



HUA YI COPPER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 559

Interim Report 2012/13

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

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 904, 9th Floor, Wings Building

110–116 Queen's Road Central

Central

Hong Kong

STOCK CODE

0559

WEBSITE

www.559.com.hk

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group

(Bermuda) Limited

Rosebank Centre

26 Burnaby Street

Hamilton HM11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

AUDITOR

BDO Limited

LEGAL ADVISER

Stevenson, Wong & Co.

PRINCIPAL BANKS

Bank of Communications Co., Ltd

Standard Chartered Bank (Hong Kong)
Limited

The Bank of East Asia, 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 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

	NOTES	For the six months ended 31 December	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	3	140,808	167,337
Cost of sales		(131,810)	(159,377)
Gross profit		8,998	7,960
Interest income		3,366	7,285
Other income		188	2,381
General and administrative expenses		(43,608)	(10,912)
Selling and distribution expenses		(1,504)	(1,614)
Finance costs	4	(1,552)	(2,560)
Change in fair value and gain on maturity of convertible note designated as at fair value through profit or loss		–	35,083
Change in fair value of warrants classified as derivative financial instruments	15	(71,972)	6,988
Change in fair value of financial assets at fair value through profit or loss		(8,753)	(42,604)
(Loss)/profit before taxation	5	(114,837)	2,007
Taxation	6	(129)	(60)
(Loss)/profit for the period attributable to owners of the Company		(114,966)	1,947

		For the six months ended	
		31 December	
		2012	2011
NOTE		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)

Other comprehensive income

Items that may be reclassified subsequently to profit or loss

Exchange differences arising on translation of foreign operations		953	2,109
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Total comprehensive income for the period attributable to owners of the Company

		(114,013)	4,056
(Loss)/earnings per share:	8		
— Basic and diluted (HK cents)		(3.76)	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

		31 December 2012	30 June 2012
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	9	126,151	131,679
Prepayments for acquisition of property, plant and equipment		7,650	7,650
Prepaid lease payments for land		9,836	9,934
Total non-current assets		143,637	149,263
Current assets			
Inventories		25,200	26,471
Debtors, other receivables, deposits and prepayments	10	65,997	49,241
Bills receivable	11	10,326	14,065
Loans receivable	12	62,346	19,338
Prepaid lease payments for land		242	240
Financial assets at fair value through profit or loss		125,228	134,045
Bank balances and cash		351,915	288,212
Total current assets		641,254	531,612

		31 December	30 June
		2012	2012
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Current liabilities			
Creditors, other advances and accruals	13	22,854	25,818
Borrowings	14	63,863	62,195
Taxation		471	398
Derivative financial liabilities	15	–	2,948
Total current liabilities		87,188	91,359
Net current assets		554,066	440,253
Total assets less current liabilities		697,703	589,516
Non-current liabilities			
Deferred tax liabilities		729	724
Total non-current liabilities		729	724
Net assets		696,974	588,792
EQUITY			
Capital and reserves			
Share capital	16	179,721	149,771
Reserves		517,253	439,021
Equity attributable to owners of the Company and total equity		696,974	588,792

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2012

	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve fund	Special reserve	Share option reserve	Accumulated losses	Total attributable to owners of the Company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2011 (Audited)	149,771	451,898	340,932	29,756	14,005	(43,246)	17,265	(320,600)	639,781
Profit for the period	-	-	-	-	-	-	-	1,947	1,947
Exchange differences on translation	-	-	-	2,109	-	-	-	-	2,109
Total comprehensive income for the period	-	-	-	2,109	-	-	-	1,947	4,056
At 31 December 2011 (Unaudited)	149,771	451,898	340,932	31,865	14,005	(43,246)	17,265	(318,653)	643,837
At 1 July 2012 (Audited)	149,771	451,898	340,932	31,864	14,005	(43,246)	17,265	(373,697)	588,792
Issue of shares upon exercise of warrants	29,950	158,737	-	-	-	-	-	-	188,687
Recognition of equity-settled share-based payments expense	-	-	-	-	-	-	33,508	-	33,508
Loss for the period	-	-	-	-	-	-	-	(114,966)	(114,966)
Exchange differences on translation	-	-	-	953	-	-	-	-	953
Total comprehensive income for the period	-	-	-	953	-	-	-	(114,966)	(114,013)
At 31 December 2012 (Unaudited)	179,721	610,635	340,932	32,817	14,005	(43,246)	50,773	(488,663)	696,974

