HUA YI COPPER HOLDINGS LIMITED
華藝礦業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0559)

2008/09 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Directors") of Hua Yi Copper Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008

	Notes	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
		2008 HK$'000 (Unaudited)	2007 HK$'000 (Unaudited)	**2008 HK$'000 (Unaudited)**	2007 HK$'000 (Unaudited)	**2008 HK$'000 (Unaudited)**	2007 HK$'000 (Unaudited)
Turnover	3	**998,446**	1,489,687	**107,958**	86,378	**1,106,404**	1,576,065
Cost of sales		**(1,233,362)**	(1,452,890)	**(104,909)**	(71,133)	**(1,338,271)**	(1,524,023)
Gross (loss)/profit		**(234,916)**	36,797	**3,049**	15,245	**(231,867)**	52,042
Other income		**4,573**	12,272	**237**	476	**4,810**	12,748
Interest income		**3,391**	3,115	**41**	157	**3,432**	3,272
General and administrative expenses		**(23,077)**	(21,783)	**(3,756)**	(5,420)	**(26,833)**	(27,203)
Selling and distribution expenses		**(1,550)**	(1,583)	**(2,622)**	(1,994)	**(4,172)**	(3,577)
Finance costs		**(17,762)**	(24,624)	**(1,766)**	(364)	**(19,528)**	(24,988)
Share of results of a jointly-controlled entity		**(3,129)**	(202)	**–**	–	**(3,129)**	(202)
Gains on deemed disposal of a jointly-controlled entity		**7,466**	–	**–**	–	**7,466**	–
Impairment loss on available-for-sale investment		**(2,566)**	–	**–**	–	**(2,566)**	–
Change in fair value of derivative financial instruments		**355**	3,067	**–**	–	**355**	3,067
Change in fair value of convertible note designated as at fair value through profit or loss and loss on disposal of assets classified as held for sale and associated liabilities		**(7,520)**	–	**(26,512)**	–	**(34,032)**	–
(Loss)/profit before taxation	4	**(274,735)**	7,059	**(31,329)**	8,100	**(306,064)**	15,159
Taxation	5	**(339)**	(117)	**–**	(63)	**(339)**	(180)
(Loss)/profit for the period		**(275,074)**	6,942	**(31,329)**	8,037	**(306,403)**	14,979
(Loss)/profit for the period attributable to:							
Equity holders of the Company		**(274,780)**	6,942	**(31,329)**	8,037	**(306,109)**	14,979
Minority interests		**(294)**	–	**–**	–	**(294)**	–
		(275,074)	6,942	**(31,329)**	8,037	**(306,403)**	14,979
Dividend	6	**–**	–	**–**	–	**–**	–
(Loss)/earnings per share from continuing and discontinued operations	7						*(Restated)*
– Basic						**(172.9) HK cents**	10.0 HK cents
– Diluted						**N/A**	9.6 HK cents
from continuing operations							
– Basic						**(155.2) HK cents**	4.6 HK cents
– Diluted						**N/A**	4.4 HK cents

* *For identification purposes only*

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	31 December 2008 HK$'000 (Unaudited)	30 June 2008 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**198,599**	210,028
Prepaid lease payments for land – non-current portion		**62,304**	63,217
Intangible asset		**158,045**	158,467
Interest in a jointly-controlled entity		**–**	18,057
Available-for-sale investment		**16,783**	–
Convertible note designated as at fair value through profit or loss		**8,000**	–
		443,731	449,769
Current assets			
Inventories		**39,179**	330,074
Debtors, other loans and receivables, deposits and prepayments	*8*	**328,518**	458,125
Bills receivable		**20,381**	29,634
Promissory note receivable		**13,445**	–
Prepaid lease payments for land – current portion		**1,732**	1,734
Derivative financial assets		**144**	625
Tax recoverable		**–**	642
Pledged bank deposits		**48,979**	26,268
Bank balances and cash		**46,453**	147,397
		498,831	994,499
Assets classified as held for sale		**–**	102,053
		498,831	1,096,552

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2008

	Notes	31 December 2008 HK$'000 (Unaudited)	30 June 2008 HK$'000 (Audited)
Current liabilities			
Creditors, other advances and accruals	*9*	**60,065**	58,305
Bills payable		**90,909**	76,963
Borrowings		**327,811**	599,278
Taxation		**12,309**	6,682
Derivative financial liabilities		**580**	372
		491,674	741,600
Liabilities associated with assets classified as held for sale		**–**	43,405
		491,674	785,005
Net current assets		**7,157**	311,547
Total assets less current liabilities		**450,888**	761,316
Non-current liabilities			
Deferred tax liabilities		**54,025**	54,143
Net assets		**396,863**	707,173
EQUITY			
Capital and reserves			
Share capital		**8,853**	177,061
Reserves		**385,571**	527,376
Equity attributable to equity holders of the Company		**394,424**	704,437
Minority interests		**2,439**	2,736
Total equity		**396,863**	707,173

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2008. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended 30 June 2008.

