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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0559)**

## 2010/11 ANNUAL RESULTS ANNOUNCEMENT

### RESULTS

The board of directors (the "Board") of Hua Yi Copper Holdings Limited (the "Company") announces the annual results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2011 together with comparative figures from the previous corresponding year, as follows:

* *For identification purposes only*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 30 June 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover | 3 | **379,087** | 324,723 |
| Cost of sales | | **(363,295)** | (311,459) |
| Gross profit | | **15,792** | 13,264 |
| Interest income | | **9,604** | 4,203 |
| Other income | | **2,571** | 1,336 |
| General and administrative expenses | | **(33,346)** | (29,753) |
| Selling and distribution expenses | | **(2,815)** | (1,478) |
| Finance costs | 5 | **(6,504)** | (8,764) |
| Impairment loss on loans receivable | | **—** | (35,900) |
| Impairment loss on other receivable | 11 | **(35,850)** | — |
| Gain/(loss) on disposal of subsidiaries and discounting effect of amount due from disposed group, net | | **41,944** | (6,686) |
| Impairment loss on property, plant and equipment and prepaid lease payments for land | | **(1,800)** | — |
| Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net | | **(18,043)** | (11) |
| Change in fair value of financial assets at fair value through profit or loss | | **(13,775)** | (3,278) |
| Change in fair value of convertible note designated as at fair value through profit or loss | | **(3,983)** | (37,853) |
| Loss before taxation | | **(46,205)** | (104,920) |
| Taxation | 6 | **(514)** | (743) |
| Loss for the year from continuing operations | 4 | **(46,719)** | (105,663) |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | | **—** | (47,771) |
| **Loss for the year** | | **(46,719)** | (153,434) |

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Other comprehensive income** | | | |
| Exchange differences arising on translation of foreign operations | | **10,071** | — |
| Reclassification adjustments of exchange reserve upon disposal of subsidiaries | | **—** | (72) |
| Other comprehensive income for the year | | **10,071** | (72) |
| **Total comprehensive income for the year** | | **(36,648)** | (153,506) |
| Loss for year attributable to: | | | |
| — Owners of the Company | | **(46,719)** | (152,810) |
| — Non-controlling interest | | **—** | (624) |
| | | **(46,719)** | (153,434) |
| Total comprehensive income for the year attributable to: | | | |
| — Owners of the Company | | **(36,648)** | (152,882) |
| — Non-controlling interest | | **—** | (624) |
| Total comprehensive income for the year | | **(36,648)** | (153,506) |
| Loss per share from continuing and discontinued operations: | 8 | | |
| — Basic | | **(1.60) HK cents** | (9.64) HK cents |
| — Diluted | | **(3.07) HK cents** | (9.64) HK cents |
| Loss per share from continuing operations: | | | |
| — Basic | | **(1.60) HK cents** | (6.67) HK cents |
| — Diluted | | **(3.07) HK cents** | (6.67) HK cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2011*

| | Notes | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **149,440** | 151,490 |
| Prepayments for acquisition of property, plant and equipment | | **341** | 1,237 |
| Prepaid lease payments for land | | **10,051** | 9,776 |
| Other receivable | *11* | **—** | 33,473 |
| Convertible note designated as at fair value through profit or loss | | **—** | 8,900 |
| Total non-current assets | | **159,832** | 204,876 |
| **Current assets** | | | |
| Inventories | | **28,345** | 21,442 |
| Debtors, other receivables, deposits and prepayments | *9* | **79,327** | 75,805 |
| Bills receivable | | **16,173** | 10,839 |
| Loans receivable | | **86,051** | — |
| Derivative financial assets | | **68** | — |
| Prepaid lease payments for land | | **237** | 227 |
| Convertible note designated as at fair value through profit or loss | | **4,917** | — |
| Financial assets at fair value through profit or loss | | **95,086** | 3,629 |
| Bank balances and cash | | **307,678** | 454,624 |
| Total current assets | | **617,882** | 566,566 |
| **Current liabilities** | | | |
| Creditors, other advances and accruals | *10* | **31,687** | 51,374 |
| Borrowings | | **83,855** | 86,238 |
| Taxation | | **650** | 2,415 |
| Derivative financial liabilities | | **20,999** | 11 |
| Total current liabilities | | **137,191** | 140,038 |

