Notes to the Financial Statements

For the year ended 30 June 2006

1. GENERAL

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"). Its immediate holding company is Skywalk Assets Management Limited ("Skywalk"), a limited liability company incorporated in the British Virgin Islands. 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. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of copper rods, life-like plants and production, distribution and licensing of television programmes.

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

As described in the consolidated financial statements of the Group for the period ended 30 June 2005, the Company underwent a group restructuring which involved, inter alia, the acquisition (the "Acquisition") of Solartech's interest in certain companies (the "Copper Group") and other plant and machinery and land and buildings engaging in the business of manufacture and trading of copper rods and related products. The Acquisition was completed on 11 August 2004.

The business combination has been accounted for as a reverse acquisition. For the purpose of the preparation of the Group's consolidated financial statements, the Copper Group is treated as the acquirer while the Company and its subsidiaries before the completion of Acquisition (the "Former FT Group") were deemed to have been acquired by the Copper Group.

Following the completion of the reverse acquisition, the financial year end date of the Company changed from 31 December to 30 June and as a result, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the prior period covered 18 months period ended 30 June 2005 and the current year covered 12 months year ended 30 June 2006, and therefore may not be comparable.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business combinations", HKAS 36 "Impairment of assets" and HKAS 38 "Intangible assets" which the Group had early adopted in the accounting period ended 30 June 2005. The application of the other new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting polices in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Owner-occupied leasehold interest in land

The Group has land use rights in the People's Republic of China (the "PRC"), with buildings erected on them for manufacturing purposes. In previous years, these property interests were included in property, plant and equipment and measured using the revaluation model. Under HKAS 17 "Leases", the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The Group has resolved to state the buildings at cost and amortised over the lease term on a straight-line basis and reversed the amount held in the asset revaluation reserve and corresponding deferred taxation accordingly. This change in accounting policy has been applied retrospectively. (See note 2A for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and 'available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

Derivative financial instruments

By 30 June 2005, the Group's derivative financial instruments, mainly comprised future contracts, foreign exchange forward contracts and interest rates swaps, were previously recorded off balance sheet. Realised gain or loss of these derivative financial instruments were recognised in the income statement on settlement date, except for net interest on interest rate swaps, which were previously accounted for on an accrual basis.

From 1 July 2005 onwards, HKAS 39 requires derivative financial instruments that are within the scope of HKAS 39 to be carried at fair value at each balance sheet date, regardless of whether they are designated as effective hedging instruments. Derivatives (including embedded derivatives separately accounted for from non-derivative host contracts) are deemed as held for trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. Derivative financial instruments that do not qualify for hedge accounting are deemed as investments held for trading. Changes in fair value of such derivative financial instruments are recognised in profit or loss as they arise. The Group has applied the relevant transitional positions in HKAS 39. (See note 2A for the financial impact).

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of employees' and other eligible parties' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 July 2005. In relation to share options granted before 1 July 2005, the Group has not applied HKFRS 2 to share options granted after 7 November 2002 and had vested before 1 July 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 July 2005. For the share options that were granted by the Company on 1 April 2005, 11,806,000 out of 12,956,000 share options had been vested before 1 July 2005 and no prior period adjustments are made accordingly. For the remaining 1,150,000 share options which have not been vested on 1 July 2005, the Group considered the effect is not significant and no prior period adjustments are made. For the share options that were granted during the year, the fair value of share options has been expensed in the income statement over the vesting period. (See not 2A for the financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(i) The effects of the changes in accounting policies on the results for the year ended 30 June 2006 are as follows:

	Effect of adopting			
	HKAS 17	**HKAS 39**	**HKFRS 2**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
(Decrease) increase in profit for the year:				
General and administrative expenses	**(71)**	**–**	**(3,608)**	**(3,679)**
Changes in fair value of derivative financial instruments	**–**	**4,585**	**–**	**4,585**
Profit before taxation	**(71)**	**4,585**	**(3,608)**	**906**
Taxation	**–**	**(802)**	**–**	**(802)**
Profit for the year	**(71)**	**3,783**	**(3,608)**	**104**

The effect of the changes in accounting policies on the results for the period ended 30 June 2005 was insignificant.

(ii) The cumulative effects of the changes in accounting policies on the consolidated balance sheet as at 30 June 2005 and 1 July 2005 are summarised below:

	As at 30 June 2005 (originally stated)	HKAS 17 Adjustments	As at 30 June 2005 (restated)	HKAS 39 Adjustments	As at 1 July 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	205,533	(68,143)	137,390	–	137,390
Prepaid lease payments	–	62,519	62,519	–	62,519
Derivative financial assets	–	–	–	170	170
Derivative financial liabilities	–	–	–	(3,161)	(3,161)
Deferred tax liabilities	(8,691)	1,291	(7,400)	–	(7,400)
	196,842	(4,333)	192,509	(2,991)	189,518
Asset revaluation reserve	4,333	(4,333)	–	–	–
Retained profits	60,594	–	60,594	(2,991)	57,603
Total effects on equity	64,927	(4,333)	60,594	(2,991)	57,603

The change in accounting policies do not have significant financial impact to the Group's equity on 1 January 2004.

