the Group officially changed its Chinese name from "華藝銅業控股有限公司" to "華藝礦業控股有限公司" to better reflect its new business focus of investing in metal mining in order to expand its income base. Furthermore, the Group signed a sale and purchase agreement in October last year to acquire two iron-ore mines and an iron-ore concentrated powder processing plant in Long Hua County, Chengde City of Hebei Province, PRC. The deal was completed in late April this year. With the financial market heading for a downturn in the first half of the year, the Group has taken a more cautious approach in managing its investment in the metal mining business.

During the 2008 financial year, copper rod business continued to be the core business and major income source of the Group, which recorded a turnover of approximately HK$2,964,803,000, and accounted for 96.4% of the Group's total turnover. Life-like plant business recorded a turnover of approximately HK$106,937,000, making up 3.5% of the Group's total turnover. As the newly acquired mining business had only been in operation for a month or so since the completion date of the acquisition to the end of the year under review, it only contributed a turnover of approximately HK$4,181,000, representing less than 1% of the Group's total turnover. By market segment, the PRC accounted for 96.5% of the Group's total turnover, with the rest mainly originated from the American market.

In addition, the Group completed two share placements in July and September last year respectively and raised an aggregate of approximately HK$108,000,000, which has been used as general working capital and for acquiring iron-ore mines and an iron-ore concentrated powder processing plant.

Copper Rod Business

The copper rod business covers the manufacturing and trading of copper rods and copper wires used primarily in producing power wires and cables for household electrical appliances and electronic products.

During the year under review, economies around the world slowed down, which affected the demand for household electrical appliances and electronic products. However, with its customer network and market position established over the years, the Group was able to maintain a steady inflow of orders for copper rod products. Turnover from copper rods and related products for the year increased 11.2% to approximately HK$2,964,803,000 (2007: approximately HK$2,666,903,000) as compared with last year. The Group was able to sustain stable growth in volume of copper rod products manufactured for its own sales, reaching approximately 3,600 tonnes per month. It also continued to develop high value-added downstream products, including annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires.

BUSINESS REVIEW (continued)

Copper Rod Business (continued)

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

Kunshan Hua Yi

The factory of Kunshan Hua Yi primarily manufactures high value-added downstream products, including annealed copper wires, tin-coated copper wires, stranded copper wires and copper wires of different specifications and has a designed output capacity of 10,000 tonnes per annum. During the year under review, Kunshan Hua Yi's turnover reached approximately HK$310,567,000. With more enterprises relocating their production bases from Southern China northward to the Yangtze River Delta Region, the Group sees potential in securing more orders from the manufacturers of electrical appliances, electronic products and wires in the region. The Group will actively identify new customers in order to increase the sales of its high value-added downstream products.

Fujian Jinyi

The plant of Fujian Jinyi commenced operation in early 2008. It has an annual production capacity of around 10,000 tonnes of copper pipes for use in producing refrigerators, air-conditioners and as construction materials.

Mining business

Due to the Beijing Olympics, mining activities in Hebei province were restricted or suspended from June this year for security and environmental protection reasons, and can only be resumed after the end of the event. Thus, from the completion date of the acquisition to the end of the year under review, the Zhong Guan Town Mine had just operated for a month or so and made insignificant contribution to the results of the Group. With operation resumed in late September 2008, the mine is expected to make better contribution to the Group in the coming financial year.

Life-like Plants

The Group signed an agreement in mid-2007 to dispose its non-core life-like plants business at a total consideration of HK$60,000,000. Following the completion of the transaction, the Group will be able to focus its resources and management efforts on its core business.

PROSPECTS

With its solid experience in the copper industry, quality products and strong customer relations and riding on its boosted production scale, the Group will continue to consolidate its core copper rod business and strive to develop high value-added downstream product business.

PROSPECTS (continued)

In respect of copper rod business, global economy is likely to experience a sharp downturn as a result of the US credit crisis. Against this backdrop, market demand for natural resources is expected to drop slightly next year. The tension between supply and demand of copper will ease leading to a fall in copper price from its current high. This will reduce pressure on the Group's operating cost. The Group will strive to develop high value-added downstream products and secure more new customers in the Yangtze River Delta Region to cope with the trend of manufacturers relocating production to Northern China and explore more business opportunities. Such effort will allow the Group to mitigate the possible impacts of economic slowdown on its copper rod business.

With the acquisition of the two iron-ore mines in Hebei Province being completed and the resumption of iron-ore mining and iron-ore concentrated powder processing businesses after the Beijing Olympics, the Group will receive income from the sales of mineral resources directly from the mines next year, which will provide additional cash flow and revenues to the Group. In the wake of adverse financial market conditions, it is expected that the slowdown of the global economy will dampen the demand for metal resources, therefore the Group will exercise utmost prudence in undertaking future mining investment.

FINAL DIVIDEND

The Directors resolved not to pay any final dividend for the year ended 30 June 2008.

ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the Company ("2008 Annual General Meeting") will be held on Monday, 24 November 2008.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2008 Annual General Meeting, the register of members of the Company will be closed from Thursday, 20 November 2008 to Friday, 21 November 2008, both days inclusive, during which no transfer of shares of the Company will be effected. All transfers accompanied by the relevant shares certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Wednesday, 19 November 2008.

EMPLOYEES

As at 30 June 2008, the Group had approximately 950 employees in Hong Kong and the PRC. 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

As at 30 June 2008, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$174 million (2007: HK$230 million) and net current assets value being over HK$311 million (2007: HK$206 million). The Group's gearing ratios as at 30 June 2008 was 0.85 (2007: 1.25), being a ratio of total bank borrowings of approximately HK$599 million (2007: HK$601 million) to shareholders' funds of approximately HK$707 million (2007: HK$481 million).

As at 30 June 2008, the Group pledged certain property, plant and machinery and fixed deposits with an aggregate net book value of approximately HK$113 million (2007: HK$98 million) to secure general banking facilities granted to the Group.

As at 30 June 2008, the Company had issued guarantees to the extent of approximately HK$574 million (2007: HK$725 million) to banks to secure general banking facilities granted to certain subsidiaries, of which, approximately HK$574 million (2007: HK$519 million) was utilized. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK$23 million (2007: HK$Nil) in respect of commodity trading of copper by its subsidiary.

For the year ended 30 June 2008, the Group entered into copper forward contracts, foreign exchange forward contracts and interest rates swap contracts (collectively referred as "derivative financial instruments") in accordance with its hedging policies as adopted previously. These derivative financial instruments were solely used for hedging and risk management purposes; speculation is strictly prohibited. Although the Group only used the derivative financial instruments for hedging and risk management purposes, it could not fulfill the documentation requirements under the new accounting standards issued by HKICPA, which became effective from 1 January 2006. Therefore, the outstanding derivative financial instruments have to be revalued and stated at their fair value at the balance sheet date and the changes in fair value were charged to current year's income statement.

The Group's overall financial risk management programme focuses on the unpredictability of the financial markets, optimizing the level of financial risks the Group can bear and minimizing any potential adverse effects on the financial performance of the Group. The purpose of the financial risk management programme is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose. The net gain of the derivative financial instruments for the year ended 30 June 2008 was approximately HK$32,737,000 (2007: HK$19,017,000).

PROPOSED ACQUISITION

On 10 April 2007, the Company entered into a letter of intent with 江西華贛磊鑫銅業有限公司 (Jiangxi Huagan Leixin Copper Co., Ltd.), pursuant to which the Company agreed conditionally to acquire 51% equity interests in 江西鴻陽銅業有限公司 (Jiangxi Hongyang Copper Co., Ltd), a company which is engaged in the production of copper materials and sulphuric acid and with plans to engage in the copper mining business. As the conditions under the letter of intent had not been fulfilled, the parties agreed not to proceed with the proposed transaction. Reference is made to the joint announcement dated 11 April 2007 and 28 September 2007 issued by the Company and Solartech International Holdings Limited ("Solartech"), a company incorporated in Bermuda whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to be the Company's ultimate holding company before 22 April 2008. Since 22 April 2008, the Company became an associate of Solartech pursuant to the Group's acquisition of subsidiaries by way of issuing the Company's shares as partial settlement of the consideration, details of which are set out under the heading "Disclosable Transaction".

DISPOSAL OF LIFE-LIKE PLANT BUSINESS

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

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

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

On 17 December 2007, the Company and Solartech jointly announced that the parties to the Sale and Purchase Agreement entered into a letter agreement on 17 December 2007 to further extend the long stop date to 29 February 2008 or such other date as the parties thereto may agree.

DISPOSAL OF LIFE-LIKE PLANT BUSINESS (continued)

On 28 February 2008, the Company and Solartech jointly announced that the parties to the Sale and Purchase Agreement entered into a supplemental agreement on 28 February 2008 to further extend the long stop date to 31 May 2008 or such other date as the parties thereto may agree.

On 20 May 2008, the Company and Solartech jointly announced that the parties to the Sale and Purchase Agreement entered into a supplemental agreement on 20 May 2008 to further extend the long stop date to 30 September 2008 or such other date as the parties thereto may agree.

On 2 October 2008, the Company and Solartech jointly announced that the parties to the Sale and Purchase Agreement entered into a supplemental agreement on 30 September 2008 to further extend the long stop date to 31 December 2008 or such other date as the parties thereto may agree.

Completion of the Sale and Purchase Agreement is subject to the satisfaction of certain conditions precedent which are currently still pending.

PLACING OF 30,000,000 NEW SHARES

On 25 June 2007, the Company and CCB International Capital Limited entered into a placing agreement to place 30,000,000 new ordinary shares of par value HK$0.20 each in the capital of the Company ("Shares") at a price of HK$1.20 per Share on a best effort basis (the "New Shares Placing"). The net proceeds from the New Shares Placing of approximately HK$34 million were intended to be used as general working capital of the Group. The New Shares Placing was completed on 10 July 2007. Details of the New Shares Placing were set out in the announcement dated 28 June 2007 jointly issued by the Company and Solartech.

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

On 29 August 2007, Skywalk Assets Management Limited ("Skywalk"), the controlling shareholder of the Company and a wholly-owned subsidiary of Solartech, entered into a placing and subscription agreement with the Company and Kingston Securities Limited ("Placing Agent"), under which Skywalk agreed to place, through the Placing Agent, 80,000,000 existing Shares to independent investors at HK$0.96 per Share and subsequently to subscribe for 80,000,000 new Shares at the subscription price of HK$0.96 per new Share (the "Placing and Top-Up Subscription"). The net proceeds from the subscription amounted to approximately HK$74 million, of which approximately HK$30 million was intended to be used by the Group as general working capital and approximately HK$44 million was intended to be applied by the Group to fund part of the consideration for future acquisitions of mining investments. The Placing and Top-Up Subscription was completed on 7 September 2007 and the details of the Placing and Top-Up Subscription were set out in the joint announcement of the Company and Solartech dated 31 August 2007.

CHANGE OF CHINESE NAME

With effect from 3 August 2007, the Chinese name of the Company is changed from "華藝銅業控股有限公司" to "華藝礦業控股有限公司" for identification purposes only. With effect on 9 August 2007, the shares of the Company are traded on the Stock Exchange under its new Chinese name. At the same day, the Chinese stock short name for trading in the shares of the Company on the Stock Exchange is also changed from "華藝銅業" to "華藝礦業" to reflect the change of the Chinese name. The Company considered that the change of Chinese name provides a better identification of the business operations of the Company and its subsidiaries in light of recent developments.

DISCLOSABLE TRANSACTION

On 7 October 2007, the Company entered into a share purchase agreement with Belleview Global Limited ("Belleview") ("Share Purchase Agreement") pursuant to which the Company agreed to acquire (the "Acquisition") the entire issued share capital of Yeading Enterprises Limited ("Yeading") for a consideration which comprises of (i) a cash amount of a HK$ equivalent of RMB55,000,000 (subject to adjustment, if applicable) payable by the Company; (ii) HK$110,000,000 payable by the issuance of 100,000,000 Shares of the Company (the "Consideration Shares") to Belleview at completion; and (iii) the grant by the Company to Belleview at completion of an option to subscribe for up to 50,000,000 Shares of the Company (the "Option Shares") at the exercise price of HK$1.10 per shares during the period of 5 years from the business day immediately following the date of the option agreement, pursuant to a call option agreement ("Call Option Agreement") to be entered into between the Company and Belleview at completion.

