



# Hua Yi Copper Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code:559

## Interim Report **2007/08**





The Board of Directors (the “Directors”) of Hua Yi Copper Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2007, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2007

		Continuing operation		Discontinued operations		Total	
		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	Notes	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	3	1,489,687	1,143,377	86,378	62,087	1,576,065	1,205,464
Cost of sales		(1,452,890)	(1,105,425)	(71,133)	(49,604)	(1,524,023)	(1,155,029)
Gross profit		36,797	37,952	15,245	12,483	52,042	50,435
Other income		12,272	1,682	476	1,197	12,748	2,879
Interest income		3,115	1,702	157	303	3,272	2,005
General and administrative expenses		(21,783)	(13,226)	(5,420)	(3,915)	(27,203)	(17,141)
Selling and distribution expenses		(1,583)	(1,302)	(1,994)	(1,913)	(3,577)	(3,215)
Change in fair value of derivative financial instruments		3,067	3,207	-	-	3,067	3,207
Finance costs		(24,624)	(20,625)	(364)	(1,037)	(24,988)	(21,662)
Share of result of a jointly controlled entity		(202)	(42)	-	-	(202)	(42)
Profit before taxation	4	7,059	9,348	8,100	7,118	15,159	16,466
Taxation	5	(117)	(660)	(63)	(1,331)	(180)	(1,991)
Profit for the period		6,942	8,688	8,037	5,787	14,979	14,475
Dividends paid	6	-	16,741	-	-	-	16,741
Earnings per share from continuing and discontinued operations	7						
- basic						1.99 HK cents	2.17 HK cents
- diluted						1.93 HK cents	2.15 HK cents
from continuing operation							
- basic						0.92 HK cent	1.30 HK cents
- diluted						0.89 HK cent	1.29 HK cents

## CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	<b>31.12.2007</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30.6.2007 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>168,979</b>	172,140
Prepaid lease payments for land			
– non-current portion		<b>59,026</b>	53,531
Interest in a jointly controlled entity		<b>18,622</b>	18,023
Prepayment for acquisition of subsidiaries	18	<b>30,535</b>	–
Loans receivable		<b>38,808</b>	46,898
		<b>315,970</b>	290,592
<b>Current assets</b>			
Inventories		<b>196,969</b>	302,926
Debtors, other loans and receivables,			
deposits and prepayments	9	<b>484,793</b>	403,360
Bills receivable	10	<b>26,212</b>	17,732
Prepaid lease payments for land			
– current portion		<b>1,667</b>	1,340
Prepaid tax		<b>5,607</b>	–
Derivative financial assets	14	–	1,651
Pledged deposits		<b>33,655</b>	72,583
Bank balances and cash		<b>211,077</b>	157,135
		<b>959,980</b>	956,727
Assets classified as held for sale		<b>73,385</b>	79,744
		<b>1,033,365</b>	1,036,471



## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2007

	Notes	31.12.2007 HK\$'000 (Unaudited)	30.6.2007 HK\$'000 (Audited)
<b>Current liabilities</b>			
Creditors, other advances and accrued charges	11	61,867	59,613
Bills payable	12	42,553	142,110
Taxation		300	5,241
Obligations under finance leases		234	466
Borrowings	13	596,338	601,136
Derivative financial liabilities	14	7,950	1,362
		<b>709,242</b>	809,928
Liabilities associated with assets classified as held for sale		<b>5,669</b>	20,332
		<b>714,911</b>	830,260
<b>Net current assets</b>			
		<b>318,454</b>	206,211
<b>Total assets less current liabilities</b>			
		<b>634,424</b>	496,803
<b>Non-current liability</b>			
Deferred tax liabilities		15,124	15,748
		<b>619,300</b>	481,055
<b>Capital and reserves</b>			
Share capital	15	156,927	134,627
Reserves		462,373	346,428
		<b>619,300</b>	481,055

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2007

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note (a))	Exchange reserve HK\$'000	Special reserve HK\$'000 (Note (b))	Statutory reserve HK\$'000 (Note (c))	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2006	133,428	93	172,724	5,052	(43,246)	-	3,565	229,393	501,009
Exchange differences arising on translation to presentation currency recognised directly in equity	-	-	-	7,669	-	-	-	-	7,669
Profit for the period	-	-	-	-	-	-	-	14,475	14,475
Total recognised income for the period	-	-	-	7,669	-	-	-	14,475	22,144
Issue of shares upon exercise of share options	500	187	-	-	-	-	-	-	687
Forfeiture of share options	-	-	-	-	-	-	(162)	162	-
Recognition of equity-settled expense-share-based payments	-	-	-	-	-	-	1,100	-	1,100
Dividends paid	-	-	-	-	-	-	-	(16,741)	(16,741)
At 31 December 2006	133,928	280	172,724	12,721	(43,246)	-	4,503	227,289	508,199