| | 2011 | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Net current assets** | **480,691** | 426,528 |
| **Total assets less current liabilities** | **640,523** | 631,404 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **742** | 726 |
| Total non-current liabilities | **742** | 726 |
| **Net assets** | **639,781** | 630,678 |
| **EQUITY** | | |
| **Capital and reserves** | | |
| Share capital | **149,771** | 140,511 |
| Reserves | **490,010** | 490,167 |
| **Equity attributable to owners of the Company and total equity** | **639,781** | 630,678 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 30 June 2011*

| | 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$'000 (Note (e)) | Accumulated losses HK$'000 | Total attributable to owners of the Company HK$'000 | Non-controlling interest HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2009 | 16,709 | 170,040 | 340,932 | 19,757 | 14,005 | (43,246) | — | (121,071) | 397,126 | — | 397,126 |
| Loss for the year | — | — | — | — | — | — | — | (152,810) | (152,810) | (624) | (153,434) |
| Other comprehensive income | — | — | — | (72) | — | — | — | — | (72) | — | (72) |
| Total comprehensive income for the year | — | — | — | (72) | — | — | — | (152,810) | (152,882) | (624) | (153,506) |
| Issue of new shares by placements | 58,738 | 122,496 | — | — | — | — | — | — | 181,234 | — | 181,234 |
| Open offer of new shares | 65,064 | 125,031 | — | — | — | — | — | — | 190,095 | — | 190,095 |
| Disposal of subsidiaries | — | — | — | — | — | — | — | — | — | 624 | 624 |
| Recognition of equity-settled share-based payment transactions | — | — | — | — | — | — | 15,105 | — | 15,105 | — | 15,105 |
| At 30 June 2010 | 140,511 | 417,567 | 340,932 | 19,685 | 14,005 | (43,246) | 15,105 | (273,881) | 630,678 | — | 630,678 |

| | 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$'000 (Note (e)) | Accumulated losses HK$'000 | Total attributable to owners of the Company HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2010 | 140,511 | 417,567 | 340,932 | 19,685 | 14,005 | (43,246) | 15,105 | (273,881) | 630,678 |
| Loss for the year | — | — | — | — | — | — | — | (46,719) | (46,719) |
| Other comprehensive income | — | — | — | 10,071 | — | — | — | — | 10,071 |
| Total comprehensive income for the year | — | — | — | 10,071 | — | — | — | (46,719) | (36,648) |
| Issue of new shares upon exercise of share options | 9,260 | 20,000 | — | — | — | — | — | — | 29,260 |
| Transfer upon exercise of share options | — | 14,331 | — | — | — | — | (14,331) | — | — |
| Recognition of equity-settled share-based payment transactions | — | — | — | — | — | — | 16,491 | — | 16,491 |
| At 30 June 2011 | 149,771 | 451,898 | 340,932 | 29,756 | 14,005 | (43,246) | 17,265 | (320,600) | 639,781 |

*Notes:*

(a) In prior years, the Group undertook capital reorganisations resulting in the elimination of: (i) 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 with the remaining balance of HK$172,724,000 credited to contributed surplus of the Company; and (ii) share capital of the Company of HK$168,208,000 which was credited to 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 share options granted to the eligible parties.

## 1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The Company is an investment holding company. During the year, its subsidiaries are principally engaged in the businesses of (i) manufacture and sale of cable wires; (ii) manufacture and trading of copper rods; and (iii) investments in listed securities.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) Adoption of new/revised HKFRSs — effective 1 July 2010

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

Except as explained below, the adoption of these new/revised standards and interpretation has no significant impact on the Group's financial statements.

*HKAS 17 (Amendments) — Leases*

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate.

**(b) New/revised HKFRSs that have been issued but are not yet effective**

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs[1] |
| Amendments to HK(IFRIC) — Interpretation 14 | Prepayments of a Minimum Funding Requirement[1] |
| HKAS 24 (Revised) | Related Party Disclosures[1] |
| Amendments to HKFRS 7 | Disclosure — Transfers of Financial Assets[2] |
| Amendments to HKAS 12 | Deferred Tax — Recovery of Underlying Assets[3] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[4] |
| HKAS 19 (2011) | Employee Benefits[5] |
| HKAS 27 (2011) | Separate Financial Statement[5] |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures[5] |
| HKFRS 9 | Financial Instruments[5] |
| HKFRS 10 | Consolidated Financial Statements[5] |
| HKFRS 11 | Joint Arrangements[5] |
| HKFRS 12 | Disclosure of Interests in Other Entities[5] |
| HKFRS 13 | Fair Value Measurement[5] |