On 7 October 2007, HYC Finance Company Limited ("HYC"), a wholly-owned subsidiary of the Company, Meyton Investment Limited ("Meyton"), a wholly-owned subsidiary of Yeading, and Yeading entered into a loan agreement (the "Loan Agreement") pursuant to which HYC agreed to lend to Meyton HK$30,000,000 which shall be applied by Meyton for the sole purpose of its contribution to the registered capital of 青島華鑫礦業有限公司 (Qingdao Hua Xin Mining Industry Limited). Details of the Acquisition and the Loan Agreement were set out in the joint announcements of the Company and Solartech dated 15 October, 14 November, 27 November, 24 December 2007 and 31 March 2008 and the circular of the Company dated 31 December 2007 (the "Circular"). Meyton has drawn down the loan of HK$30,000,000 in accordance with the terms of the Loan Agreement on 11 October 2007.

At the special general meeting held on 17 January 2008, the ordinary resolution proposed to approve the Share Purchase Agreement, the issue of the Consideration Shares and the issue of the Option Shares as contemplated in the Circular was duly passed by the shareholders of the Company.

On 22 April 2008, the Company and Solartech jointly announced that, following the satisfaction or waiver of all the conditions precedent to the Acquisition, completion of the Acquisition took place on 22 April 2008. In accordance with the Share Purchase Agreement, the Consideration Shares have been allotted and issued to Belleview.

DISCLOSABLE TRANSACTION (continued)

In consideration of the Company agreeing to waive the condition precedent in respect of 隆化華匯鑫福礦業有限公司 (Long Hua Hua Hui Xin Fu Mining Industry Limited Company) having obtained all the construction approval documents for the construction of the proposed iron-ore concentrated powder plant with an annual production capacity of 500,000 tonnes and having obtained the launching and filing documents on the annual production capacity of 500,000 tonnes of the iron-ore concentrated powder plant pursuant to the Share Purchase Agreement, the Company and Belleview entered into a supplemental agreement dated 19 April 2008, pursuant to which the Company and Belleview agreed that the Company shall not be required to enter into the Call Option Agreement at completion. Accordingly, upon completion, the shareholding structure of the Company was as set out below:

	At completion after issue of the Consideration Shares without issue of Option Shares
Skywalk Assets Management Limited *(Note)*	402,131,875 (45.42%)
Mr. Chau Lai Him	2,894,000 (0.33%)
Belleview	100,000,000 (11.30%)
Public	380,280,625 (42.95%)
Total	885,306,500

Note: Skywalk is a wholly-owned subsidiary of Solartech which was deemed to be wholly and beneficially interested in the Shares of the Company held by Skywalk by virtue of the Securities and Futures Ordinance.

As the Call Option Agreement was cancelled, there would be no other shares of the Company to be issued in connection with the Acquisition other than the Consideration Shares issued to Belleview on 22 April 2008. As a result, the Company has ceased to be a subsidiary of Solartech upon completion.

FRAMEWORK AGREEMENT AND OPTION SHARES

On 21 February 2008, the Company entered into a framework agreement (the "Framework Agreement") with China Alliance International Holding Group Limited and Shougang Holdings Limited (the "Counter Parties"), pursuant to which the Company and the Counter Parties agreed to co-operate in metals and minerals exploration and mining particularly iron ore in the PRC and other jurisdictions, and the Company agreed to grant to the Counter Parties a first right of refusal in (a) co-operating and investing in the mining projects chosen by the Company and (b) purchasing any iron ore and iron ore powder generated from such mining projects at favorable market price. In addition, subject to fulfilment of certain conditions set out in the Framework Agreement, the Company agreed to grant to the Counter Parties jointly an option to subscribe for 105,000,000 Shares at the exercise price of HK$0.614 per Share in parts or in whole at any time within 5 years from the date of grant of the option. Details of the Framework Agreement and the option are set out in the joint announcement of the Company and Solartech dated 26 February 2008. As the parties have yet to agree on the mode and terms of cooperation, the parties have entered into a termination deed on 16 May 2008 whereby all parties have mutually agreed to terminate the Framework Agreement. Reference is made to the announcement dated 16 May 2008 jointly issued by the Company and Solartech.

CHANGE OF AUDITORS

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

Save for the above, Deloitte has confirmed that there were no circumstances connected with its resignation which should be brought to the attention of the shareholders of the Company. The Directors and the Audit Committee of the Company also confirm that there are no circumstances in respect of the change of auditors which they consider should be brought to the attention of the shareholders of the Company.

At the special general meeting held on 26 September 2008, the ordinary resolution proposed to approve the appointment of Shu Lun Pan Horwath Hong Kong CPA Limited as the new auditors of the Group in place of the resigned auditors, Deloitte, to hold office until the conclusion of the next annual general meeting of the Company, was passed by the shareholders of the Company.

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 2008.

APPRECIATION

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

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

Hong Kong SAR, 15 October 2008

EXECUTIVE DIRECTORS

Mr. Chau Lai Him, aged 57, has been appointed as the chairman and managing director of the Company since August 2004. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 25 years' experience in manufacturing business of cable and wire products and copper products. Mr. Chau is the chairman and managing director of Solartech International Holdings Limited ("Solartech"), the substantial shareholder of the Company.

Mr. Chu Yuk Kuen, aged 53, joined the Company in April 2003 and is an executive director of the Company. He is responsible for the daily operation and production management of life-like plants. He has more than 16 years' experience in marketing and manufacturing business.

Mr. Chan Sio Keong, aged 35, has been appointed as an executive director of the Company since 12 September 2007. Mr. Chan is responsible for the accounting and financial management of the Company. He holds a bachelor of commerce degree with major studies in accounting and finance from the Deakin University in Australia. He is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Chan has extensive experience in finance, accounting and auditing. He was the finance manager of Chau's Electrical Co., Ltd., a wholly owned subsidiary of Solartech, before joining the Company.

Mr. Chan Kwan Hung, aged 53, has been appointed as an executive director of the Company since 2 October 2007. Mr. Chan is responsible for identifying and evaluating new investment opportunities and strategic partnership and also providing strategic support and guidance to the Board. He holds a bachelor degree in social sciences from the University of Hong Kong. Mr. Chan has over 20 years' experience in corporate and project finance. In the past five years, Mr. Chan has focused on resources and environmental investments and finance. He has been an executive director of Solartech since 2 October 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Kam Kwong, aged 51, 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, 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. He has extensive experience in accounting and financial management and is independent non-executive director of other listed companies in Hong Kong. Mr. Chung is an independent non-executive director of Solartech.

Mr. Lee Kin Keung, Lawrence, aged 48, holds a master of commerce degree and a bachelor degree in commerce from the University of New South Wales, Australia. He also holds a master degree in applied finance from the Macquarie University, Australia. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He has over 17 years of experience in finance, management, auditing and accounting. Mr Lee is also an independent non-executive director of another company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Lo Chao Ming, aged 43, has been appointed as an independent non-executive director of the Company since 1 April 2007. He is the deputy general manager 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. Mr. Lo is an independent non-executive director of Solartech.

SENIOR MANAGEMENT

Mr. Chan Wai, aged 39, joined the Group in June 2008 and is the Chief Financial Officer of the Group. He is responsible for the overall management of the Group's finance matters. He holds a master degree of professional accounting from the Hong Kong Polytechnic University and has more than 15 years' accounting and financial experience, of which over 5 years were in senior capacities with other listed companies. He 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. Yuan Hai Xiang, aged 41, joined the Solartech Group in March 1985 and has been the operations manager of Dongguan Hua Yi Brass Products Co., Ltd since May 2003. 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 54, joined the Group in February 2005 and is the assistant operations manager of the Group. He is responsible for purchasing, inventory control and logistics operations of the Group. He has about 15 years experience in merchandising and logistics operations.

Ms. Chau Yee Man, Katie, aged 25, joined the Group in October 2006 and is an assistant manager of the Group. She is responsible for procurement and copper forward contracts of the Group. She holds a bachelor degree of Economics from the University of California, Irvine in the United States. She is a daughter of Mr. Chau Lai Him.

Ms. Wong Ngan, aged 37, joined the Group in April 2007. Ms. Wong has been appointed as the company secretary of the Company and is the assistant financial controller of the Group. She is a member of the Hong Kong Institute of Certified Public Accountants and holds a MBA from the Open University of Hong Kong. She has over 10 years' experience in accounting, auditing and taxation.

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 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2008 are set out in the consolidated income statement on page 28.

The directors resolved not to pay any final dividend for the year ended 30 June 2008.

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 90.

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 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

RESERVES

During the year, the Company's distributable reserve at 30 June 2008 was HK$314,781,000 (2007: HK$190,540,000).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Chau Lai Him *(Chairman and Managing Director)*
Mr. Chu Yuk Kuen
Mr. Chow Kin Ming (resigned on 12 September 2007)
Mr. Chan Sio Keong (appointed on 12 September 2007)
Mr. Chan Kwan Hung (appointed on 2 October 2007)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Independent non-executive directors:

Mr. Chung Kam Kwong
Mr. Lee Kin Keung
Mr. Lo Chao Ming
Dr. Peter Yue (appointed on 18 July 2007 and retired on 23 November 2007)

All directors are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Messrs. Chau Lai Him, Chu Yuk Kuen and Lee Kin Keung will retire by rotation from office as directors at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election pursuant to Bye-laws 86(2) and 87 of the Company's Bye-laws. The remaining directors will continue in office.

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 2008, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

Name of director	Class of shares	Capacity in which the shares are held	Number of issued ordinary shares beneficially held	Number of shares underlying share options	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	Ordinary shares	Beneficial owner	2,894,000	-	0.33%
Mr. Chan Sio Keong	Ordinary shares	Beneficial owner	-	3,000,000	0.34%
Mr. Chan Kwan Hung	Ordinary shares	Beneficial owner	-	4,500,000	0.51%

Other than as disclosed above, none of the directors and chief executives of the Company had any interest or short position in any share, underlying share or debenture of the Company or any associated corporation (within the meaning of Part XV of the SFO) at 30 June 2008.

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 2008, 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 position in the shares of the Company

Name	Number of issued ordinary shares held Corporate interest	Percentage of holding
Solartech International Holdings Limited ("Solartech")	402,131,875 *(Note)*	45.42%
Skywalk Assets Management Limited ("Skywalk")	402,131,875 *(Note)*	45.42%

Note: Given Skywalk is a wholly owned subsidiary of Solartech, Solartech was deemed to be interested in the shares of the Company held directly by Skywalk by virtue of the SFO.

Save as disclosed above, so far as is known to any of the directors and chief executives of the Company, as at 30 June 2008, no other person other than a director or a chief executive of the Company had any interest or short position in any shares or underlying shares of the Company which was recorded in the register kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries 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 2008, the five largest customers of the Group together accounted for approximately 34% of the Group's total turnover. The five largest suppliers of the Group together accounted for approximately 91% by value of the Group's total purchases during the year, with the largest supplier accounted for approximately 84% of the Group's total purchases during the year.

Save as disclosed under the heading "Connected Transactions", at no time during the year 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 or customers.

CONNECTED TRANSACTIONS

On 1 June 2007, the Company and Solartech entered into a master supply and purchase agreement for the sale of copper wires and other related products to Solartech and its subsidiaries other than the Group (the "Remaining Solartech Group"). The caps for the 3 financial years ending 30 June 2010 are HK$581 million, HK$751 million and HK$829 million respectively. The sale of copper wires and other related products to the Remaining Solartech Group for the year amounted to HK$324,321,000.

