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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 559)**

## 2010/11 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 2010, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
*For the six months ended 31 December 2010*

| | | 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 | |
|---|---|---|---|---|---|---|---|
| | *NOTES* | **2010** ***HK$'000*** **(Unaudited)** | 2009 *HK$'000* (Unaudited) | **2010** ***HK$'000*** **(Unaudited)** | 2009 *HK$'000* (Unaudited) | **2010** ***HK$'000*** **(Unaudited)** | 2009 *HK$'000* (Unaudited) |
| Turnover | 3 | **162,281** | 155,973 | **—** | 243 | **162,281** | 156,216 |
| Cost of sales | | **(154,137)** | (151,109) | **—** | (404) | **(154,137)** | (151,513) |
| Gross profit/(loss) | | **8,144** | 4,864 | **—** | (161) | **8,144** | 4,703 |
| Interest income | | **5,006** | 1,740 | **—** | — | **5,006** | 1,740 |
| Other income | | **193** | 2,296 | **—** | 69 | **193** | 2,365 |
| General and administrative expenses | | **(26,857)** | (8,615) | **—** | (2,257) | **(26,857)** | (10,872) |
| Selling and distribution expenses | | **(1,349)** | (942) | **—** | — | **(1,349)** | (942) |
| Finance costs | 4 | **(4,067)** | (4,092) | **—** | — | **(4,067)** | (4,092) |
| Impairment loss on intangible assets | | **—** | — | **—** | (55,128) | **—** | (55,128) |
| Impairment loss on loans receivable | | **—** | (36,768) | **—** | — | **—** | (36,768) |
| Gain on disposal of subsidiaries, net | 11 | **41,944** | 53 | **—** | — | **41,944** | 53 |
| Change in fair value of financial assets at fair value through profit or loss | | **65** | (722) | **—** | — | **65** | (722) |
| Change in fair value of convertible note designated as at fair value through profit or loss | | **(1,606)** | (35,153) | **—** | — | **(1,606)** | (35,153) |
| Profit/(loss) before taxation | 5 | **21,473** | (77,339) | **—** | (57,477) | **21,473** | (134,816) |
| Taxation | 6 | **59** | (86) | **—** | 13,782 | **59** | 13,696 |
| Profit/(loss) and total comprehensive income for the period | | **21,532** | (77,425) | **—** | (43,695) | **21,532** | (121,120) |

* *for identification purposes only*

| | | 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 | |
|---|---|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | *NOTE* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Profit/(loss) and total comprehensive income for the period attributable to: owners of the Company | | **21,532** | (77,425) | **–** | (43,695) | **21,532** | (121,120) |
| | | | | | | | (Restated) |
| Earnings/(loss) per share: | *8* | | | | | | |
| from continuing and discontinued operations — Basic (HK cents) | | | | | | **0.75** | (16.56) |
| — Diluted (HK cents) | | | | | | **0.74** | (16.56) |
| from continuing operations — Basic (HK cents) | | | | | | **0.75** | (10.59) |
| — Diluted (HK cents) | | | | | | **0.74** | (10.59) |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 31 December 2010*

| | NOTE | 31 December 2010 HK$'000 (Unaudited) | 30 June 2010 HK$'000 (Audited) |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **145,706** | 151,490 |
| Prepayments for acquisition of property, plant and equipment | | **427** | 1,237 |
| Prepaid lease payments for land | | **9,825** | 9,776 |
| Other receivable | | **31,985** | 33,473 |
| Convertible note designated as at fair value through profit or loss | | **7,294** | 8,900 |
| Total non-current assets | | **195,237** | 204,876 |
| **Current assets** | | | |
| Inventories | | **26,312** | 21,442 |
| Debtors, other receivables, deposits and prepayments | *9* | **61,132** | 75,805 |
| Bills receivable | | **21,905** | 10,839 |
| Loans receivable, secured | | **61,189** | — |
| Prepaid lease payments for land | | **66** | 227 |
| Financial assets at fair value through profit or loss | | **3,694** | 3,629 |
| Bank balances and cash | | **441,319** | 454,624 |
| Total current assets | | **615,617** | 566,566 |