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2012

	For the six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(49,788)	(30,387)
Net cash (used in)/generated from investing activities	(750)	28,322
Net cash generated from financing activities	113,489	40,122
Net increase in cash and cash equivalents	62,951	38,057
Effect of foreign exchange rate changes	752	1,225
Cash and cash equivalents at beginning of the period	288,212	307,678
Cash and cash equivalents at end of the period	351,915	346,960
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	351,915	346,960

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2012

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 30 June 2012. The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2012.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of revised HKFRSs — first effective 1 July 2012

Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income

The adoption of these revised standards has no significant impact on the unaudited condensed consolidated interim financial statements of the Group for both the current and prior reporting periods.

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

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

The following new/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)	Annual Improvement 2009–2011 Cycle	(i)
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities	(ii)
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities	(i)
HKFRS 9	Financial Instruments	(iii)
HKFRS 10	Consolidated Financial Statements	(i)
HKFRS 12	Disclosure of Interests in Other Entities	(i)
HKFRS 13	Fair Value Measurement	(i)
HKAS 27 (2011)	Separate Financial Statements	(i)
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities	(ii)

Effective date:

- (i) Annual periods beginning on or after 1 January 2013
- (ii) Annual periods beginning on or after 1 January 2014
- (iii) Annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these pronouncements 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 and dividend income on listed securities, 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-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 trading 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 are used by the chief operating decision-makers for assessment of segment performance.

For the six months ended 31 December 2012

	Cable and Wires HK\$'000 (Unaudited)	Copper Rods HK\$'000 (Unaudited)	Investments in Listed Securities HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
TURNOVER				
Sales to/revenue from external parties	76,529	62,714	1,565	140,808
Segment profit/(loss)	1,172	(1,245)	(7,198)	(7,271)
Depreciation	(4,572)	(2,419)	-	(6,991)
Taxation	(129)	-	-	(129)

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(a) Reportable segments (Continued)

For the six months ended 31 December 2011

	Cable and Wires HK\$'000 (Unaudited)	Copper Rods HK\$'000 (Unaudited)	Investments in Listed Securities HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
TURNOVER				
Sales to/revenue from external parties	96,662	70,613	62	167,337
Segment profit/(loss)	1,473	(3,005)	(42,550)	(44,082)
Depreciation	(4,990)	(2,440)	–	(7,430)
Taxation	(60)	–	–	(60)

At 31 December 2012

	Cable and Wires HK\$'000 (Unaudited)	Copper Rods HK\$'000 (Unaudited)	Investments in Listed Securities HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Reportable segment assets	153,487	101,413	127,756	382,656
Additions to non-current assets	72	–	–	72
Reportable segment liabilities	(69,156)	(13,837)	(133)	(83,126)

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(a) Reportable segments (Continued)

At 30 June 2012

	Cable and Wires HK\$'000 (Audited)	Copper Rods HK\$'000 (Audited)	Investments in Listed Securities HK\$'000 (Audited)	Consolidated HK\$'000 (Audited)
Reportable segment assets	165,299	91,562	134,954	391,815
Additions to non-current assets	780	3	–	783
Reportable segment liabilities	(74,231)	(10,210)	(138)	(84,579)

(b) Reconciliation of reportable segment profit or loss

	For the six months ended 31 December	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Reportable segment loss	(7,271)	(44,082)
Unallocated corporate income	50	1,859
Unallocated corporate expenses	(3,950)	(2,566)
Interest income	3,366	7,285
Finance costs	(1,552)	(2,560)
Share-based payments expense	(33,508)	–
Change in fair value and gain on maturity of convertible note designated as at fair value through profit or loss	–	35,083
Change in fair value of warrants classified as derivative financial instruments	(71,972)	6,988
Consolidated (loss)/profit before taxation	(114,837)	2,007

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(c) Geographical segments

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 are detailed as below:

	Revenue from external customers For the six months ended 31 December		Specified non-current assets	
	2012	2011	31 December 2012	30 June 2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong (place of domicile)	1,565	62	1,759	1,997
PRC	139,243	167,275	141,181	139,616
Other Asian Region	-	-	697	7,650
	140,808	167,337	143,637	149,263

4. FINANCE COSTS

	For the six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings and other loan wholly repayable within five years	1,552	2,560

5. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

(Loss)/profit before taxation has been arrived
at after charging:

Depreciation of property, plant and equipment	7,241	7,736
Share-based payments expense	33,508	–

6. TAXATION

	For the six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

PRC corporate income tax ("CIT") for the period	129	60
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No provision for Hong Kong profits tax has been made for the current and prior periods as the Group has no assessable profits arising in Hong Kong. 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 Group's applicable CIT rate for the six months ended 31 December 2011 and 2012.

