

## Chairman's Statement

### RESULTS

The Directors are pleased to announce the results of the Company and its subsidiaries (the "Group") for the 12 months ended 30 June 2006 (the "Period"). As the Group changed its financial year-end date from 31 December to 30 June in financial year 2005, the results for the Period should not be directly compared with the results for the 18 months ended 30 June 2005 ("the "Previous Year").

For the year ended 30 June 2006, the Group recorded a turnover of approximately HK\$1,513,166,000. Profits from operations rose 160% to HK\$137,868,000. Profit for the Period amounted to approximately HK\$90,304,000, in which HK\$70,157,000 was attributable to the realisation of the copper forward contracts and foreign exchange forward contracts (which are solely for hedging and risk management purposes) at their fair value in the consolidated income statement due to the adoption of new accounting standards for the Period. Earnings per share was approximately HK13.66 cents.

In the Previous Year, the Group's turnover, profit attributable to shareholders and basic earnings per share were approximately HK\$1,453,821,000, HK\$20,443,000 and HK4.26 cents respectively.

The average per month turnover for the Period was approximately HK\$126,097,000 per month, 56% more than that in the Previous Year, and the average per month profit for the Period increased by 562% to approximately HK\$7,525,000.

### FINAL DIVIDEND

The Directors have proposed a final dividend of HK2.5 cents per ordinary share for the year ended 30 June 2006 (the Previous Year: Nil) to those shareholders whose names appear on the register of members on 22 November 2006. Subject to the approval of shareholders at the forthcoming annual general meeting, dividend will be paid on or about 30 November 2006.

### BUSINESS REVIEW

For the Period under review, 94% of the Group's total turnover was derived from the sale of copper rods. Other businesses, namely life-like plants and multi-media business, together accounted for the remaining 6% of total turnover.

By market, the PRC accounted for 94% of the Group's total turnover. The rest was mainly from the North America market.

#### Copper Rod Business

The copper rod business includes manufacturing and trading of copper rods and copper wires. Such products are largely sold as raw materials for cables and wires and are in turn used in the production of electrical appliances and electronics products.

For the Period under review, the supply of copper in both the PRC and the world markets remained tight. The limited stock can be traced to factors such as insufficient output of copper concentrates; rising demand for copper by the global community; and growing appetite for materials in the PRC. As at 30 June 2006, the visible copper stocks published by the world's two sizable metal futures exchanges (i.e. London Metal Exchange ("LME"), and New York Commodities Exchange) were at historic lows of merely 25,525 tonnes, and 3,681 tonnes respectively. Accordingly, copper prices have continued to escalate.



## Chairman's Statement

### **BUSINESS REVIEW (continued)**

#### **Copper Rod Business (continued)**

As a result, the cash price of copper quoted by the London Metal Exchange ("LME") achieved a record high of US\$8,788 per tonne on 12 May 2006. The average cash settlement price of LME copper transacted was US\$5,052 between July 2005 to June 2006, representing an increase of US\$2,032 or 67% compared to the previous 18-month period.

Capitalising on strong demand for copper products and benefiting from ongoing expansion of the PRC economy, the Group's turnover of copper rods and related products in the Period amounted to HK\$1,424,450,000, which has already exceeded the turnover of the 18 months ended 30 June 2005 (HK\$1,410,857,000). Currently, high value-added, downstream products account for about 36% of the total turnover of the Group.

During the Period, with industry demand in surplus of supply, the Group received more orders and enjoyed stronger bargaining power in price negotiation. The existing Dongguan plant achieved an average utilization rate of approximately 60% for products manufactured and sold by the Group (the Previous year: 60%), and the other 40% of the production capacity were consumed by orders from other manufacturers, to whom the Group provided mainly copper rod processing service. For the copper rod processing service business, rise in material costs from high copper prices was borne by customers and had no significant effect on the Group. However, for the Group's copper rods manufacturing and trading business, since it needs to order copper cathodes from suppliers with letters of credit and trust receipt loans, the higher copper prices in the review Period increased its required working capital and finance costs, which in turn limited growth of this business area in the Period. The Group was able to partially transfer the increase in finance costs including hikes in interest rate to customers.

