

The business operations of the Group are mainly transacted in US dollars and Renminbi. Most of the Group's sales are conducted in the same currency as the corresponding purchase transaction. The Directors do not consider that the Group has significant exposure to foreign exchange fluctuations in view of the stability of US dollars and Renminbi. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of its bank borrowings. Accordingly, the Group did not engage any financial instrument for hedging purposes during the period and there is no hedging instrument outstanding as at 30th June, 2004.

CAPITAL STRUCTURE AND USE OF PROCEEDS

As at the balance sheet date, the authorized share capital of the Company was HK\$100 million divided into 10,000,000,000 shares of HK\$ 0.01 each, of which 2,591,250,000 shares have been issued.

There was no movement in the share capital of the Company during the period.

Subsequent to the balance sheet date, the Directors put forward a proposal to the shareholders to further increase the authorized share capital of the Company by HK\$100 million by the creation of additional 10,000,000,000 shares for the issuance of Consideration Shares for the acquisition of the copper business, as stated on the "Post Balance Sheet Events" above.

The issued share capital of the Company had the following movement during last year:

	No. of shares Issued '000
Balance at 1st January, 2003 and 30th June, 2003	345,500
Subscription of Shares (<i>Note 1</i>)	86,375
Shares issued under Open Offer (<i>Note 2</i>)	2,159,375
	<hr/>
Balance at 31st December, 2003 and 30th June, 2004	<u>2,591,250</u>

Note 1: On 26th August, 2003, China Star HK Entertainment Company Limited entered into a subscription agreement with the Company for the subscription of 86,375,000 shares of the Company at par value of HK\$0.10 each for an aggregate amount of HK\$8.6 million. The completion of the subscription was divided into two branches of 69,100,000 shares and 17,275,000 shares, which were completed on 10th September, 2003 and 7th October, 2003, respectively.

The Company raised a total of approximately HK\$8.3 million, net of related expenses, from the subscription which had been fully applied to the general working capital.

Note 2: In October, 2003, the Company proposed an open offer on the basis of 5 offer shares for every existing share held to all shareholders with their register of members, in Hong Kong at HK\$0.04 per share. The open offer was completed on 29th December, 2003 with the issuance of 2,159,375,000 shares of HK\$0.01 each for approximately HK\$79.7 million, net of related expenses. The net proceed has been applied to the followings:

	Original Schedule HK\$'000	Revised Schedule* HK\$'000	Actual application as of today HK\$'000
Repayment of outstanding loans	19,500	19,500	19,500
Applied to general working capital	20,200	30,200	30,200
For further development of multi-media business	40,000	–	–
For operating and development of copper business	–	30,000	23,000
	<u>79,700</u>	<u>79,700</u>	<u>72,700</u>

* Pursuant to an announcement dated 17th August, 2004, the Directors has decided to change the application of approximately HK\$40 million previously intended to be used for the development of the multi-media business to approximately HK\$30 million be used for the operating and development of the copper business, including the purchase of copper cathode and as to approximately HK\$10 million be used for the general working capital.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of approximately 620 employees as at 30th June, 2004. The Group recognizes the importance of its human resources to its success. The remuneration packages of the Group's employees are maintained at competitive levels based on their performance and experience and are in line with current industry practices. Other staff benefits provided by the Group include the provision of mandatory provident fund, discretionary bonuses and share option scheme. The remuneration policy and packages of the Group's employees are reviewed regularly.