7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 31 December 2012 (six months ended 31 December 2011: HK\$Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit 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 (loss)/earnings per share amounts is based on the (loss)/profit 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)/earnings 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.

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

	For the six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

(Loss)/earnings for the purpose of basic (loss)/earnings per share	(114,966)	1,947
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	For the six months ended 31 December	
	2012	2011

Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	3,057,605,157	2,995,413,900
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The computation of diluted (loss)/earnings per share of the current and prior periods does not assume the exercise of the Company's outstanding share options and warrants since their exercise would have an anti-dilutive effect. Therefore, the basic and diluted (loss)/earnings per share amounts for the six months ended 31 December 2012 and 2011 are equal.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2012, the Group purchased property, plant and equipment of HK\$781,000 (six months ended 31 December 2011: HK\$644,000).

The Group has pledged buildings with a carrying amount as at 31 December 2012 of HK\$49,930,000 (30 June 2012: HK\$51,890,000) to secure banking facilities to the Group (Note 17).

10. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, other receivables, deposits and prepayments were trade debtors with outsiders of HK\$46,693,000 (30 June 2012: HK\$44,608,000). 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:

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Within 30 days	18,767	22,816
31–60 days	13,800	10,924
61–90 days	14,126	10,793
Over 90 days	–	75
	46,693	44,608

11. BILLS RECEIVABLE

As at 31 December 2012 and 30 June 2012, all bills receivable aged within 180 days.

12. LOANS RECEIVABLE

At 31 December 2012, there were five (30 June 2012: three) loans receivable with gross principal amount of HK\$70,900,000 (30 June 2012: HK\$29,000,000) in aggregate and related gross interest receivable of HK\$1,672,000 (30 June 2012: HK\$564,000) due from the borrowers. These loans are unsecured and interest-bearing at rates ranging from 5% to 15% (30 June 2012: 5% to 8%) per annum except the Loan (as defined below) which is secured by a personal guarantee executed by the sole director and shareholder of the borrower. All the loans were repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 31 December 2012.

During the six months ended 31 December 2012, the loans receivable with aggregate principal amount of HK\$16,000,000 (30 June 2012: HK\$83,150,000) and related aggregate interest receivables of HK\$12,000 (30 June 2012: HK\$2,901,000) as at 31 December 2012 have been fully settled.

During the year ended 30 June 2012, the Group reviewed its loans receivable to assess whether impairment losses exist. In determining whether impairment loss should be recognised in profit or loss, the Group has evaluated its loans receivable for impairment after taking into account the repayment history and credit quality of the counterparties. Included in the loans receivable is a loan with principal of HK\$10,000,000 due from a borrower (the "Borrower") which is repayable on 20 December 2012 whereas the Borrower has defaulted on the payment of interest as at 30 June 2012. The Group has attempted to contact the Borrower and the Group also instructed its legal counsel to issue a demand letter to request immediate repayment of the principal and the related interest but failed to receive any response for settlement so far. Hence, the directors of the Company consider that the possibility to recover the related loan receivable with principal amount of HK\$10,000,000 (the "Loan") and related interest receivable of HK\$226,000 is remote. Therefore, an accumulated impairment loss of HK\$10,226,000 in aggregate was recognised as at 30 June 2012 and 31 December 2012.

On 21 December 2012, the High Court of the Hong Kong Special Administrative Region Court of First Instance issued a consent order claiming the Borrower to repay the Group the principal of the Loan and the related accrued interests in full by four installations during 2013. In the opinion of the directors, the recovery of the Loan is subject to the liquidity of the Borrower and it is still uncertain. Therefore, no reversal of impairment loss has been made during the six months ended 31 December 2012.

13. CREDITORS, OTHER ADVANCES AND ACCRUALS

Included in the Group's creditors, other advances and accruals were trade creditors of HK\$9,148,000 (30 June 2012: HK\$10,760,000) with independent suppliers.