The existing production facilities located in Dongguan of Guangdong Province, China is able to support a double or more growth in business volume. To capitalize on the surging copper demand and development of the domestic and international copper markets, the Group invested in the following facilities and made progress during the Period:

#### *Kunshan Hua Yi Copper Products Co. Ltd. ("Kunshan Hua Yi")*

The Group's production plant under Kunshan Hua Yi in Jiangsu Province commenced operation in late July 2006. Recognising the growing significance of the Yangtze River Delta Region as a manufacturing base of local and international enterprises, the facility on a 38,000 sq.m. site and with a designed output capacity of 10,000 tonnes of copper wires of various specifications per annum will serve customers in the region. Based on current copper prices, the annual production value at full capacity will be over US\$70 million. The products manufactured will chiefly comprise high value-added downstream products including annealed copper wires, tin-coated copper wires, stranded copper wires and enamelled copper wires targeting the region's manufacturers of electrical appliances, electronic products and wires.



## Chairman's Statement

### **BUSINESS REVIEW (continued)**

#### **Copper Rod Business (continued)**

##### *Copper Recycling Plants in Dongguan and Jingjiang*

With the central government and different government departments supporting and promoting the use of recycled copper as raw materials, the Group has put significant efforts into developing this business as reflected in its investment in two copper recycling plants in Dongguan and Jingjiang. These 2 projects involve integrated utilization of resources using the latest technology, which may preserve mineral resources and alleviate environmental pollution.

The copper recycling plant at Changling, Jingjiang (“靖江長凌銅業有限公司”) began commercial production in late August 2006. With an area 10,740 sq.m., the factory has an annual production capacity of 48,000 tonnes of 8 mm copper rods. The plants have received approval by the State Office of Electricity (國家電辦) to import used motors, electrical wires and cables to meet production requirements.

At the end of the Period, the copper recycling plant at Dongguan was still in the process of installing the machinery and the installation was completed in September this year, after which, trial operation will begin. When fully operational, the Dongguan facility will have an annual production capacity of approximately 30,000 tonnes of 2.6 mm, 3 mm and 8 mm copper rods. These are the key materials for industries such as telecommunication cable industry and electrical cable industry. Given the continuous infrastructure development to nurture growth of economies in Western China, the Group sees huge room for development for the business.

##### *Fujian Jinyi Copper Products Co. Ltd. (“Fujian Jinyi”)*

In September 2005, the Group agreed with the subsidiary and the ultimate controlling company of Zijin Mining Group Co., Ltd. to establish Fujian Jinyi Copper Products Co. Ltd at the Shang Hang County of Fujian, China. The joint venture company has a registered capital of RMB40 million with the Group holding a 45% equity interest. The 12,000 sq.m. facility of Fujian Jinyi is targeted for completion by the end of the year and will commence operation in 2007. When fully operational, the facility will have an annual capacity of 10,000 tonnes of copper pipes for use in manufacturing refrigerators and air-conditioners. As Shang Hang County has rich copper mine resources, Fujian Jinyi will enjoy lower production costs and higher price competitiveness among its peers.

Upon full operation of all the new factories, the Group's total annual production capacity will be more than doubled from 66,000 tonnes to 164,000 tonnes of copper rods and copper wires so as to enjoy a larger economies of scale.

#### **Life-like plant and others**

Sales of life-like plants and other businesses were HK\$87,605,000 and HK\$1,111,000 respectively. To focus resources on the development of its core cable and wire business, the Group will consider divesting the life-like plant business should the right opportunity arise.



## Chairman's Statement

### PROSPECTS

Looking ahead, given the strong growth momentum of the PRC economy and the continuous development of the electronics, electricity, infrastructure and real estate sectors, demand for copper and related products will continue to grow robustly. To capture market opportunities, the Group has built more plants to expand its production capacity. When all the new plants in Kunshan, Dongguan, Changling and Fujian are completed, total production capacity of the Group will be more than doubled and be ample for meeting the ever-increasing demand.

However, the price of copper is expected to remain high thus will continue to push up the Group's finance costs in relation to ordering of copper cathodes. To facilitate purchase of copper for meeting growing customer orders, the Group will strengthen cooperation with banks and seek to secure favourable and larger credit facilities.

