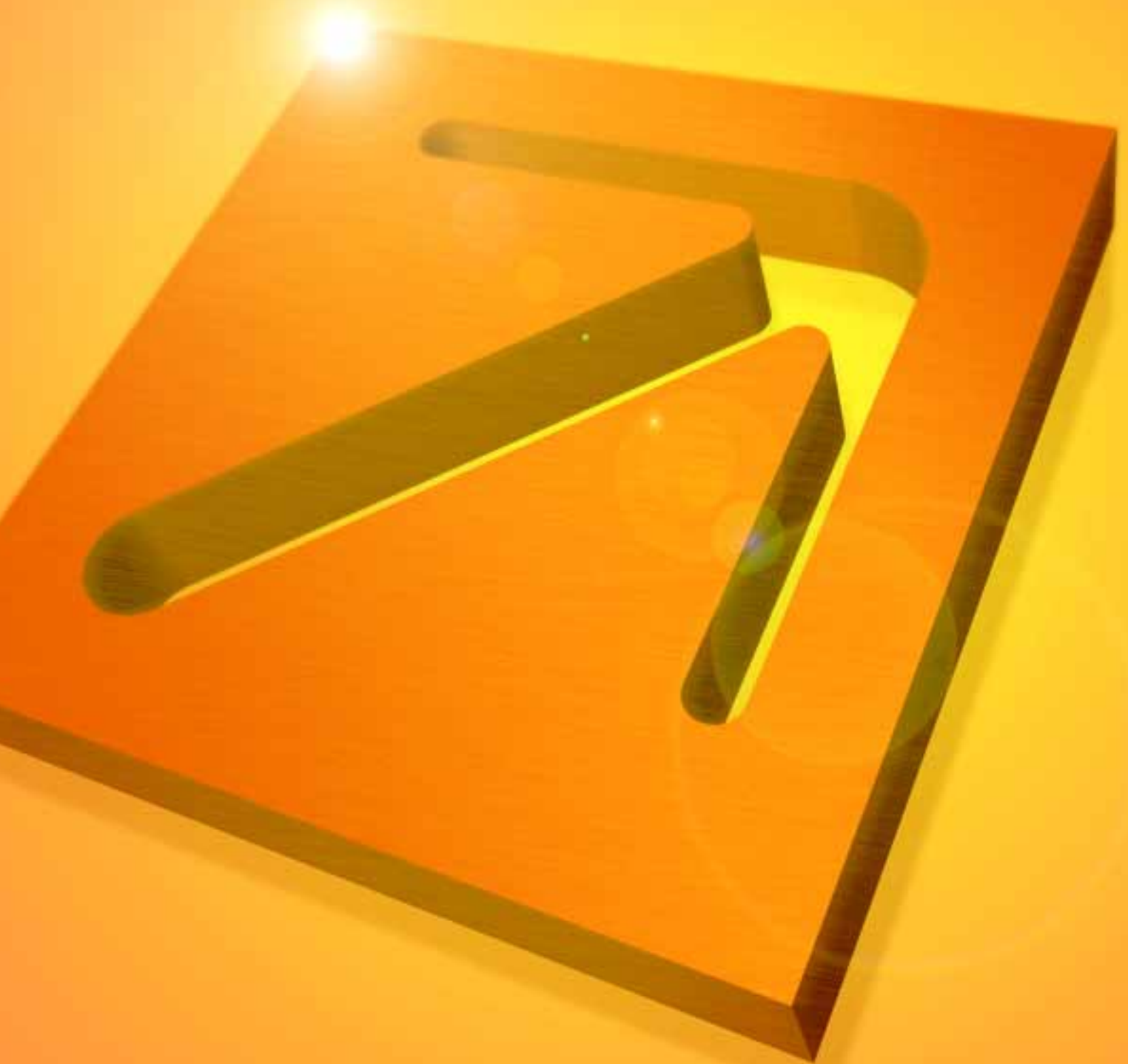


Our Mission

Provide the most innovative and best quality products to our clients, with prompt delivery and at competitive prices.