In the current interim period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs") (which also included HKASs and Interpretations) issued by the HKICPA, which are effective for the current accounting period. The adoption of the new standards, amendments and interpretations had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 1 & HKAS 27 (Amendment)	Cost of an investment in a subsidiary, jointly controlled entity or associate[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[3]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[2]
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, , HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41[1] – HKFRS 5[2]

1 Effective for accounting periods beginning on or after 1 January 2009
2 Effective for accounting periods beginning on or after 1 July 2009
3 Effective for accounting periods beginning on or after 1 October 2008
4 Effective for accounting periods ending on or after 30 June 2009

The Group is in the process of assessing the impact of the above new HKFRSs on the results and the financial position of the Group.

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 based on a conditional sale and purchase agreement dated 19 May 2007. Accordingly, the business segment of manufacture and trading of life-like plants (the "Life-like Plants Operations") was classified as discontinued operation in the prior period. According to the supplemental agreements dated 19 September 2007, 17 December 2007, 28 February 2008, 20 May 2008 and 30 September 2008, entered into among the Group, the purchaser and Kong Sun Holdings Limited (the holding company of the purchaser), the long stop date and the disposal of the Life-like Plants Operations is extended to 31 December 2008. The disposal of Life-like Plants Operations was completed on 16 December 2008, details of which is disclosed in the Company's announcement dated 16 December 2008.

3. SEGMENT INFORMATION (Continued)

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

For the six months ended 31 December 2008 (unaudited)

	Continuing operations			Discontinued operations			
	Copper rods	Iron mine	Total	Life-like plant	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
Sales to external customers	995,289	3,157	998,446	107,958	–	107,958	1,106,404
RESULTS							
Segment results	(249,250)	(5,386)	(254,636)	(29,558)	–	(29,558)	(284,194)
Unallocated corporate income			1,651	–	–	–	1,651
Unallocated corporate expenses			(859)	(5)	–	(5)	(864)
Finance costs			(17,762)	(120)	(1,646)	(1,766)	(19,528)
Share of results of a jointly-controlled entity			(3,129)	–	–	–	(3,129)
Loss before taxation			(274,735)	(29,683)	(1,646)	(31,329)	(306,064)
Taxation			(339)	–	–	–	(339)
Loss for the period			(275,074)	(29,683)	(1,646)	(31,329)	(306,403)

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2007 (unaudited)

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

3. SEGMENT INFORMATION (Continued)

The Group's turnover for the six months ended 31 December 2008 and 2007, analysed by geographical locations of customers, is as follows:

	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
	2008	2007	**2008**	2007	**2008**	2007
	Turnover	Turnover	**Turnover**	Turnover	**Turnover**	Turnover
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Mainland China	**998,446**	1,489,687	**–**	–	**998,446**	1,489,687
America	**–**	–	**104,448**	84,351	**104,448**	84,351
Europe	**–**	–	**1,857**	1,072	**1,857**	1,072
Hong Kong	**–**	–	**1,202**	900	**1,202**	900
Other Asian regions	**–**	–	**451**	55	**451**	55
	998,446	1,489,687	**107,958**	86,378	**1,106,404**	1,576,065

4. (LOSS)/PROFIT BEFORE TAXATION

	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
(Loss)/profit before taxation has been arrived at after charging:						
Depreciation of property, plant and equipment	**11,075**	7,861	**687**	–	**11,762**	7,861
Charge of prepaid lease premium for land	**841**	730	**193**	42	**1,034**	772

5. TAXATION

	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Hong Kong profits tax	**268**	1,200	**–**	63	**268**	1,263
Under provision in respect of prior period	**173**	–	**–**	–	**173**	–
Taxation in Mainland China	**3**	–	**–**	–	**3**	–
	444	1,200	**–**	63	**444**	1,263
Deferred taxation						
Change in statutory tax rate in Mainland China	**–**	(854)	**–**	–	**–**	(854)
Current period	**(105)**	(229)	**–**	–	**(105)**	(229)
	(105)	(1,083)	**–**	–	**(105)**	(1,083)
	339	117	**–**	63	**339**	180

The Group's income taxes in Mainland China and Hong Kong are recognised based on management's best estimate of the weighted average annual income tax rate for the full financial year.

6. DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 31 December 2008 (six months ended 31 December 2007: HK$Nil).

7. (LOSS)/EARNINGS PER SHARE (unaudited)

From continuing and discontinued operations

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

	For the six months ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings for the purpose of basic and diluted earnings per share	**(306,109)**	14,979

	Number of shares For the six months ended 31 December	
	2008	2007
		(Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**177,061,300**	150,443,204
Effect of dilutive potential ordinary shares: share options	**–**	4,863,906
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**177,061,300**	155,307,110

Note: Weighted average number of ordinary shares for the six months ended 31 December 2007 is restated to take into account the effect of the capital reorganisation during the current period.

From continuing operations

The calculation of the basic (loss)/earnings per share from continuing operations is based on the following data:

	For the six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share from continuing operations	**(274,780)**	6,942

7. (LOSS)/EARNINGS PER SHARE (unaudited) (Continued)

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

From discontinued operations

Basic (loss)/earnings per share from discontinued operations is (17.7) HK cents (six months ended 31 December 2007: 5.4 HK cents (restated)) per share and there is no dilutive effect on loss per share from discontinued operation for the current period. Diluted earnings per share from discontinued operations in the prior period was 5.2 HK cents (restated), based on the earnings for the period from discontinued operations of HK$8,037,000 for the six months ended 31 December 2007. The denominators used are the same as those detailed above for basic and diluted earnings per share.

The diluted loss per share for the six months ended 31 December 2008 has not been presented as the share options have anti-dilutive effect on the basic loss per share for the current period.

8. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS

At 31 December 2008, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors with outsiders of HK$25,096,000 (30 June 2008: HK$108,510,000) and trade balances with related companies of HK$159,914,000 (30 June 2008: HK$182,016,000). The Group allows an average credit period of 30 days to 90 days to its outside trade debtors and a credit period of 45 days to its related companies.

At 31 December 2008, the Group has pledged trade balances with related companies of HK$18,436,000 (30 June 2008: HK$Nil) to secure banking facilities granted to the Group.

The ageing analysis of trade debtors is as follows:

	31 December 2008	30 June 2008
	HK$'000	*HK$'000*
Within 30 days	**28,110**	100,278
31 – 60 days	**40,743**	53,085
61 – 90 days	**24,913**	27,322
Over 90 days	**91,244**	109,841
	185,010	290,526

9. CREDITORS, OTHER ADVANCES AND ACCRUALS

At 31 December 2008, included in the balance are trade creditors with outsiders of HK$4,145,000 (30 June 2008: HK$19,178,000).

The ageing analysis of trade creditors is as follows:

	31 December 2008	30 June 2008
	HK$'000	*HK$'000*
Within 30 days	**504**	14,663
31 – 60 days	**1,632**	2,663
61 – 90 days	**665**	418
Over 90 days	**1,344**	1,434
	4,145	19,178

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Directors hereby announced that for the six months ended 31 December 2008 (the "period under review"), the Group recorded a turnover of approximately HK$1,106,404,000, representing a decrease of 29.8% over the approximately HK$1,576,065,000 for the corresponding period last year. A loss attributable to shareholders of approximately HK$306,403,000 was also recorded, as opposed to the profit attributable to shareholders of approximately HK$14,979,000 for the same period last year. Basic loss per share was about HK172.9 cents (2007/08 interim: basic earnings per share of approximately HK10.0 cents (restated)). The loss was primarily attributable to (i) the consequence of the global economic downturn which led to a significant decline of the overall turnover of the Group; (ii) the loss on diminution in value of inventories of the Group and the substantial decrease in copper price since August of 2008 had affected on the selling prices of the Group's products, resulting in a negative consolidated gross margin of the Group; and (iii) provision for the impairment loss on convertible bonds.

Interim Dividend

The Directors resolved not to pay any interim dividend for the year ending 30 June 2009 (2007/08 interim: nil).