| | NOTE | 31 December 2010 HK$'000 (Unaudited) | 30 June 2010 HK$'000 (Audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Creditors, other advances and accruals | *10* | **55,679** | 51,374 |
| Borrowings | | **53,182** | 86,238 |
| Current tax liabilities | | **311** | 2,415 |
| Derivative financial liabilities | | **—** | 11 |
| Total current liabilities | | **109,172** | 140,038 |
| **Net current assets** | | **506,445** | 426,528 |
| **Total assets less current liabilities** | | **701,682** | 631,404 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **726** | 726 |
| **Net assets** | | **700,956** | 630,678 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | | **149,771** | 140,511 |
| Reserves | | **551,185** | 490,167 |
| **Equity attributable to owners of the Company and total equity** | | **700,956** | 630,678 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 31 December 2010*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 (Note (a)) | Exchange reserve HK$'000 (Note (b)) | Statutory reserve fund HK$'000 (Note (c)) | Special reserve HK$'000 (Note (d)) | Share option reserve HK$'000 (Note (e)) | Warrant reserve HK$'000 | Accumu-lated (losses)/ profits HK$'000 | Total equity HK$'000 |
| At 1 July 2009 (audited) | 16,709 | 170,040 | 340,932 | 19,757 | 14,005 | (43,246) | — | — | (121,071) | 397,126 |
| Total comprehensive income for the period | — | — | — | — | — | — | — | — | (121,120) | (121,120) |
| Issue of shares by placement | 15,823 | 45,838 | — | — | — | — | — | — | — | 61,661 |
| Issue of shares by open offer | 65,064 | 125,031 | — | — | — | — | — | — | — | 190,095 |
| At 31 December 2009 (unaudited) | 97,596 | 340,909 | 340,932 | 19,757 | 14,005 | (43,246) | — | — | (242,191) | 527,762 |
| At 1 July 2010 (audited) | 140,511 | 417,567 | 340,932 | 19,685 | 14,005 | (43,246) | 15,105 | — | (273,881) | 630,678 |
| Total comprehensive income for the period | — | — | — | — | — | — | — | — | 21,532 | 21,532 |
| Issue of non-listed warrants | — | — | — | — | — | — | — | 2,995 | — | 2,995 |
| Issue of shares upon exercise of share options | 9,260 | 20,000 | — | — | — | — | — | — | — | 29,260 |
| Recognition of equity-settled share-based payment transactions | — | — | — | — | — | — | 16,491 | — | — | 16,491 |
| Transfer upon exercise of share options | — | 14,331 | — | — | — | — | (14,331) | — | — | — |
| At 31 December 2010 (unaudited) | 149,771 | 451,898 | 340,932 | 19,685 | 14,005 | (43,246) | 17,265 | 2,995 | (252,349) | 700,956 |

*Notes:*

(a) The contributed surplus arose from i) the capital reorganisation carried out by the Group in prior years, resulting in the elimination of the share premium account of the Company with a balance of HK$260,881,000 as at 30 September 2005 against accumulated losses of HK$88,157,000 as at that date. The remaining balance of HK$172,724,000 was credited to contributed surplus of the Company; and ii) the capital reorganisation carried out by the Group during the year ended 30 June 2009, resulting in the elimination of the share capital of the Company of HK$168,208,000 which was credited to the contributed surplus of the Company.

(b) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) According to articles of association of the Group's subsidiary operating in the People's Republic of China (the "PRC"), the subsidiary is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividend to equity holders of the PRC subsidiary.

(d) The special reserve arose from the business combination carried out by the Company in 2004, which was accounted for as a reverse acquisition. Details of the transaction were set out in the circular of the Company dated 14 June 2004.

