

Directors' Report

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

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 16, 17 and 43 to the financial statements, respectively.

Results

The results of the Group for the year ended 30 June 2006 are set out in the consolidated income statement on page 34.

The directors now recommend the payment of a final dividend of HK4 cents per share to the shareholders on the register of members on 22 November 2006 amounting to HK\$19,403,000.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 94.

Property, Plant and Equipment

Details of additions and other movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

Share Capital

Details of changes in the share capital of the Company during the year are set out in note 31 to the financial statements.

Directors and Directors' Service Contracts

The directors of the Company during the period and up to the date of this report were:

Executive directors:

Mr. Chau Lai Him (Chairman and Managing Director)
Mr. Zhou Jin Hua
Mr. Lau Man Tak
Mr. Liu Jin Rong

Independent non-executive directors:

Mr. Lo Kao Cheng
Mr. Lo Wai Ming
Mr. Chung Kam Kwong

Directors' Report *(continued)*

Directors and Directors' Service Contracts (continued)

All directors are subject to retirement by rotation.

In accordance with Clause 87(1) and Clause 86(2) of the Company's Bye-Laws, Messrs. Chau Lai Him, Liu Jin Rong and Chung Kam Kwong shall retire and, being eligible, offer themselves for re-election. Mr. Lo Kao Cheng shall retire and not offer himself for re-election. The remaining directors continue in office.

Independent non-executive directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Securities

As at 30 June 2006, the interests of the directors and their associates in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in the shares of the Company

Name of director	Number of issued ordinary shares beneficially held	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	117,202,000	24.16%

Long position in the shares of Hua Yi Copper Holdings Limited, an associated corporation of the Company

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

Other than as disclosed above, as at 30 June 2006, none of the directors, nor their associates had any interests or short position in the securities of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

The Company

On 16 September 2002, the Company adopted a new share option scheme (the “New Share Option Scheme”) which replaced the Company’s old share option scheme adopted in 1996 (the “Old Share Option Scheme”). Particulars of these share option schemes are set out in note 38 to the financial statements.

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

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Number of share options			Exercisable period	Number of share options exercisable for the period
				Outstanding at 1.7.2005	Granted during the year	Outstanding at 30.6.2006		
Others	26 May 2005	26 May 2005 to 25 May 2008	0.32	18,950,000	–	18,950,000	26 May 2005 to 25 May 2008	18,950,000
Others	5 January 2006	1 February 2006 to 31 January 2009	0.24	–	39,230,000	39,230,000	1 February 2006 to 31 January 2007	13,076,667
							1 February 2007 to 31 January 2008	13,076,667
							1 February 2008 to 31 January 2009	13,076,666
				18,950,000	39,230,000	58,180,000		

At the balance sheet date, the Company had 58,180,000 share options outstanding under the New Share Option Scheme, which represented approximately 12% of the Company’s shares in issue as at that date. The exercise in full in the remaining share options would, under the present capital structure of the Company, result in the issue of 58,180,000 additional ordinary shares of the Company and additional share capital of HK\$581,800 and share premium of HK\$14,897,400 (before issue expenses).

The details of fair value of the options under the New Share Option Scheme are disclosed in note 38 to the financial statements.

Directors' Report (continued)

Share Options (continued)

Subsidiary

On 4 December 2003, Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a subsidiary of the Company, adopted a new share option scheme (the "Hua Yi New Share Option Scheme") which replaced its old share option scheme adopted in 1996 (the "Hua Yi Old Share Option Scheme").

The following table discloses movements in the Hua Yi New Share Option Scheme during the year:

For the year ended 30 June 2006

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

Share Options (continued)

For the year ended 30 June 2006

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Number of share options					Exercisable period	Number of share options exercisable for the period
				Outstanding at 1.7.2005	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 30.6.2006		
Others	6 April 2006	1 May 2006 to 30 April 2011	0.495	–	51,000,000	–	–	51,000,000	1.5.2006 to 30.4.2007	10,200,000
									1.5.2007 to 30.4.2008	10,200,000
									1.5.2008 to 30.4.2009	10,200,000
									1.5.2009 to 30.4.2010	10,200,000
									1.5.2010 to 30.4.2011	10,200,000
Total				12,956,000	66,000,000	(664,000)	(12,956,000)	65,336,000		

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report *(continued)*

Substantial shareholders' and other shareholders' interests in the Company and the Group

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, pursuant to the register kept by the Company under Section 336 of the SFO, as at 30 June 2006, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:—

Long positions in shares of the Company

Name	Number of shares of the Company	Capacity	Percent of issued share capital of the Company
Newcorp Ltd.	81,992,000	interest of corporation	16.90
Chau's Family 1996 Limited	81,992,000	controlled by substantial corporation beneficial owner	16.90
Hill David Henry Christopher	81,992,000	interest of corporation controlled by substantial shareholder	16.90
Hill Rebecca Ann	81,992,000	interest of substantial child under 18 or spouse	16.90
Newcorp Ltd.	81,992,000	interest of corporation controlled by substantial shareholder	16.90
Yin Jin Hua	75,300,000	beneficial owner	15.52
Penta Investment Advisers Ltd	42,622,727	investment manager	8.79
Zwaanstra John	42,622,727	interest of controlled corporation	8.79
Stark Investments (Hong Kong) Limited	28,363,636	investment manager	5.85
Centar Investments (Asia) Ltd.	21,981,818	beneficial owner	4.53
Deutsche Bank Aktiengesellschaft	24,430,000	security interest in shares	5.04
Credit Suisse Group	43,540,000	interest of controlled corporation	8.98

Save as disclosed above, the Directors and chief executive of the Company are not aware of any person who, as at 30 June 2006, had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial shareholders' and other shareholders' interests in the Company and the Group (continued)

Other persons having interests or short positions in the Company and the Group

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

Name of the Company's subsidiary	Substantial shareholder of such subsidiary	Nature of interest	Number of Existing Shares/fully paid registered capital	Percentage of issued share capital/ registered capital
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.	Luckyman Assets Management Limited	Beneficial owner	HK\$6,750,000	15%
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd.	上海朱家角資產投資經營發展有限公司	Beneficial owner	US\$875,000	35%
FT Multi-Media Limited	Nobleman Holdings Limited	Beneficial owner	4,000 shares	40%

Major Customers and Suppliers

For the year ended 30 June 2006, the five largest customers of the Group together accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 52.4% of the Group's total purchases during the year, with the largest supplier accounted for approximately 18.8%.

At no time during the period did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, the Company repurchased 300,000 of its own shares through the Stock Exchange of Hong Kong Limited, details of which are set out in note 31 to the financial statements.

Directors' Report *(continued)*

Emolument Policy

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 38 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

The Company has complied throughout the period with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rule"), except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation.

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

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

Audit Committee

The Company's audit committee comprising independent non-executive directors and non-executive directors.

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Group's internal control procedures and the financial reporting disclosures.

Remuneration Committee

The Remuneration Committee has been set up with written terms of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises the three independent non-executive directors of the Company.

Sufficiency of Public Float

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

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 42 of the financial statements.

Auditors

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

On behalf of the Board

Chau Lai Him

Chairman

5 October 2006