BUSINESS REVIEW

For the period under review, copper rod business continued to be the core business of the Group and recorded a turnover of approximately HK$995,289,000, accounted for approximately 90.0% of the Group's total turnover. Life-like plant business reported a turnover of approximately HK$107,958,000, accounted for approximately 9.8% of total turnover, while mining business merely recorded approximately HK$3,157,000 of turnover during the period under review, accounted for less than 1% of total turnover. By geographical segment, the PRC accounted for approximately 90.2% of the Group's total turnover, with the rest mainly originated from the American market.

BUSINESS REVIEW (Continued)

Copper Rod Business

The copper rod business covers the manufacturing and trading of copper rods and copper wires used primarily in producing power wires and cables for household electrical appliances, electronic products and infrastructure facilities.

Since the beginning of the second half of 2008, a number of leading financial institutions in the United States and Europe disclosed their sufferings from severe financial difficulties. The crisis had quickly dragged the global economy into a downward spiral, and the commodity market was one of the sectors which came first to be hit by the crisis. Fear of recession and the consequential drop in demand had caused significant decline in prices of commodities such as crude oil and non-ferrous metals. The copper monthly average spot price at London Metal Exchange ("LME") tumbled 65% from the peak at US$8,685 per tonne in April 2008 to US$3,072 per tonne in December 2008. While the drop in copper price had eased the Group's interest burden on financing raw materials purchases, it had substantially reduced the value of the Group's inventories for use in its production operation. To mitigate the risk of further loss in inventories' value due to decline in copper price, the Group had tightened its policies on stock piling and purchasing during the period under review. Its turnover and gross profit margins were directly affected by the utilisation of existing inventories purchased at substantially higher costs and the consistently falling prices of its products. During the period under review, turnover from copper rods and related products decreased approximately 33.2% from the last corresponding period to approximately HK$995,289,000 (2007/08 interim: HK$1,489,687,000).

Business of the Group's production facility at Kunshan City, Jiangsu Province had been stable during the period under review. It primarily manufactures high value-added downstream products, including annealed copper wires, tin-coated copper wires, stranded copper wires and copper wires of different specifications. With more corporations relocating their production bases northward to the Yangtze River Delta Region, the Kunshan facility may secure more orders from the manufacturers of electrical appliances, electronic products and wires in the region. The Group will actively identify new customers in order to further expand its sales of high value-added downstream products.

On the other hand, Fujian Jinyi Copper Products Company Limited, a joint venture of the Group, Fujian Zijin Investment Co., Ltd. and Minxi Xinghang State-owned Assets Investment Co., Ltd. established in Shang Hang County, Fujian Province, conducted a capital increase during the period under review to expand its registered capital from RMB40,000,000 to RMB200,000,000. As the Group did not participate in the capital increase, its proportionate shareholding had been reduced to 9%.

BUSINESS REVIEW (Continued)

Mining business

Mining operation in the iron-ore concentrated powder processing plant suspended during the Beijing Olympics (which was originally scheduled to be resumed after the end of the event) remained idle in most of the time during the period under review as the prospect of profitability from the operation was remote. This was due to the significant decline in price of iron-ore concentrated powder compared to that in early 2008 in line with the global economic downturn in the second half of the year. As a result, no contribution was made by the operation to the Group. The loss for the period under review was mainly incurred from expenses on depreciation and amortisation.

The Group considers that the price of iron-ore concentrated powder dropped irrationally due to various factors. The Group has paid close attention to the price negotiation of iron-ore concentrated powder in 2009 and the impact towards the price of iron-ore concentrated powder caused by the unprecedented economic stimulating package recently introduced by Chinese government, though which the Group could determine there is no evidence reflecting continuous impairment loss arising from mining operation.

Life-like Plants and Others

The Group had fulfilled all the conditions precedent to the disposal of life-like plants business on 16 December 2008. Upon completion of the transaction, the Group might focus in its core business and dedicate resources to enhance the management of its core business.

PROSPECTS

So far we have yet seen any sign of economic recovery in 2009, with consumer confidence remained weak and fragile. As the copper rod business of the Group requires substantial working capital to operate, and foreseeing a prolonged period of hard time in our business ahead, the Group entered into an asset swap agreement with our major shareholder Solartech International Holdings Limited on 5 December 2008, whereby the Group, upon completion of the deal, acquires Solartech's electrical cables and wires manufacturing business in Kunshan City and Shang Hang County in exchange of its own copper rod business mainly based in Dongguan City. As a result, the Group will benefit from enhancement in operational efficiency arising from common management of production facilities located in close proximity with each other, including saving in costs; greater flexibility on the part of management in allocating and mobilizing the available resources, in particular labour resources, within the same production base; as well as centralizing the banking resources of production bases under same group to allow more effective use of external financings. The Group will be better off further by its substantial reduction in bank loan. In view of the global credit crunch, lending of the Group will decrease to a more comfortable level in order to maintain a liquid position.