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 31 December 2007

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note (a))	Exchange reserve HK\$'000	Special reserve HK\$'000 (Note (b))	Statutory reserve HK\$'000 (Note (c))	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2007	134,627	981	172,724	18,868	(43,246)	-	4,128	192,973	481,055
Exchange differences arising on translation to presentation currency recognised directly in equity	-	-	-	12,607	-	-	-	-	12,607
Profit for the period	-	-	-	-	-	-	-	14,979	14,979
Total recognised income for the period	-	-	-	12,607	-	-	-	14,979	27,586
Placement of new shares	22,000	90,800	-	-	-	-	-	-	112,800
Expenses incurred in relation to the issue of new shares	-	(3,237)	-	-	-	-	-	-	(3,237)
Issue of shares upon exercise of share options	300	113	-	-	-	-	-	-	413
Transfer upon exercise of share options	-	118	-	-	-	-	(118)	-	-
Recognition of equity-settled expense – share-based payments	-	-	-	-	-	-	683	-	683
Appropriation	-	-	-	-	-	12,823	-	(12,823)	-
At 31 December 2007	156,927	88,775	172,724	31,475	(43,246)	12,823	4,693	195,129	619,300

### Notes:

- In previous year, the Group undertook a capital reorganisation resulting in eliminating the share premium account of the Company as at 30 September 2005 of HK\$260,881,000 against the accumulated losses as at 30 September 2005 of HK\$88,157,000 with the remaining balance of HK\$172,724,000 credited to contributed surplus of the Company.
- Special reserve was arisen from the business combination carried out by the Company in 2004, which was accounted for as a reverse acquisition. The details of the transaction were set out in the circular dated 14 June 2004.
- It represents the appropriation of statutory surplus reserve of a subsidiary of the Company in Mainland China.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2007

	For the six months ended 31 December	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash (used in) from operating activities	<b>(23,884)</b>	30,294
Net cash from (used in) investing activities	<b>19,121</b>	(15,817)
Net cash from financing activities	<b>76,877</b>	55,646
Net increase in cash and cash equivalents	<b>72,114</b>	70,123
Cash and cash equivalents at beginning of the period	<b>161,860</b>	120,166
Effect of foreign exchange rate changes	<b>3,368</b>	917
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>237,342</b>	191,206
Being:		
Bank balances and cash	<b>211,077</b>	191,206
Bank balances and cash attributable to assets classified as held for sale	<b>26,265</b>	–
	<b>237,342</b>	191,206



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

### 1. Basis of Preparation

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Directors consider Solartech International Holdings Limited, 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.

### 2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 July 2007. The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting period. Accordingly, no prior period adjustment has been recognised.



## 2. Principal Accounting Policies (Continued)

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

## 3. Segment Information

On 21 May 2007, the Company announced a plan to dispose of its business of manufacture and trading of life-like plants. Accordingly, the business segment of manufacture and trading of life-like plants was classified as discontinued operation, and the comparative figures of this segment was re-classified from continuing operations to discontinued operation.

During the year ended 30 June 2007, the Group has ceased all the operation relating to the production, distribution and licensing of television programmes and no further sales transaction will be generated from this business segment. Accordingly, this segment was classified as discontinued operation, and the comparative figures of this segment was re-classified from continuing operations to discontinued operation.



### 3. Segment Information (Continued)

An analysis of the Group's turnover and segment results by business segment which is the Group's primary reporting segment is as follows:

#### For the six months ended 31 December 2007

	Continuing operation		Discontinued operations		Consolidated HK\$'000
	Copper rods HK\$'000	Life-like plants HK\$'000	Production, distribution and licensing of television programmes HK\$'000	Total HK\$'000	
<b>TURNOVER</b>					
Sales to external customers	<b>1,489,687</b>	<b>86,378</b>	–	<b>86,378</b>	<b>1,576,065</b>
<b>RESULT</b>					
Segment result	<b>30,853</b>	<b>8,324</b>	–	<b>8,324</b>	<b>39,177</b>
Unallocated corporate income	<b>3,115</b>			<b>157</b>	<b>3,272</b>
Unallocated corporate expenses	<b>(2,083)</b>			<b>(17)</b>	<b>(2,100)</b>
Finance costs	<b>(24,624)</b>			<b>(364)</b>	<b>(24,988)</b>
Share of result of a jointly controlled entity	<b>(202)</b>			–	<b>(202)</b>
Profit before taxation	<b>7,059</b>			<b>8,100</b>	<b>15,159</b>
Taxation	<b>(117)</b>			<b>(63)</b>	<b>(180)</b>
Profit for the period	<b>6,942</b>			<b>8,037</b>	<b>14,979</b>

### 3. Segment Information (Continued)

For the six months ended 31 December 2006

	Continuing operation		Discontinued operations		
	Copper rods <i>HK\$'000</i>	Life-like plants <i>HK\$'000</i>	Production, distribution and licensing of television programmes <i>HK\$'000</i>	Total <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>					
Sales to external customers	1,143,377	61,964	123	62,087	1,205,464
<b>RESULT</b>					
Segment result	30,646	7,395	457	7,852	38,498
Unallocated corporate income	2,444			303	2,747
Unallocated corporate expenses	(3,075)			–	(3,075)
Finance costs	(20,625)			(1,037)	(21,662)
Share of result of a jointly controlled entity	(42)			–	(42)
Profit before taxation	9,348			7,118	16,466
Taxation	(660)			(1,331)	(1,991)
Profit for the period	8,688			5,787	14,475