(e) Share option reserve represents the fair value of the actual or estimated number of unexercised outstanding share options granted to the eligible parties.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2010*

## 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").

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

The accounting polices used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2010.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

**(a)** The Group has adopted the following new/revised Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA that are relevant to its operations and effective for the current accounting period.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKAS 32 (Amendments) | Classification of Right Issues |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments |
| HK-Int 5 | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

The adoption of the above new/revised HKFRSs had no material effect on the financial statements of the Group for both the current and prior reporting periods.

**(b) Potential impact arising on HKFRSs not yet effective**

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

| | | **Effective date** |
|---|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 | (i) |
| HKAS 24 (Revised) | Related Party Disclosures | (i) |
| HKFRS 7 (Amendments) | Disclosures — Transfers of Financial Assets | (ii) |
| HK (IFRIC)-Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement | (ii) |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets | (iii) |
| HKFRS 9 | Financial Instruments | (iv) |

(i) Effective for annual periods beginning on or after 1 January 2011.
(ii) Effective for annual periods beginning on or after 1 July 2011.
(iii) Effective for annual periods beginning on or after 1 January 2012.
(iv) Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 3. TURNOVER AND SEGMENTAL INFORMATION

Turnover, which is also revenue, represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts and sales related taxes during the period.

### (a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's reportable segments under HKFRS 8 are as follows:

(i) manufacture and trading of copper rods;

(ii) manufacture and sale of cable and wires; and

(iii) iron-ore mining, manufacture and sale of iron-ore concentrated powder.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-maker for assessment of segment performance.

On 9 April 2010, the Group entered into a sale and purchase agreement to dispose of its business in relation to iron-ore concentrated powder and it was completed on 12 April 2010. Accordingly, the business segment of iron-ore concentrated powder was classified as discontinued operations in the prior period. The comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued had been discontinued at the beginning of the comparative period.

***For the six months ended 31 December 2010***

| | Continuing operations | | | Discontinued operations | |
|---|---|---|---|---|---|
| | **Copper rods** *HK$'000* (Unaudited) | **Cable and wires** *HK$'000* (Unaudited) | **Total** *HK$'000* (Unaudited) | **Iron-ore concentrated powder** *HK$'000* (Unaudited) | **Consolidated** *HK$'000* (Unaudited) |
| **TURNOVER** | | | | | |
| Sales to external customers | **60,320** | **101,961** | **162,281** | **—** | **162,281** |
| **RESULTS** | | | | | |
| Segment results | **(962)** | **2,866** | **1,904** | **—** | **1,904** |
| Depreciation | **(2,527)** | **(4,633)** | **(7,160)** | **—** | **(7,160)** |
| Impairment loss on trade debtors | **—** | **(151)** | **(151)** | **—** | **(151)** |
| Taxation | **—** | **(255)** | **(255)** | **—** | **(255)** |

*For the six months ended 31 December 2009*

| | Continuing operations | | | Discontinued operations | |
|---|---|---|---|---|---|
| | Copper rods | Cable and wires | Total | Iron-ore concentrated powder | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **TURNOVER** | | | | | |
| Sales to external customers | 68,940 | 87,033 | 155,973 | 243 | 156,216 |
| **RESULTS** | | | | | |
| Segment results | (419) | (495) | (914) | (57,477) | (58,391) |
| Depreciation | (2,729) | (4,845) | (7,574) | (2,098) | (9,672) |
| Impairment loss on intangible assets | — | — | — | (55,128) | (55,128) |
| Impairment loss on trade debtors | — | (324) | (324) | — | (324) |
| Taxation | (86) | — | (86) | 13,782 | 13,696 |

***At 31 December 2010***

| | **Continuing operations** | | | **Discontinued operations** | |
|---|---|---|---|---|---|
| | **Copper rods** | **Cable and wires** | **Total** | **Iron-ore concentrated powder** | **Consolidated** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** |
| Reportable segment assets | **104,100** | **178,102** | **282,202** | **—** | **282,202** |
| Additions to non-current assets | **—** | **591** | **591** | **—** | **591** |
| Reportable segment liabilities | **(28,383)** | **(42,868)** | **(71,251)** | **—** | **(71,251)** |