2B. POTENTIAL IMPACT ARISING ON THE NEW OR REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations on the financial position of the Group. The Group anticipates that the applications of these new or revised standards, amendments and interpretations would not have significant impact on the result and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	The effects of change in foreign exchange rate – net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economics[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[7]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.
[5] Effective for annual periods beginning on or after 1 May 2006.
[6] Effective for annual periods beginning on or after 1 June 2006.
[7] Effective for annual periods beginning on or after 1 November 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The 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 consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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 made up to the effective date of disposal, as appropriate.

All inter-company transactions and balances within the Group have been eliminated on consolidation.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("Discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combinations. Discount on acquisition is recognised immediately in profit or loss.

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.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are 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 entities, less any identified impairment loss. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Income from the licensing and sub-licensing of Television programme is recognised upon the delivery of master tapes.

Interest income from a financial asset is accrued on a time 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.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives.

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 loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 income statement in the year in which the item is derecognised.

Prepaid lease payments on land use right

Prepaid lease payments on land use rights 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 term of the land use right.

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 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, impairment losses are recognised in the consolidated income statement.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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.

Television programmes and sub-licensing rights

Television programmes ("TV programmes")

TV programmes produced by the Group are stated at the lower of cost and net realisable value. Costs represent the carrying amount transferred from TV programmes in progress upon completion.

Sub-licensing rights

Licence fees paid to acquire the rights for the sub-licensing of TV programmes produced by third parties in specified geographical areas and time periods are accounted for as sub-licensing rights. Upon the lease of these purchased TV programmes, the relevant portion of the licence fees are charged to the income statement on a systematic basis, with reference to the projected revenue and the underlying licence periods.

Notes to the Financial Statements

For the year ended 30 June 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

All borrowing costs are expensed and included in finance costs in the 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 profit will be available to allow all or part of the asset to be recovered.

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 Group. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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 term.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included as profit or loss.

For the 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.

Retirement benefits schemes

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

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 immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Group's 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, deposits, bills receivable, amounts due from fellow subsidiaries and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised as 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 the Group 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.

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 term of the borrowings.

Other financial liabilities

Other financial liabilities including creditors 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

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 impairment, if applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

For the share options that were granted after 1 July 2005, the fair value of share options has been recognised in the 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 or recognised as an expense in full at the grant date when the share options granted vest immediately, 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 still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earning.

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 on a straight-line basis over the period of service, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to share option reserve.

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.

Fair value estimation

The fair value of derivatives financial instruments is estimated by reference to the valuations carried out by banks and financial institutions. Such valuation was based on assumptions using available market data. Any change in the assumptions will have an impact to the financial position in future.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debtors, deposits, amounts due from fellow subsidiaries, derivative financial assets and liabilities, pledged deposits, bank balances and cash, 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.

Foreign currency risk

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

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.

The Group has no significant concentration of credit risk except for the trade receivables from fellow subsidiaries, with exposure spread over a number of counterparties and customers.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Group closely monitored the settlements of trade debts from fellow subsidiaries within the credit period of 45 days and the directors of the Company consider that the credit risk is not significant.

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

Cash flow and fair value 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. It is the Group's policy to maintain borrowings at market interest rate and to restrict the exposure to fair value interest rate risk.

Copper price risk

The Group is exposed to price risk of copper cathodes, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into future copper 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 22.

6. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts and income from licensing of television programme, during the year/period.

7. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into two principal operating divisions – manufacture and trading of copper rods and life-like plants. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

For the year ended 30 June 2006

	Copper rods *HK$'000*	Life-like plants *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
TURNOVER				
Sales to external customers	**1,424,450**	**87,605**	**1,111**	**1,513,166**
RESULT				
Segment result	**142,205**	**1,479**	**1,882**	**145,566**
Unallocated corporate income				**882**
Unallocated corporate expenses				**(8,580)**
Finance costs				**(28,389)**
Share of result in a jointly controlled entity	**10**	**–**	**–**	**10**
Profit before taxation				**109,489**
Taxation				**(19,185)**
Profit for the year				**90,304**

7. SEGMENTAL INFORMATION (continued)

Business segments (continued)

At 30 June 2006

	Copper rods HK$'000	Life-like plants HK$'000	Others HK$'000	Consolidated HK$'000
BALANCE SHEET				
Assets				
Segment assets	1,010,845	100,356	1,469	1,112,670
Interest in a joint controlled entity				17,485
Unallocated corporate assets				4,054
Consolidated total assets				1,134,209
Liabilities				
Segment liabilities	144,730	–	4,379	149,109
Unallocated corporate liabilities				484,091
Consolidated total liabilities				633,200

OTHER INFORMATION

	Copper rods HK$'000	Life-like plants HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	22,350	256	–	22,606
Depreciation	8,603	1,508	12	10,123

Notes to the Financial Statements

For the year ended 30 June 2006

7. SEGMENTAL INFORMATION (continued)

Business segments (continued)

For the period from 1 January 2004 to 30 June 2005

	Copper rods *HK$'000*	Life-like plants *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
TURNOVER				
Sales to external customers	1,410,857	40,710	2,254	1,453,821
RESULT				
Segment result	54,954	2,303	(2,277)	54,980
Unallocated corporate income				141
Unallocated corporate expenses				(2,151)
Finance costs				(27,041)
Discount on acquisition	–	10,341	–	10,341
Loss on disposal of subsidiaries	–	(7,502)	–	(7,502)
Profit before taxation				28,768
Taxation				(8,325)
Profit for the period				20,443