*Effective dates:*

1 Annual periods beginning on or after 1 January 2011
2 Annual periods beginning on or after 1 July 2011
3 Annual periods beginning on or after 1 January 2012
4 Annual periods beginning on or after 1 July 2012
5 Annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 replaces HKAS 27 and HK(SIC) — Interpretation 12. HKFRS 10 is based on a single control model for all entities and introduces three key elements to the definition of control. It also includes guidance to be applied in circumstances where the assessment of control may be difficult, including where an entity has potential voting right (such as share options) over another, agency relationships and cases where voting rights are not the principal indicator of control.

HKFRS 11 replaces HKAS 31. It is based on the principle that each party to a joint arrangement accounts for its rights and obligations that arise from that arrangement.

HKFRS 12 combines, and makes consistent, certain existing disclosures that were previously included, in some cases with overlapping requirements. In addition, it introduces certain new disclosure requirements, including those related to unconsolidated structured entities where a lack of transparency about entities' exposures to related risks was highlighted by the global financial crisis.

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

## 3. TURNOVER AND SEGMENT REPORTING

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 year.

### (a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers 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 as follows:

(i) manufacture and sale of cable and wires;

(ii) manufacture and trading of copper rods; and

(iii) investments in listed securities.

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-makers for assessment of segment performance.

During the current year, the Group started a new segment in the investments in listed securities. Accordingly, the corresponding comparative information has been restated.

During the year ended 30 June 2010, the Group disposed of its business in relation to iron-ore concentrated powder. Accordingly, the business segment of iron-ore concentrated powder was classified as discontinued operations for the year ended 30 June 2010.

**(b) Segment revenue and results**

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

*For the year ended 30 June 2011*

| | Cable and Wires *HK$'000* | Copper Rods *HK$'000* | Investments in Listed Securities *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|
| Turnover | **221,767** | **156,524** | **796** | **379,087** |
| Segments profit/(loss) | **2,745** | **(3,317)** | **(13,977)** | **(14,549)** |
| Unallocated corporate income | | | | **1,578** |
| Unallocated corporate expenses | | | | **(3,878)** |
| Interest income | | | | **9,532** |
| Finance costs | | | | **(6,504)** |
| Share-based payments | | | | **(16,491)** |
| Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net | | | | **(18,004)** |
| Impairment loss on other receivable | | | | **(35,850)** |
| Gain on disposal of a subsidiary | | | | **41,944** |
| Change in fair value of convertible note designated as at fair value through profit or loss | | | | **(3,983)** |
| Loss before taxation from continuing operations | | | | **(46,205)** |

*For the year ended 30 June 2010 (Restated)*

| | Cable and Wires *HK$'000* | Copper Rods *HK$'000* | Investments in Listed Securities *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|
| Turnover | 191,846 | 132,877 | — | 324,723 |
| Segments profit/(loss) | 345 | (2,142) | (3,469) | (5,266) |
| Unallocated corporate income | | | | 114 |
| Unallocated corporate expenses | | | | (6,349) |
| Interest income | | | | 4,203 |
| Finance costs | | | | (8,764) |
| Share-based payments | | | | (15,105) |
| Change in fair value of convertible note designated as at fair value through profit or loss | | | | (37,853) |
| Impairment loss on loans receivable | | | | (35,900) |
| Loss before taxation from continuing operations | | | | (104,920) |

**(c) Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segments:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Segment assets** | | |
| Continuing operations: | | |
| Cable and Wires | **196,842** | 169,320 |
| Copper Rods | **96,837** | 96,411 |
| Investments in Listed Securities | **95,888** | 3,662 |
| | **389,567** | 269,393 |
| Total segment assets | | |
| Unallocated bank balances and cash | **295,221** | 448,590 |
| Unallocated other receivables | **135** | 39,406 |
| Unallocated loans receivable | **84,901** | — |
| Convertible note designated as at fair value through profit or loss | **4,917** | 8,900 |
| Unallocated corporate assets | **2,973** | 5,153 |
| Consolidated total assets | **777,714** | 771,442 |