Following the fulfillment of all conditions precedent for the asset swap on 4 February 2009, the Group will be strengthened by the vertical integration of its business which covers copper electrical wires production and power wires and cables production.

PROSPECTS (Continued)

Looking forward, in order to weather the difficult situation and explore new opportunities, the Group is stepping up its effort in risk management and cost cutting initiatives in each of its business segments. We have put in place various cost saving and expenditure reduction measures to lower the operating expenses. The Group is also committed to expand into business of high-valued downstream products which is less capital-intensive comparing to the copper rod business, and to identify more new customers in the Yangtze River Delta Region to meet the trend of manufacturers relocating their facilities northward and to explore further business opportunities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group had approximately 700 employees in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, 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 2008, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$95 million (30 June 2008: HK$174 million) and net current assets value being over HK$7 million (30 June 2008: HK$311 million). The Group's gearing ratio as at 31 December 2008 was 0.83 (30 June 2008: 0.85), being a ratio of total bank borrowings of approximately HK$328 million (30 June 2008: HK$599 million) to shareholders' funds of approximately HK$397 million (30 June 2008: HK$707 million).

As at 31 December 2008, the Group had pledged certain properties, plants and machineries and fixed deposits with an aggregate net book value of approximately HK$177 million (30 June 2008: HK$113 million) and trade balances with related companies of approximately HK$18 million (30 June 2008: HK$Nil) to secure general banking facilities granted to the Group.

As at 31 December 2008, the Company had issued guarantees to the extent of approximately HK$567 million (30 June 2008: HK$574 million) to banks to secure general banking facilities granted to certain subsidiaries, of which, approximately HK$165 million (30 June 2008: HK$574 million) was utilized. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK$23 million (30 June 2008: HK$23 million) in respect of commodity trading of copper by its subsidiary.

The functional currencies of the Group are denominated in Hong Kong dollars, United States dollars and Renminbi. During the period under review, the Group entered into copper forward contracts and foreign exchange forward 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. 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 the income statement.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

The net gain of the derivative financial instruments for the six months ended 31 December 2008 was approximately HK$355,000 (2007/08 interim: net gain of HK$3,067,000).

On 21 May 2007, the Company announced a plan to dispose its business of manufacture and trading of life-like plants to Kong Sun Holdings Limited ("Kong Sun") based on conditional sale and purchase agreement dated 19 May 2007 and several supplemental agreements thereof. On 16 December 2008, all condition precedents to the completion of the disposal of life-like plant business are met. The Company received a promissory note and convertible note ("Convertible Note") in the principal amount of HK$13,445,000 and HK$40,000,000 respectively issued by Kong Sun as consideration for the disposal of life-like plant business accordingly.

Upon initial recognition, the Group has designated the Convertible Note as a financial asset at fair value through profit or loss and carried at fair value. The fair value of the Convertible Note on the issue date was approximately HK$15,520,000, which was based on the valuation performed by an independent professional valuation firm. The Group recorded a loss of approximately HK$26,512,000 on the disposal of life-like plant business during the period under review. As at 31 December 2008, the fair value of the Convertible Note was approximately HK$8,000,000, based on the valuation performed by an independent professional valuation firm. Accordingly, a loss on fair value of HK$7,520,000 was charged to the unaudited condensed consolidated income statement.