*At 30 June 2010*

| | Continuing operations | | | Discontinued operations | |
|---|---|---|---|---|---|
| | Copper rods | Cable and wires | Total | Iron-ore concentrated powder | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) |
| Reportable segment assets | 96,411 | 169,320 | 265,731 | — | 265,731 |
| Additions to non-current assets | 5,119 | 3,197 | 8,316 | — | 8,316 |
| Reportable segment liabilities | (28,207) | (70,143) | (98,350) | — | (98,350) |

**(b) Reconciliation of reportable segment profit or loss**

| | For the six months ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Profit/(loss) before taxation and discontinued operations** | | |
| Reportable segment profit or loss | **1,904** | (58,391) |
| Segment loss from discontinued operations | **—** | 57,477 |
| Unallocated corporate income | **4,988** | 2,680 |
| Unallocated corporate expenses | **(25,822)** | (6,462) |
| Gain on disposal of subsidiaries | **41,944** | — |
| Change in fair value of financial assets at fair value through profit or loss | **65** | (722) |
| Impairment loss on loans receivable | **—** | (36,768) |
| Change in fair value of convertible note designated as at fair value through profit or loss | **(1,606)** | (35,153) |
| Consolidated profit/(loss) before taxation from continuing operations | **21,473** | (77,339) |

**(c) Geographical segments**

The Group's operations and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets (the "Specified non-current assets") are located in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales and the Specified non-current assets by geographical markets from continuing operations, irrespective of the origin of the goods:

| | Revenue from external customers For the six months ended 31 December | | Specified non-current assets | |
|---|---|---|---|---|
| | | | **31 December** | 30 June |
| | **2010** | 2009 | **2010** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Audited) |
| PRC | **162,281** | 156,216 | **154,731** | 161,266 |
| Hong Kong | **—** | — | **1,227** | 1,237 |
| | **162,281** | 156,216 | **155,958** | 162,503 |

## 4. FINANCE COSTS

| | **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** | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Interest on bank borrowings and other loans wholly repayable within five years | **4,067** | 4,092 | **—** | — | **4,067** | 4,092 |

## 5. PROFIT/(LOSS) 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** | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Profit/(loss) before taxation has been arrived at after charging: | | | | | | |
| Depreciation of property, plant and equipment | **9,297** | 7,574 | **—** | 2,098 | **9,297** | 9,672 |
| Share-based payments | **16,491** | — | **—** | — | **16,491** | — |

## 6. 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** | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Overprovision of Hong Kong profits tax in respect of prior periods | **(314)** | — | **—** | — | **(314)** | — |
| Taxation in the PRC | **255** | 86 | **—** | — | **255** | 86 |
| | **(59)** | 86 | **—** | — | **(59)** | 86 |
| Deferred taxation | **—** | — | **—** | (13,782) | **—** | (13,782) |
| | **(59)** | 86 | **—** | (13,782) | **(59)** | (13,696) |

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%, which is also the applicable corporate income tax rate for the periods ended 31 December 2009 and 2010.

## 7. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2010 (six months ended 31 December 2009: HK$Nil).

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

**From continuing and discontinued operations**

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

| **Earnings/(Loss)** | **For the six months ended 31 December** | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share | **21,532** | (121,120) |

| **Number of shares** | **For the six months ended 31 December** | |
|---|---|---|
| | **2010** | 2009 |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share | **2,854,508,465** | 731,363,644 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **23,882,451** | — |
| Non-listed warrants | **24,192,428** | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share | **2,902,583,344** | 731,363,644 |

**From continuing operations**

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

| | For the six months ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) (Restated) |
| Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share | **21,532** | (77,425) |

Loss for the six months ended 31 December 2009 attributable to owners of the Company is restated as a result of the representation of the Group's iron-ore mining, manufacture and sale of iron-ore concentrated powder operation as if it had been discontinued at the beginning of the six months ended 31 December 2009.

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

**From discontinued operations**

For the six months ended 31 December 2010, there is no discontinued operation.