7. SEGMENTAL INFORMATION (continued)

Business segments (continued)

At 30 June 2005

	Copper rods *HK$'000*	Life-like plants *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
BALANCE SHEET				
Assets				
Segment assets	551,315	106,938	2,218	660,471
Unallocated corporate assets				18,281
Consolidated total assets				678,752
Liabilities				
Segment liabilities	30,328	19,225	9,549	59,102
Unallocated corporate liabilities				300,711
Consolidated total liabilities				359,813

OTHER INFORMATION

	Copper rods *HK$'000*	Life-like plants *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Capital additions	73,127	1,222	–	74,349
Depreciation	10,757	2,792	63	13,612
Allowance for doubtful debts	225	14	3,586	3,825

7. SEGMENTAL INFORMATION (continued)

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC"), North America, Europe and other Asian regions.

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

	Turnover by geographical market	
	2006	2005
	HK$'000	*HK$'000*
PRC	**1,425,561**	1,413,111
North America	**79,843**	34,569
Europe	**5,364**	3,894
Hong Kong	**2,109**	2,202
Other Asian regions	**289**	45
	1,513,166	1,453,821

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

	Carrying amount of total assets		**Additions to property plant and equipment**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**842,532**	340,030	**22,548**	72,500
Hong Kong	**291,677**	338,722	**58**	1,849
	1,134,209	678,752	**22,606**	74,349

8. PROFIT BEFORE TAXATION

	1.7.2005 to 30.6.2006	1.1.2004 to 30.6.2005
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	**777**	756
Cost of inventories recognised as expense	**1,421,685**	1,170,194
Depreciation of property, plant and equipment		
Owned assets	**9,926**	13,468
Assets held under finance leases	**197**	144
	10,123	13,612
Charge of prepaid lease premium for land use rights	**1,830**	1,255
Operating lease rentals in respect of rented premises	**596**	160
Operating lease rentals in respect of rented plant and machinery	**–**	1,265
Staff costs including directors' emoluments	**14,767**	19,364
and after crediting:		
Exchange gain, net	**1,187**	212

9. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the directors and the five highest paid individuals for the year/period were as follows:

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	**1.7.2005 to 30.6.2006 Total**	1.1.2004 to 30.6.2005 Total
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Mr. Chau Lai Him	–	2,500	5	**2,505**	565
Mr. Lau Man Tak	–	660	–	**660**	239
Mr. Hui Chun Lam	–	205	5	**210**	407
Mr. Chu Yuk Kuen	–	375	–	**375**	330
Mr. Chung Kam Kwong	80	–	–	**80**	77
Mr. Chow Kin Ming	41	–	–	**41**	–
Mr. Lee Kin Keung	23	–	–	**23**	–
Mr. Ng Tak Chak, Nelson	–	–	–	**–**	21
Total	144	3,740	10	**3,894**	1,639

The five highest paid individuals of the Group include four (Period ended 30 June 2005: four) executive directors of the Company, details of whose emoluments are included above. The emoluments of the remaining (Period ended 30 June 2005: one) individual for the current year and prior period were as follows:

	1.7.2005 to 30.6.2006	1.1.2004 to 30.6.2005
	HK$'000	*HK$'000*
Salaries and other benefits	**296**	265
Contributions to retirement benefits schemes	**12**	11
	308	276

The emoluments of each of the five highest paid individuals were below HK$1,000,000 for the current year and prior period.

10. FINANCE COSTS

	1.7.2005 to 30.6.2006	1.1.2004 to 30.6.2005
	HK$'000	*HK$'000*
Interest on bank borrowings and other loans wholly repayable within five years	**28,366**	27,000
Interest on finance leases	**23**	41
	28,389	27,041

11. TAXATION

	1.7.2005 to 30.6.2006	1.1.2004 to 30.6.2005
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current year	**5,000**	–
Under (over) provision in respect of prior years	**2,676**	(306)
Taxation in Mainland China		
Current year/period	**3,972**	3,037
Overprovision in respect of prior years	**–**	(32)
	11,648	2,699
Deferred taxation *(Note 27)*	**7,537**	5,626
	19,185	8,325

Hong Kong Profits Tax is calculated at 17.5% (period ended 30 June 2005: 17.5%) of the estimated assessable profit for the year/period.

Enterprise income tax in Mainland China is calculated at 27% (period ended 30 June 2005: 27%) of the estimated assessable profit for the year.

11. TAXATION (continued)

The charge for the year/period can be reconciled to the profit before taxation per the income statement as follows:

	1.7.2005 to 30.6.2006	1.1.2004 to 30.6.2005
	HK$'000	*HK$'000*
Profit before taxation	**109,489**	28,768
Tax at the domestic income tax rate of 27% (30.6.2005: 27%)	**29,562**	7,767
Tax effect of expenses not deductible for tax purpose	**249**	5,048
Tax effect of income not taxable for tax purpose	**(1,131)**	(3,281)
Utilisation of tax losses previously not recognised	**(8,810)**	(1,542)
Tax effect of tax losses not recognised	**–**	1,753
Under (over) provision in respect of prior years	**2,676**	(338)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,309)**	(1,045)
Others	**(52)**	(37)
Tax charge for the year/period	**19,185**	8,325

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operation of the Group is substantially based.

