

Interim Report 2010/11



Hua Yi Copper Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 559

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

WONG Hin Shek (*Chairman*)
CHI Chi Hung, Kenneth
(*Chief Executive Officer*)

Independent Non-Executive Directors

CHIU Wai On
MAN Kwok Leung
WONG Yun Kuen

COMPANY SECRETARY

CHI Chi Hung, Kenneth

REGISTERED OFFICE

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Bermuda

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STOCK CODE

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LEGAL ADVISER

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29/F., Bank of East Asia
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56 Gloucester Road
Wanchai, Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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(Bermuda) Limited
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Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

Standard Chartered Bank (Hong Kong)
Limited
The Hongkong and Shanghai Banking
Corporation Limited

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

	NOTES	Continuing operations		Discontinued operations		Total	
		For the six months ended 31 December		For the six months ended 31 December		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)
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	17	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	10	(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)

	NOTE	Continuing operations		Discontinued operations		Total	
		For the six months ended 31 December		For the six months ended 31 December		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) and total comprehensive income for the period attributable to owners of the Company		21,532	(77,425)	–	(43,695)	21,532	(121,120)
Earnings/(loss) per share:	8						(Restated)
from continuing and discontinued operations							
– Basic (HK cents)						0.75	(16.56)
– Diluted (HK cents)						0.74	(16.58)
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

		31 December 2010	30 June 2010
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	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	10	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	11	61,132	75,805
Bills receivable	12	21,905	10,839
Loans receivable, secured	13	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

		31 December 2010	30 June 2010
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Current liabilities			
Creditors, other advances and accruals	14	55,679	51,374
Borrowings	15	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	16	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									Total equity HK\$'000
	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	Accumulated (losses)/ profits 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 (note 16)	9,260	20,000	–	–	–	–	–	–	–	29,260
Recognition of equity-settled share-based payment transactions (note 20)	–	–	–	–	–	–	16,491	–	–	16,491
Transfer upon exercise of share options (note 16)	–	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:

- 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.
- Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- 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.
- 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.
- Share option reserve represents the fair value of the actual or estimated number of unexercised outstanding share options granted to the eligible parties.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2010

	For the six months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	14,969	(5,199)
Net cash used in investing activities	(60,468)	(5,674)
Net cash generated from financing activities	32,194	259,747
Net (decrease)/increase in cash and cash equivalents	(13,305)	248,874
Cash and cash equivalents at beginning of the period	454,624	89,000
Cash and cash equivalents at end of the period	441,319	337,874
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	441,319	337,874

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 policies 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(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.

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(a) Reportable segments (Continued)

For the six months ended 31 December 2010

	Continuing operations			Discontinued operations	Consolidated
	Copper rods	Cable and	Total	Iron-ore concentrated powder	
	HK\$'000	wires	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(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	Consolidated
	Copper rods	Cable and	Total	Iron-ore concentrated powder	
	HK\$'000	wires	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

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(a) Reportable segments (Continued)

At 31 December 2010

	Continuing operations			Discontinued operations	Consolidated
	Copper rods	Cable and wires	Total	Iron-ore concentrated powder	
HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (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	Consolidated
	Copper rods	Cable and wires	Total	Iron-ore concentrated powder	
HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (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)

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(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)

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(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	
	2010	2009	2010	30 June 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		Discontinued operations		Total	
	For the six months		For the six months		For the six months	
	ended 31 December		ended 31 December		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 (note 20)	16,491	–	–	–	16,491	–

6. TAXATION

	Continuing operations		Discontinued operations		Total	
	For the six months		For the six months		For the six months	
	ended 31 December		ended 31 December		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.

6. TAXATION (Continued)

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.

8. EARNINGS/(LOSS) PER SHARE (Continued)

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 (Unaudited)	HK\$'000 (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

8. EARNINGS/(LOSS) PER SHARE (Continued)

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 HK\$'000 (Unaudited)	2009 HK\$'000 (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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2010, the Group purchased property, plant and equipment of HK\$3,513,000 (six months ended 31 December 2009: HK\$5,553,000). In addition, the Group disposed of property, plant and equipment with a carrying value of HK\$Nil (six months ended 31 December 2009: HK\$2,653,000).

The Group has pledged buildings with a carrying amount at 31 December 2010 of HK\$52,520,000 (30 June 2009: HK\$53,854,000) to secure banking facilities to the Group (Note 19).

10. 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

A convertible note with principal amount of HK\$40,000,000 which carries coupon interest at 4% per annum with maturity date on 15 December 2011 (the "Maturity Date"), was issued by the Kong Sun Group to the Group as part of consideration for the Group's disposal of the life-like plants operation in prior year. Kong Sun Holdings Limited's shares are listed on Main Board of the Stock Exchange.