### 3. Segment Information (Continued)

The Group's turnover for the six months ended 31 December 2007 and 2006, analysed by geographical location of customers, is as follows:

	Continuing operation		Discontinued operations		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2007	2006	2007	2006	2007	2006
	Turnover	Turnover	Turnover	Turnover	Turnover	Turnover
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	1,489,687	1,143,377	–	123	1,489,687	1,143,500
America	–	–	84,351	59,792	84,351	59,792
Europe	–	–	1,072	1,031	1,072	1,031
Hong Kong	–	–	900	980	900	980
Other Asian regions	–	–	55	161	55	161
	<b>1,489,687</b>	<b>1,143,377</b>	<b>86,378</b>	<b>62,087</b>	<b>1,576,065</b>	<b>1,205,464</b>

### 4. Profit Before Taxation

	Continuing operation		Discontinued operations		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:						
Depreciation of property, plant and equipment	7,861	4,740	–	739	7,861	5,479
Charge of prepaid lease premium for land	730	568	42	42	772	610

## 5. Taxation

	Continuing operation		Discontinued operations		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Hong Kong Profits Tax	<b>1,200</b>	400	<b>63</b>	1,331	<b>1,263</b>	1,731
Taxation in Mainland China	<b>—</b>	292	<b>—</b>	—	<b>—</b>	292
	<b>1,200</b>	692	<b>63</b>	1,331	<b>1,263</b>	2,023
Deferred taxation						
Change in statutory tax rate in						
Mainland China	<b>(854)</b>	—	<b>—</b>	—	<b>(854)</b>	—
Current period	<b>(229)</b>	(32)	<b>—</b>	—	<b>(229)</b>	(32)
	<b>(1,083)</b>	(32)	<b>—</b>	—	<b>(1,083)</b>	(32)
	<b>117</b>	660	<b>63</b>	1,331	<b>180</b>	1,991

Income Tax is recognised based on management's best estimate of the weighted average annual income tax rate for the full financial year.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will generally change the enterprise income tax rate from 33% to 25% for certain PRC subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realized or the liability is settled. The effect on change in tax rate resulted in the decrease in deferred taxation by HK\$854,000 during the period.



## 6. Dividends

	For the six months ended 31 December	
	2007 HK\$'000	2006 HK\$'000
Final dividend in respect of 2006/2007 at Nil per share (2005/2006: HK\$0.025 per share)	—	16,741

The Directors do not recommend the payments of any interim dividend.

## 7. Earnings Per Share

*From continuing and discontinued operations*

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

	For the six months ended 31 December	
	2007 HK\$'000	2006 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<b>14,979</b>	14,475

## 7. Earnings Per Share (Continued)

	Number of shares for the six months ended 31 December	
	<b>2007</b>	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>752,216,022</b>	667,695,565
Effect of dilutive potential ordinary shares: share options	<b>24,319,532</b>	7,061,132
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>776,535,554</b>	674,756,697

### *From continuing operation*

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

	For the six months ended 31 December	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Earnings for the purpose of basic and diluted earnings per share from continuing operation	<b>6,942</b>	8,688

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

### *From discontinued operations*

Basic earnings per share from discontinued operation is 1.07 HK cents (2006: 0.87 HK cent) per share and diluted earnings per share from discontinued operations is 1.04 HK cents (2006: 0.86 HK cent) per share, based on the earnings for the period from discontinued operations of HK\$8,037,000 (2006: HK\$5,787,000).

The denominators used are the same as those detailed above for basic and diluted earnings per share.



## 8. Property, Plant and Equipment

During the period ended 31 December 2007, the Group spent HK\$2,170,000 on acquisition of property, plant and equipment.

## 9. Debtors, Other Loans and Receivables, Deposits and Prepayments

Included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors with outsiders of HK\$185,181,000 (30.6.2007: HK\$153,195,000) and trade balances with fellow subsidiaries of HK\$146,882,000 (30.6.2007: HK\$125,784,000). The Group allows an average credit period of 30 days to 90 days to its trade debtors with outsiders and a credit period of 45 days to its fellow subsidiaries.

The aged analysis of trade debtors is as follows:

	<b>31.12.2007</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>196,300</b>	140,824
31 – 60 days	<b>33,118</b>	50,858
61 – 90 days	<b>22,508</b>	19,831
Over 90 days	<b>80,137</b>	67,466
	<hr/> <b>332,063</b> <hr/>	<hr/> 278,979 <hr/>

At 31 December 2007, included in debtors, other loans and receivables, deposits and prepayments were cash advances to fellow subsidiaries amounted to HK\$14,643,000 (30.6.2007: HK\$63,730,000). The amount was unsecured, interest-free and repayable on demand.

At 31 December 2007, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK\$26,552,000 (30.6.2007: HK\$44,273,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at period end. The amount has been fully settled subsequent to period end.