Chairman's Statement



Financial Review

Herein are the results of the Company and its subsidiaries (the "Group") for the 12 months ended 30 June 2006 (the "Period"). As in 2005 the Group changed its financial year-end date from 31 March to 30 June, the results for the Period should not be directly compared with the results for the 15 months ended 30 June 2005 (the "Previous Year").

The Directors are pleased to announce that the Group recorded a turnover of approximately HK\$2,115,548,000 for the Period, or on average, approximately HK\$176,296,000 per month, 29% more

than the per month average in the Previous Year. Profit from operations was HK\$151,207,000. Profit for the Period was approximately HK\$114,002,000, in which HK\$79,146,000 was attributable to the realisation of the copper forward contracts and foreign exchange forward contracts (which are solely for hedging and risk management purposes) at their fair value in the consolidated income statement due to adoption of new accounting standards for the Period. Profit attributable to shareholders was approximately HK\$78,856,000 (The Previous Year: loss attributable to shareholders was HK\$60,659,000). Basic

earnings per share was approximately HK19.5 cents (The Previous Year: Loss per share was around HK18.9 cents).

In the Previous Year, the Group's total turnover, profit from operations and loss attributable to shareholders were approximately HK\$2,056,288,000, HK\$3,170,000 and HK\$60,659,000 respectively. Loss per share was approximately HK18.9 cents.

The Directors have proposed a final dividend of HK4 cents per ordinary share for the year ended 30 June 2006 (the Previous Year: Nil) to those shareholders



whose names appear on the register of members on 22 November 2006. Subject to the approval of shareholders at the forthcoming annual general meeting, dividend will be paid on or about 1 December 2006.

Business Review

During the Period, sales of cable and wire products approximated at HK\$653,271,000, representing about 31% of the Group's total turnover; sales of copper rod products was approximately HK\$1,209,150,000, representing about 57% of the Group's total turnover. Sales of connectors and terminals/wire harnesses totaled approximately HK\$139,897,000, accounting for 7% of the Group's total turnover, while sales of life-like plants and other business were HK\$87,605,000 and HK\$25,625,000 respectively.

By market, sales from Mainland China and Hong Kong accounted for 82% of the Group's total turnover. Sales from North America accounted for 9% of the Group's turnover. Sales from other markets in Asia and Europe accounted for 7% and 2% of the Group's turnover respectively.

Cable and Wire

The consistently high prices of plastic and metal materials and increasing labour costs in the Pearl River Delta region continued to present a difficult operating environment for the cable and wire sector. Nevertheless, with the sector consolidating and smaller manufacturers being ousted, the Group was able to capture a larger market share. Moreover, given the continuous growth of the manufacturing sector in Mainland China and Yangtze River Delta regions emerging as the preferred base for local and foreign enterprises to develop Eastern China markets and extend business overseas, demand for the Group's cable and wire was satisfactory. During the Period, the Group's profit margin improved as a result of its endeavor to implement effective cost control measures and increased selling prices which enable the Group to partly transfer the soaring costs to customers and having received orders for products of higher margins.



To maximize cost efficiency and expand production scale, the Group strategically set up new manufacturing bases close to its customers. During the Period, the Group had made progress with two new plants in the following manner.

Kunshan Chau's Electrical Co. Ltd.
(*"Kunshan Chau's Electrical"*)

Heeding the increasing importance of the Yangtze River Delta region in China, the Group established Kunshan Chau's Electrical in Kunshan. On a 43,000 sq.m. site, the factory completed trial operation in the end of July 2006 and commenced full operation in the end of September 2006. Located near Shanghai and with an annual production capacity of approximately 84,000,000 sets of cable and wire products of various specifications, the plant is set to fulfill demands from customers in the Eastern and Northern parts of China.

Fund Resources Electric Industry Co. Ltd.
(*Shang Hang*) (*"Shang Hang Fund Resources"*)

The Factory of Shang Hang Fund Resources, located in Shang Hang county of Fujian Province, commenced trial production in February 2006. The factory, on an approximately 5,000 sq.m. site, will have an annual production capacity of approximately 36,500,000 sets of cable and wire products. The plant will not only fulfill demands from customers in this region, who are mainly Taiwanese manufacturers. But will also enjoy lower production cost and will be competitive in term of pricing amongst its peers.