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

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Within 30 days	2,474	2,149
31–60 days	1,883	4,715
61–90 days	1,506	3,052
Over 90 days	3,285	844
	9,148	10,760

14. BORROWINGS

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Bank loans, secured	33,160	31,707
Other loan, unsecured	30,703	30,488
	63,863	62,195

The average effective interest rates of the bank loans range from 6% to 7% (30 June 2012: 6% to 7%) per annum.

14. BORROWINGS (Continued)

At 31 December 2012, other loan was interest-bearing at 6.9% (30 June 2012: 6%) per annum and repayable on 31 December 2013.

The Group's borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

At 31 December 2012, the Group had available undrawn committed borrowing facilities of HK\$9,825,000 (30 June 2012: HK\$42,317,000) in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 17.

15. DERIVATIVE FINANCIAL LIABILITIES

As at 30 June 2012, included in the Group's derivative financial liabilities were fair values of copper futures contracts and warrants of HK\$43,000 and HK\$2,905,000 respectively.

During the year ended 30 June 2011, the Company issued 599,000,000 non-listed warrants at subscriptions proceeds of HK\$2,995,000, each entitled the holder thereof to subscribe for one share of the Company at the subscription price of HK\$0.19 per share, subject to anti-dilutive adjustments, at any time during a period of two years commencing from the date of issue of the warrants.

During the six months ended 31 December 2012, 599,000,000 new ordinary shares were issued on exercise of the 599,000,000 warrants in full. Immediately before exercise of warrants during the period, the fair value of the warrants was HK\$74,877,000 (30 June 2012: HK\$2,925,000). Upon the exercise of warrants, the fair value of HK\$74,877,000 was transferred to share premium.

15. DERIVATIVE FINANCIAL LIABILITIES (Continued)

The fair value of the warrants classified as derivative financial instruments was calculated using the Black-Scholes option pricing model. The key inputs into the model on exercise date and 30 June 2012 were as follows:

	On exercise date	30 June 2012
Share price	HK\$0.34	HK\$0.099
Exercise price	HK\$0.190	HK\$0.190
Expected volatility	16.89%	90.16%
Time to maturity	0 year	0.45 year
Risk-free rate	0.01%	0.11%
Expected dividend yield	Nil	Nil

During the six months ended 31 December 2012, a loss on change in fair value of the warrants classified as derivative financial instruments of HK\$71,972,000 (six months ended 31 December 2011: a gain of HK\$6,988,000) was recognised in profit or loss.

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each at 30 June 2012 and 31 December 2012		
Authorised:		
As at 30 June 2012 and 31 December 2012	6,000,000,000	300,000
Issued and fully paid:		
As at 30 June 2012	2,995,413,900	149,771
Exercise of warrants (note)	599,000,000	29,950
As at 31 December 2012	3,594,413,900	179,721

Note: During the six months ended 31 December 2012, 599,000,000 new ordinary shares of par value HK\$0.05 each were issued at the subscription price of HK\$0.19 each on exercise of 599,000,000 warrants at an aggregate consideration of HK\$113,810,000, of which HK\$29,950,000 was credited to share capital and the remaining balance of HK\$83,860,000 was credited to the share premium account.

17. PLEDGE OF ASSETS

At 31 December 2012 and 30 June 2012, 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 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Property, plant and equipment	49,930	51,890
Prepaid lease payments for land	10,078	10,174
	60,008	62,064

18. LEASE COMMITMENTS

The Group as lessee

As at the end of reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating lease in respect of office premise which fall due as follows:

	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Within one year	224	336
In the second to fifth years inclusive	–	56
	224	392

Lease was negotiated for a term of three years and rentals are fixed for such period.

19. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group entered into the following transactions with related companies:

	For the six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating lease rental of motor vehicles	–	835
Loan interest expense	–	661

During the six months ended 31 December 2011, one of the directors of the above company is a close family member of a director of the Company's subsidiary.

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 including the share-based payments were HK\$4,851,000 for the six months ended 31 December 2012 (six months ended 31 December 2011: HK\$570,000).

20. SIGNIFICANT EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Company issued a circular in connection with (i) a proposed acquisition of the entire issued share capital of the target company, of which the target company and its subsidiaries are involved in the wine trading and distribution business in the PRC; (ii) proposed increase in authorised share capital; and (iii) proposed change of the name of the Company. Further details are set out in the Company's circular dated 8 February 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 31 December 2012, the Group recorded a turnover of approximately HK\$140.8 million, representing a decrease of approximately 15.9% as compared to approximately HK\$167.3 million for the corresponding period of 2011. Loss attributable to owners of the Company was approximately HK\$115.0 million (six months ended 31 December 2011: profit HK\$1.9 million). Basic loss per share was approximately 3.76 HK cents (six months ended 31 December 2011: earnings per share 0.06 HK cents).

INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 31 December 2012 (six months ended 31 December 2011: HK\$Nil).

BUSINESS REVIEW

During the period under review, the Group was principally engaged in three segments (i) cable and wires business; (ii) copper rods business; and (iii) investment in listed securities. Each of the cable and wires business, copper rods business and listed securities investments contributed 54.4%, 44.5% and 1.1% of the Group's total turnover respectively. Loss for the six months ended 31 December 2012 was approximately HK\$115.0 million as compared to the profit of approximately HK\$1.9 million for the six months ended 31 December 2011. Main reasons for such loss are the recognition of share-based payments expense of approximately HK\$33.5 million and the loss on change in fair value of warrants of approximately HK\$72.0 million during the current period.

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. Due to the decline in domestic demands in China, the consumer confidence and the entire domestic appliances industry were significantly impacted. For the six month ended 31 December 2012, the turnover decreased by 20.8% to approximately HK\$76.5 million. The segment profit was reduced from approximately HK\$1.5 million for the six month ended 31 December 2011 to approximately HK\$1.2 million for the current period.

Copper rods business

The copper rods 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, the copper prices in the international market remains fluctuated, this business segment recorded a 11.2% decrease in turnover to approximately HK\$62.7 million, while a segment loss reduced to HK\$1.2 million as compared to that of HK\$3.0 million in last correspondence period.

Listed securities investments

Starting from year 2011, the Group has diversified its business into securities market. As at 31 December 2012, the Group managed a portfolio of listed securities with fair value of approximately HK\$125.2 million (30 June 2012: HK\$134.0 million). The global equity market is unstable throughout the financial period. Accordingly, the trading securities recorded a fair value loss of approximately HK\$8.8 million in current period.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2012, the Group had cash and bank balances amounting to approximately HK\$352 million (30 June 2012: HK\$288 million) and the net current assets value being over HK\$554 million (30 June 2012: HK\$440 million).

During the period, 599,000,000 new shares have been issued pursuant to the exercise of subscription rights under the warrants issued by the Company. The proceeds of approximately HK\$114 million will be used for general working capital and future development of the Group. Details of the warrants were set out in the announcements the Company dated 29 November 2010, 13 December 2010 and 12 December 2012.

The Group's gearing ratio as at 31 December 2012 was 0.09 (30 June 2012: 0.11), being a ratio of total debts, including warrants under derivative financial liabilities of approximately HK\$64 million (30 June 2012: HK\$65 million) to shareholders' fund of approximately HK\$697 million (30 June 2012: HK\$589 million).

As at 31 December 2012, the Group had pledged certain property, plant and equipment and prepaid lease payments for land with aggregate carrying value of approximately HK\$60 million (30 June 2012: HK\$62 million) to secure general banking facilities granted to the Group. Details of borrowings are set out in note 14 of this interim report.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

A wholly-owned subsidiary of the Company (the "Investor") entered into a sale and purchase agreement and a supplemental agreement dated 1 November 2012 and 23 January 2013 respectively (the "Agreements"), with Goldsure Limited (the "Counterparty") and Mr. Tang Tong as the guarantor. Pursuant to the Agreements, the Investor agreed to acquire, and the Counterparty agreed to sell, the entire equity interest in Total Grand Investments Limited, at a consideration of HK\$260,000,000, which will be satisfied in full by the issue and allotment of the convertible preference shares by the Company to the Counterparty at completion (the "Acquisition"). Upon completion of the Target Group Corporate Reorganisation (as defined in the circular dated 8 February 2013, the "Circular"), the Target Group will principally engage in wine trading and distribution in the PRC. The Acquisition constitutes a major transaction under the Listing Rules and is therefore subject to shareholder's approval at the special general meeting of the Company. Details of the Acquisition were set out in the Circular.