The Group is gradually expanding the proportion of its high value-added downstream products, such as annealed copper wires, emanated copper wires, tin-coating copper wires and stranded copper wires. With Kunshan's new plant having commenced operation in July 2006, the Group is able to produce more high value-added downstream copper wire and hence actively explore the copper wire markets in eastern and northern China.

Copper recycling will also be another growth driver for the Group's business when both of the copper recycling plants in Dongguan and Jingjiang commence operation. Apart from serving regional customers, the highest grade 8 mm copper rods of 99.95% purity to be produced by these copper recycling plants can also provide copper raw materials to serve the Group's own production demands and ensure the Group has an added and stable source of copper raw materials.

Meanwhile, to ensure it remains at the forefront of the copper industry, the Group will seek to build strong relations with key players in the sector such as Zijin Mining Group Co. Ltd. The joint venture Fujian Jinyi has helped to extend the Group's business to other copper products, namely, copper pipes for air-conditioners and refrigerators. As Zijin Mining possesses substantial copper stocks within the PRC, the joint venture has provided the Group with a significant platform for growing its business and a solid foundation for potential cooperations in the future.

Reputed for product excellence and strong relations with customers, the Group has considerable clout in the copper industry. It will continue to focus on furthering the vertical business model of its copper processing business and expand its product lines, especially in high-value added products so as to strengthen its market position while achieving better returns for its shareholders.



## Chairman's Statement

### DIVIDEND

The Directors have declared a final dividend of HK2.5 cents per ordinary share for the year ended 30 June 2006 (the Previous Year: nil) to those shareholders whose names appear on the register of members on 22 November 2006. Together with an interim dividend of HK1 cent (the Previous Year: nil) per share, the total dividend for the Period amounted to HK3.5 cents (the Previous Year: nil) per share. Subject to the approval of shareholders at the forthcoming annual general meeting, the dividend will be paid on or about 30 November 2006.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 November 2006 to Friday, 24 November 2006, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 22 November 2006.

### EMPLOYEES

As at 30 June 2006, the Group had approximately 1,278 employees in Hong Kong and the PRC. 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 2006, the Group had cash and bank balances (including pledged bank deposits) amounted to approximately HK\$187 million (2005: HK\$94 million) and net current assets value being over HK\$158 million (2005: HK\$128 million). The Group's gearing ratios as at 30 June 2006 was 0.89 (2005: 0.92), being a ratio of total bank borrowings of approximately HK\$446 million (2005: HK\$291 million) to shareholders' funds of approximately HK\$501 million (2005: HK\$318 million).

As at 30 June 2005, the Group pledged certain property, plant and machinery and fixed deposits with an aggregate net book value of approximately HK\$111 million (2005: HK\$79 million) to secure general banking facilities granted to the Group.

As at 30 June 2006, the Company has issued guarantees to the extent of approximately HK\$423 million (2005: HK\$312 million) to banks to secure general banking facilities granted to certain subsidiaries, of which, approximately HK\$354 million (2005: HK\$196 million) was utilised.

In 2005, because of the adoption of new accounting standards in Hong Kong, the Group had to revalue and recognise the copper forward contracts, and foreign exchange forward contracts, (collectively referred as "derivative financial instruments" thereafter) at their fair value at the balance sheet date.



## Chairman's Statement

### **LIQUIDITY AND FINANCIAL RESOURCES (continued)**

These derivative financial instruments were entered into in accordance with its hedging policies. They are solely used for hedging and risk management purposes; speculation is strictly prohibited. Although it only used the derivative financial instruments for hedging and risk management purposes, it could not fulfill the documentation requirements under the new HKFRS, which was 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 above accounting treatment in fact had no tangible adverse impact on the Group's business operations. The Group's business operations and financial positions continue to be strong and healthy.

The Group's overall financial risk management programme focuses on the unpredictability of the financial markets, optimising the level of financial risks the Group can bear, and minimising any potential adverse effects on the financial performance of the Group. The purpose of which is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose.