12. DIVIDENDS

	1.7.2005 to 30.6.2006	1.1.2004 to 30.6.2005
	HK$'000	*HK$'000*
Interim dividend paid in respect of year 2005/2006 at HK$0.01 per share (2004/2005: Nil)	**6,671**	–
Proposed final dividend in respect of year 2005/2006 at HK$0.025 per share (2004/2005: Nil)	**16,678**	–

The final dividend in respect of 2005/2006 of HK$0.025 per share has been proposed by the Directors and is subject to approval by shareholders at the annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	1.7.2005 to 30.6.2006	1.1.2004 to 30.6.2005
	HK$'000	*HK$'000*
Results for the year/period and results for the purpose of basic earnings per share	**90,304**	20,443

	Number of shares	
	2006	2005
Weighted average number of ordinary shares for the purpose of basic earnings per share	**661,126,599**	480,050,213
Effect of dilutive potential ordinary shares: share options	**–**	147,652
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**661,126,599**	480,197,865

The effect of potential ordinary shares in respect of share options is anti-dilutive after taking into account the effect of share based payment for the current year.

The prior period adjustments as mentioned in note 2 have no significant impact on the earnings per share.

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For the year ended 30 June 2006

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings in the PRC held under medium-term leases	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST							
At 1 January 2004	–	–	–	3,428	52,500	1,891	57,819
Additions	5,416	28,288	10	1,308	38,372	955	74,349
Acquired on acquisition of subsidiaries	–	47,540	–	2,023	8,088	172	57,823
Disposed on disposal of subsidiaries	–	(18,618)	–	(300)	–	–	(18,918)
At 30 June 2005	5,416	57,210	10	6,459	98,960	3,018	171,073
Additions	7,670	6,225	6,384	155	2,081	91	22,606
Currency realignment	211	1,083	–	120	2,004	73	3,491
At 30 June 2006	**13,297**	**64,518**	**6,394**	**6,734**	**103,045**	**3,182**	**197,170**
ACCUMULATED DEPRECIATION							
At 1 January 2004	–	–	–	1,865	17,816	858	20,539
Provided for the period	–	2,275	–	1,293	9,454	590	13,612
Eliminated on disposal of subsidiaries	–	(322)	–	(146)	–	–	(468)
At 30 June 2005	–	1,953	–	3,012	27,270	1,448	33,683
Provided for the year	–	1,463	49	874	7,366	371	10,123
Currency realignment	–	–	–	76	863	44	983
At 30 June 2006	**–**	**3,416**	**49**	**3,962**	**35,499**	**1,863**	**44,789**
CARRYING VALUES							
At 30 June 2006	**13,297**	**61,102**	**6,345**	**2,772**	**67,546**	**1,319**	**152,381**
At 30 June 2005	5,416	55,257	10	3,447	71,690	1,570	137,390

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Buildings and leasehold improvements are depreciated over the lease terms and at 10% on a straight-line basis respectively.

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	6.67% – 20%
Motor vehicles	20% – 30%

At 30 June 2006, the carrying value of property, plant and equipment of the Group includes motor vehicles of HK$515,000 (2005: HK$712,000) in respect of assets held under finance leases.

15. PREPAID LEASE PAYMENTS FOR LAND

	2006	2005
	HK$'000	*HK$'000*
Leasehold land under medium-term lease in the PRC	**69,426**	62,519
Analysed for reporting purposes as:		
Non-current	**67,652**	61,151
Current	**1,774**	1,368
	69,426	62,519

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2006	2005
	HK$'000	*HK$'000*
Cost of unlisted investment	**17,475**	–
Share of post-acquisition profits and reserves	**10**	–
	17,485	–

During the year, the Group has entered into joint venture agreements with other PRC joint venture partners to establish a joint venture company in the PRC to engage in the manufacturing and sales of copper pipes.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

Name of company	Place of registration	Issued and fully paid registered capital *RMB*	Percentage of registered capital held by the Company	Principal activities
福建金藝銅業有限公司 Fujian Jinyi Copper Products Limited	PRC	40,000,000	45%	Manufacturing and sales of copper pipes

The summarised financial information in respect of the Group's interest in the jointly controlled entity for the year ended 30 June 2006 is as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Current assets	**9,525**	–
Non-current assets	**8,151**	–
Current liabilities	**(191)**	–
Non-current liabilities	**–**	–
Income	**10**	–
Expenses	**–**	–

17. INVENTORIES

	2006 ***HK$'000***	2005 *HK$'000*
Raw materials	**74,033**	46,735
Work in progress	**10,344**	10,216
Finished goods	**110,780**	104,007
	195,157	160,958

18. TELEVISION PROGRAMMES AND SUB-LICENSING RIGHTS

	2006	2005
	HK$'000	*HK$'000*
Television programmes	**423**	386
Sub-licensing rights	**–**	577
	423	963

19. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, deposits and prepayments were trade debtors of HK$157,537,000 (2005: HK$85,759,000). The Group allows an average credit period of 30 days to 90 days to its trade customers.