Subsequent to the end of the reporting period, the Company proposed to increase in authorised share capital from HK\$300,000,000 divided into 6,000,000,000 shares of HK\$0.05 each to HK\$1,561,904,761.90 divided into 30,000,000,000 shares of HK\$0.05 each and 1,238,095,238 convertible preference shares of HK\$0.05 each by the creation of an additional 24,000,000,000 shares and 1,238,095,238 convertible preference shares; and proposed change of the name of the Company from “Hua Yi Copper Holdings Limited” to “Guocang Group Limited” and the proposed adoption of “國藏集團有限公司” as the secondary name of the Company to replace “華藝礦業控股有限公司”, which is currently used for identification purposes only. Details were set out in the Circular.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no significant contingent liabilities.

CAPITAL COMMITMENT

As at 31 December 2012, the Group had no significant capital commitment.

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.

PROSPECTS

The Board expected that the global economic environment will remain challenging in year 2013. The Group will deploy appropriate operation strategies to meet the challenges posed by the increasingly intricate market conditions.

Whilst the Group maintains its core business, the Company seeks to enter into the fast growing business of sale, promotion, distribution and retail of wine products in order to broaden its source of income. The Board expected that the Acquisition will contribute to cash flow and income to the Group in the coming future. Meanwhile, the Group will strive to strengthen the business strategy to maximise the returns for the shareholders of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had approximately 450 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

For the six months ended 31 December 2012, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

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

As at 31 December 2012, 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 Listing Rules, were as follows:

LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of director	Capacity in which the shares are held	Number of issued ordinary shares held	Number of underlying ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wong Hin Shek	Beneficial owner	–	29,900,000 (Note)	0.83%
Mr. Chi Chi Hung, Kenneth	Beneficial owner	23,000,000	–	0.64%

Note: This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying Shares in respect of the option shares granted by the Company under the share option scheme.

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 2012, 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 of the Company
Mr. Choy Shiu Tim (Note 1)	Beneficial owner/ Corporate interest	1,050,007,125	29.21%
Intense Rise Holdings Limited (Note 1)	Corporate interest	870,007,125	24.20%
Mr. Wong Yat Fai (Note 2)	Beneficial owner/ Corporate interest	420,850,000	11.71%
Wise Profit Group Limited (Note 2)	Corporate interest	418,210,000	11.63%

Notes:

1. The 870,007,125 Shares out of the 1,050,007,125 Shares are held by Intense Rise Holdings Limited, which is wholly-owned by Mr. Choy Shiu Tim. Thus, he is deemed to be interested in the 870,007,125 Shares held by Intense Rise Holdings Limited pursuant to the SFO.
2. 418,210,000 Shares out of the 420,850,000 Shares are held by Wise Profit Group Limited, which is wholly-owned by Mr. Wong Yat Fai. Thus, he is deemed to be interested in the 418,210,000 Shares held by Wise Profit Group Limited pursuant to the SFO.

Save as disclosed above, no person other than the Directors 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Name of Director	Details of changes
Chi Chi Hung, Kenneth	appointed as an independent non-executive director of L'sea Resources International Holdings Limited (formerly known as Goodtop Tin International Holdings Limited) (stock code: 195), with effect from 12 October 2012.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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. Movements in the Company's Share Option Scheme for the six months ended 31 December 2012 are as follows:

FOR THE PERIOD ENDED 31 DECEMBER 2012

Capacity	Date of grant	Exercise period	Vesting period	Exercise price HK\$	Outstanding at 30.6.2012	Granted during the period	Exercised during the period	Outstanding at 31.12.2012	Notes
Director									
— Mr. Wong Hin Shek	11 October 2012	12 October 2012 to 11 October 2015	Immediate on the grant date	0.255	—	29,900,000	—	29,900,000	1
Others									
	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	10,000,000	—	—	10,000,000	2
	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	234,190,000	—	—	234,190,000	3
	11 October 2012	12 October 2012 to 11 October 2015	Immediate on the grant date	0.255	—	269,100,000	—	269,100,000	1
					244,190,000	299,000,000	—	543,190,000	

Note 1: The closing price of the Shares immediately before 11 October 2012, on which those options were granted, was HK\$0.247 per Share.

Note 2: The closing price of the Shares immediately before 23 February 2010, on which those options were granted, was HK\$0.156 per Share.

Note 3: The closing price of the Shares immediately before 19 October 2010, on which those options were granted, was HK\$0.159 per Share.

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 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2012, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules except for the deviation from code provision A.4.1 of the Code which is 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.

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 REPORT

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 2012.

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

Hong Kong, 26 February 2013