For the six months ended 31 December 2009, the basic and diluted loss per share for discontinued operations was 5.97 HK cents (restated) based on the loss for the period from discontinued operations attributable to owners of the Company of HK$43,695,000 (restated). The denominators used are the same as those detailed above for calculating basic and diluted loss per share for continuing and discontinued operations.

## 9. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, other receivables, deposits and prepayments were trade debtors with outsiders of HK$48,363,000 (30 June 2010: HK$58,645,000). The Group allows an average credit period of 0 to 90 days to its trade debtors.

The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

| | **31 December 2010** | 30 June 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 30 days | **27,933** | 29,202 |
| 31–60 days | **6,994** | 11,234 |
| 61–90 days | **13,323** | 11,731 |
| Over 90 days | **113** | 6,478 |
| | **48,363** | 58,645 |

## 10. CREDITORS, OTHER ADVANCES AND ACCRUALS

Included in the Group's creditors, other advances and accruals were unrelated trade creditors of HK$15,851,000 (30 June 2010: HK$15,554,000).

The aging analysis of these unrelated trade creditors, based on invoice date, is as follows:

| | **31 December 2010** *HK$'000* **(Unaudited)** | 30 June 2010 *HK$'000* (Audited) |
|---|---|---|
| Within 30 days | **4,768** | 4,499 |
| 31–60 days | **2,686** | 3,883 |
| 61–90 days | **2,019** | 2,842 |
| Over 90 days | **6,378** | 4,330 |
| | **15,851** | 15,554 |

## 11. DISPOSAL OF A SUBSIDIARY

On 1 November 2010, FT Strategic Investments Limited ("FTSI"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party pursuant to which FTSI agreed to dispose of and the purchaser agreed to purchase the Group's equity interest in FT Multi-Media Limited ("FTMM") at a consideration of HK$1.

The assets and liabilities of FTMM at the date of disposal were as follows:

| | *HK$'000* (Unaudited) |
|---|---|
| Bank balances and cash | 29 |
| Creditors, other advances and accruals | (6,464) |
| Other borrowings | (35,509) |
| | (41,944) |
| Gain on disposal of a subsidiary | 41,944 |
| Total consideration | — |
| Satisfied by: | |
| Cash | — |
| Analysis of the net cash outflow: | |
| Cash consideration | — |
| Bank balances and cash disposed of | (29) |
| | (29) |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the six months ended 31 December 2010, the Group recorded a turnover of approximately HK$162 million, representing an increase of approximately 4% as compared to approximately HK$156 million for the corresponding period of 2009. Profit attributable to shareholders was approximately HK$22 million (six months ended 31 December 2009: loss HK$121 million). Basic earnings per share was approximately 0.75 HK cents (six months ended 31 December 2009: loss per share 16.56 HK cents). The net profit, as compared to the net loss for the period ended 31 December 2009, was mainly due to the one-off gain on disposal of a subsidiary and the slight improvement in business during the current period.

### Interim Dividend

The Directors do not recommend to pay any interim dividend for the six months ended 31 December 2010 (2009: HK$Nil).

### Business Review

During the period under review, the continuing operations of the Group are copper rod business and the cable and wire business. The Group's interest in the iron-ore mining business was disposed of and completed last year. The copper rod business recorded a turnover of approximately HK$60 million, representing approximately 37% of the Group's turnover. The cable and wire business recorded a turnover of HK$102 million was recorded in current period, representing approximately 63% of the Group's total turnover. All the turnover of the Group was generated from the PRC.

### 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 products and infrastructure facilities.

The copper rod business was downsized with the disposal of the copper rod business located in Dongguan City in prior years. The turnover dropped by approximately 13% from HK$69 million for the six months ended 31 December 2009 to HK$60 million for the six months ended 31 December 2010. A segment loss of approximately HK$1.0 million was recorded in the current period as compared to a segment loss of HK$0.4 million for the corresponding period last year.