The aging analysis of trade debtors is as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**103,509**	56,826
31 – 60 days	**33,812**	16,964
61 – 90 days	**11,561**	6,429
Over 90 days	**8,655**	5,540
	157,537	85,759

The directors consider the carrying amounts of debtors and deposits approximate to their fair values.

20. BILLS RECEIVABLE

The aged analysis of bills receivables as at 30 June 2006 and 30 June 2005 are within 90 days.

The directors consider the carrying amount of bills receivable approximates to its fair value.

21. OTHER FINANCIAL ASSETS

Other financial assets include amounts due from fellow subsidiaries and bank balances and cash.

Amounts due from fellow subsidiaries are trade in nature, unsecured, interest-free and repayable within 45 days.

Bank balances and deposits comprise cash held by the Group and deposits with maturity of three months or less held with banks not restricted in use and the average effective interest rates of bank balances and deposits range from 1% to 3% per annum.

The carrying amounts of the Group's amounts due from fellow subsidiaries and bank balances and cash approximate to their fair values.

22. DERIVATIVE FINANCIAL ASSETS (LIABILITIES)

	2006	
	Assets	**Liabilities**
	HK$'000	*HK$'000*
Copper future contracts	5,754	–
Interest rate swap	–	(803)
Foreign exchange forward contracts	309	(675)
	6,063	(1,478)

Copper future contracts

At 30 June 2006, the fair value of copper future contracts of the Group which had not been designated as hedging instruments amounting to HK$5,754,000 was recognised as current assets in the balance sheet and the major terms of the outstanding contracts were as follows:

	As at 30 June 2006	As at 1 July 2005
Quantities (in tonnes)	**625**	4,275
Average price per tonne	**7,120**	3,216
Delivery period	**From August 2006 to October 2006**	From July 2005 to January 2006
Fair value gain of copper future contracts (HK$'000)	**5,754**	170

22. DERIVATIVE FINANCIAL ASSETS (LIABILITIES) (continued)

Interest rate swap

Notional amount	Maturity	Swap	Fair value loss as at 30 June 2006 HK$'000	Fair value loss as at 1 July 2005 HK$'000
USD5,000,000	13 September 2009	Receive structured rate	**(803)**	(3,082)
		Pay floating rate		

Forward foreign exchange contracts

Major terms of the forward foreign exchange contracts are as follows:

At 30 June 2006

Notional amount	Last expiration dates	Contracted exchange rates	Fair value gain (loss) as at 30 June 2006 HK$'000	HK$'000
US$500,000/month	15 January 2007	HK$7.73/US$1	36	–
US$300,000/month	25 May 2007	HK$7.73/US$1	–	(62)
US$1,000,000/month	5 December 2006	HK$7.758/US$1	–	(101)
US$1,000,000/month	5 July 2007	HK$7.738/US$1	–	(305)
US$500,000/month	17 January 2007	HK$7.728/US$1	259	–
US$500,000/month	2 May 2007	HK$7.73/US$1	14	–
US$1,000,000/month	6 March 2007	HK$7.725/US$1	–	(113)
US$1,000,000/month	19 September 2007	HK$7.7295/US$1	–	(94)
			309	(675)

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22. DERIVATIVE FINANCIAL ASSETS (LIABILITIES) (continued)

Forward foreign exchange contracts (continued)

Notional amount	Last expiration dates	Contracted exchange rates	Fair value gain (loss) as at 1 July 2005 HK$'000	HK$'000
US$1,000,000/month	5 October 2005	HK$7.75/US$1	68	–
US$1,000,000/month	5 December 2006	HK$7.758/US$1	–	(466)
US$500,000	27 October 2005	HK$7.694/US$1	35	–
US$1,000,000/month	3 February 2006	HK$7.712/US$1	308	–
US$2,000,000	5 August 2005	HK$7.7777/US$1	–	(18)
US$2,000,000	5 September 2005	HK$7.7695/US$1	–	(6)
			411	(490)

The above derivatives are measured at fair value at each balance sheet dates. Their fair values are determined based on the valuations provided by banks or financial institutions at the balance sheet date.

23. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges were trade creditors of HK$18,573,000 (2005: HK$22,731,000).

The aging analysis of trade creditors is as follows:

	2006 **HK$'000**	2005 HK$'000
Within 30 days	**9,903**	13,712
31 – 60 days	**4,770**	7,527
61 – 90 days	**711**	900
Over 90 days	**3,189**	592
	18,573	22,731

The directors consider the carrying amount of creditors approximates to its fair value.

24. BILLS PAYABLE

The aged analysis of bills payables as at 30 June 2006 and 30 June 2005 are within 90 days.

The directors consider the carrying amount of bills payable approximates to its fair value.

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**222**	363	**211**	340
In the second to fifth year inclusive	**223**	445	**218**	429
	445	808	**429**	769
Less: Future finance charges	**(16)**	(39)		
Present value of lease obligations	**429**	769	**–**	–
Less: Amount due within one year			**(211)**	(340)
Amount due after one year			**218**	429

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4 years. For the year ended 30 June 2006, the average effective borrowing rate was 4.9% (30.6.2005: 4.9%) per annum. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

The directors consider that carrying amounts of obligations under finance leases approximate to their fair values.