DISPOSAL OF LIFE-LIKE PLANT BUSINESS

On 21 May 2007, the Company and Solartech International Holdings Limited ("Solartech") whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") jointly announced that Brightpower Assets Management Limited ("Brightpower"), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") on 19 May 2007 with Eternal Gain Investments Limited ("Eternal Gain"), a company incorporated in the British Virgin Islands, and Kong Sun, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange. Kong Sun is the holder of 100% shareholding of Eternal Gain. Pursuant to the Sale and Purchase Agreement, Brightpower agreed to sell and Eternal Gain agreed to purchase the entire issued share capital of each of FT Far East Limited ("FTFE") and FT China Limited ("FTC") (together the "Sale Companies"), direct wholly-owned subsidiaries of Brightpower. Under the Sale and Purchase Agreement an indebtedness in the sum of HK$80,786,000 owed by FTFE to Brightpower was agreed to be assigned by Brightpower to Eternal Gain 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 Brightpower and partly by Kong Sun issuing upon the completion date the convertible bonds for an aggregate principal amount of HK$40 million ("Convertible Bonds") to Brightpower or its nominees as Brightpower 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 manufacturing 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 to 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 the coming three to four years than keeping the Sale Companies within the Group. In conclusion, the Directors believed that the Group would not only benefit from a stronger working capital position after realizing the proceeds from the disposal, but also it could direct all its corporate resources previously occupied by the Sale Companies towards the development of the core copper business. This would enhance the capability of the Group in horizontal expansion and vertical integration of 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 jointly issued by the Company and Solartech.

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 "First Supplement Agreement") on 19 September 2007 to (i) extend the long stop date to 31 December 2007 or such other date as the parties thereto may agree, (ii) amend certain terms of the form of the bonds instrument to be executed by Kong Sun by way of a deed poll constituting the Convertible Bonds, and (iii) amend the reference period for the profit guarantee and the net asset value guarantee made by Brightpower in the Sale and Purchase Agreement to the period commencing from 1 July 2007 to 30 June 2008. The details of other material terms of the First Supplemental Agreement were set out in the joint announcement of the Company and Solartech dated 20 September 2007.

The long stop date was further extended by mutual agreement of the parties on a number of occasions. All condition precedents to the completion of the Sale and Purchase Agreement were fulfilled and the completion took place on 16 December 2008.

CHANGE OF AUDITORS

On 2 September 2008, the Company announced that as the Company and Deloitte Touche Tohmatsu ("Deloitte"), the then auditors of the Group, were not able to reach an agreement in relation to the terms of engagement, in particular the level of the audit fees, in respect of the Company's audit for the financial year ended 30 June 2008, Deloitte resigned as auditors of the Group with effect from 21 August 2008. The Company received a letter of resignation from Deloitte dated 21 August 2008, in which it is stated that, in reaching a conclusion whether to continue to act for their audit clients, Deloitte has taken into account many factors including the professional risk associated with the audit, the level of audit fees and their available internal resources in light of the current work flows. In the case of the Company, Deloitte has also taken into account certain weaknesses in the internal controls in respect of the delay in the Company's provision of underlying documentation relating to certain deposit transactions entered into by the Company as identified at the time of the review of the interim results of the Group for the six months ended 31 December 2007. The interim results of the Group for the six months ended 31 December 2007 were reviewed by the Audit Committee of the Company prior to their publication, and were in compliance with the applicable requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect thereof.

CHANGE OF AUDITORS (Continued)

Save for the above, Deloitte has confirmed that there were no circumstances connected with its resignation which should be brought to the attention of the shareholders of the Company. The Directors and the Audit Committee of the Company also confirm that there are no circumstances in respect of the change of auditors which they consider should be brought to the attention of the shareholders of the Company.

At the special general meeting held on 26 September 2008, the ordinary resolution proposed to approve the appointment of Shu Lun Pan Horwath Hong Kong CPA Limited ("Shu Lun Pan Horwath") as the new auditors of the Group in place of the resigned auditors, Deloitte, to hold office until the conclusion of the next annual general meeting of the Company, was passed by the shareholders of the Company. At the 2008 annual general meeting of the Company held on 24 November 2008, Shu Lun Pan Horwath has been appointed as the auditors of the Company.

DEEMED DISPOSAL OF INTEREST IN FUJIAN JINYI

On 17 October 2008, Master Achieve Enterprises Limited ("Master Achieve"), an indirect wholly-owned subsidiary of the Company, entered into a capital increase agreement ("Capital Increase Agreement") with other shareholders of Fujian Jinyi, namely Minxi Xinghang and Fujian Zijin Investment Co., Ltd. ("Zijin Investment"), for an increase in capital of Fujian Jinyi. Before the Capital Increase Agreement, Fujian Jinyi's registered capital was RMB40 million. After completion of the Capital Increase Agreement, Fujian Jinyi's registered capital would be increased to RMB200 million. Fujian Jinyi intended to use the proceeds to increase its production capacity from 10,000 tonnes copper pipes to 40,000 tonnes copper pipes per year. Fujian Jinyi is mainly engaged in the production and sale of copper pipes in Shang Hang County, Fujian Province.

