

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2006 are set out in the consolidated income statement on page 26.

The directors now recommend the payment of a final dividend of HK2.5 cents per share to the shareholders on the register of members on 22 November 2006 amounting to HK\$16,678,000.

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 78.

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 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

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. Lau Man Tak

Mr. Chu Yuk Kuen

Mr. Lei Hong Wai

(resigned on 30 November 2005)

Mr. Hui Chun Lam

(resigned on 30 November 2005)

Independent non-executive directors:

Mr. Chung Kam Kwong

Mr. Chow Kin Ming

Ms. Lo Miu Sheung, Betty

(resigned on 30 November 2005)

Mr. Lee Kin Keung

(appointed on 30 November 2005)



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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

All directors are subject to retirement by rotation.

In accordance with Clause 87(1) and Clause 86(2) of the Company's Bye-Laws, Messrs. Chau Lai Him and Lee Kin Keung shall retire and, being eligible, offer themselves for re-election. The remaining directors 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 SHARES

As at 30 June 2006, the interests of the directors and their associates in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept by the Company 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 position in the shares of the Company

Name of director	Number of issued ordinary shares beneficially held	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	2,894,000	0.43%
Mr. Lau Man Tak	970,000	0.15%

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation at 30 June 2006.

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SUBSTANTIAL SHAREHOLDER'S INTERESTS IN SHARES

As at 30 June 2006, the substantial shareholders (within the meaning of the Listing Rules) of the Company and certain persons other than a director or a chief executive of the Company who are required to disclose their interests pursuant to Part XV of the SFO had the following interests 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:

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")	400,599,875 (Note)	60.05%
Skywalk Assets Management Limited ("Skywalk")	400,599,875 (Note)	60.05%

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.

Other shareholders' interests in the Company and the Group

So far as is known to any Director, as at 30 June 2006, the following 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital are, as follows:

Name of the Company's subsidiary	Substantial shareholder of such subsidiary	Nature of interest	Number of Existing Shares/fully paid registered capital	Percentage of issued share capital/ registered capital
FT Multi-Media Limited	Nobleman Holdings Limited	Beneficial owner	4,000 shares	40%



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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 2006, the five largest customers of the Group together accounted for approximately 30% of the Group's total turnover, with the largest customer accounted for approximately 9%. The five largest suppliers of the Group together accounted for approximately 71% by value of the Group's total purchases during the period, with the largest supplier accounted for approximately 25%.

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 11 August 2004, Wah Yeung Capital Resources Limited, Hua Yi Copper Products Company Limited and Dongguan Hua Yi Brass Products Co., Ltd. all being wholly owned subsidiaries of the Company, entered into a master supply and purchase agreement with Solartech, a substantial shareholder of the Company, for the sale of copper wires and other related products to Solartech and its subsidiaries excluding the Group (the "Remaining Solartech Group"). The sale of copper wires and other related products to the Remaining Solartech Group for the year amounted to HK\$207,298,000.

The 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.

DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

As at 30 June 2006, the circumstances giving rise to the disclosure obligations under Rule 13.13 of the Listing Rules continued to exist and in accordance with Rule 13.20 of the Listing Rules, details of the relevant advance to the two entities are as follows:

The aggregate trade receivables balance due from Chau's Electrical Company Limited and Dongguan Qiaozi Chau's Electrical Company Limited was approximately HK\$116,275,000, representing 37.3% of the market capitalisation of the Company and approximately 10.3% of the total assets of the Company as at 30 June 2006.



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SHARE OPTIONS

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

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

For the year ended 30 June 2006

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.7.2005	Number of share options			Outstanding at 30.6.2006	Exercisable period	Number of share options exercisable for the period
					Granted during the year	Exercised during the year	Cancelled during the year			
Employees	1 April 2005	1 April 2005 to 31 March 2008	0.87	1,600,000	-	-	(1,600,000)	-	-	-
Employees	1 April 2005	1 April 2005 to 31 March 2007	0.87	1,500,000	-	-	(1,500,000)	-	-	-
Others	1 April 2005	1 April 2005 to 31 March 2008	0.87	9,856,000	-	-	(9,856,000)	-	-	-
Employees	9 December 2005	1 January 2006 to 31 December 2008	0.275	-	3,000,000	(664,000)	-	2,336,000	1.1.2006 to 31.12.2006	336,000
									1.1.2007 to 31.12.2007	1,000,000
									1.1.2008 to 31.12.2008	1,000,000
Others	9 December 2005	1 January 2006 to 31 December 2008	0.275	-	12,000,000	-	-	12,000,000	1.1.2006 to 31.12.2006	4,000,000
									1.1.2007 to 31.12.2007	4,000,000
									1.1.2008 to 31.12.2008	4,000,000



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SHARE OPTIONS (continued)

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 30.6.2006	Exercisable period	Number of share options exercisable for the period
				Outstanding at 1.7.2005	Granted during the year	Exercised during the year	Cancelled during the year			
Others	6 April 2006	1 May 2006 to 30 April 2011	0.495	-	51,000,000	-	-	51,000,000	1.5.2006 to 30.4.2007	10,200,000
									1.5.2007 to 30.4.2008	10,200,000
									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
Total				12,956,000	66,000,000	(664,000)	(12,956,000)	65,336,000		

Old Share Option Scheme

Capacity	Date of grant	Vesting period	Exercisable period	Adjusted exercise price HK\$	Number of share options		
					Balance at 1.7.2005	Lapsed during the period	Balance at 30.6.2006
Employees	7 March 1997	Fully vested at date of grant	7 March 1997 to 6 March 2007	14.1120	200,000	(200,000)	-
					200,000	(200,000)	-

The details of share options have been disclosed in note 34 of the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company or any of its subsidiaries or fellow 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.



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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 of Best Practice as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

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

AUDIT COMMITTEE

The Company has an audit committee which was established for the purposes of reviewing and supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2006.

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

Emolument policy on the remuneration of the directors and the employees of the Group is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and 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 financial statements.



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AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chau Lai Him

Chairman

5 October 2006