26. BORROWINGS/BANK OVERDRAFTS

	2006 HK$'000	2005 HK$'000
Borrowings are analysed as follows:		
Bank loans	**125,655**	32,742
Trust receipt loans	**306,492**	214,392
Invoice financing loans	**–**	27,257
Other loans	**13,584**	14,279
	445,731	288,670
Bank overdrafts	**70**	1,180
	445,801	289,850
Secured	**183,907**	179,948
Unsecured	**261,894**	109,902
	445,801	289,850

All the above borrowings and bank overdrafts are repayable on demand or within one year and carried at floating interest rates.

The Directors consider that the current interest rates represent prevailing market rates and therefore, the fair values of the bank borrowings and other loans at 30 June 2006 approximate to the corresponding carrying amounts.

The average effective interest rates of the bank borrowings range from 5% to 8% (2005: 3% to 5%) per annum.

The average effective interest rates of other loans range from 7% to 36% for both periods.

All the Group's bank borrowings are denominated in the functional currencies of the relevant group entities.

27. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
At 1 January 2004	1,894	(120)	1,774
Charge (credit) to income statement for the period	9,838	(4,212)	5,626
At 30 June 2005	11,732	(4,332)	7,400
Charge to income statement for the year	3,205	4,332	7,537
At 30 June 2006	14,937	–	14,937

At 30 June 2005, the Group has unused tax losses of HK$57,386,000 available for offset against future profits. A deferred tax asset has been recognised in respect of HK$24,755,000 of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$32,631,000 due to the unpredictability of future profit streams. During the year, such tax losses of HK$32,631,000 have been fully utilised to offset against current year profit.

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

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28. SHARE CAPITAL

	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 January 2004	2,591,250,000	25,913
Issued on reverse acquisition *(Note a)*	8,000,000,000	80,000
Share consolidation *(Note b)*	(10,061,687,500)	–
Placements of new shares *(Note c)*	25,912,000	5,182
As at 30 June 2005	555,474,500	111,095
Placement of new shares *(Note d)*	111,000,000	22,200
Exercise of share options	664,000	133
As at 30 June 2006	667,138,500	133,428

Notes:

(a) Through a reverse acquisition as detailed in the Company's circular to the shareholders dated 14 June 2004, the Company issued 8,000,000,000 new ordinary shares of HK$0.01 each as consideration for the acquisition of the Copper Group.

(b) Pursuant to the share consolidation scheme of the Company effective on 30 December 2004, every 20 existing issued ordinary shares of HK$0.01 each of the Company were consolidated into one new ordinary share of HK$0.20 each. Accordingly, 529,562,500 shares of HK$0.20 each were in issue after the consolidation.

(c) During the prior period, pursuant to the subscription agreement entered into between the Company and Skywalk, a wholly owned subsidiary of Solartech, 25,912,000 ordinary shares of HK$0.2 each in the Company were issued at a price of HK$0.93 per share. All the new shares issued rank pari passu in all respects with the then existing shares.

(d) During the year, pursuant to the subscription agreement entered into between the Company and Skywalk 111,000,000 ordinary shares of HK$0.2 each in the Company were issued at a price of HK$0.88 per share. All the new shares issued rank pari passu in all respects with the then existing shares.

29. BUSINESS COMBINATION

As referred to note 1 and in the 2005 annual report of the Company, the Former FT Group were deemed to be acquired by the Copper Group. The fair value of the net assets of the Former FT Group acquired at the date of acquisition were as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *HK$'000*
Property, plant and equipment	57,823	–	57,823
Prepaid lease payments for land	16,800	–	16,800
Television programmes and sub-licensing rights	3,509	–	3,509
Inventories	18,363	(200)	18,163
Debtors, deposits and prepayments	8,328	–	8,328
Pledged deposits	5,000	–	5,000
Bank balances and cash	41,546	–	41,546
Creditors and accrued charges	(19,780)	–	(19,780)
Bills payable	(7,769)	–	(7,769)
Taxation	(460)	–	(460)
Obligations under finance leases	(309)	–	(309)
Borrowings	(14,472)	–	(14,472)
	108,579	(200)	108,379
Discount arising on acquisition			(10,341)
Total consideration			98,038
Satisfied by:			
Disposal of 24.5% interests in the Copper Group			47,900
Cash paid for expenses related to acquisition			36,904
Expenses payable related to acquisition			13,234
			98,038
Net cash inflow arising on reverse acquisition:			
Cash paid for expenses related to the acquisition			(1,142)
Bank balances and cash acquired			41,546
			40,404

29. BUSINESS COMBINATION (continued)

After reassessment, the Copper Group's interest in the net fair value of the Former FT Group's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the discount arising on acquisition was recognised immediately in the income statement.

The subsidiaries acquired during the prior period contributed HK$42,964,000 to the Group's turnover and HK$26,000 to the Group's profit from operation after the acquisition.

If the acquisition had been completed on 1 January 2004, the Group's turnover for the prior period and loss for the prior period would have been approximately HK$1,480 million and HK$24 million respectively. The financial information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2004, nor is it intended to be a projection of future results.