### 9. Debtors, Other Loans and Receivables, Deposits and Prepayments (Continued)

At 31 December 2007, included in debtors, other loans and receivables, deposits and prepayments were loans receivable of HK\$91,584,000 in aggregate (30.06.2007: Nil) from independent third parties. The loans are secured with fixed terms of repayment and carried with fixed or floating interest rates ranged from 5% to 11.57% per annum.

At 31 December 2007, included in assets classified as held for sale were trade debtors of HK\$8,958,000 (30.6.2007: HK\$4,343,000) and the age is as follows:

	<b>31.12.2007</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>7,900</b>	4,307
31 – 60 days	<b>714</b>	–
61 – 90 days	<b>201</b>	–
Over 90 days	<b>143</b>	36
	<hr/> <b>8,958</b> <hr/>	<hr/> 4,343 <hr/>

### 10. Bills Receivable

The age of bills receivable as at 31 December 2007 and 30 June 2007 are within 90 days.



## 11. Creditors, Other Advances and Accrued Charges

At 31 December 2007, included in the balance are trade creditors with outsiders of HK\$10,657,000 (30.6.2007: HK\$15,601,000).

The aged analysis of trade creditors is as follows:

	<b>31.12.2007</b> <i>HK\$'000</i>	30.6.2007 <i>HK\$'000</i>
Within 30 days	<b>4,142</b>	11,151
31 – 60 days	<b>4,625</b>	909
61 – 90 days	<b>720</b>	2,752
Over 90 days	<b>1,170</b>	789
	<hr/> <b>10,657</b> <hr/>	<hr/> 15,601 <hr/>

At 31 December 2007, included in creditors, other advances and accrued charges were cash advances from fellow subsidiaries amounted to HK\$10,836,000 (30.6.2007: HK\$12,450,000). The amounts were unsecured, interest-free and repayable on demand.

At 31 December 2007, included in liabilities associated with assets classified as held for sale were trade creditors of HK\$5,018,000 (30.6.2007: HK\$12,783,000) and the age is as follows:

	<b>31.12.2007</b> <i>HK\$'000</i>	30.6.2007 <i>HK\$'000</i>
Within 30 days	<b>1,069</b>	11,992
31 – 60 days	<b>106</b>	139
61 – 90 days	<b>131</b>	48
Over 90 days	<b>3,712</b>	604
	<hr/> <b>5,018</b> <hr/>	<hr/> 12,783 <hr/>

## 12. Bills Payable

The age of bills payable as at 31 December 2007 and 30 June 2007 are within 90 days.

### 13. Borrowings

During the period, the Group raised new borrowings of HK\$1,113,196,000 to provide for additional working capital and repaid borrowings of HK\$1,121,075,000. The borrowings of the Group are all due within one year and carried at floating interest rates ranged from 6% to 9% per annum.

### 14. Derivative Financial Instruments

The Group entered into future contracts, foreign exchange forward contracts and interest rates swaps contracts to manage the price risk of raw materials, interest rate risk and foreign exchange risk.

The net fair value of derivative financial liabilities at 31 December 2007 as provided by the banks or financial institutions are HK\$7,950,000 (30.6.2007: net fair value of derivative financial assets of HK\$289,000). All of these derivative financial instruments do not qualify for hedge accounting and fair value gain of HK\$3,067,000 has been recognised in the condensed consolidated income statement.

### 15. Share Capital

	THE COMPANY	
	Number of shares	Amount <i>HK\$'000</i>
As at 1 July 2007	673,134,500	134,627
Placement of new shares	110,000,000	22,000
Exercise of share options	1,500,000	300
As at 31 December 2007	<u>784,634,500</u>	<u>156,927</u>

In July 2007, pursuant to a subscription agreement entered into between the Company and a subscriber, an independent third party, 30,000,000 ordinary shares of HK\$0.2 each in the Company were issued at a price of HK\$1.2 per share.

In September 2007, pursuant to a subscription agreement entered into between the Company and Skywalk Asset Management Limited, a wholly-owned subsidiary of Solartech, 80,000,000 ordinary shares of HK\$0.2 each in the Company were issued at a price of HK\$0.96 per share.

All the new shares issued rank pari passu in all respects with the then existing shares.



## 16. Share Options

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	47,308,000
Granted during the period	32,700,000
Exercised during the period	(1,500,000)
	<hr/>
Outstanding at the end of the period	<u>78,508,000</u>

## 17. Related Party Transactions

Other than those disclosed in notes 9 and 11, during the period, the Group entered into the following transactions with fellow subsidiaries:

	For the six months ended 31 December	
	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Sales of goods	<b>177,994</b>	165,632
Rental income of factory premises	<b>844</b>	–
Rental expenses of office premises	<b>90</b>	90
Other service income	<b>2,216</b>	–
	<hr/> <b>2,216</b> <hr/>	<hr/> – <hr/>

At 31 December 2007, certain bank deposits and property, plant and equipment of the subsidiaries of Solatech (other than the Group) with an aggregate carrying amount of HK\$18,000,000 (30.6.2007: HK\$52,041,000) have been pledged against the banking facilities granted to the Group.