The Group has the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the convertible note into conversion shares; and the right, at any time during the period between 20 months after the issue of the convertible note and before the Maturity Date, to redeem, the whole or part of the outstanding principal amount of the convertible note. On the other hands, the Kong Sun Group has the right, at any time during the period commencing from the date immediately following the date of issue of the convertible note up to the day immediately prior to and exclusive of the Maturity Date, to mandatorily convert the whole of the outstanding principal amount of the convertible note registered in the name of noteholder into conversion shares at the then applicable conversion price of HK\$0.1 per conversion share that subject to adjustment clauses in the convertible note agreement, or redeem any convertible note remaining outstanding at the Maturity Date at its nominal value. The convertible note may be transferred to any person but shall not be assigned or transferred to a connected person of the issuer without the prior written consent of the issuer.

10. 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 (Continued)

Upon initial recognition, the Group has designated the convertible note as a financial asset at fair value through profit or loss and is carried at fair value as the directors considered that it is more relevant to evaluate the convertible note on a fair value basis in accordance with the Group's risk management policy. The fair value of the convertible note on the issue date was HK\$15,520,000 based on a professional valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professionally qualified valuers.

At 31 December 2010, the fair value of the convertible note is HK\$7,294,000, (30 June 2010: HK\$8,900,000), based on the professional valuation performed by Kovas Magni Appraisal Limited, an independent firm of professionally qualified valuers.

For the six months ended 31 December 2010, a loss on fair value of HK\$1,606,000, (six months ended 31 December 2009: HK\$35,153,000) and interest income of HK\$1,600,000 (six months ended 31 December 2009: HK\$1,689,000) arising from the convertible note were recognised in the profit or loss.

11. 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 HK\$'000 (Unaudited)	30 June 2010 HK\$'000 (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

12. BILLS RECEIVABLE

As at 31 December 2010 and 30 June 2010, all bills receivable aged within 180 days.

13. LOANS RECEIVABLE, SECURED

At 31 December 2010, there were two loans with principal of HK\$61,000,000 in aggregate due from two independent third parties. These loans were secured and interest-bearing at fixed rate ranging from 8% to 10% per annum. These loans will be repaid within one year and therefore these loans receivable were classified as current assets as at 31 December 2010.

14. 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

15. BORROWINGS

	31 December 2010 HK\$'000 (Unaudited)	30 June 2010 HK\$'000 (Audited)
Borrowings were analysed as follows:		
Bank loans	53,182	53,182
Other loans	—	33,056
	53,182	86,238
Secured	53,182	53,182
Unsecured	—	33,056
	53,182	86,238

The average effective interest rates of the bank loans ranged from 5% to 6% (30 June 2010: 5% to 9%) per annum.

As at 30 June 2010, except for an amount of HK\$29,056,000 which carried interest at fixed rates ranging from 5% to 36% per annum, other loans were unsecured, interest-free and repayable on demand.

The carrying amounts of borrowings are repayable within one year shown under current liabilities. Over 95% of the Group's borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

Details of the assets pledged for the Group's facilities are set out in Note 19.

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each at 30 June 2010 and 31 December 2010		
Authorised:		
As at 30 June 2010 and 31 December 2010	6,000,000,000	300,000
Issued and fully paid:		
As at 1 July 2010	2,810,223,900	140,511
Exercise of share options (Note)	185,190,000	9,260
As at 31 December 2010	2,995,413,900	149,771

Note: During the six months ended 31 December 2010, 185,190,000 new ordinary shares of par value HK\$0.05 each were issued at the subscription price of HK\$0.158 each on exercise of 185,190,000 share options at an aggregate consideration of HK\$29,260,000, net of issuing expenses, of which HK\$9,260,000 was credited to share capital and the remaining balance of HK\$20,000,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK\$14,331,000 was transferred from share option reserve to the share premium account.

17. 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)
	<hr/>
	(41,944)
Gain on disposal of a subsidiary	41,944
	<hr/>
Total consideration	—
	<hr/>
Satisfied by:	
Cash	—
	<hr/>
Analysis of the net cash outflow:	
Cash consideration	—
Bank balances and cash disposed of	(29)
	<hr/>
	(29)
	<hr/>

18. CAPITAL COMMITMENTS

As at 31 December 2010, there were capital commitments of HK\$2,006,000 (30 June 2010: HK\$2,895,000), representing the capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of equipment, furniture and fixtures.