The independent non-executive directors confirm that the connected transactions were conducted in the ordinary course of its business, on normal commercial terms and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SHARE OPTIONS

On 4 December 2003, the Company adopted a new share option scheme (the "Share Option Scheme") which replaced its old share option scheme adopted in 1996. Particulars of these share option schemes are set out in note 34 to the consolidated financial statements.

SHARE OPTIONS (continued)

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

For the year ended 30 June 2008

Capacity	Date of grant	Exercise period	Exercise price HK$	Number of share options: Outstanding at 1.7.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2008	Exercisable period	Number of share options exercisable for the period
Employees	9 December 2005	1January 2006 to 31 December 2008	0.275	1,008,000	–	(672,000)	–	336,000	1.1.2008 to 31.12.2008	336,000
Others	9 December 2005	1 January 2006 to 31 December 2008	0.275	5,500,000	–	(1,500,000)	–	4,000,000	1.1.2008 to 31.12.2008	4,000,000
Others	6 April 2006	1 May 2006 to 30 April 2011	0.495	40,800,000	–	–	(10,200,000)	30,600,000	1.5.2008 to 30.4.2009	10,200,000
									1.5.2009 to 30.4.2010	10,200,000
									1.5.2010 to 30.4.2011	10,200,000
Directors	5 November 2007	1 February 2008 to 31 January 2011	0.910 *(Note)*	–	7,500,000	–	–	7,500,000	1.2.2008 to 31.1.2011	2,500,000
									1.2.2009 to 31.1.2011	2,500,000
									1.2.2010 to 31.1.2011	2,500,000
Employees	5 November 2007	1 February 2008 to 31 January 2011	0.910 *(Note)*	–	10,200,000	–	–	10,200,000	1.2.2008 to 31.1.2011	3,400,000
									1.2.2009 to 31.1.2011	3,400,000
									1.2.2010 to 31.1.2011	3,400,000
Others	5 November 2007	1 August 2008 to 31 July 2011	0.910 *(Note)*	–	15,000,000	–	–	15,000,000	1.8.2008 to 31.7.2011	6,000,000
									1.8.2009 to 31.7.2011	6,000,000
									1.8.2010 to 31.7.2011	3,000,000
				47,308,000	32,700,000	(2,172,000)	(10,200,000)	67,636,000		

Note: The closing price of the Shares on the Stock Exchange on the date of grant was HK$0.86 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$0.902.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as mentioned earlier, at no time during the year was the Company or 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules ("CG Code"), except that there had not been separation between the roles of the chairman and the chief executive officer as required under code provision A.2.1 of the CG Code and there are no fixed terms for the appointment of independent non-executive directors as required under code provision A.4.1 of the CG Code. Details are set out in the Corporate Governance Principles on page 22.

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 enquiry of all directors of the Company, all the directors confirmed they have complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 30 June 2008.

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 Audit Committee comprises the three independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The Audit Committee has reviewed the audited results for the year ended 30 June 2008 and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

REMUNERATION COMMITTEE

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2008.

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.

EMOLUMENT POLICY

The emolument policy of 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 Company'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 34 to the consolidated financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu resigned as auditors during the year. Messrs. Shu Lun Pan Horwath Hong Kong CPA Limited was appointed as auditors to fill the casual vacancy. Shu Lun Pan Horwath Hong Kong CPA Limited shall retire and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

Chau Lai Him
Chairman

15 October 2008

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 of 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 2008 (the "Financial Year"), the Company has complied with the Code except for the deviation from code provisions A.2.1 and A.4.1 of the Code which is explained below.

Code provision A.2.1

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

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

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

Code provision A.4.1

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to 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 have been taken to ensure that the Company has good corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

The Board currently comprises a total of seven Directors, with four Executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Chu Yuk Kuen, Chan Sio Keong, Chan Kwan Hung and three Independent Non-executive Directors, Messrs. Chung Kam Kwong, Lee Kin Keung, Lo Chao Ming. There is no relationship among the members of the Board. More details of the Directors are disclosed on page 13 and 14.

The Board meets 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 of 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 has 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 19 meetings and the attendance record of each member of the Board is set out below:

	Attendance/eligible to attend
Executive Directors	
Chau Lai Him, *Chairman and Managing Director*	19/19
Chu Yuk Kuen	19/19
Chan Sio Keong (appointed on 12 September 2007)	13/13
Chan Kwan Hung (appointed on 2 October 2007)	10/10

BOARD OPERATION (continued)

	Attendance/eligible to attend
Independent Non-executive Directors	
Chung Kam Kwong	19/19
Lee Kin Keung	19/19
Lo Chao Ming	19/19
Resigned or Retired Directors	
Chow Kin Ming (resigned on 12 September 2007)	6/6
Dr. Peter Yue (appointed on 18 July 2007 and retired by rotation on 23 November 2007)	9/9

REMUNERATION OF DIRECTORS

The Remuneration Committee of the Company currently comprises three Independent Non-executive Directors, Messrs. Chung Kam Kwong, Lee Kin Keung 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 desirability of performance-based remuneration. The Remuneration Committee shall meet at least once a year.

One meeting was held in the Financial Year to adopt the terms of reference of the Remuneration Committee and all the committee members were present at the meeting. Details of the emoluments of the Directors are set out in note 8 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. 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 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 Directors reviewed the structure, size and composition of the Board and recommended the appointment of each of Chan Sio Keong and Mr. Chan Kwan Hung as Executive Director and Dr Peter Yue as Independent Non-executive Director (who has retired by rotation on 23 November 2007).

AUDITOR'S REMUNERATION

During the Financial Year, the remuneration paid and payable to the then auditors of the Group, Deloitte Touch Tohmatsu, for the provision of the Group's audit services and non-audit related services was approximately HK$539,000 and HK$943,000 respectively.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three Independent Non-executive Directors, Messrs. Chung Kam Kwong, Lee Kin Keung 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 external auditors' independence and objectivity. 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 2008 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 CONTROL

The Board ensures the maintenance of sound and effective internal controls to safeguard the shareholder's 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 control of the Group annually or at anytime necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions. 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 Auditor's Report on pages 26 and 27 of this Annual Report.

On behalf of the Board

Chau Lai Him
Chairman
15 October 2008

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
20th Floor Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

TO THE SHAREHOLDERS OF HUA YI COPPER HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hua Yi Copper Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 89, which comprise the consolidated balance sheet as at 30 June 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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.

AUDITOR'S RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

15 October 2008

Chan Kam Wing, Clement
Practising Certificate number P02038

Consolidated Income Statement

For the year ended 30 June 2008

	NOTES	Continuing operations 2008 HK$'000	Continuing operations 2007 HK$'000	Discontinued operations 2008 HK$'000	Discontinued operations 2007 HK$'000	Total 2008 HK$'000	Total 2007 HK$'000
Turnover	6	**2,968,984**	2,666,903	**106,937**	81,136	**3,075,921**	2,748,039
Cost of sales		**(2,902,092)**	(2,590,271)	**(91,816)**	(67,383)	**(2,993,908)**	(2,657,654)
Gross profit		**66,892**	76,632	**15,121**	13,753	**82,013**	90,385
Interest income		**11,848**	3,993	**346**	705	**12,194**	4,698
Other income		**16,342**	785	**807**	1,264	**17,149**	2,049
General and administrative expenses		**(52,897)**	(32,119)	**(14,773)**	(10,180)	**(67,670)**	(42,299)
Selling and distribution expenses		**(3,135)**	(3,832)	**(2,757)**	(2,871)	**(5,892)**	(6,703)
Change in fair value of derivative financial instruments	21	**32,737**	19,017	**–**	–	**32,737**	19,017
Allowance for doubtful debts	18	**–**	(6,787)	**–**	(181)	**–**	(6,968)
Impairment loss arising from adjustment to fair value less cost to sell	28	**–**	–	**–**	(28,000)	**–**	(28,000)
Finance costs	9	**(42,624)**	(43,874)	**(3,521)**	(2,742)	**(46,145)**	(46,616)
Share of results of a jointly-controlled entity	15	**(2,078)**	(369)	**–**	–	**(2,078)**	(369)
Profit/(loss) before taxation	7	**27,085**	13,446	**(4,777)**	(28,252)	**22,308**	(14,806)
Taxation	10	**(11,272)**	779	**(82)**	(127)	**(11,354)**	652
Profit/(loss) for the year		**15,813**	14,225	**(4,859)**	(28,379)	**10,954**	(14,154)
Profit/(loss) for the year attributable to:							
Equity holders of the Company		**15,522**	14,225	**(4,859)**	(28,379)	**10,663**	(14,154)
Minority interest		**291**	–	**–**	–	**291**	–
		15,813	14,225	**(4,859)**	(28,379)	**10,954**	(14,154)
Dividends	11						
Paid		**–**	23,467	**–**	–	**–**	23,467
Earnings/(loss) per share from continuing and discontinued operations	12						
– Basic						**1.38 HK cents**	(2.11) HK cents
– Diluted						**1.36 HK cents**	N/A
							(Restated)
from continuing operations	12						
– Basic						**2.01 HK cents**	2.12 HK cents
– Diluted						**1.97 HK cents**	2.09 HK cents

The accompany notes form part of these financial statements.

Consolidated Balance Sheet

At 30 June 2008

	NOTES	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**210,028**	172,140
Prepaid lease payments for land – non-current portion	14	**63,217**	53,531
Intangible asset	16	**158,467**	–
Interest in a jointly-controlled entity	15	**18,057**	18,023
Loans receivable, secured	20	**–**	46,898
		449,769	290,592
Current assets			
Inventories	17	**330,074**	302,926
Debtors, other loans and receivables, deposits and prepayments	18	**357,648**	403,360
Loans receivable, secured	20	**100,477**	–
Bills receivable	19	**29,634**	17,732
Tax recoverable		**642**	–
Prepaid lease payments for land – current portion	14	**1,734**	1,340
Derivative financial assets	21	**625**	1,651
Pledged deposits	32, 35	**26,268**	72,583
Bank balances and cash	35	**147,397**	157,135
		994,499	956,727
Assets classified as held for sale	28	**102,053**	79,744
		1,096,552	1,036,471
Current liabilities			
Creditors, other advances and accrued charges	22	**58,305**	59,613
Bills payable	23	**76,963**	142,110
Taxation		**6,682**	5,241
Obligations under finance leases	24	**–**	466
Borrowings	25	**599,278**	601,136
Derivative financial liabilities	21	**372**	1,362
		741,600	809,928
Liabilities associated with assets classified as held for sale	28	**43,405**	20,332
		785,005	830,260
Net current assets		**311,547**	206,211
Total assets less current liabilities		**761,316**	496,803

Consolidated Balance Sheet

At 30 June 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Deferred tax liabilities	26	**54,143**	15,748
Net assets		**707,173**	481,055
EQUITY			
Capital and reserves			
Share capital	27	**177,061**	134,627
Reserves		**527,376**	346,428
Equity attributable to equity holders of the Company		**704,437**	481,055
Minority interest		**2,736**	–
Total equity		**707,173**	481,055

These consolidated financial statements were approved and authorised for issue by the board of directors on 15 October 2008 and are signed on its behalf by:

Chau Lai Him	**Chan Sio Keong**
Director	*Director*

The accompany notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve fund *HK$'000*	Special reserve *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total attributable to the equity holders of the Company *HK$'000*	Minority interest *HK$'000*	Total *HK$'000*
At 1 July 2006	133,428	93	172,724	5,052	–	(43,246)	3,565	229,393	501,009	–	501,009
Exchange differences arising on translation of foreign operations and share of reserve of a jointly-controlled entity and total income recognised directly in equity	–	–	–	13,816	–	–	–	–	13,816	–	13,816
Loss for the year	–	–	–	–	–	–	–	(14,154)	(14,154)	–	(14,154)
Total recognised income and expense for the year	–	–	–	13,816	–	–	–	(14,154)	(338)	–	(338)
Issue of shares upon exercise of share options	1,199	450	–	–	–	–	–	–	1,649	–	1,649
Recognition of equity-settled expense – share-based payments	–	–	–	–	–	–	2,202	–	2,202	–	2,202
Transfer upon exercise of share options *(Note 27)*	–	438	–	–	–	–	(438)	–	–	–	–
Forfeiture of share options	–	–	–	–	–	–	(1,201)	1,201	–	–	–
Dividend paid	–	–	–	–	–	–	–	(23,467)	(23,467)	–	(23,467)
At 30 June 2007	134,627	981	172,724	18,868	–	(43,246)	4,128	192,973	481,055	–	481,055
Exchange differences arising on translation of foreign operations and share of reserve of a jointly-controlled entity and total income recognised directly in equity	–	–	–	38,602	–	–	–	–	38,602	71	38,673
Profit for the year	–	–	–	–	–	–	–	10,663	10,663	291	10,954
Total recognised income and expense for the year	–	–	–	38,602	–	–	–	10,663	49,265	362	49,627
Issue of new shares *(Note 27)*	22,000	87,561	–	–	–	–	–	–	109,561	–	109,561
Issue of shares upon exercise of share options *(Note 27)*	434	163	–	–	–	–	–	–	597	–	597
Recognition of equity-settled expense – share-based payments *(Note 34)*	–	–	–	–	–	–	7,959	–	7,959	–	7,959
Transfer upon exercise of share options *(Note 27)*	–	186	–	–	–	–	(186)	–	–	–	–
Appropriation	–	–	–	–	14,005	–	–	(14,005)	–	–	–
Acquisitions of subsidiaries *(Note 29)*	20,000	36,000	–	–	–	–	–	–	56,000	2,374	58,374
Forfeiture of share options	–	–	–	–	–	–	(1,275)	1,275	–	–	–
At 30 June 2008	177,061	124,891	172,724	57,470	14,005	(43,246)	10,626	190,906	704,437	2,736	707,173

In prior year, the Group undertook a capital reorganisation resulting in eliminating the share premium account of the Company as at 30 September 2005 of HK$260,881,000 against the accumulated losses as at 30 September 2005 of HK$88,157,000 with the remaining balance of HK$172,724,000 credited to contributed surplus of the Company.

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and share of reserve of a jointly-controlled entity.

According to articles of association of the Group's subsidiary operating in the People's Republic of China (the "PRC"), the subsidiary is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividend to equity holders of the PRC subsidiary.

The special reserve arose from the business combination carried out by the Company in 2004, which was accounted for as a reverse acquisition. The details of the transaction were set out in the circular of the Company dated 14 June 2004.

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

The accompany notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Profit/(loss) before taxation	**22,308**	(14,806)
Adjustments for:		
Depreciation of property, plant and equipment	**16,148**	15,352
Amortisation of intangible asset	**364**	–
Charge of prepaid lease payments for land	**1,528**	1,760
Impairment loss arising from adjustment to fair value less cost to sell	**–**	28,000
Equity-settled share-based payments	**7,959**	2,202
Change in fair value of derivative financial instruments	**(32,737)**	(19,017)
Allowance for doubtful debts	**–**	6,968
Write-down of inventories	**–**	423
Interest income	**(11,848)**	(4,698)
Finance costs	**42,624**	46,616
Share of results of a jointly-controlled entity	**2,078**	369
Operating cash flows before movements in working capital	**48,424**	63,169
Increase in inventories	**(24,858)**	(149,865)
Decrease in debtors, other loans and receivables, deposits and prepayments	**47,570**	35,222
Increase in bills receivable	**(11,902)**	(16,481)
Increase in creditors, other advances and accrued charges	**(39,278)**	(40,966)
(Decrease)/increase in bills payable	**(65,147)**	81,626
Decrease in derivative financial instruments	**32,773**	23,313
Net cash used in operating activities of assets and liabilities held for sale	**(1,184)**	–
Cash used in operations	**(13,602)**	(3,982)
Hong Kong profits tax paid	**(11,595)**	(1,362)
Taxation in Mainland China	**(2,141)**	(1,378)
Net cash used in operating activities	**(27,338)**	(6,722)
Investing activities		
Interest received	**11,848**	4,698
Loans advanced to third parties	**(53,579)**	(15,338)
Purchase of property, plant and equipment	**(3,730)**	(18,953)
Proceeds on disposal of property, plant and equipment	**4,064**	3,267
Additions of prepaid lease payments for land	**(4,260)**	–
Decrease/(increase) in pledged deposits	**46,315**	(10,791)
Cash paid on acquisition of subsidiaries *(Note 29)*	**(65,812)**	–
Net cash used in investing activities of assets and liabilities held for sale	**(661)**	–
Net cash used in investing activities	**(65,815)**	(37,117)

	2008 HK$'000	2007 HK$'000
Financing activities		
Interest paid on bank and other borrowings	**(42,602)**	(43,061)
Interest paid on finance leases	**(22)**	(25)
Repayment of obligations under finance leases	**(466)**	(427)
Net proceeds from issue of shares	**110,158**	1,649
New borrowings raised	**1,956,934**	1,914,579
Repayment of borrowings	**(1,958,792)**	(1,765,451)
Dividends paid	**–**	(23,467)
Net cash used in financing activities of assets and liabilities held for sale	**(284)**	–
Net cash generated from financing activities	**64,926**	83,797
Net (decrease)/increase in cash and cash equivalents	**(28,227)**	39,958
Effect of foreign exchange rate changes	**15,596**	1,736
Cash and cash equivalents at beginning of the year	**161,860**	120,166
Cash and cash equivalents at end of the year	**149,229**	161,860
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**147,397**	157,135
Bank balances and cash attributable to assets classified as held for sale	**1,832**	4,725
	149,229	161,860

The accompany notes form part of these financial statements.

1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider Solartech International Holdings Limited ("Solartech"), also incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Stock Exchange, to be its ultimate holding company before 22 April 2008. Since 22 April 2008, the Company became an associate of Solartech pursuant to the Group's acquisition of subsidiaries by way of issuing the Company's shares as partial settlement of the consideration, details of which are set out in Note 29.

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. The activities of the Company's subsidiaries and jointly-controlled entity are set out in Notes 42 and 15 to the consolidated financial statements, respectively.

The consolidated 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

In the current year, the Group has applied all of the new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and the HKAS 1 Amendment "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKASs 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
HK (IFRIC) – Int 15	Agreements for the construction of real estate	1 January 2009
HK (IFRIC) – Int 16	Hedges of net investment in a foreign operation	1 October 2008

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost convention, except for certain financial instruments, which are measured at fair value, 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 where 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 consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Acquisition of subsidiaries is 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.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Joint ventures

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

The results and assets and liabilities of jointly-controlled entity are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in jointly-controlled entity is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly-controlled entity, less any identified impairment losses. When the Group's share of losses of a jointly-controlled entity equals or exceeds its interest in that jointly-controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly- controlled entity.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal Groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition.

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

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 discounts and 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 for providing services is recognised when the services have been rendered.

Property, plant and equipment

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

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

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

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

Equipment, furniture and fixtures	20% – 30%
Plant and machinery (including mining – related machinery and equipment)	6.67% – 20%
Motor vehicles	20% – 30%

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 the consolidated income statement 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 on land use rights are amortised on a straight-line basis over the respective terms of the land use rights.

Deferred overburden removal costs

Stripping ratios are determined by comparing the quantity of iron-ore concentrated powder mined to the quantity of overburden, or waste removed to access the iron-ore concentrated powder. Costs are deferred to the consolidated balance sheet, where appropriate, when the actual stripping ratios vary from the planned mine average stripping ratios. Deferral of costs to the consolidated balance sheet is not made where the actual stripping ratio is expected to be evenly distributed. Costs, which have previously been deferred to the consolidated balance sheet (deferred overburden removal costs), are included in the consolidated income statement 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.

Intangible assets

Mining right

Mining right is stated at cost less accumulated amortisation and any impairment losses and is amortised on the units of production method utilising only proven and probable iron-ore reserves in the depletion base.

Exploration and evaluation assets

Exploration and evaluation assets comprise costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation assets also include the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised as exploration and evaluation assets and not amortised, and transferred to mining rights if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the consolidated income statement. Exploration and evaluation assets are stated at cost less impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 been recognised for the asset 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 calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Borrowing costs

All borrowing costs are expensed and included in finance costs in the consolidated income statement in the period in which they are incurred.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes consolidated income statement 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 by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and a jointly-controlled entity, 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessee. 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 balance sheet 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 charged to the income statement 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.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight line basis over the relevant lease terms.

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet 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 non-derivative financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, other loans and receivables, bills receivable and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Borrowings

Bank 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.

Other financial liabilities

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

Equity instruments

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

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable 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 balance sheet date, 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 iron-ore 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 amount of the provision and related assets, and the effect is then recognised in the consolidated income statement on a prospective basis over the remaining life of the operation. Provision for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of share options has been recognised in the consolidated income statement as share-based payments.

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

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

Share options granted to others

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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 paid.

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 preparing accounting estimates. 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 will reassess the estimations at each balance sheet date.

Impairment of trade debtors

The Group's management determines the allowance for impairment of trade debtors. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the allowance at each balance sheet date.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Reserve estimates and impairment of mining right

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

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

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

(i) Asset carrying values may be affected due to changes in estimated future cash flows.

(ii) Depreciation, depletion and amortisation charged in the consolidated income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

(iii) Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(iv) The carrying value of deferred tax may change as a result of changes in the asset carrying values as discussed above.

Provision for close down, restoration and environmental costs

The provision for close down, restoration and environmental costs is determined by management based on their past experience and best estimation of future expenditures, after taking into account existing relevant PRC regulations. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

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

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

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. There is also no significant exposure arising from exchange forward contracts. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. 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 each balance sheet date 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 loans receivable from third parties, the Group has no significant concentration of credit risk 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 18.

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 25. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 25.

At 30 June 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and decrease retained profits by HK$5,992,000 (2007: increase/decrease the loss of HK$6,011,000).

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date 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 balance sheet date. The analysis is performed on the same basis for 2007.

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 balance sheet date 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 balance sheet date) and the earliest date the Group can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
2008			
Borrowings	599,278	613,318	613,318
Creditors, other advances and accrued charges, and bills payable	135,268	135,268	135,268
	734,546	748,586	748,586
Derivative financial liabilities	372	372	372
	372	372	372

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*
2007			
Borrowings	601,136	655,520	655,520
Obligations under finance leases	466	488	488
Creditors, other advances and accrued charges, and bills payable	201,723	201,723	201,723
	803,325	857,731	857,731
Derivative financial liabilities	1,362	1,362	1,362
	1,362	1,362	1,362

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 balance sheet date are set out in Note 21.

At 30 June 2008, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by HK$4,976,000 (2007: decrease/increase the loss of HK$3,714,000) in respect of the instruments outstanding throughtout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the balance sheet date 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 balance sheet date. The analysis is performed on the same basis for 2007.

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- 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.

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

6. TURNOVER AND SEGMENTAL INFORMATION

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

Business segments

For management purposes, the Group has four principal operating divisions – (i) manufacture and trading of copper rods; (ii) iron ore mining, manufacture and sale of iron ore concentrated powder; (iii) manufacture and trading of life-like plants; and (iv) production, distribution and licensing of television programmes.

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

As detailed in Note 28, on 21 May 2007, the Company announced a plan to dispose of its business of manufacture and trading of life-like plants based on a conditional sale and purchase agreement dated 19 May 2007. Accordingly, the business segment of manufacture and trading of life-like plants was classified as discontinued operation in the prior year. According to the supplemental agreements dated 19 September 2007, 17 December 2007, 28 February 2008, 20 May 2008 and 30 September 2008, entered into among the Group, the purchaser and Kong Sun Holdings Limited (the holding company of the purchaser), the long stop date and the disposal of the business of manufacture and trading of life-like plants is extended to 31 December 2008. Further details are set out in the Company's announcement dated 2 October 2008.

Since the prior year, the Group ceased all the operations relating to the production, distribution and licensing of television programmes. The related inventories, which were master tapes of television programmes, have been fully sold or written-off and no further sales transaction was generated from this business segment. Accordingly, the business segment of production, distribution and licensing of television programmes was classified as discontinued operation in the prior year.

6. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

For the year ended 30 June 2008

	Continuing operations			Discontinued operations			
	Copper rods	Iron ore concentrated powder	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
Sales to external customers	2,964,803	4,181	2,968,984	106,937	–	106,937	3,075,921
RESULTS							
Segment results	76,036	(2,356)	73,680	(492)	(719)	(1,211)	72,469
Unallocated corporate income			7,872			–	7,872
Unallocated corporate expenses			(9,765)			(45)	(9,810)
Finance costs			(42,624)			(3,521)	(46,145)
Share of results of a jointly-controlled entity	(2,078)	–	(2,078)			–	(2,078)
Profit/(loss) before taxation			27,085			(4,777)	22,308
Taxation			(11,272)			(82)	(11,354)
Profit/(loss) for the year			15,813			(4,859)	10,954

6. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

At 30 June 2008

	Copper rods HK$'000	Iron ore concentrated powder HK$'000	Life-like plants HK$'000	Production, distribution and licensing of television programmes HK$'000	Consolidated HK$'000
BALANCE SHEET					
Assets					
Segment assets	1,139,077	207,241	102,053	974	1,449,345
Interest in a joint-controlled entity					18,057
Unallocated corporate assets					78,919
Consolidated total assets					1,546,321
Liabilities					
Segment liabilities	706,038	57,992	43,405	30,334	837,769
Unallocated corporate liabilities					1,379
Consolidated total liabilities					839,148

OTHER INFORMATION

	Continuing operations			Discontinued operations			
	Copper rods HK$'000	Iron ore concentrated powder HK$'000	Total HK$'000	Life-like plants HK$'000	Production, distribution and licensing of television programmes HK$'000	Total HK$'000	Consolidated HK$'000
Capital additions	3,074	656	3,730	859	–	859	4,589
Depreciation	15,375	773	16,148	2,257	–	2,257	18,405

6. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

For the year ended 30 June 2007

	Continuing operation		Discontinued operations			
	Copper rods	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
Sales to external customers	2,666,903	2,666,903	81,013	123	81,136	2,748,039
RESULTS						
Segment results	62,423	62,423	2,336	(551)	1,785	64,208
Unallocated corporate income		3,993			705	4,698
Unallocated corporate expenses		(8,727)			–	(8,727)
Impairment loss arising from adjustment to fair value less cost to sell		–	(28,000)	–	(28,000)	(28,000)
Finance costs		(43,874)			(2,742)	(46,616)
Share of results of a jointly-controlled entity	(369)	(369)			–	(369)
Profit/(loss) before taxation		13,446			(28,252)	(14,806)
Taxation		779			(127)	652
Profit/(loss) for the year		14,225			(28,379)	(14,154)

6. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

At 30 June 2007

	Copper rods HK$'000	Life-like plants HK$'000	Production, distribution and licensing of television programmes HK$'000	Consolidated HK$'000
BALANCE SHEET				
Assets				
Segment assets	1,071,167	74,930	938	1,147,035
Interest in a joint-controlled entity				18,023
Unallocated corporate assets				162,005
Consolidated total assets				1,327,063
Liabilities				
Segment liabilities	192,466	20,332	10,513	223,311
Unallocated corporate liabilities				622,697
Consolidated total liabilities				846,008

OTHER INFORMATION

	Continuing operation		Discontinued operations			
	Copper rods HK$'000	Total HK$'000	Life-like plants HK$'000	Production, distribution and licensing of television programmes HK$'000	Total HK$'000	Consolidated HK$'000
Capital additions	67,088	67,088	502	–	502	67,590
Depreciation	13,095	13,095	2,253	4	2,257	15,352
Allowance for doubtful debts	6,787	6,787	181	–	181	6,968
Write down of inventories	–	–	–	423	423	423

6. TURNOVER AND SEGMENTAL INFORMATION (continued)

Geographical segments

The Group's operations are located in Hong Kong and the PRC.

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

	Continuing operations		Discontinued operations		Total turnover by geographical market	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**2,968,984**	2,666,903	**–**	–	**2,968,984**	2,666,903
Americas	**–**	–	**100,236**	72,703	**100,236**	72,703
Europe	**–**	–	**4,377**	6,134	**4,377**	6,134
Hong Kong	**–**	–	**2,268**	2,255	**2,268**	2,255
Other Asian regions	**–**	–	**56**	44	**56**	44
	2,968,984	2,666,903	**106,937**	81,136	**3,075,921**	2,748,039

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**1,187,669**	958,924	**3,730**	66,031
Hong Kong	**261,676**	188,111	**–**	1,559
	1,449,345	1,147,035	**3,730**	67,590

7. PROFIT/(LOSS) BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss) before taxation has been arrived at after charging:						
Auditors' remuneration	**1,127**	539	**360**	340	**1,487**	879
Depreciation of property, plant and equipment						
Owned assets	**16,148**	12,551	**2,257**	2,257	**18,405**	14,808
Assets held under finance leases	**–**	544	**–**	–	**–**	544
	16,148	13,095	**2,257**	2,257	**18,405**	15,352
Amortisation of intangible asset *(Note 16)*	**364**	–	**–**	–	**364**	–
Cost of inventories *(Note)*	**2,902,092**	2,590,271	**91,816**	67,383	**2,993,908**	2,657,654
Charge of prepaid lease payments for land	**1,528**	1,297	**463**	463	**1,991**	1,760
Operating lease rentals in respect of rented premises	**535**	180	**560**	481	**1,095**	661
Write down of inventories	**–**	–	**–**	423	**–**	423
Wages, salaries and pension contributions including directors' remuneration *(Note 8)*	**17,665**	12,563	**14,093**	9,821	**31,758**	22,384
Share-based payment expense to employees and directors	**4,548**	100	**–**	–	**4,548**	100
	22,213	12,663	**14,093**	9,821	**36,306**	22,484
and after crediting:						
Exchange (gains)/losses, net	**(2,309)**	1,030	**(2,310)**	(144)	**(4,619)**	886
Net rental income after deducting outgoings	**(1,301)**	–	**–**	–	**(1,301)**	–
Management fee income	**(3,023)**	–	**–**	–	**(3,023)**	–
Subcontracting fee income	**(5,896)**	(785)	**–**	–	**(5,896)**	(785)

7. PROFIT/(LOSS) BEFORE TAXATION (continued)

Note: Cost of inventories includes HK$33,432,000 (2007: HK$25,727,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, which amounts are also included in the respective total amounts disclosed separately above.

Cost of inventories included write-down of inventories of HK$423,000 for the year ended 30 June 2007.

8. 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**	**Equity-settled share option expense**	**Retirement benefit scheme contributions**	**2008 Total**	2007 Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Mr. Chau Lai Him	–	195	–	9	**204**	2,436
Mr. Chu Yuk Kuen	–	390	–	–	**390**	390
Mr. Chan Sio Keong	–	585	742	10	**1,337**	–
Mr. Chan Kwan Hung	–	900	1,114	9	**2,023**	–
Mr. Chow Kin Ming	–	576	–	4	**580**	624
Mr. Chung Kam Kwong	107	–	–	–	**107**	80
Mr. Lee Kin Keung	82	–	–	–	**82**	40
Mr. Lo Chao Ming	60	–	–	–	**60**	15
Mr. Yue Peter	21	–	–	–	**21**	–
Mr. Lau Man Tak	–	–	–	–	**–**	1,580
Total	270	2,646	1,856	32	**4,804**	5,165

During the year, certain directors of the Company were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 34 to the consolidated financial statements. The fair value of such options which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

The five highest paid individuals of the Group include three (2007: four) executive directors of the Company, details of whose remuneration are included above. The remuneration of the remaining two (2007: one) individuals for the year ended 30 June 2008 were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries	**525**	533
Contributions to retirement benefits schemes	**12**	12
Equity-settles share options expense	**1,299**	–
	1,836	545

Their emoluments fell within the following bands:

	Number of individuals	
	2008	2007
HK$Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	–
	2	1

During the year, share options were granted to two non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 34 to the financial statements. The fair value of such options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

There was no arrangement under which the above non-director, highest paid employees waived or agreed to waive any remuneration during the year.

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank borrowings and other loans wholly repayable within five years	**42,602**	43,849	**3,521**	2,742	**46,123**	46,591
Interest on finance leases	**22**	25	**–**	–	**22**	25
	42,624	43,874	**3,521**	2,742	**46,145**	46,616

10. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax						
Current year	**2,215**	450	**82**	127	**2,297**	577
Overprovision in respect of prior years	**–**	(663)	**–**	–	**–**	(663)
Taxation in the PRC						
Current year	**11,553**	1,185	**–**	–	**11,553**	1,185
Overprovision in respect of prior years	**–**	(2,058)	**–**	–	**–**	(2,058)
	13,768	(1,086)	**82**	127	**13,850**	(959)
Deferred taxation *(Note 26)*	**(2,496)**	307	**–**	–	**(2,496)**	307
	11,272	(779)	**82**	127	**11,354**	(652)

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

10. TAXATION (continued)

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. For the six months ended 31 December 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, the PRC enjoy tax benefit and were entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore, subject to a total corporate income tax rate of 27%. On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the implementation rules to the New Tax Law. According to the New Tax Law, from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC was reduced from 33% to 25%. Accordingly the applicable corporate income tax rate was 25% for the six months ended 30 June 2008.

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

	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**22,308**	(14,806)
Tax at the PRC domestic income tax rate as at the balance sheet date of 25% (2007: 27%)	**5,577**	(3,998)
Tax effect of expenses not deductible for tax purpose	**11,767**	8,157
Tax effect of income not taxable for tax purpose	**(4,928)**	(1,791)
Utilisation of tax losses previously not recognised	**(1,452)**	(426)
Under/(over) provision in respect of prior years	**–**	(2,721)
Tax effect of share of result of a jointly-controlled entity	**520**	100
Effect of different tax rates of subsidiaries operating in other jurisdictions and changes in tax rates	**(10)**	(154)
Others	**(120)**	181
Tax charge/(credit) for the year	**11,354**	(652)

11. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Final dividend paid in respect of year 2006/2007 at HK$Nil per share (2005/2006: HK$0.025 per share)	**–**	16,741
Interim dividend paid in respect of year 2007/2008 at HK$Nil per share (2006/2007: HK$0.01 per share)	**–**	6,726
	–	23,467

The directors do not recommend the payment of a final dividend for the year ended 30 June 2008.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

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

For continuing and discontinued operations

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

	2008 ***HK$'000***	2007 *HK$'000*
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share	**10,663**	(14,154)

	Number of shares	
	2008	2007
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**773,858,500**	669,706,007
Effect of dilutive potential ordinary shares in respect of share options	**12,576,651**	9,180,340
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**786,435,151**	678,886,347

For continuing operations

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

	2008 ***HK$'000***	2007 *HK$'000*
Earnings/(loss) for the year	**10,663**	(14,154)
Loss for the year from discontinued operations	**4,859**	28,379
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**15,522**	14,225

12. EARNINGS/(LOSS) PER SHARE (continued)

For continuing operations (continued)

The denominators used are the same as those detailed above for calculating basic and diluted earnings/(loss) per share for continuing and discontinued operations.

From discontinued operations

Basic loss per share for discontinued operations is 0.63 HK cent (2007: 4.23 HK cents) per share, based on the loss for the year from discontinued operations of HK$4,859,000 (2007: HK$28,379,000).