## 18. Post Balance Sheet Events

The Directors of the Company announced that on 7 October 2007, the Company has entered into an agreement with Belleview Global Limited (the "Vendor"), an independent third party, pursuant to which the Company conditionally agreed to acquire the entire equity interests of Yeading Enterprises Limited ("Yeading") at a cash consideration of RMB55 million (equivalent to HK\$56 million), share consideration by the issuance of 100 million ordinary shares of the Company and the grant of share options to the Vendor for the subscription of 50 million ordinary shares of the Company. The total consideration will be subject to the share price and share option values at the date of completion of the acquisition. At 31 December 2007, HK\$30,535,000 has been paid for such acquisition and included in balance sheet as prepayment for acquisition of subsidiaries.

The above transaction has been approved by the shareholders of the Company and Solartech on 17 January 2008. As at the date of this report, the transaction has not yet completed and the acquisition of Yeading will be accounted for as acquisition of asset as the major asset of Yeading is the mining right of iron ore.

On 21 February 2008, the Company has entered into a framework agreement with China Alliance International Holdings Group Limited and Shougang Holdings Limited (collectively the "Counter Parties") pursuant to which, the Company and the Counter Parties agreed to co-operate in metals and minerals of exploration and mining iron ore in the PRC and other jurisdictions. The Counter Parties will provide technical and consultancy service to the Group in developing its business in the mining industry. In order to maintain long term co-operation, the Company has granted an option to the Counter Parties to subscribe for 105 million ordinary shares in the Company with an exercise price of HK\$0.614 per share. The Counter Parties can exercise the option at any time within 5 years from the date of grant of the option. At the date of this report, the Company is still in the process to assess the fair value of the share option.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The Directors are pleased to announce that for the six months ended 31 December 2007 (the "period under review"), the Group recorded a turnover of approximately HK\$1,576,065,000, representing an increase of 30.74% over the approximately HK\$1,205,464,000 for the corresponding period last year. Profit attributable to shareholders was approximately HK\$14,979,000, 3.48% higher than the approximately HK\$14,475,000 for the same period last year. Basic earnings per share were about HK1.99 cents (2006/07 interim: HK2.17 cents).

### Interim Dividend

The Directors resolved not to pay any interim dividend for the year ending 30 June 2008 (2006/07 interim: HK1 cent per ordinary share).

## BUSINESS REVIEW

Leveraging on our wealth of experience in manufacturing and selling copper rods and copper wires and capitalising on the surging prices of natural resources in view of increasing global demands, the Group is optimistic about the prospects of the natural resources market. Furthermore, with the buoyant Chinese economy and sustainable urban and industrial growths, such as automobile, infrastructure and real estate, demand for metal and minerals like iron and copper and other related products will continue to surge. To tap the growth market, the Group decided to move upstream on the industry value chain by diversifying into mineral resources mining. In August 2007, the Company changed its Chinese name from "華藝銅業控股有限公司" to "華藝礦業控股有限公司" to reflect its new focus on metal and mineral mining investments.

The Group also entered into a share purchase agreement on 7 October 2007 to acquire two iron-ore mines and an iron-ore concentrated powder processing plant in Long Hua County, Chengde City, He Bei Province, the PRC. The deal is expected to be completed by the end of March 2008, heralding the Group's entry into mineral mining business.

During the period under review, copper rod business recorded a turnover of approximately HK\$1,489,687,000, accounting for 94.52% of the Group's total turnover. Other businesses such as life-like plants accounted for the remaining 5.48% of the Group's total turnover. By market, China accounted for 94.52% of the Group's total turnover, while business from North America contributed most to the remaining pie.

### Copper Rod Business

The business covers manufacturing and trading of copper rods and copper wires, used primarily in production of wires and cables for home electrical appliances, electronic products and construction of infrastructure.

During the period under review, the international copper price continued to linger at a high level with the average cash settlement price of copper between July to December 2007 of the London Metal Exchange ("LME") at approximately US\$7,450 per tonne compared to US\$7,369 per tonne for the same period last year, which affected the Group's profitability as trade financing costs stood high.

## **BUSINESS REVIEW (Continued)**

With the robust development of mass-scale production of industries and infrastructure projects in PRC, demands for copper rods and copper wire continued to be relentless. During the period under review, total turnover from copper rods and related products surged by approximately 30.29% to HK\$1,489,687,000 over the same period last year (2006/2007 interim: HK\$1,143,377,000). The average amount of copper rod products manufactured for and sold by the Group's Dongguan Hua Yi plant increased to 3,700 tonnes per month over the 2,900 tonnes per month in last corresponding period, with the remaining capacity used for processing products for clients. Since the Group uses letter of credit and trust receipt loans to settle copper cathode purchase for its copper rod manufacturing and trading business, the high copper price during the period under review led to perennial financing cost pressure on the Group's own production business, which, in turn, reduced profit before tax of the business by approximately 24.49% to HK\$7,059,000 (2006/2007 interim: HK\$9,348,000).