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Segment liabilities** | | |
| Continuing operations: | | |
| Cable and Wires | **76,628** | 70,143 |
| Copper Rods | **28,749** | 28,207 |
| Investments in Listed Securities | **528** | 10 |
| Total segment liabilities | **105,905** | 98,360 |
| Current tax liabilities | **650** | 2,415 |
| Deferred tax liabilities | **742** | 726 |
| Unallocated derivative financial instruments | **20,999** | — |
| Unallocated other loan | **—** | 33,056 |
| Unallocated corporate liabilities | **9,637** | 6,207 |
| Consolidated total liabilities | **137,933** | 140,764 |

**(d) Other segment information**

*For the year ended 30 June 2011*

| | Continuing operations | | | | |
|---|---|---|---|---|---|
| | Cable and Wires | Copper Rods | Investments in Listed Securities | Unallocated | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Amounts included in the measure of segment profit or loss or segment assets:** | | | | | |
| Additions to non-current assets | **1,880** | **2** | **—** | **2,922** | **4,804** |
| Amortisation of prepaid lease payments for land | **(164)** | **(68)** | **—** | **—** | **(232)** |
| Depreciation of property, plant and equipment | **(8,477)** | **(5,152)** | **—** | **(348)** | **(13,977)** |
| Impairment losses on property, plant and equipment and prepaid lease payments for land | **—** | **(1,800)** | **—** | **—** | **(1,800)** |
| Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net | **(39)** | **—** | **—** | **—** | **(39)** |
| Change in fair value of financial assets at fair value through profit or loss | **—** | **—** | **(13,755)** | **—** | **(13,755)** |
| Interest income on convertible note designated as at fair value through profit or loss | **—** | **—** | **—** | **1,600** | **1,600** |
| Notional interest income of discounted other receivable | **—** | **—** | **—** | **1,255** | **1,255** |
| Interest income on loans receivable | **—** | **—** | **—** | **3,176** | **3,176** |
| Bank interest income | **—** | **70** | **2** | **3,501** | **3,573** |
| **Amounts regularly provided to the chief operating decision-makers but not included in the measure of segment profit or loss:** | | | | | |
| Income tax charge | **(489)** | **—** | **—** | **(25)** | **(514)** |
| Finance costs | **(2,905)** | **(1,330)** | **(2,269)** | **—** | **(6,504)** |

(d) **Other segment information — continued**

*For the year ended 30 June 2010 (Restated)*

| | Continuing operations | | | | |
|---|---|---|---|---|---|
| | Cable and Wires *HK$'000* | Copper Rods *HK$'000* | Investments in Listed Securities *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
| **Amounts included in the measure of segment profit or loss or segment assets:** | | | | | |
| Additions to non-current assets | 3,197 | 5,119 | — | — | 8,316 |
| Amortisation of prepaid lease payments for land | (141) | (66) | — | (5) | (212) |
| Depreciation of property, plant and equipment | (9,618) | (5,755) | — | — | (15,373) |
| Change in fair value of derivative financial instruments | (11) | — | — | — | (11) |
| Change in fair value of financial assets at fair value through profit or loss | — | — | (3,278) | — | (3,278) |
| Loss on disposal of subsidiaries and discounting effect of amount due from disposed group, net | (6,686) | — | — | — | (6,686) |
| Interest income on convertible note designated as at fair value through profit or loss | — | — | — | 1,689 | 1,689 |
| Notional interest income of discounted other receivable | — | — | — | 2,013 | 2,013 |
| Bank interest income | — | 37 | 2 | 462 | 501 |
| **Amounts regularly provided to the chief operating decision-makers but not included in the measure of segment profit or loss:** | | | | | |
| Income tax charge | (503) | (240) | — | — | (743) |
| Finance costs | (1,929) | (1,347) | (5,488) | — | (8,764) |

(e) **Geographic information**

The Group's operations are located in Hong Kong (place of domicile) and the People's Republic of China (the "PRC").

The Group's revenue from external customers and information about its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") by geographical markets from continuing operations are detailed as below:

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2011** *HK$'000* | 2010 *HK$'000* | **2011** *HK$'000* | 2010 *HK$'000* |
| Hong Kong (place of domicile) | **796** | — | **2,914** | 1,237 |
| PRC | **378,291** | 324,723 | **156,918** | 161,266 |
| | **379,087** | 324,723 | **159,832** | 162,503 |

**(f) Major customers**

During the current year, revenues from a customer in the Group's copper rods segment amounted to HK$25,760,000 and revenues from three customers in the Group's cable and wires segment amounted to HK$111,940,000.