No diluted loss per share in respect of (i) continuing and discontinued operations for the prior year; and (ii) discontinued operations for the current and prior years was disclosed because the options were anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings in the PRC held under medium-term leases HK$'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 2006	13,297	64,518	6,394	6,734	103,045	3,182	197,170
Additions	9,812	4,163	–	497	50,618	2,500	67,590
Disposals	–	–	–	(3,326)	–	–	(3,326)
Reclassification	(18,289)	12,832	–	4,940	517	–	–
Currency realignment	505	2,164	326	284	3,868	124	7,271
Transfer to assets classified as held for sale *(Note 28)*	–	(28,922)	–	(2,831)	(8,718)	(171)	(40,642)
At 30 June 2007	5,325	54,755	6,720	6,298	149,330	5,635	228,063
Additions	388	687	–	701	1,490	464	3,730
Disposals	–	(271)	–	–	(3,793)	–	(4,064)
Reclassification	(4,436)	–	–	–	4,436	–	–
Currency realignment	404	6,682	772	724	13,257	517	22,356
Acquisition of subsidiaries *(Note 29)*	1,963	16,137	–	3,528	20,840	5,759	48,227
At 30 June 2008	3,644	77,990	7,492	11,251	185,560	12,375	298,312
ACCUMULATED DEPRECIATION							
At 1 July 2006	–	3,416	49	3,962	35,499	1,863	44,789
Provided for the year	–	2,901	639	988	10,038	786	15,352
Disposals	–	–	–	(59)	–	–	(59)
Currency realignment	–	182	16	121	1,394	72	1,785
Transfer to assets classified as held for sales *(Note 28)*	–	(1,463)	–	(1,678)	(2,632)	(171)	(5,944)
At 30 June 2007	–	5,036	704	3,334	44,299	2,550	55,923
Provided for the year	–	3,065	507	1,174	10,555	847	16,148
Currency realignment	–	857	121	366	4,432	243	6,019
Acquisition of subsidiaries *(Note 29)*	–	3,863	–	838	4,127	1,366	10,194
At 30 June 2008	–	12,821	1,332	5,712	63,413	5,006	88,284
CARRYING AMOUNT							
At 30 June 2008	3,644	65,169	6,160	5,539	122,147	7,369	210,028
At 30 June 2007	5,325	49,719	6,016	2,964	105,031	3,085	172,140

13. PROPERTY, PLANT AND EQUIPMENT (continued)

At 30 June 2008, the carrying amount of property, plant and equipment of the Group includes motor vehicles of HK$Nil (2007: HK$1,529,000) in respect of assets held under finance leases. The related depreciation charge was HK$Nil (2007: HK$544,000). None of the leases includes contingent rentals. The Group has pledged buildings with a carrying amount at 30 June 2008 of HK$52,738,000 (2007: HK$16,858,000) to secure banking facilities granted to the Group (Note 32).

14. PREPAID LEASE PAYMENTS FOR LAND

	NOTES	**2008** **HK$'000**	2007 HK$'000
Carrying amount:			
At beginning of year		**54,871**	53,443
Release to the consolidated income statement	*7*	**(1,528)**	(1,297)
Acquisition of subsidiaries	*29*	**852**	–
Additions		**4,260**	–
Exchange realignment		**6,496**	2,725
At end of year		**64,951**	54,871

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

	2008 **HK$'000**	2007 HK$'000
Leasehold land under medium-term lease in the PRC	**64,951**	54,871
Analysed for reporting purposes as:		
Non-current	**63,217**	53,531
Current	**1,734**	1,340
	64,951	54,871

The Group has pledged prepaid lease payments for land with a carrying amount at 30 June 2008 of HK$28,800,000 (2007: HK$2,830,000) to secure banking facilities granted to the Group (Note 32).

At 30 June 2008, the Group was in the process of obtaining the relevant title documents of certain of its land use rights with a carrying amount of HK$30,832,000 (2007: HK$28,465,000).

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	2008 HK$'000	2007 HK$'000
Share of net assets	**18,057**	18,023

Particulars of the Group's interest in the jointly-controlled entity as at 30 June 2008 are as follows:

Name of company/form of business structure	Place of registration	Registered and fully paid capital/proportion of registered capital held by the Company	Principal activities
福建金藝銅業有限公司 Fujian Jingyi Copper Products Limited/ Corporate	PRC	RMB40,000,000/45%	Manufacture and sales of copper wires

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

	2008 HK$'000	2007 HK$'000
Group's share of the jointly-controlled entity's assets and liabilities:		
Current assets	**70,437**	8,694
Non-current assets	**40,299**	30,864
Current liabilities	**(83,034)**	(7,759)
Non-current liabilities	**(9,645)**	(13,776)
Net assets	**18,057**	18,023
Group's share of the jointly-controlled entity's results:		
Income	**19,686**	–
Expenses and taxation	**(21,764)**	(369)
Loss for the year	**(2,078)**	(369)

16. INTANGIBLE ASSET

	Mining right *HK$'000*
Cost:	
At 30 June 2007 and 1 July 2007	–
Acquisition arising on business combination *(Note 29)**	158,831
At 30 June 2008	158,831
Accumulated amortisation:	
At 30 June 2007 and 1 July 2007	–
Amortisation for the year *(Note 7)***	364
At 30 June 2008	364
Carrying amount:	
At 30 June 2008	158,467
At 30 June 2007	–

* The mining right purchased as part of a business combination of Yeading Enterprises Limited and its subsidiaries (collectively referred to as the "Yeading Group") during the year ended 30 June 2008 are initially recognised at the aggregate of the total consideration and direct costs attributable to the above business combination paid by the Group less the net assets of the Yeading Group acquired at the date of the completion of acquisition, details of which are set out in Note 29. At subsequent balance sheet dates, mining right is measured using the cost model.

** Amortisation is provided to write off the cost of the mining right using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining right till all proven and probable reserves have been mined.

The amortisation charge for the mining right for the year is included in the Group's "cost of sales" in the consolidated income statement.

16. INTANGIBLE ASSET (continued)

Details of the Group's mining right and exploration right are as follows:–

Mines	Locations	Expiry dates	*Notes*
Mining right			
Zhong Guan Town Mine	Bei Bao Zi Village, Zhong Guan Town, Long Hua County, Chengde City, He Bei Province, the PRC	16 August 2008	*(a)*
Exploration right			
Gu Shan Mine	Gu Shan Village, Long Hua County, Chengde City, He Bei Province, the PRC	19 October 2008	*(b)*

(a) As at the date of approval of the consolidated financial statements of the Group, the Group has applied for an extension of the relevant licence for the mining right but the extension is yet to be approved by the relevant authorities. The Group is confident that the licence will be renewed by the relevant authorities without any significant cost. The directors considered that the aggregate of the total consideration and direct costs attributable to the business combination of the Yeading Group paid by the Group less the net assets of the Yeading Group acquired at the date of completion of the acquisition is recognised as the initial cost of mining right of the Group and therefore no goodwill or discount on acquisition arises from the acquisition of the Yeading Group.

(b) The exploration right represent licence for the right for exploration in the specified location in the PRC, and the period of this exploration right is within 1 year. In the opinion of the directors of the Company, the mining project with the above exploration right has not reached a stage at which there is a high degree of confidence in its viability and therefore nil initial cost is capitalised for this exploration right into the exploration and evaluation asset upon the completion of the acquisition of the Yeading Group and as at 30 June 2008.

17. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**259,774**	258,562
Work in progress	**3,090**	1,993
Finished goods	**67,210**	42,371
	330,074	302,926

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

Included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors with outsiders of HK$108,510,000 (2007: HK$153,195,000), and trade balances with fellow subsidiaries and related companies of HK$182,016,000 (2007: HK$125,784,000). The Group allows an average credit period of 0 day to 90 days to its trade debtors with outsiders and a credit period of 45 days to its fellow subsidiaries and related companies. The above fellow subsidiaries are subsidiaries of Solartech. As further detailed in Notes 1 and 29, since 22 April 2008, the Company became an associate of Solartech as a result of the Company's issue of its shares as partial settlement for the acquisition of the Yeading Group, and therefore the above fellow subsidiaries became related companies of the Company on the same date.

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

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**100,278**	140,824
31 – 60 days	**53,085**	50,858
61 – 90 days	**27,322**	19,831
Over 90 days	**109,841**	67,466
	290,526	278,979

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

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At beginning of year	**6,796**	–
Impairment loss recognised	**–**	6,968
Transfer of assets classified as asset held for sales	**–**	(181)
Exchange realignment	**49**	9
	6,845	6,796

At 30 June 2008, the Group's trade debtors of HK$6,845,000 (2007: HK$6,796,000) 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 for such balances as at the respective balance sheet dates. 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.

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**99,437**	102,088
Less than 1 month past due	**63,909**	97,661
1 to 3 months past due	**32,670**	26,397
More than 3 months past due	**94,510**	52,833
	290,526	278,979

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

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group of which HK$130,017,000 (2007: HK$66,972,000) were trade debtors with related companies (2007: fellow subsidiaries). 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.

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

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

At 30 June 2008, included in debtors, other loans and receivables, deposits and prepayments were cash advances to fellow subsidiaries and related companies amounted to HK$20,038,000 (2007: HK$63,730,000). The amounts were unsecured, interest-free and repayable on demand.

At 30 June 2008, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$14,159,000 (2007: HK$44,273,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at year end. The amount has been fully settled subsequent to year end.

19. BILLS RECEIVABLE

As at 30 June 2007 and 2008, the bills receivables aged within 180 days.

20. LOANS RECEIVABLE, SECURED

(i) During the prior year, a prepayment of amount of HK$31,560,000 for acquisition of property, plant and equipment to an independent third party had been assigned and reclassified as loan to the third party. In addition, the Group has advanced an additional amount of HK$15,338,000 to such party during the prior year. Net repayment of HK$2,989,000 was made by such party during the current year. The aggregate amount of loans receivable at 30 June 2008 amounted to HK$43,909,000 (2007: HK$46,898,000), which was interest-bearing at 2.5% per annum and secured by the plant and machinery of the third party. As at 30 June 2007, the balance had no fixed repayment terms. In the opinion of directors of the Company, the amount would not be recoverable within 12 months from 30 June 2007. As at 30 June 2008, the balance is repayable by 30 June 2009. Therefore it was classified as a non-current liability and current liability as at 30 June 2007 and 2008, respectively. Subsequent to the balance sheet date, the loans receivable is repayable on 30 June 2009 pursuant to a loan agreement dated 3 October 2008.

(ii) As at 30 June 2008, there were three loans of HK$56,568,000 in aggregate due from three independent third parties (2007: HK$Nil). These loans are interest-bearing at 5% per annum or prime rate and secured by interests in coal and mineral mines located in Mongolia, of which two loans of HK$35,811,000 in aggregate as at the balance sheet date are repayable from 1 January 2009 to 31 March 2009. The remaining loan of HK$20,757,000 as at the balance sheet date was originally due for repayment on 16 August 2008. On 15 August 2008, the repayment date is extended to 31 March 2009. All these loans receivable were classified as current liabilities as at 30 June 2008.

21. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2008 Assets HK$'000	2008 Liabilities HK$'000	2007 Assets HK$'000	2007 Liabilities HK$'000
Copper future contracts	18	–	–	(1,362)
Interest rate swaps	–	–	468	–
Foreign exchange forward contracts	607	(372)	1,183	–
	625	(372)	1,651	(1,362)

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 2008	As at 30 June 2007
Quantities (in tonnes)	1,000	1,375
Average price per tonne	8,521	7,604
Delivery period	From August 2008 to September 2008	From July 2007 to September 2007
Fair value gain/(loss) of copper future contracts recognised as current (liabilities)/assets (in HK$'000)	18	(1,362)

Interest rate swap

Notional amount	Maturity	Swap	Fair value gain as at 30 June 2008 HK$'000	Fair value gain as at 30 June 2007 HK$'000
USD5,000,000	13 September 2009 (Early redeemed on 13 March 2008)	Received USD interest rate at structured rate *(Note)*	–	468
		Paid USD interest rate at LIBOR minus 0.8%		

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

21. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)

Forward foreign exchange contracts

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

At 30 June 2008

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain/(loss) as at 30 June 2008	
			HK$'000	*HK$'000*
US$1,000,000/month or US$3,000,000/month	10 February 2009	HK$7.745/US$1	181	–
US$1,000,000/month or US$2,000,000/month	31 December 2008	HK$7.738/US$1	245	–
US$1,000,000/month or US$3,000,000/month	23 December 2009	HK$7.72/US$1	–	(35)
US$500,000/month or US$1,000,000/month	24 April 2009	HK$7.73/US$1	181	–
US$1,000,000/month or US$3,000,000/month	22 June 2009	HK$7.7499 to HK$7.7399/US$1	–	(337)
			607	(372)

At 30 June 2007

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain as at 30 June 2007
US$2,000,000 or US$4,000,000/year	24 January 2008	CNY7.2701 to HK$7.7755/US$1	74
US$1,000,000/month	5 July 2007	HK$7.738/US$1	78
US$1,000,000/month	20 December 2007	HK$7.728/US$1	409
US$1,000,000/month	20 December 2007	HK$7.7499/US$1	232
US$500,000/month	20 October 2007	HK$7.725/US$1	153
US$1,000,000/month	19 September 2007	HK$7.7295/US$1	237
			1,183

The above derivatives are measured at fair value at each balance sheet dates and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices and the fair values of interest rate swap and foreign exchange contracts were provided by banks or financial institutions at the balance sheet date. The change in fair value of derivative financial instruments of HK$32,737,000 (2007: HK$19,017,000) has been credited to the consolidated income statement during the year.

22. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

Included in the Group's creditors, other advances and accrued charges were trade creditors with outsiders of HK$19,178,000 (2007: HK$15,601,000).

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

	2008 HK$'000	2007 HK$'000
Within 30 days	14,663	11,151
31 – 60 days	2,663	909
61 – 90 days	418	2,752
Over 90 days	1,434	789
	19,178	15,601

At 30 June 2008, included in creditors, other advances and accrued charges were cash advances from fellow subsidiaries and related companies amounted to HK$Nil (2007: HK$12,450,000). The amounts were unsecured, interest-free and repayable on demand. The above fellow subsidiaries are subsidiaries of Solartech. As further detailed in Notes 1 and 29, since 22 April 2008, the Company became an associate of Solartech as a result of the Company's issue of its shares as partial settlement for the acquisition of the Yeading Group, and therefore the above fellow subsidiaries became related companies of the Company on the same date.

23. BILLS PAYABLE

As at 30 June 2007 and 2008, the bills payables aged within 180 days.

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Amounts payable under finance Leases within one year	–	488	–	466
Less: Future finance charges	–	(22)		
Present value of lease obligations	–	466		

24. OBLIGATIONS UNDER FINANCE LEASES (continued)

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates underlying all obligations under finance leases were fixed at respective contract dates and the average effective borrowing rate was 3% (2007: 3%) 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 were secured by the lessor's charge over the leased assets.

25. BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Borrowings are repayable on demand or with one year, and are analysed as follows:		
Bank loans	**115,813**	102,017
Trust receipt loans	**458,538**	483,598
Other loans	**24,927**	15,521
	599,278	601,136
Secured	**574,351**	585,615
Unsecured	**24,927**	15,521
	599,278	601,136

The average effective interest rates of the bank loans and trust receipt loans range from 5% to 7% (2007: 6% to 9%) per annum at floating interest rates.

Except for an amount of HK$13,168,000 at 30 June 2008 (2007: HK$12,821,000) which carried interest at fixed rates ranging from 7% to 36% (2007: 7% to 36%) per annum, other loans were unsecured, interest-free and repayable on demand.

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 2008, the Group had available HK$164,081,000 (2007: HK$112,182,000) 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 32 to the consolidated financial statements.

26. DEFERRED TAX

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

	Accelerated tax depreciation	Intangible asset	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2006	14,937	–	14,937
Charge to income statement for the year *(Note 10)*	307	–	307
Exchange realignment	504	–	504
At 30 June 2007	15,748	–	15,748
Credited to income statement for the year *(Note 10)*	(1,272)	(91)	(1,363)
Change in tax rates	(1,133)	–	(1,133)
Acquisition of subsidiaries *(Note 29)*	–	39,708	39,708
Exchange realignment	1,183	–	1,183
At 30 June 2008	14,526	39,617	54,143

At 30 June 2008, the Group has unused tax losses of HK$30,389,000 (2007: HK$34,225,000) 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.

The Group had no other significant unprovided deferred tax assets or liabilities at the balance sheet date.

27. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.2 each		1,500,000,000	300,000
Issued and fully paid:			
As at 1 July 2006		667,138,500	133,428
Exercise of share options *(Note i)*		5,996,000	1,199
As at 30 June 2007		673,134,500	134,627
Exercise of share options *(Note i)*		2,172,000	434
Issue of shares by placements *(Note ii)*		110,000,000	22,000
Issue of shares for acquisition of subsidiaries	*29*	100,000,000	20,000
As at 30 June 2008		885,306,500	177,061

Notes:

(i) During the year ended 30 June 2008, 2,172,000 (2007: 5,996,000) new ordinary shares of par value HK$0.2 each were issued at subscription price of HK$0.275 each on exercise of 2,172,000 (2007: 5,996,000) (Note 34) share options at an aggregate consideration, net of issuing expenses, of HK$597,000 (2007: HK$1,649,000), of which HK$434,000 (2007: HK$1,199,000) was credited to share capital and the remaining balance of HK$163,000 (2007: HK$450,000) was credited to the share premium account. In addition, an amount attributable to the related share options of HK$186,000 (2007: HK$438,000) has been transferred from share option reserve to the share premium account.

(ii) During the year ended 30 June 2008, 110,000,000 (2007: Nil) new ordinary shares of par value HK$0.2 each were issued at subscription prices ranging from HK$0.96 to HK$1.2 each to the then independent third parties of the Group at an aggregate consideration, net of issuing expenses, of HK$109,561,000 (2007: HK$Nil), of which HK$22,000,000 (2007: HK$Nil) was credited to share capital and the remaining balance of HK$87,561,000 (2007: HK$Nil) was credited to the share premium account.

28. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 21 May 2007, the Company announced that a conditional sale and purchase agreement (the "Sale and Purchase Agreement") was entered into on 19 May 2007 by one of its wholly-owned subsidiaries (the "Vendor") and the purchaser, an independent third party, in respect of the disposal of the entire issued capital in FT China Limited and FT Far East Limited, both being indirect wholly-owned subsidiaries of the Company, which carried on business of manufacture and trading of life-like plants. In addition, pursuant to the Sale and Purchase Agreement, the benefits and rights of the amount owed to the Vendor of HK$80,786,000 will also be assigned to the purchaser upon completion of the disposal. The aggregate consideration amounted to HK$60 million of which HK$20 million will be settled by way of promissory note and the remaining balance will be settled by the issue of convertible bonds upon the completion of the transaction. The transaction has not been completed up to 30 June 2008. Details of the disposal were set out in the circular of the Company dated 8 June 2007.

According to the supplemental agreements dated 19 September 2007, 17 December 2007, 28 February 2008, 20 May 2008 and 30 September 2008 entered into among the Group, the purchaser and Kong Sun Holdings Limited ("Kong Sun") (the holding company of the purchaser), the long stop date and the disposal of the business of manufacture and trading of life-like plants is extended to 31 December 2008. The directors of the Company considered that the Group obtained a firm purchase commitment. There are certain conditions imposed on the transfer of the above business of manufacture and trading of life-like plants classified as held for sale that will extend the period required to complete the sale. Timely actions necessary to respond to the conditions have been taken, and a favourable resolution of the delaying factors is expected. Therefore the above business of manufacture and trading of life-like plants classified as held for sale is classified as a discontinued operation and its assets and liabilities were classified as assets classified as held for sale and liabilities associated with assets classified as held for sale, respectively, as at 30 June 2007 and 2008. Further details are set out in the Company's announcements dated 20 September 2007, 17 December 2007, 28 February 2008, 20 May 2008 and 2 October 2008.

28. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE (continued)

The major classes of assets and liabilities of the life-like plants operation as at 30 June 2007 and 2008 are as follows:

	2008	2007
	HK$'000	*HK$'000*
Property, plant and equipment *(Note 13)*	**32,672**	34,698
Prepaid lease payments for land	**15,756**	15,518
Inventories	**71,669**	42,096
Debtors, deposits and prepayments	**2,588**	5,230
Tax recoverable	**–**	89
Pledged deposits *(Note 32)*	**5,536**	5,388
Bank balances and cash	**1,832**	4,725
Impairment loss arising from adjustment to fair value less costs to sell	**(28,000)**	(28,000)
Assets classified as held for sale	**102,053**	79,744
Creditors and accrued charges	**35,412**	14,019
Bills payable	**7,993**	6,313
Liabilities associated with assets classified as held for sale	**43,405**	20,332

The trade debtor balances included in debtors, deposits and prepayments aged within 90 days. The trade creditor balances included in creditors and accrued charges aged within 90 days. The bills payable aged within 90 days.

The subsidiaries to be disposed of have contributed a cash outflow of HK$1,966,000 (2007: HK$7,647,000) in the Group's operating activities, cash outflow of HK$661,000 (2007: HK$6,000) in the Group's investing activities and cash outflow of HK$266,000 (2007: HK$1,119,000) in the Group's financing activities.

29. ACQUISITION OF SUBSIDIARIES

On 22 April 2008, the Group acquired 100% equity interest of the Yeading Group for an aggregate consideration of HK$171,118,000. This transaction has been accounted for by the acquisition method of accounting. The Yeading Group is mainly engaged in holding the mining and exploration interests in two open iron-ore mines located in He Bei Province, the PRC, and sale of iron-ore concentration powder. Further details are set out in the Company's circular dated 31 December 2007 and announcement dated 22 April 2008.

The consideration was satisfied (i) as to RMB55,000,000 (equivalent to HK$61,118,000) in cash; and (ii) as to HK$110,000,000 by allotment and issue of 100,000,000 ordinary shares of the Company to the vendor (Note 27).

29. ACQUISITION OF SUBSIDIARIES (continued)

The net assets acquired in the transaction are as follows:

	Notes	Acquirees' carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:				
Property, plant and equipment	13	38,033	–	38,033
Prepaid lease payments for land	14	852	–	852
Intangible asset – mining right	16	–	158,831	158,831
Inventories		2,290	–	2,290
Debtors, other loans and receivables, deposits and prepayments		1,858	–	1,858
Bank and cash balances		1,341	–	1,341
Creditors, other advances and accrued charges		(37,970)	–	(37,970)
Deferred tax liabilities	26	–	(39,708)	(39,708)
Minority interest		(2,374)	–	(2,374)
Total consideration		4,030	119,123	123,153

Consideration satisfied by:	HK$'000
Cash paid	61,118
Shares of the Company – at fair value*	56,000
	117,118
Direct costs attributable to the acquisition	6,035
	123,153

Net cash outflow arising on acquisition:	HK$'000
Consideration and direct costs paid in cash	67,153
Cash and cash equivalent balances acquired	(1,341)
	65,812

* The fair value of the 100,000,000 ordinary shares of the Company issued as part of the consideration was determined with reference to the market share price of HK$0.56 of the Company's shares at the completion date of acquisition, at the total fair value of HK$56,000,000 of which HK$20,000,000 was credited to share capital and the remaining balance of HK$36,000,000 was credited to the share premium account (Note 27).

29. ACQUISITION OF SUBSIDIARIES (continued)

Included in turnover and profit for the year is HK$4,181,000 and HK$1,014,000 respectively attributable to the business generated by the Yeading Group since its acquisition on 22 April 2008.

Had the business combination been effected at the beginning of the year, the turnover of the Group would have been HK$3,112,410,000, and the profit for the year would have been HK$12,359,000.

30. CAPITAL COMMITMENTS

	2008 **HK$'000**	2007 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Leasehold improvements	**–**	169
Plant and machinery	**3,549**	2,304
	3,549	2,473

31. LEASE COMMITMENTS

The Group as lessee

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

	2008 **HK$'000**	2007 HK$'000
Within one year	**555**	556
In the second to fifth years inclusive	**210**	312
	765	868

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

32. PLEDGE OF ASSETS

At 30 June 2008, the Group has pledged the following assets to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	Notes	2008 HK$'000	2007 HK$'000
Property, plant and equipment	13	**52,738**	16,858
Prepaid lease payments for land	14	**28,800**	2,830
Bank deposits		**26,268**	72,583
Bank deposits included in assets classified as held for sale	28	**5,536**	5,388
		113,342	97,659

In addition, the Group's banking facilities are also secured by the Group entities. Details of the pledged assets and corporate guarantees given by the fellow subsidiaries and related companies for the Group's banking facilities are set out in Note 37.