The business of the Group's new factory in Kunshan City, Jiangsu Province grew steadily during the period under review. The factory manufactures value-added downstream products including annealed copper wires, tin-coated copper wires, stranded copper wires and copper wires of different specifications, and reported a turnover of HK\$164,112,000 during the period under review. With many manufacturers of electrical appliances, electronic products and wires relocating their production bases to the Yangtze River Delta region, the Group sees opportunities for securing more local orders for the new plant. The Group will continue to identify new customers and strive to increase sales of its downstream products.

The plant of Fujian Jinyi Copper Products Co. Ltd, a joint venture of the Group, Zijin Mining Group Co., Ltd and Fujian Minxi Xinghang State-owned Asset Investment Co., Ltd, in Shang Hang County, Fujian Province, commenced operation in early 2008. The factory has an annual production capacity of around 10,000 tonnes of copper pipes for use in refrigerators, air-conditioners and as construction materials.

### **Mining Business**

The Group entered into a sale and purchase agreement on 7 October 2007 to acquire two iron-ore mines in He Bei Province by way of cash, issue of and call options on new shares with an aggregate consideration of approximately HK\$167,000,000. The deal included a 90.25% stake in Gu Shan Mine (with exploration license), Zhong Guan Town Mine (with mining license) and an associated iron-ore concentrated powder processing plant with an annual production capacity of 300,000 tonnes. According to the findings of a survey by an independent technical consultant commissioned by the Group, the two mines have an estimated total iron ore reserve of 199,000,000 tonnes. The acquisition is expected to be completed by the end of March 2008. After then, the Group will derive direct income, hence immediate cash flow and revenue, on sale of mineral resources from the two mines.



## **BUSINESS REVIEW (Continued)**

### **Life-like plants and other businesses**

The Group entered into an agreement on 19 May 2007 to dispose of its non-core life-like plant business at a total consideration of HK\$60,000,000. Upon completion of the transaction, the Group will be able to focus its resources and management efforts on the core business.

## **PROSPECTS**

Completion of the acquisition of the two mines in He Bei Province will signify the Group's success in diversifying and extending its business to mineral resources. Looking ahead, the Group will focus resources on developing its mining business, especially copper and iron-ore mining, and continue to identify opportunities to invest in copper and iron mines. Leveraging on its solid experience in the copper industry, and complemented by an enlarged production scale, high-quality products and stable customer relationship, the Group will continue to consolidate its copper rod business.

To fortify the professional strengths of its mining operation, the Group has brought in mine exploration and extraction experts. On 21 February 2008, the Group also signed a framework agreement with Shougang Holdings Limited ("Shougang Holdings") and China Alliance International Holdings Limited ("China Alliance"). The Group will cooperate with these strategic partners in exploration and mining of metals and minerals, particularly iron-ore, in the PRC and other regions to leverage their experiences in the industry.

Pursuant to the framework agreement, Shougang Holdings and China Alliance may work with the Group in exploring and developing iron mines. The Group will be responsible for selecting, exploring and developing as well as investing in the mining projects, while China Alliance and Shougang Holdings will provide technical supports including assigning geologists, mining experts, processing experts and engineers to study the mines, the grade and properties of ore in the mines, the processing flow and technology and plants required and the viability of related investments. Experts of Shougang Holdings and China Alliance are currently studying the two mines in He Bei Province acquired by the Group and will submit its professional comments to the Group in due course.

To foster long-term cooperation with our new strategic partners, the Group will grant China Alliance and Shougang Holdings an option to subscribe for 105,000,000 shares of the Company at the exercise price of HK\$0.614 per share. Once the framework agreement is approved by Solartech International Holdings Limited, the Company's parent company, and the Company's shareholders at their special general meetings, the Group will have access to solid technical and potential financial support to develop its mining operation.

The Group believes that, coupled with the completion of the acquisition of the two mines in He Bei Province and having Shougang Holdings and China Alliance, a leading iron and steel enterprise and a leading resources enterprise respectively, as strategic partners, the Group is very optimistic about the long-term prospects of its mineral resources business.



## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group had approximately 600 employees in Hong Kong and the PRC. Remuneration policies are reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, employees' shares options scheme, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had cash and bank balances (including pledged bank deposits) amounted to approximately HK\$245 million (30 June 2007: HK\$230 million) and net current assets value being over HK\$318 million (30 June 2007: HK\$206 million). The Group's gearing ratios as at 31 December 2007 was 0.96 (30 June 2007: 1.25), being a ratio of total bank borrowings of approximately HK\$596 million (30 June 2007: HK\$601 million) to shareholders' funds of approximately HK\$619 million (30 June 2007: HK\$481 million).

As at 31 December 2007, the Group pledged certain property, plant and machinery and fixed deposits with an aggregate net book value of approximately HK\$145 million (30 June 2007: HK\$98 million) to secure general banking facilities granted to the Group.

As at 31 December 2007, the Company has issued guarantees to the extent of approximately HK\$697 million (30 June 2007: HK\$725 million) to banks to secure general banking facilities granted to certain subsidiaries of the Company, of which, approximately HK\$567 million (30 June 2007: HK\$519 million) was utilised.