Pursuant to the Capital Increase Agreement, Minxi Xinghang and Zijin Investment agreed to increase their equity interests in Fujian Jinyi by contributing additional amounts of RMB78 million and RMB82 million respectively. Master Achieve will not contribute in this capital increase but has a right to buy-back the equity proportionally from Minxi Xinghang and Zijin Investment to restore to its ownership of 45% equity interest in Fujian Jinyi within two years from the day that Fujian Jinyi achieves its full scale of production. The consideration will be the original cost plus interest with reference to the bank's basic lending rate. Upon the completion of the Capital Increase Agreement, Master Achieve's equity interest in Fujian Jinyi decreased from 45% to 9%. The Group recorded a gain on deemed disposal of Fujian Jinyi of approximately HK$7,466,000 during the period under review.

CAPITAL REORGANIZATION AND CHANGE OF BOARD LOT SIZE

On 5 November 2008, the Company put forward to its shareholders a proposal for the capital reorganization ("Capital Reorganization") and a proposal to change the board lot size for trading in the ordinary shares of the Company from 2,000 ordinary shares of HK$0.20 each in the existing issued share capital of the Company ("Existing Shares") to 10,000 ordinary shares of HK$0.05 each in the share capital of the Company ("Consolidated Shares") immediately after the Capital Reorganization becoming effective.

The Capital Reorganization involved (i) capital reduction: the reduction of the par value of each existing share from HK$0.20 to HK$0.01 by the cancellation of HK$0.19 of the paid-up capital on each existing share; (ii) sub-division: the sub-division of each of the authorised but unissued shares in the capital of the Company of par value HK$0.20 into 20 shares of par value HK$0.01 each; and (iii) share consolidation: upon completion of the capital reduction and the sub-division becoming effective, the consolidation of every five shares of HK$0.01 each in both the issued and unissued share capital of the Company into one consolidated share of HK$0.05.

CAPITAL REORGANIZATION AND CHANGE OF BOARD LOT SIZE (Continued)

Following the implementation of the Capital Reorganisation set out above, the Company's authorised share capital was HK$300,000,000 divided into 6,000,000,000 shares of par value HK$0.05 each, and its issued share capital was HK$8,853,065 divided into 177,061,300 shares of par value HK$0.05 each. The aggregate amount of HK$168,208,235 arising from the above Capital Reorganisation was transferred to the Company's contributed surplus account.

Details of the Capital Reorganization and change of board lot size were set out in the circular of the Company dated 20 November 2008.

All conditions of the Capital Reorganisation have been met. The Capital Reorganisation became effective on 16 December 2008 and the consolidated Shares commenced trading on the Stock Exchange from 9:30 a.m. on 16 December 2008.

ASSET SWAP

On 5 December 2008, the Company, Wah Yeung Capital Resources Limited ("Wah Yeung"), a subsidiary of the Company, Solartech, Chau's Industrial Investments Limited ("Chau's Industrial"), a subsidiary of Solartech, and Chau's Electrical Company Limited ("Chau's Electrical"), a subsidiary of Solartech, entered into agreements (together "Asset Swap Agreements") which govern the asset swap between the Company and Solartech. The Asset Swap Agreements comprised four agreements, details of which are set out below.

Pursuant to the sale and purchase agreement dated 5 December 2008 entered into between Wah Yeung, Solartech and the Company, Solartech agreed to acquire from Wah Yeung (i) the one share of HK$1 in the issued share capital of Modern China Enterprises Limited ("Modern China") which represented its entire issued share capital; and (ii) the 5,000,000 shares of HK$1 each in the issued share capital of Hua Yi Copper Products Company Limited ("HY Products") which represent its entire issued share capital and the unsecured and interest-free shareholder's loan ("HY Products Shareholder's Loan") owed by HY Products and its subsidiary ("HY Products Group") to Wah Yeung for a consideration of approximately HK$189.6 million ("HY Subsidiaries Consideration") (subject to the set-off arrangement and adjustments) (the "HY Subsidiaries Agreement").