During the prior year, a customer contributed revenues of HK$1,943,000 and HK$56,826,000 to the Group's copper rods segment and cable and wires segment respectively.

## 4. LOSS FOR THE YEAR

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| This is arrived at after charging/(crediting): | | |
| Auditors' remuneration | **530** | 627 |
| Depreciation of property, plant and equipment | **13,977** | 15,373 |
| Cost of inventories *(Note)* | **363,295** | 311,459 |
| Charge of prepaid lease payments for land | **232** | 212 |
| Impairment loss on trade debtors | **1,179** | 324 |
| Wages, salaries and pension contributions including directors' remuneration | **18,425** | 15,854 |
| Share-based payments expense | **16,491** | 15,105 |
| Operating lease rentals in respect of: | | |
| Office premise | **309** | — |
| Motor vehicles | **1,276** | — |
| Exchange (gains)/losses, net | **(2,427)** | 14 |
| Sale of scrapped materials | **(454)** | (151) |
| Bad debts recovery | **(72)** | (719) |
| Interest income on convertible note designated as at fair value through profit or loss | **(1,600)** | (1,689) |
| Notional interest income of discounted other receivable | **(1,255)** | (2,013) |
| Interest income on loans receivable | **(3,176)** | — |
| Bank interest income | **(3,573)** | (501) |
| Loss on disposal of property, plant and equipment | **—** | 4,493 |

*Note:* Cost of inventories includes HK$31,191,000 (2010: HK$26,374,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above.

## 5. FINANCE COSTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings and other loans wholly repayable within five years | **6,504** | 8,764 |

## 6. TAXATION

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Taxation charged/(credited) in the consolidated statement of comprehensive income represents:** | | |
| Current taxation — Hong Kong profits tax — Under-provision for the prior years | **24** | — |
| Current taxation — PRC corporate income tax ("CIT") — tax for the year | **516** | 769 |
| | **540** | 769 |
| Deferred taxation | **(26)** | (13,808) |
| | **514** | (13,039) |
| Attributable to continuing operations reported in the consolidated statement of comprehensive income | **514** | 743 |
| Attributable to discontinued operations | **—** | (13,782) |
| | **514** | (13,039) |

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit arising in Hong Kong during the year. 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 CIT rate for enterprises in the PRC is 25%, which is also the applicable CIT rate for the years ended 30 June 2010 and 2011.

## 7. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2011 (2010: HK$Nil).

## 8. LOSS PER SHARE

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

The calculation of diluted loss per share amounts is based on the loss for the year attributable to owners of the Company adjusted to reflect the change in fair value of warrants included in derivative financial liabilities. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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 and diluted loss per share amounts is based on the following data:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the purpose of basic loss per share | **(46,719)** | (152,810) |
| Effect of dilutive ordinary shares: | | |
| Change in fair value of warrants included in derivative financial liabilities | **(45,107)** | — |
| Loss for the purpose of diluted loss per share | **(91,826)** | (152,810) |

| | **Number of shares** | |
|---|---|---|
| | **2011** | 2010 |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **2,927,426,338** | 1,585,130,950 |
| Effect of dilutive potential shares: | | |
| Warrants | **67,925,017** | — |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | **2,995,351,355** | 1,585,130,950 |

**From continuing operations**

The calculation of the basic and diluted loss per share amounts from continuing operations is based on the following data:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share | **(46,719)** | (105,663) |
| Effect of dilutive ordinary shares: | | |
| Change in fair value of warrants included in derivative financial liabilities | **(45,107)** | — |
| Loss for the purpose of diluted loss per share | **(91,826)** | (105,663) |

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

As share options outstanding during the years had an anti-dilutive effect on the basic loss per share for both years, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share.

**From discontinued operations**

Basic and diluted loss per share for discontinued operations is Nil HK cents (2010: 2.97 HK cents) based on the loss for the year from discontinued operations attributable to owners of the Company of HK$Nil (2010: HK$47,147,000). 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$73,814,000 (2010: HK$58,645,000). The Group allows an average credit period of 0 to 90 days to its trade debtors with outsiders.

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **38,139** | 29,202 |
| 31–60 days | **20,787** | 11,234 |
| 61–90 days | **14,769** | 11,731 |
| Over 90 days | **119** | 6,478 |
| | **73,814** | 58,645 |

## 10. CREDITORS, OTHER ADVANCES AND ACCRUALS

Included in the Group's creditors, other advances and accruals were trade creditors of HK$16,094,000 (2010: HK$15,554,000) with independent suppliers.