For the six months ended 31 December 2007, the Group entered into copper forward contracts, foreign exchange forward contracts and interest rates swap contracts (collectively referred as "derivative financial instruments") in accordance with its hedging policies as adopted previously. These derivative financial instruments were solely used for hedging and risk management purposes; speculation is strictly prohibited. Although the Group only used the derivative financial instruments for hedging and risk management purposes, it could not fulfill the documentation requirements under the new accounting standards issued by the Hong Kong Institute of Certified Public Accountants, which became effective from 1 January 2006. Therefore, the outstanding derivative financial instruments have to be revalued and stated at their fair value at the balance sheet date and the changes in fair value were charged to current year's income instatement.



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

The Group's overall financial risk management programme focuses on the unpredictability of the financial markets, optimizing the level of financial risks the Group can bear and minimizing any potential adverse effects on the financial performance of the Group. The purpose of the financial risk management programme is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose. The net gain of the derivative financial instruments for the six months ended 31 December 2007 was approximately HK\$3,067,000 (six months ended 31 December 2006: HK\$3,207,000).

## **DISPOSAL OF LIFE-LIKE PLANT BUSINESS**

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

## **DISPOSAL OF LIFE-LIKE PLANT BUSINESS (Continued)**

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

On 20 September 2007, the Company and Solartech jointly announced that the parties to the Sale and Purchase Agreement entered into a supplemental agreement (the "Supplement Agreement") on 19 September 2007 which provides, among other things, that the long stop date be extended to 31 December 2007 or such other date as the parties thereto may agree. The details of other material terms of the Supplemental Agreement were set out in the joint announcement dated 20 September 2007.

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

On 28 February 2008, the Company and Solartech jointly announced that the parties to the Sale and Purchase Agreement entered into a supplemental agreement (the "Third Supplemental Agreement") on 28 February 2008 to further extend the long stop date to 31 May 2008 or such other date as the parties thereto may agree. Completion of the Sale and Purchase Agreement is subject to the satisfaction of certain conditions precedent which were currently still pending.



## **PLACING OF 30,000,000 NEW SHARES**

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

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

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

## **DISCLOSABLE TRANSACTION**

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

## **DISCLOSABLE TRANSACTION (Continued)**

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

The proposed issuance of the Consideration Shares and the Vendor Option Shares is subject to the approval of the shareholders of the Company to grant a specific mandate in respect of such issuance. As the Acquisition constitutes a major transaction and is deemed to be a very substantial disposal for Solartech under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), and the Share Purchase Agreement and the transactions contemplated thereunder will be subject to the approval of shareholders of Solartech.

As at 28 December 2007, being the latest practicable date of the Circular, Solartech (through its interest in Skywalk) beneficially owned approximately 51.25% of the issued share capital of the Company. The beneficial interest of Solartech in the issued share capital of the Company will be reduced from approximately 51.25% to approximately 45.46% immediately upon completion, and may further be reduced to approximately 43.03% upon the allotment and issue of the Vendor Option Shares. As a result, the Company will cease to be a subsidiary of Solartech upon completion.

On 17 January 2008, at the special general meeting of the Company, the shareholders approved the Share Purchase Agreement, the issue of the Consideration Shares and Vendor Option Shares. On the same date, the shareholders of Solartech approved the Share Purchase Agreement and the transactions contemplated thereunder. The Acquisition is expected to be completed by the end of March 2008.



## POST BALANCE SHEET EVENT

### Framework Agreement and Option

On 21 February 2008, the Company entered into a framework agreement (the "Framework Agreement") with China Alliance and Shougang Holdings (the "Counter Parties"), pursuant to which the Company and the Counter Parties agreed to co-operate in metals and minerals exploration and mining particularly iron-ore in the PRC and other jurisdictions, and the Company agreed to grant to the Counter Parties a first right of refusal in (a) co-operating and investing in the mining projects chosen by the Company and (b) purchasing any iron-ore and iron-ore powder generated from such mining projects at favorable market price. In addition, subject to fulfillment of certain conditions set out in the Framework Agreement, the Company agreed to grant to the Counter Parties jointly an option (the "Option") to subscribe for 105,000,000 Shares (the "Option Shares") at the exercise price of HK\$0.614 per Share in parts or in whole at any time within 5 years from the date of grant of the Option. Details of the Framework Agreement and the Option are set out in the joint announcement of the Company and Solartech dated 26 February 2008.

The proposed issuance of the Option Shares is subject to the approval of the shareholders of the Company to grant a specific mandate in respect of such issuance.

As at the date of the publication of the joint announcement on 26 February 2008, Solartech (through its interest in Skywalk) beneficially owned approximately 51.21% of the issued share capital of the Company. The beneficial interest of Solartech in the issued share capital of the Company will be reduced from approximately 51.21% to approximately 45.17% immediately upon the allotment of the Option Shares in full. As a result, the Company will cease to be a subsidiary of Solartech. Accordingly, the grant of the Option is a deemed disposal for Solartech under the Listing Rules and a major transaction for Solartech, and will be subject to the approval of the shareholders of Solartech.