30. DISPOSAL OF SUBSIDIARIES

In April 2005, the Group disposed of its entire equity interests in FT Holdings Limited and FT Properties Limited. The net assets of these subsidiaries at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	18,450
Debtors, deposits and prepayments	70
Bank balances and cash	15
Creditors and accrued charges	(10)
Taxation	(23)
	18,502
Loss on disposal	(7,502)
Total consideration	11,000
Satisfied by:	
Cash consideration	11,000
Net cash inflow arising on disposal:	
Cash consideration	11,000
Bank balances and cash disposed of	(15)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	10,985

The subsidiaries disposed of in the prior period did not have any significant impact on the Group's cash flows or operating results.

31. CAPITAL COMMITMENTS

	2006	2005
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of:		
Leasehold improvements	**–**	9,219
Plant and machinery	**14,145**	3,550
	14,145	12,769

32. 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:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**438**	802
In the second to fifth year inclusive	**35**	545
	473	1,347

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

33. PLEDGE OF ASSETS

At 30 June 2006, the Group has pledged certain of its assets with a carrying value of HK$110,870,000 (2005: HK$78,701,000) to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Property, plant and equipment	**43,690**	46,900
Bank deposits	**67,180**	31,801
	110,870	78,701

34. SHARE OPTION SCHEMES

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"). The Old Share Option Scheme will remain in force until it expires on 2 January 2007.

Under the New 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 New 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.

The maximum number of unexercised share options permitted to be granted under the New 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 New Share Option Scheme exceeding 30% of the aggregate number of shares subject to the New 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.

34. SHARE OPTION SCHEMES (continued)

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

For the year ended 30 June 2006

					Number of share options						
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price *HK$*	Outstanding at 1.7.2005	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 30.6.2006	Exercisable period	Number of share options exercisable for the period
Employees	1 April 2005	1 April 2005 to 31 March 2008	Vested at date of grant	0.87	1,600,000	–	–	(1,600,000)	–	1.4.2005 to 31.3.2006	1,200,000
										1.4.2006 to 31.3.2007	1,400,000
										1.4.2007 to 31.3.2008	1,600,000
Employees	1 April 2005	1 April 2005 to 31 March 2007	1 April 2005 to 1 April 2006	0.87	1,500,000	–	–	(1,500,000)	–	1.4.2005 to 31.3.2006	750,000
			1 April 2005 to 1 April 2006							1.4.2006 to 31.3.2007	1,500,000
			1 April 2005 to 1 April 2007							1.4.2007 to 31.3.2008	1,500,000
Others	1 April 2005	1 April 2005 to 31 March 2008	1 April 2005 to 1 April 2007	0.87	9,856,000	–	–	(9,856,000)	–	1.4.2005 to 31.3.2006	9,856,000
			1 April 2005 to 1 April 2006							1.4.2006 to 31.3.2007	9,856,000
			1 April 2005 to 1 April 2007							1.4.2007 to 31.3.2008	9,856,000
Employees	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2006	0.275	–	3,000,000	(664,000)	–	2,336,000	1.1.2006 to 31.12.2006	336,000
			9 December 2005 to 1 January 2007							1.1.2007 to 31.12.2007	1,000,000
			9 December 2005 to 1 January 2008							1.1.2008 to 31.12.2008	1,000,000
Others	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2006	0.275	–	12,000,000	–	–	12,000,000	1.1.2006 to 31.12.2006	4,000,000
			9 December 2005 to 1 January 2007							1.1.2007 to 31.12.2007	4,000,000
			9 December 2005 to 1 January 2008							1.1.2008 to 31.12.2008	4,000,000
Others	6 April 2006	1 May 2006 to 30 April 2011	6 April 2006 to 1 May 2006	0.495	–	51,000,000	–	–	51,000,000	1.5.2006 to 30.4.2007	10,200,000
			6 April 2006 to 1 May 2007							1.5.2007 to 30.4.2008	10,200,000
			6 April 2006 to 1 May 2008							1.5.2008 to 30.4.2009	10,200,000
			6 April 2006 to 1 May 2009							1.5.2009 to 30.4.2010	10,200,000
			6 April 2006 to 1 May 2010							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		

34. SHARE OPTION SCHEMES (continued)

The following table discloses movements of the Company's Old Share Option Scheme during the year ended 30 June 2006:

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

Total consideration received during the year for taking up the options granted amounted to HK$11 (period ended 30 June 2005: HK$10).

The following tables disclose the movements of the Company's New Share Option Scheme in prior period:

For the period 1 January 2004 to 30 June 2005

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.1.2004	Granted during the period	Outstanding at 30.6.2005	Number of share options exercisable for the period: 1.4.2005 to 31.3.2006	1.4.2006 to 31.3.2007	1.4.2007 to 31.3.2008
Employees	1 April 2005	1 April 2005 to 31 March 2008	Vested at date of grant	0.87	–	1,600,000	1,600,000	1,200,000	1,400,000	1,600,000
Employees	1 April 2005	1 April 2005 to 31 March 2007	1 April 2005 to 1 April 2006	0.87	–	1,500,000	1,500,000	750,000	1,500,000	1,500,000
Others	1 April 2005	1 April 2005 to 31 March 2008	1 April 2005 to 1 April 2007	0.87	–	9,856,000	9,856,000	9,856,000	9,856,000	9,856,000
					–	12,956,000	12,956,000	11,806,000	12,756,000	12,956,000

34. SHARE OPTION SCHEMES (continued)

The following table discloses movement in the Company's old share option scheme during the prior period:

Old Share Option Scheme

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price *HK$*	Number of share options Outstanding at 1.1.2004	Lapsed during the period	Adjustment during the period	Outstanding to 30.6.2005
Employees	7 March 1997	7 March 1997 to 6 Mach 2007	Fully vested at date of grant	14.1120	9,500,000	(5,500,000)	(4,000,000)	–
					–	–	200,000	200,000
					9,500,000	(5,500,000)	(3,800,000)	200,000

Note: The Company undertook a share consolidation on 30 December 2005. The then outstanding number of share options and their subscription prices had been adjusted accordingly.