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **4,122** | 4,499 |
| 31–60 days | **2,180** | 3,883 |
| 61–90 days | **5,407** | 2,842 |
| Over 90 days | **4,385** | 4,330 |
| | **16,094** | 15,554 |

## 11. DISPOSAL OF SUBSIDIARIES

On 1 November 2010, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of and the purchaser agreed to purchase the 100%-owned 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* |
|---|---|
| Bank balances and cash | 29 |
| Creditor, other advances and accruals | (6,464) |
| Other loans | (35,509) |
| | (41,944) |
| Gain on disposal of subsidiaries | 41,944 |
| Total consideration | — |
| Satisfied by: | |
| Cash | — |
| Analysis of the net cash outflow: | |
| Cash consideration | — |
| Bank balances and cash disposed of | (29) |
| | (29) |

On 20 August 2009, the Group entered into a sale and purchase agreement with a purchaser pursuant to which the Group agreed to dispose of and the purchaser agreed to purchase the entire equity interest in Fortune Point Limited and its subsidiaries (the "Fortune Point Group") at a consideration of HK$4,500,000. The disposal was completed on 24 August 2009. Details of the disposal were set out in the announcements of the Company dated 20 and 24 August 2009.

The assets and liabilities of the Fortune Point Group at the date of disposal were as follows:

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 85,235 |
| Prepayments for acquisition of property, plant and equipment | 14,000 |
| Prepaid lease payments for land | 4,129 |
| Inventories | 3,984 |
| Debtors, other receivables, deposits and prepayments | 7,656 |
| Bills receivable | 239 |
| Bank balances and cash | 1,801 |
| Creditors, other advances and accruals | (73,841)* |
| Borrowings | (37,500) |
| Deferred tax liabilities | (1,256) |
| | 4,447 |
| Gain on disposal of subsidiaries | 13* |
| Direct costs incurred for the disposal | 40 |
| Total consideration | 4,500 |
| Satisfied by: | |
| Cash | 4,500 |
| Analysis of the net cash inflow/(outflow): | |
| Cash consideration | 4,500 |
| Bank balances and cash disposed of | (1,801) |
| | 2,699 |

* Included in the Fortune Point Group's creditors, other advances and accruals at the date of disposal was an amount due to the Group amounting to HK$44,469,000. The Group and the purchaser mutually agreed the amount repayable by instalments until 31 December 2013. Therefore, the amount was initially recognised by the Group as a non-current other receivable at the date of disposal and was discounted to its fair value at HK$37,770,000 and the difference of HK$6,699,000 was net off with the gain on disposal of subsidiaries and recognised in profit or loss during the year ended 30 June 2010.

At 30 June 2010, the carrying value of the amount due from the Fortune Point Group was HK$36,707,000, of which HK$33,473,000 was included in other receivable under non-current assets and HK$3,234,000 was included in debtors, other receivables, deposits and prepayments under current assets.

During the current year, the Group reviewed the above other receivable to assess whether impairment losses exist. At 30 June 2011, the carrying value of the amount due from the Fortune Point Group was HK$35,850,000. In determining whether impairment losses should be recognised in profit or loss, the Group has evaluated its other receivable for impairment after taking into account the settlements made during the year. The Group took several attempts but failed to contact the purchaser for the repayment of amount. Hence, based on the facts and circumstances, the directors of the Company considered that the possibility to recover the other receivable is remote and therefore full impairment loss of HK$35,850,000 is recognised in the profit or loss.

During the year, notional interest income of HK$1,255,000 (2010: HK$2,013,000) was recognised in profit or loss.

On 9 April 2010, the Group entered into a sale and purchase agreement with a purchaser pursuant to which the Group agreed to dispose of and the purchaser agreed to purchase the Group's entire equity interest in Yeading Enterprises Limited and its subsidiaries (the "Yeading Group") at a consideration of HK$8,000,000. Prior to the disposal, The Yeading Group represented the Group's business segment of iron-ore concentrated powder. The disposal was completed on 12 April 2010.