Pursuant to the sale and purchase agreement dated 5 December 2008 entered into between Chau's Industrial, the Company and Solartech, the Company agreed to acquire from Chau's Industrial the 1,000 shares of HK$1 each in the issued share capital of Solartech Enterprises Limited ("Solartech Enterprises") which represent its entire issued share capital and the unsecured and interest-free shareholder's loan ("Solartech Enterprises Shareholder's Loan") owed by Solartech Enterprises and its subsidiary ("Solartech Enterprises Group") to Chau's Industrial for a consideration of approximately HK$101.0 million ("Solartech Enterprises Consideration") (subject to the set-off arrangement and adjustments) (the "Solartech Enterprises Agreement").

ASSET SWAP (Continued)

Pursuant to the sale and purchase agreement dated 5 December 2008 entered into between Chau's Electrical, the Company and Solartech, the Company agreed to acquire from Chau's Electrical the one share of HK$1 in the issued share capital of Fund Resources Limited ("Fund Resources") and the unsecured and interest-free shareholder's loan ("Fund Resources Shareholder's Loan") owing by Fund Resources and its subsidiary ("Fund Resources Group") to Chau's Electrical for a consideration of approximately HK$77.1 million ("Fund Resources Consideration") (subject to the set-off arrangement and adjustments) (the "Fund Resources Agreement").

Pursuant to the deed of set-off and transition arrangements dated 5 December 2008 entered into between Solartech, Chau's Industrial, Chau's Electrical, the Company and Wah Yeung (the "Set-off Deed"), all parties to the Asset Swap Agreements agreed to facilitate the settlement of the considerations payable by the relevant purchasers under HY Subsidiaries Agreement, Solartech Enterprises Agreement and Fund Resources Agreement at completion. The completion of HY Subsidiaries Agreement, Solartech Enterprises Agreement and Fund Resources Agreement intended to take place simultaneously. Pursuant to the terms of the Set-off Deed, the payment obligation of Solartech for the HY Subsidiaries Consideration shall be set-off against the payment obligation of the Company for the aggregate of the Solartech Enterprises Consideration and the Fund Resources Consideration with the difference to be settled in cash.

The consideration paid at completion was subject to the adjustments to be determined following delivery of the respective unaudited consolidated balance sheets of Modern China and its subsidiaries, HY Products Group, Solartech Enterprises and its subsidiary and Fund Resources and its subsidiary as at the date of completion.

Details of the material terms of the Asset Swap Agreements were set out in the circular dated 31 December 2008 ("Circular") issued by the Company.

At the special general meeting held on 19 January 2009, the ordinary resolution proposed to approve the Asset Swap Agreements as contemplated in the Circular was duly passed by the shareholders of the Company.

All conditions of the Asset Swap Agreements have been met and the completion took place on 4 February 2009.

PLACING OF 104,000,000 NEW SHARES

On 5 December 2008, the Company and Kingston Securities Limited entered into a placing agreement to place 104,000,000 new ordinary shares of par value of HK$0.05 each in the capital of the Company ("Shares") at a price of HK$0.30 per Share on a best effort basis (the "New Shares Placing"). The net proceeds from the New Shares Placing of approximately HK$30.3 million were intended to be used as general working capital of the Group. The issuance of the Shares under the New Shares Placing was subject to the approval of the shareholders of the Company to grant a specific mandate in respect of such issuance (the "Specific Mandate"). At the special general meeting held on 19 January 2009, the shareholders approved to grant the Specific Mandate. Pursuant to the Specific Mandate, the New Shares Placing was completed on 22 January 2009 and a total of 104,000,000 Shares were issued.

PLACING OF 104,000,000 NEW SHARES (Continued)

Details of the New Shares Placing were set out in the announcement dated 10 December 2008 and the circular dated 31 December 2008 issued by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the six months ended 31 December 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2008, 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 except for the deviation from code provisions A.2.1 and A.4.1 of the CG Code which is explained below.

Under code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period under review, 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 in 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.

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The existing independent non-executive directors of the Company were not appointed for a specific term as required under code provision A.4.1 of the CG Code but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

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 and external auditors have reviewed the unaudited interim results for the six months ended 31 December 2008 and agreed with the accounting treatment adopted.

On behalf of the Board
Chau Lai Him
Chairman and Managing Director

Hong Kong SAR, 23 March 2009

As at the date of this announcement, the board of the Company comprises Mr. Chau Lai Him, Mr. Chu Yuk Kuen and Mr. Chan Sio Keong being the executive directors and Mr. Chung Kam Kwong, Mr. Lee Kin Keung and Mr. Lo Chao Ming being the independent non-executive directors.