### Cable and wires business

Following the completion of the asset swap in prior year, the Group added the cable and wires business into its continuing operations which became the largest business of the Group in terms of turnover. Due to the economic recovery and the increasing demand in the electrical appliances and electronics market, the performance of cable and wire business was improved. For the six months ended 31 December 2010, a turnover of approximately HK$102 million (six months ended 31 December 2009: HK$87 million), representing an increase of 17%; and a segment gain of approximately HK$2.9 million was recorded.

## PROSPECTS

The business environment under which the Group operates remained competitive. The Group would continue its cost control initiatives and risk management measures in each of the business segments with the view to remain efficient and competitive in the industry. To improve the overall financial position of the Group, the Company undertook a placing of non-listed warrants during the period and HK$2.8 million net proceeds were generated for the Group's working capital. Details of which are stated under the headings "Warrants Placing" below. The Group is committed to explore new investment and business opportunities to maximize the returns to the shareholders of the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had cash and bank balances amounting to approximately HK$441 million (30 June 2010: HK$455 million) and the net current assets value being over HK$506 million (30 June 2010: HK$427 million). During the current period, two loans with principal of HK$61,000,000 in aggregate were advanced to two independent third parties. These loans were secured and interest-bearing at fixed rate ranging from 8% to 10%. The Group's gearing ratio as at 31 December 2010 was 0.08 (30 June 2010: 0.14), being a ratio of total borrowings of approximately HK$53 million (30 June 2010: HK$86 million) to shareholders' fund of approximately HK$701 million (30 June 2010: HK$631 million). The gearing ratio improved due to the one-off disposal of a subsidiary during the period. Details of the disposal set out in Note 11 of the unaudited consolidated financial statement.

## PLEDGED OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2010, the Group had pledged certain property, plant and machinery with aggregate net book value of approximately HK$62 million (30 June 2010: HK$64 million) to secure general banking facilities granted to the Group.

As at 31 December 2010, the Group had no significant contingent liabilities.

## FOREIGN CURRENCY RISK

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

### Warrants Placing

On 29 November 2010, the Company entered into a warrant placing agreement with a placing agent to place a maximum of 599,000,000 non-listed warrants of the Company at the warrant issue price of HK$0.005 per warrant ("Warrants"). The Warrants entitle the placees to subscribe for a maximum of 599,000,000 new ordinary shares of HK$0.05 each in the share capital of the Company at an initial warrant exercise price of HK$0.19 per new share for a period of two years commencing from the date of issue of the Warrants. The placing was completed on 13 December 2010. Details of the Warrants placing were set out in the announcements the Company dated 29 November 2010 and 13 December 2010.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had approximately 600 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.

## CONNECTED TRANSACTIONS

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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 2010.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2010, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of securities on the Stock Exchange (the "Listing Rules") except for the deviations from code provisions A.4.1 and E.1.3 of the Code which are explained below.

### Code Provision A.4.1

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. The existing independent non-executive Directors were not appointed for a specific term as required under code provision A.4.1 of the 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.

**Code Provision E.1.3**

Under code provision E.1.3 of the Code, a notice to shareholders is to be sent at least 20 clear business days before the annual general meeting. The notice to shareholders regarding the annual general meeting of the Company held on 23 November 2010 was sent on 27 October 2010, which was less than 20 business days prior to the annual general meeting. The Board will endeavor to ensure that sufficient notice covering all subsequent annual general meetings will be given to all shareholders of the Company in the future.

## 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"). All Directors confirmed that they have complied with the required standards set out in the Model Code.

## REVIEW OF INTERIM RESULTS

The Audit Committee of the Company currently comprises of Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen, all of whom are independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results announcement of the Group for the six months ended 31 December 2010.

By Order of the Board
**Hua Yi Copper Holdings Limited**
**Wong Hin Shek**
*Chairman and Executive Director*

Hong Kong, 22 February 2011

*As at the date of this announcement, the executive Directors are Mr. Wong Hin Shek and Mr. Chi Chi Hung Kenneth; and the independent non-executive Directors are Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.*