19. PLEDGE OF ASSETS

The Group had pledged the following assets to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	31 December 2010 HK\$'000 (Unaudited)	30 June 2010 HK\$'000 (Audited)
Property, plant and equipment	52,520	53,854
Prepaid lease payments for land	9,891	10,003
	62,411	63,857

20. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 July 2010	195,190,000
Granted during the period	234,190,000
Exercised during the period	<u>(185,190,000)</u>
Outstanding at 31 December 2010	<u>244,190,000</u>

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$0.173.

The fair value of the options determined at the dates of grant using the Black-Scholes option pricing model was HK\$16,491,000.

20. SHARE-BASED PAYMENTS (Continued)

The following assumptions were used to calculate the fair values of share options:

Date of grant	19 October 2010
Share price on the date of grant	HK\$0.163
Exercise price	HK\$0.163
Expected volatility	101.51%
Expected life	1.5years
Risk-free rate	0.462%
Expected dividend yield	Nil

The fair value was based on the professional valuation performed by Kovas Magni Appraisal Limited, an independent qualified professional valuer. Changes in variables and assumptions may result in changes in the fair value of the options.

21. RELATED PARTY TRANSACTIONS

During the six months ended 31 December 2010, the Group sold goods to and purchased goods from the related companies in the amount of HK\$1,269,000 (six months ended 31 December 2009: HK\$23,258,000) and HK\$2,947,000 (six months ended 31 December 2009: HK\$631,000), respectively. These companies are related companies of the Group as a director of these companies is also a director of certain subsidiaries of the Company. The above transactions were determined with reference to the terms mutually agreed between the Group and the relevant parties.

Compensation of key management

The key management of the Group comprises all directors and the short-term benefits were HK\$370,000 for the six months ended 31 December 2010 (six months ended 31 December 2009: HK\$90,000).

22. COMPARATIVE FIGURES

Certain comparative amounts have been re-classified to conform with the current period's presentation.

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 17 of the unaudited consolidated financial statement.

PLEGDED 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.

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS IN SECURITIES OF THE COMPANY

As at 31 December 2010, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of director	Capacity in which the shares are held	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wong Hin Shek	Beneficial owner/ Corporate interest	243,619,125 (Note)	8.13%
Mr. Chi Chi Hung, Kenneth	Beneficial owner	23,000,000	0.76%

Note: Out of 241,279,125 Shares are beneficially owned by Intense Rise Holdings Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the shares held by Intense Rise Holdings Limited. He also had a personal interest of 2,340,000 Shares, representing 0.08% of the issued share capital of the Company.

Save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES OF THE COMPANY

As at 31 December 2010, the following shareholders (other than the Directors or the chief executive of the Company) had an interest or short positions in the shares or underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of substantial shareholder	Capacity in which the shares are held	Number of ordinary shares held	Percentage of the issued share capital
Intense Rise Holdings Limited	Beneficial owner	241,279,125 (Note)	8.05%

Note: These Shares are beneficially owned by Intense Rise Holdings Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the shares held by Intense Rise Holdings Limited.

Save as disclosed above, no person other than the Director or the chief executive of the Company, whose interests are set out in the paragraph headed "Directors' and chief executive's interests in securities of the Company", and Shareholders, whose interests are set out in the paragraph headed "Substantial Shareholders' and other persons' interests in securities of the Company" above, had registered an interest or short position in the shares or underlying shares that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SHARE OPTION SCHEME

The share option scheme (the “Share Option Scheme”) was adopted by the Company on 4 December 2003, which replaced its old share option scheme adopted in 1996. The following table discloses movements in the Company’s Share Option Scheme during the period:

FOR THE PERIOD ENDED 31 DECEMBER 2010

Capacity	Date of grant	Exercise period	Vesting period	Exercise price HK\$	Number of share options			
					Outstanding at 1.7.2010	Granted during the period	Exercised during the period	Outstanding at 31.12.2010
Directors								
– Mr. Wong Hin Shek	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	2,340,000	–	(2,340,000)	–
– Mr. Chi Chi Hung Kenneth	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	23,000,000	–	(23,000,000)	–
Others	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	169,850,000	–	(159,850,000)	10,000,000
Others	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	–	234,190,000	–	234,190,000
					195,190,000	234,190,000	(185,190,000)	244,190,000

Notes:

1. The weighted average closing price of the shares immediately before the dates of which share options were exercised during the period was HK\$0.173 per share.
2. Both the closing price of the Shares on the Stock Exchange on the date of grant and the weighted average closing price of the Shares on the Stock Exchange for the five business days immediately before the date of grant were HK\$0.163.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme as mentioned, at no time during the period was the Company or its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 financial report 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