Besides, the Group's HK-listed subsidiary Hua Yi Copper Holdings Limited has agreed with the subsidiary and the ultimate controlling company of Zijin Mining Group Co. Ltd. (*"Zijin"*) to establish Fujian Jinyi Copper Products Co. Ltd. (*"Fujian Jinyi"*) at Shang Hang. This initiative has laid a solid foundation for the Group's future cooperation opportunities with Zijin in other cable and wire businesses.



Chairman's Statement (continued)

During the Period, the Group also reduced operational costs and optimized logistics management, a particular example being the consolidation of shipments at the Group's primary shipping port in Yantian, which resulted in enhanced cost effectiveness.

Copper Rod

The Group's copper rod business is operated through its listed subsidiary Hua Yi Copper Holdings Limited ("Hua Yi Copper"), which is principally engaged in the manufacturing and trading of copper rods and copper wires. Such products are largely sold as raw materials for cables and wires and are in turn used in the production of electrical appliances and electronics products.

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

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

Capitalizing on strong demand for copper products and benefiting from ongoing expansion of the PRC economy, on average, monthly sales of the Group's copper rod products was approximately HK\$100,762,000 for the Period, representing an increase of 45% against HK\$69,459,000 in the Previous Year. Currently, high value-added, downstream products account for about 36% of the total turnover of Hua Yi Copper.

During the Period, with industry demand in excess of supply, the Group received more orders and enjoyed stronger bargaining power in price negotiations. The existing Dongguan plant achieved an average utilization rate of approximately 60% for products manufactured and sold by the Group (the Previous year: 60%), and the other 40% of the production capacity were consumed by orders from other manufacturers, to whom the Group provided mainly copper rod processing service. For the copper rod processing service business, rise in material costs from high copper prices was borne by customers and had no significant effect on the Group. However, for the Group's

copper rods manufacturing and trading business, since it needs to order copper cathodes from suppliers with letters of credit and trust receipt loans, the higher copper prices in the review Period increased its required working capital and finance costs, which in turn limited growth of this business area in the Period. The Group was able to partially transfer the increase in finance costs including hikes in interest rates to customers.

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

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

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

including annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires targeting the region's manufacturers of electrical appliances, electronic products and wires.

Copper Recycling Plants in Dongguan and Jingjiang

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

The copper recycling plant in Changling, Jingjiang (「靖江長凌銅業有限公司」) began commercial production in late August 2006. With an area 10,740 sq.m. the factory has an annual production capacity of 48,000 tonnes of 8.0mm copper rods. The plants have received approval by the State Office of Electricity (國家電辦) to import used motors, electrical wires and cables to meet production requirements.

At the end of the period, the copper recycling plant at Dongguan was still in the process of installing the machinery and the installation was completed in September this year, after which, trial operation will begin. When fully operational, the Dongguan facility will

have an annual production capacity of approximately 30,000 tonnes of 2.6mm, 3mm and 8mm copper rods. These are the key materials for industries such as telecommunication cable industry and electrical cable industry. Given the continuous infrastructure development to nurture growth of economies in Western China, the Group sees huge room for development for the business.

Fujian Jinyi Copper Products Co. Ltd. ("Fujian Jinyi")

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

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

Life-like plant and others

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

Connectors and Terminals/Wire Harnesses

Connectors and terminals/wire harnesses are the primary ancillary products for manufacturers of such as household appliances and office equipment. With artificial intelligence products gaining popularity, the Group has been receiving ever-increasing orders for these related high value added products. Turnover from these products jumped from HK\$9,000,000 in 1999 to HK\$139,897,000 during the Period. On average, monthly sales of connectors and terminals/wire harnesses totalled approximately HK\$11,658,000, 18% higher than HK\$9,847,000 in the Previous Year.

To support the expansion of this business segment, the Group's additional production lines for connectors and terminals in Qingdao, Shangdong Province commenced production in June 2004. On a 4,700 sq.m. site, the factory has an annual production capacity of approximately 123,600,000 sets of connectors and terminals/wire harnesses.