### **PROPOSED PLACING OF UP TO 80,000,000 NEW SHARES**

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 24 May 2005, the Directors were authorised to allot and issue up to 80,000,000 new shares of HK\$0.20 each in the capital of the Company to independent investors at a price of HK\$0.93 per share (the "New Shares Placing") pursuant to the placing agreement dated 26 April 2005 between the Company and the placing agent (the "New Shares Placing Agreement"). The details of the New Shares Placing were set out on the circular dated 9 May 2005.

On 15 July 2005, the Directors announced that certain conditions of the New Shares Placing Agreement (as amended by a supplemental agreement dated 14 June 2005) had neither been fulfilled nor waived on or before 15 July 2005 and that the New Shares Placing Agreement had lapsed consequently. Under the terms of the New Shares Placing Agreement, the Company and the placing agent were released from all rights and obligations pursuant to the New Shares Placing.

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

On 4 July 2005, Skywalk Assets Management Limited ("Skywalk") entered into the agreements to place and subscribe for new shares in the Company. Pursuant to the agreements, Skywalk placed 111,000,000 ordinary shares of HK\$0.20 each in the capital of the Company to independent investors at a price of HK\$0.88 per share ("Top-Up Placing") and, upon the completion of the Top-Up Placing, subscribed for 111,000,000 new ordinary shares of HK\$0.20 each in the capital of the Company at a price of HK\$0.88 per share (the "Subscription"). The Top-Up Placing and the Subscription were completed on 7 July 2005 and 18 July 2005 respectively. The net proceeds of approximately HK\$92.58 million from the subscription were used by the Group as working capital.



## Chairman's Statement

### **TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES (continued)**

Prior to the Top-Up Placing and the Subscription, Skywalk had held 397,121,875 shares in the Company, representing approximately 71.49% of the issued share capital of the Company. Upon completion of the Top-Up Placing and the Subscription, Skywalk held 397,121,875 shares in the Company, representing 59.59% of the enlarged issued share capital of the Company.

### **FORMATION OF A JOINT VENTURE COMPANY FOR THE PRODUCTION OF COPPER PIPE PRODUCTS**

On 8 September 2005, the Group entered into an agreement with Fujian Zijin Investment Co., Ltd and Minxi Xinghang State-owned Assets Investment Co., Ltd under which the parties agreed to jointly establish a limited liability joint venture company ("JV") in Fujian Province, the PRC to mainly engage in copper pipes production and sales in Shanghang, Fujian. Pursuant to the agreement, the proposed registered capital of the JV is RMB40 million, of which RMB18 million, representing a 45% equity interest in the JV, has been fully paid up by 19 May 2006. The details of the formation of the JV were set out in the circular dated 17 November 2005.

### **CAPITAL REORGANISATION INVOLVING THE CANCELLATION OF SHARE PREMIUM AND INCREASE IN AUTHORISED SHARE CAPITAL ("CAPITAL REORGANISATION")**

Pursuant to a special resolution passed at the special general meeting of the Company held on 30 November 2005 (the "SGM"), the cancellation of the share premium as at 30 September 2005 was approved. The credit amount of HK\$260,881,000 arising from the cancellation of share premium was eliminated and the unaudited accumulated losses as at 30 September 2005 of HK\$88,157,000 and the remaining balance of the credit amount of HK\$172,724,000 was credited to the contributed surplus account of the Company.

Pursuant to an ordinary resolution passed at the SGM, the authorised ordinary share capital of the Company was increased from HK\$200,000,000 of HK\$0.20 each ("Shares") to HK\$300,000,000 by creation of an additional 500,000,000 Shares.

The details of the Capital Reorganisation were set out in the circular dated 7 November 2005.

### **ANNUAL GENERAL MEETING**

A notice of 2006 Annual General Meeting will be despatched to shareholders of the Company in due course.



## Chairman's Statement

### **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 ended 30 June 2006.

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

During the year ended 30 June 2006, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Listing Rules, save and except that there has not been separation between the roles of the chairman and chief executive officer, the board of directors not having held at least four meetings, and notice of at least 14 days for a regular board meeting not having been given.

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the year ended 30 June 2006.

### **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, 5 October 2006