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

| | *HK$'000* |
|---|---|
| Inventories | 8,639 |
| Debtors, other receivables, deposits and prepayments | 2,282 |
| Bank balances and cash | 60 |
| Creditors, other advances and accruals | (11,768) |
| Non-controlling interest | 624 |
| | (163) |
| Reclassification adjustments of exchange reserve upon disposal of subsidiaries | (72) |
| Gain on disposal of subsidiaries | 8,235 |
| Total consideration | 8,000 |
| Satisfied by: | |
| Cash | 8,000 |
| Analysis of the net cash inflow/(outflow): | |
| Cash consideration | 8,000 |
| Bank balances and cash disposed of | (60) |
| | 7,940 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL RESULTS

For the year ended 30 June 2011, the Group recorded a turnover of approximately HK$379 million, representing an increase of 17% over the HK$325 million for the corresponding period last year. Loss attributable to shareholders reduced to approximately HK$47 million (2010: HK$153 million). Basic loss per share from continuing and discontinued operations was approximately HK1.60 cents (2010: HK9.64 cents).

## BUSINESS REVIEW

During the year under review, the continuing operations of the Group are (i) cable and wires business; (ii) copper rod business and (iii) listed securities investments. After the completion of disposal of the business in relation to the iron-ore mining last year, the Group's resources had been focused and deployed on the businesses of manufacturing and trading of cables, wires and copper products. Each of the cable and wires business, copper rod business and listed securities investments contributed 58.5%, 41.3% and 0.2% of the Group's total turnover respectively.

The loss attributable to shareholders narrowed down was mainly due to the one-off gain on disposal of a subsidiary and the absence of discontinued operation during the current year.

**Cable and Wires Business**

The cable and wires business is the largest business segment of the Group. The major customers are primarily manufacturers of domestic appliances and electronic appliances. In view of the economic recovery and the increase in domestic demands in China, the performance of cable and wire business improved. For the year ended 30 June 2011, the turnover increased by 16% to HK$222 million and a segment gain of approximately HK$2,745,000 was recorded.

**Copper Rod Business**

The copper rod business covers the manufacturing and trading of copper rods and copper wires used primarily in producing copper wires and cables for electrical products and infrastructure facilities. During the period under review, in view of the upward trend in copper prices in the international market, although this business segment recorded an 18% increase in turnover to approximately HK$157 million, a segment loss enlarged to HK$3,317,000 as compared to that of HK$2,142,000 last year.

**Listed Securities Investments**

During the period under review, the Group has diversified its business into securities market. As at 30 June 2011, the Group managed a portfolio of listed securities with fair value of approximately HK$95 million. The global equity market is unstable throughout the financial year. Accordingly, the trading securities recorded a revaluation loss of approximately HK$14 million for current year.

## 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$3.0 million gross 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.

## FINAL DIVIDEND

The Board of the Company resolved not to pay any final dividend for the year ended 30 June 2011 (2010: HK$Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had cash and bank balances amounting to approximately HK$308 million (2010: HK$455 million) and net current assets value was approximately HK$481 million (2010: HK$427 million). The Group's gearing ratio as at 30 June 2011 was 0.16 (2010: 0.14), being a ration of total debts, including warrants under derivative financial liabilities of approximately HK$105 million (2010: HK$86 million) to shareholders' fund of approximately HK$640 million (2010: HK$631 million).

As at 30 June 2011, the Group had pledged certain property, plant and equipment and prepaid lease payments for land with aggregate carrying value of approximately HK$64 million (2010: HK$64 million) to secure general banking facilities granted to the Group.

## CONTINGENT LIABILITIES

As at 30 June 2011, 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. There is also no significant exposure arising from exchange forward contracts. 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 million 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 million new ordinary shares of HK$0.05 each in the share capital of the Company at the subscription price of HK$0.19 per 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 30 June 2011, 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2011, the Company has complied with the Code on Corporate Governance Practices (the "CG 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 CG Code which are explained below.

### Code provision A.4.1

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 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.

### 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.

## AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The Audit Committee has reviewed the audited results for the year ended 30 June 2011 and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedures and financial reporting disclosures.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises the three independent non-executive directors of the Company. The Remuneration Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of the executive directors and senior management and making recommendations to the Board from time to time.

## SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2011 have been agreed by the Company's auditors, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

## APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, shareholders, employees and management for their continuous dedication, commitment and support to the Company.

On behalf of the Board
**Wong Hin Shek**
*Chairman and Executive Director*

Hong Kong, 20 September 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 of the Company are Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.*