Chairman's Statement *(continued)*

The Group has also established another new factory in Chonburi, Thailand with a site area of approximately 1,650 sq.m. and an annual production capacity of approximately 45,600,000 sets of connectors and terminals/wire harnesses. The plant commenced production in April 2006 and is expected to fulfill demands from existing customers' facilities in Thailand such as Electrolux, Sony and Thompson Electric.

Strategic Acquisition of Brascabos

On 30 May 2006, the Group entered into an agreement with Whirlpool to acquire 100% equity interest in Brascabos Componentes Elétricos e Eletrônicos Ltda ("Brascabos") for US\$10,000,000. The acquisition was completed on 31 July 2006.

Brascabos was founded by Whirlpool's Brazilian subsidiary, Whirlpool S.A., which is one of the largest white goods manufacturers in Brazil. Brascabos is the leading wire and automobile harness manufacturer in the country. Its products are used by the white goods business in laundry, cooking and refrigerating appliances. They can also be used in automobile parts, communication devices, computers, audio products, video-conferencing equipment and for industrial purposes. Other products that Brascabos manufactures include electronic controls and sensor devices. Brascabos holds patents of certain of its exclusive procedures and products.

The acquisition will allow the Group to quickly gain foothold and seize business opportunities in the booming Latin American economies. The acquisition is also consistent with the Group's development strategy of expanding its distribution network in Europe and America. Moreover, the acquisition will give the Group access to Brascabos' extensive experience and advanced technology in automobile harness operations, which it can apply to capture potential business in the PRC automobile market.

Pursuant to the acquisition agreement, Whirlpool S.A. and Brastemp entered into a 5-year exclusive Supplier Sourcing Agreement with Brascabos on the Closing Date whereby Whirlpool S.A. and Brastemp agreed to purchase from Brascabos 100% of their requirements for certain materials used in their manufacture process in South America.

Prospects

Although the Group has been facing fierce competition and rising raw material costs in the past few years, the management believes the most difficult period for the cable and wire sector is over. Global demand, comprising new and replacement demands, for white goods, electrical and electronic appliances has been growing steadily as new technologies are used in these products. As a supplier of basic components for white goods of various renowned international brands like Whirlpool, Philips, Electrolux, LG and TCL, the Group

expects to continue to receive stable demand for its core cable and wire products in the future. The Group will continue to expand its market share taking advantage of the market consolidation. To match the research and development standards of and required by customers, the Group will continue to closely cooperate with customers to create products of various specifications. For example, the Group is setting up a technology development centre in North America to cater the needs of Whirlpool and other customers in North America.

The Group expects the fast developing connectors and terminals/wire harnesses business to emerge as one of its major growth drivers in the future. Leveraging the expertise of Brascabos in manufacturing harnesses for the automotive industry, the Group will also seek to tap the demand for premium automobile harnesses of the robust automobile market in Mainland China. Located in Brazil, Brascabos will also enable the Group to seize opportunities in South America's fast growing white goods market and to expand automobile harness business in the region. The Group is actively negotiating with some of its existing international clients on providing products to their factories in South America.

The Group has made much progress in establishing new plants to boost production capacity. Its vertically integrated operation has enabled it to climb the value chain and produce higher margin products that satisfy market demands. When all the new plants in the PRC and Thailand commence full operation, the Group will see its production capacity doubled, and accordingly its profitability boosted in the coming years.

On 4 May 2006, the Company entered into a memorandum of understanding (the “MOU”) with an independent third party to continue negotiation regarding the acquisition of manufacturing facilities located in Europe and China. The facilities currently focus on the production of rubber, PVC, textile and polyurethane cords. The Company is pursuing with due diligence negotiations of the terms of the acquisition and expects to decide in the near future whether to proceed with the transaction. The Group believes the acquisition, if undertaken, will enable it to expand its customer base, increase production capacity and tap top tier markets in Europe. With soaring raw material prices posing high cost pressures on smaller manufacturers, the Group expects more acquisition opportunities to surface in the future for its consideration.

Looking ahead, the Group will strive to boost market shares of its products and expand its business globally, riding on the solid foundation of its core cable, wire and copper rod business and the synergies from acquisition. Its aim is to bring better returns to shareholders.