A special general meeting of each of Solartech and the Company will be held in due course to consider and approve, if thought fit, the transactions contemplated under the Framework Agreement (including the allotment of the Option Shares) and the allotment of the Option Shares respectively. A circular containing, among other things, further information on the Framework Agreement, a notice of the special general meeting of each of Solartech and the Company, and other information required under the Listing Rules will be despatched by each of Solartech and the Company to the shareholders of Solartech and the Company respectively.

## DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY

As at 31 December 2007, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

### Long positions in the shares of the Company

Name of director	Class of shares	Capacity in which the shares are held	Number of issued ordinary shares beneficially held	Number of shares underlying share options	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	Ordinary shares	Beneficial owner	2,894,000	–	0.37%
Mr. Chan Sio Keong	Ordinary shares	Beneficial owner	–	3,000,000	0.38%
Mr. Chan Kwan Hung	Ordinary shares	Beneficial owner	–	4,500,000	0.57%

Other than as disclosed above, none of the directors and chief executives of the Company had any interest or short position in any share, underlying share or debenture of the Company or any associated corporation (within the meaning of Part XV of the SFO) at 31 December 2007.

## OTHER PERSONS' INTERESTS IN SECURITIES OF THE COMPANY

So far as is known to any of the directors and chief executives of the Company, as at 31 December 2007, persons other than a director or a chief executive of the Company who had an interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO, were as follows:

### Long positions in the shares of the Company

Name	Number of issued ordinary shares held Corporate interest	Percentage of holding
Solartech International Holdings Limited ("Solartech")	402,131,875 (Note)	51.25%
Skywalk Assets Management Limited ("Skywalk")	402,131,875 (Note)	51.25%

*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.



## SHARE OPTIONS

On 4 December 2003, the Company adopted a new share option scheme (the "New Share Option Scheme") which replaced its old share option scheme adopted in 1996.

The following table sets out the changes in the Company's outstanding share options under the New Share Option Scheme during the six months ended 31 December 2007:

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.7.2007	Number of shares options		Outstanding at 31.12.2007	Exercisable period	Number of share options exercisable for the period
					Granted during the period	Exercised during the period			
Employees	9 December 2005	1 January 2006 to 31 December 2008	0.275	1,008,000	-	-	1,008,000	1.1.2008 to 31.12.2008	1,008,000
Others	9 December 2005	1 January 2006 to 31 December 2008	0.275	5,500,000	-	(1,500,000 )	4,000,000	1.1.2008 to 31.12.2008	4,000,000
Others	6 April 2006	1 May 2006 to 30 April 2011	0.495	40,800,000	-	-	40,800,000	1.5.2007 to 30.4.2008 1.5.2008 to 30.4.2009 1.5.2009 to 30.4.2010 1.5.2010 to 30.4.2011	10,200,000 10,200,000 10,200,000 10,200,000
Directors	5 November 2007	1 February 2008 to 31 January 2011	0.910 (Note)	-	7,500,000	-	7,500,000	1.2.2008 to 31.1.2011 1.2.2009 to 31.1.2011 1.2.2010 to 31.1.2011	2,500,000 2,500,000 2,500,000
Employees	5 November 2007	1 February 2008 to 31 January 2011	0.910 (Note)	-	10,200,000	-	10,200,000	1.2.2008 to 31.1.2011 1.2.2009 to 31.1.2011 1.2.2010 to 31.1.2011	3,400,000 3,400,000 3,400,000
Others	5 November 2007	1 August 2008 to 31 July 2011	0.910 (Note)	-	15,000,000	-	15,000,000	1.8.2008 to 31.7.2011 1.8.2009 to 31.7.2011 1.8.2010 to 31.7.2011	6,000,000 6,000,000 3,000,000
				47,308,000	32,700,000	(1,500,000 )	78,508,000		

*Note:* The closing price of the Shares on the Stock Exchange on the date of grant was HK\$0.86 and the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the date of grant was HK\$0.902.



## **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 six months ended 31 December 2007.

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

During the six months ended 31 December 2007, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 to the Listing Rules, save and except that there has not been separation between the roles of the chairman and the chief executive officer as required under code provision A2.1 of the CG Code.

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

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

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company, all the directors confirmed that they have complied with the required standard set out in the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee currently comprises Mr. Chung Kam Kwong, Mr. Lee Kin Keung and Mr. Lo Chao Ming, all of whom are independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The Audit Committee has reviewed the unaudited interim results for the six months ended 31 December 2007 and agreed with the accounting treatment adopted.

On behalf of the Board

**Chau Lai Him**

*Chairman and Managing Director*

Hong Kong SAR, 20 March 2008

*As at the date of this report, the executive directors of the Company are Mr. Chau Lai Him, Mr. Chu Yuk Kuen, Mr. Chan Sio Keong and Mr. Chan Kwan Hung and the independent non-executive directors of the Company are Mr. Chung Kam Kwong, Mr. Lee Kin Keung and Mr. Lo Chao Ming.*