33. MAJOR NON-CASH TRANSACTIONS

During the prior year, the Group entered into finance lease in respect of motor vehicle with a total capital value at the inception of the lease of HK$464,000.

During the prior year, prepayments for acquisition of property, plant and equipment with carrying amount of HK$48,173,000 had been reclassified to property, plant and equipment which had been put into operation in the prior year.

As disclosed in Note 20(ii), pursuant to a loan agreement entered into between the Group and an independent third party, a prepayment of HK$31,560,000 for acquisition of property, plant and equipment had been assigned, and reclassified as loan, to a third party during the prior year.

As disclosed in note 29, part of the consideration of acquisition of subsidiaries were satisfied as to HK$110,000,000 by allotment and issue of 100,000,000 ordinary shares ("Consideration Shares") of the Company to the vendor (Note 27). The fair value of the Consideration Shares of the Company determined with reference to the market share price of HK$0.56 of the Company's shares at the completion date of acquisition, at the total fair value of HK$56,000,000.

34. SHARE OPTION SCHEMES

The share option scheme was adopted by the Company on 4 December 2003, which replaced its old share options scheme adopted in 1996. Under the share option scheme, the directors may, at their discretion, grant to full-time employees and executive directors of the Group the right to take up options to subscribe for shares of the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for services provided to the Company. The share option scheme, unless otherwise cancelled or amended, will expire on 3 December 2013. The subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

34. SHARE OPTION SCHEMES (continued)

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

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

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

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

During the year, share-based payment of HK$7,959,000 (2007: HK$2,202,000) has been charged to the consolidated income statement:

	2008 ***HK$'000***	2007 *HK$'000*
Directors *(Note 8)*	**1,856**	–
Employees	**2,692**	100
Others	**3,411**	2,102
	7,959	2,202

34. SHARE OPTION SCHEMES (continued)

The following table discloses movements of the Company's share option scheme during the years:

For the year ended 30 June 2008

					Number of share options					
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price *HK$*	Outstanding at 1.7.2007	Granted during the year	Exercised during the year *(Note 27)*	Lapsed during the year	Outstanding at 30.6.2008	Exercisable period
Employees	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 31 December 2008	0.275	1,008,000	–	(672,000)	–	336,000	1.1.2008 to 31.12.2008
Directors and employees	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 31 January 2008 5 November 2007 to 31 January 2009 5 November 2007 to 31 January 2010	0.910	–	17,700,000	–	–	17,700,000	1.2.2008 to 31.01.2011 1.2.2009 to 31.01.2011 1.2.2010 to 31.01.2011
Others	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 31 December 2008	0.275	5,500,000	–	(1,500,000)	–	4,000,000	1.1.2008 to 31.12.2008
Others	6 April 2006	1 May 2006 to 30 April 2011	6 April 2006 to 30 April 2008 6 April 2006 to 30 April 2009 6 April 2006 to 30 April 2010	0.495	40,800,000	–	–	(10,200,000)	30,600,000	1.5.2008 to 30.4.2009 1.5.2009 to 30.4.2010 1.5.2010 to 30.4.2011
Others	5 November 2007	1 August 2008 to 31 July 2011	5 November 2007 to 31 July 2008 5 November 2007 to 31 July 2009 5 November 2007 to 31 July 2010	0.910	–	15,000,000	–	–	15,000,000	1.8.2008 to 31.7.2011 1.8.2009 to 31.7.2011 1.8.2010 to 31.7.2011
Total					47,308,000	32,700,000	(2,172,000)	(10,200,000)	67,636,000	

34. SHARE OPTION SCHEMES (continued)

For the year ended 30 June 2007

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2006	Exercised during the year (Note 27)	Lapsed during the year	Outstanding at 30.6.2007	Exercisable period
Employees	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2007 9 December 2005 to 1 January 2008	0.275	2,336,000	(996,000)	(332,000)	1,008,000	1.1.2007 to 31.12.2007 1.1.2008 to 31.12.2008
Others	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2007 9 December 2005 to 1 January 2008	0.275	12,000,000	(5,000,000)	(1,500,000)	5,500,000	1.1.2007 to 31.12.2007 1.1.2008 to 31.12.2008
Others	6 April 2006	1 May 2006 to 30 April 2011	6 April 2006 to 1 May 2006 6 April 2006 to 1 May 2008 6 April 2006 to 1 May 2009 6 April 2006 to 1 May 2010	0.495	51,000,000	–	(10,200,000)	40,800,000	1.5.2007 to 30.4.2008 1.5.2008 to 30.4.2009 1.5.2009 to 30.4.2010 1.5.2010 to 30.4.2011
Total					65,336,000	(5,996,000)	(12,032,000)	47,308,000	

The fair value of share options granted to employees of the Group, directors of the Company and other parties, determined at the date of grant of the shares options, is expensed over the vesting period. These fair values were calculated using the Black-Scholes Options Pricing Model. The inputs into the model were as follows:

Date of grant	6 April 2006	5 November 2007
Share price on the date of grant	HK$0.495	HK$0.86
Exercise price	HK$0.495	HK$0.91
Expected volatility	64.5%	92.73%
Average expected life	1.06 to 4.57 years	1.74 to 3.24 years
Average risk-free rate	4.17% to 4.48% p.a.	2.54% to 2.82% p.a.
Expected dividend yield	6.1%	Nil

The volatility of share options granted on 6 April 2006 and 5 November 2007 were generated from Bloomberg based on the Company's 180-day and 400-day historical shares prices before the dates of valuation, respectively.

The weighted average closing price of the Company's shares immediately before the dates on which share options were exercised during the year was HK$0.72 (2007: HK$0.68) per share.

34. SHARE OPTION SCHEMES (continued)

At the balance sheet date and the date of the approval of these financial statements, the Company had 67,636,000 share options outstanding under the share option scheme, which represented approximately 7% of the Company's shares in issue. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 67,636,000 additional ordinary shares of the Company and additional share capital of HK$13,527,200 and share premium account of HK$32,569,200 (before issue expenses), respectively.

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

35. BANK BALANCES AND CASH (INCLUDING 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.

	2008 ***HK$'000***	2007 *HK$'000*
Pledged deposits and bank balances and cash were denominated in the following currencies:		
Renminbi ("RMB")	**62,575**	126,550
U.S. Dollar	**68,073**	42,078
Hong Kong Dollar	**43,017**	61,090
	173,665	229,718

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.

36. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("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 contributions under the central pension scheme.

The retirement benefits cost charged to the consolidated income statement 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$785,000 (2007: HK$626,000).

37. RELATED PARTY TRANSACTIONS

Other than those disclosed in Notes 18 and 22, during the year, the Group entered into the following transactions with fellow subsidiaries and related companies:

	2008 ***HK$'000***	2007 *HK$'000*
Sales of goods	**324,321**	303,298
Rental expenses of office premises	**180**	180
Rental income of staff quarters	**1,301**	–
Management fee income	**3,023**	–

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

At 30 June 2008, certain bank deposits and property, plant and equipment of the fellow subsidiaries and related companies with an aggregate carrying amount of HK$18,000,000 (2007: HK$97,960,000) and corporate guarantees given by the related companies (2007: fellow subsidiaries) have been pledged against the banking facilities granted to the Group.

The above fellow subsidiaries are subsidiaries of Solartech. As further detailed in Notes 1 and 29, since 22 April 2008, the Company became an associate of Solartech and therefore the above fellow subsidiaries became related companies of the Company on the same date.

Compensation of key management

The key management of the Group comprises all directors and the highest paid employees, details of their remuneration are disclosed in Note 8.

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 25, bank balances and cash in Note 35 and equity attributable to equity holders of the Company, comprising share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

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

The gearing ratio at the balance sheet dates was as follows:

	2008 ***HK$'000***	2007 *HK$'000*
Debts	**599,278**	601,136
Bank balances and cash	**(173,665)**	(229,718)
Net debts	**425,613**	371,418
Equity	**707,173**	481,055
Net debt to equity ratio	**60%**	77%

39. 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 2008 and 2007 may be categorised as follows:

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Derivative financial assets at fair value	**625**	1,651
Loans and receivables (including cash and bank balances)	**661,424**	697,708
Financial liabilities		
Derivative financial liabilities at fair value	**372**	1,362
Financial liabilities measured at amortised cost	**734,546**	803,325

40. POST BALANCE SHEET DATE EVENT

As disclosed in Note 28, pursuant to a supplemental agreement dated 30 September 2008, entered into among the (i) the Group, (ii) the purchaser and (iii) Kong Sun, agreed to further extend the long stop date for satisfaction of the conditions precedent under a conditional sale and purchase agreement on disposal of the business of manufacture and trading of life-like plants of the Group to 31 December 2008, details of which are disclosed in the joint announcements of the Company and Solartech dated 21 May 2007, 20 September 2007, 17 December 2007, 28 February 2008, 20 May 2008 and 2 October 2008 and circular of the Company and Solartech dated 8 June 2007.

41. CONTINGENT LIABILITY

Environmental contingencies

To date, the Group has not incurred any significant expenditure for environmental remediation, and is currently not involved in any environmental remediation, and has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group and therefore, no provision was made therefor as at 30 June 2008. The PRC government, however, has moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The exact amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries at 30 June 2008 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
Hua Yi Copper (BVI) Company Limited	British Virgin Islands	US$1	100%	Investment holding
Wah Yeung Capital Resources Limited	British Virgin Islands	US$1	100%	Investment holding
Hua Yi Copper Products Company Limited	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products
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
昆山華藝銅業有限公司 Kunshan Hua Yi Copper Products Company Limited#	PRC	US$5,000,000	100%	Manufacture and trading of copper products
Brightpower Assets Management Limited	British Virgin Islands	US$1	100%	Investment holding
承德劍鋒礦業集團隆化隆鑫礦業有限公司 Chengde Jianfeng Mining Industry Group Long Hua Long Xin Mining Industry Company Limited	PRC	RMB$15,000,000	90.25%	Manufacturing and sale of iron ore concentrated powder

Wholly-foreign-owned enterprise

None of the subsidiaries had issued any debt securities at the end of the year.

RESULTS

	Year ended 30 June 2008 HK$'000	2007 HK$'000	2006 HK$'000	Period from 1 January 2004 to 30 June 2005 HK$'000 (Restated)	Year ended 31 March 2004 HK$'000
Turnover	**3,075,921**	2,748,039	1,513,166	1,453,821	623,745
Profit/(loss) before taxation	**22,308**	(14,806)	109,489	28,768	29,981
Taxation	**(11,354)**	652	(19,185)	(8,325)	(3,975)
Profit/(loss) for the year	**10,954**	(14,154)	90,304	20,443	26,006
Profit/(loss) attributable to:					
Equity holders of the Company	**10,663**	(14,154)	90,304	20,443	26,006
Minority interests	**291**	–	–	–	–
	10,954	(14,154)	90,304	20,443	26,006

ASSETS AND LIABILITIES

	At 30 June 2008 HK$'000	At 30 June 2007 HK$'000	At 30 June 2006 HK$'000	At 30 June 2005 HK$'000 (Restated)	At 31 March 2004 HK$'000
Total assets	**1,546,321**	1,327,063	1,150,298	678,752	478,229
Total liabilities	**(839,148)**	(846,008)	(649,289)	(359,813)	(246,117)
Shareholders' funds	**707,173**	481,055	501,009	318,939	232,112

Note: The results for the year ended 31 March 2004 ("Relevant Period") have been extracted from the Company's circular to the shareholders dated 14 June 2004. The total assets in the Relevant Period included the plant and machinery and land and buildings held by certain subsidiaries of Solartech International Holdings Limited as if the group structure as at 31 March 2004 had been in existence throughout the Relevant Periods.