During the year, options were granted on 9 December 2005 and 6 April 2006. The estimated fair values of the options granted on those dates are HK$1,225,000 and HK$6,987,000 respectively.

In prior years, the financial impact of share options granted was not recorded in the financial statements until such time as the options are exercised, and no charge was recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued were recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Upon the application of HKFRS 2 (see note 2), the fair value of share options granted to directors and employees of the Group, 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	9 December 2005	6 April 2006
Share price on the date of grant	HK$0.27	HK$0.495
Exercise price	HK$0.275	HK$0.495
Expected volatility	58.7%	64.5%
Average expected life	1.06 to 2.56 years	1.06 to 4.57 years
Average risk-free rate	3.87% to 4.15% p.a.	4.17% to 4.48% p.a.
Expected dividend yield	Nil	HK$0.03 per share

The volatility was generated from Bloomberg based on the Company's 180 days historical shares prices before the dates of valuation.

35. 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 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$419,000 (Period ended 30 June 2005: HK$647,000).

36. RELATED PARTY TRANSACTION

During the year, the Group entered into the following transactions with fellow subsidiaries:

	1.7.2005 to 30.6.2006	1.1.2004 to 30.6.2005
	HK$'000	*HK$'000*
Sales of goods	**207,298**	254,621
Rental of office premises	**180**	160

Compensation of key management

The key management of the Group comprises all directors and the one highest paid employee, details of their remuneration are disclosed in note 9.

37. COMPANY'S BALANCE SHEET

	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSET		
Investments in subsidiaries	**1**	1
CURRENT ASSETS		
Deposits and prepayments	**12**	5,379
Tax recoverable	**–**	7
Amounts due from subsidiaries	**368,951**	281,817
Bank balances and cash	**338**	131
	369,301	287,334
CURRENT LIABILITIES		
Accrued charges	**175**	579
Amounts due to subsidiaries	**72**	28
	247	607
NET CURRENT ASSETS	**369,054**	286,727
	369,055	286,728
CAPITAL AND RESERVES		
Share capital	**133,427**	111,095
Reserves	**235,628**	175,633
	369,055	286,728

Notes to the Financial Statements

For the year ended 30 June 2006

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the subsidiaries at 30 June 2006 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 registration/ 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$9,850,000	100% *(Note (1))*	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
FT Far East Limited	Hong Kong	HK$2	100%	Trading of life-like decorative plants
FT China Limited	Hong Kong	HK$2	100%	Manufacture of life-like decorative plants
東莞聯藝塑膠製品有限公司 Dongguan United Art Plastic Products Limited	PRC	HK$49,000,000	100% *(Note (2))*	Manufacture of life-like Christmas trees

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/ 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
FT Multi-Media Limited	British Virgin Islands/PRC	US$10,000	60%	Production, acquisition and distribution of television programmes and provision of related multi-media services

Wholly foreign owned enterprise

Notes:

1. Prior to January 2004, Dongguan Hua Yi was an equity joint venture with a registered capital of US$9,850,000. The Group has solely contributed all the registered capital of Dongguan Hua Yi. No contribution was made by the PRC joint venture partner and accordingly the Group was entitled to the entire profit or loss of Dongguan Hua Yi. Pursuant to a supplemental agreement dated 5 August 2003, the PRC joint venture partner agreed to surrender its ownership in Dongguan Hua Yi to the Group at no consideration. The transfer has been approved by the PRC relevant authority and Dongguan Hua Yi became a wholly foreign owned enterprise since January 2004.

2. Pursuant to a joint venture agreement dated 8 September 1993 (the "Joint Venture Agreement") entered into between FT China Limited and a party in PRC, FT China Limited held a 75% equity interest in Dongguan United Art Plastic Products Limited ("DUAP").

   On 28 March 1996, the relevant PRC authorities approved the increase of the equity interest held by FT China Limited in DUAP from 75% to 90%, pursuant to an agreement signed between FT China Limited and the PRC joint venture partner on 22 March 1996. Following the approval of this agreement, the PRC joint venture partner is entitled to a 10% share of the assets and liabilities of DUAP.

   Pursuant to the Joint Venture Agreement, the PRC joint venture partner agreed to waive its entitlement to share in the profits and losses of DUAP in return for an annual management fee of HK$55,556. Pursuant to a supplemental agreement to the Joint Venture Agreement, all of the assets of DUAP will be assigned to FT China Limited upon the expiry of the Joint Venture Agreement. Accordingly, all assets, liabilities and the operating results of DUAP are consolidated into these financial statements as if it is a wholly-owned subsidiary of the Group.

3. Except for Hua Yi Copper (BVI) Company Limited, all the subsidiaries are indirectly held by the Company.

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