

Chairman's Statement

Due to a change in the Group's controlling structure resulted from the business injection, the Group's financial statements have been prepared under the reverse acquisition method. Accordingly, the copper rod business of Solartech International Holdings Limited was deemed as the purchaser, while the Group's financial statements represent those of the relevant copper rod business. The related interests in the Company and its then subsidiaries were reflected by the results from 11 August 2004, being the date of completion of business injection for the acquisition, to 30 June 2005, and were included in the Group's financial statements. On the other hand, the comparative figures for 2003 reflected only the state of affairs of the copper rod business from 1 January to 31 December 2003. As a result, all comparative figures have been restated accordingly.

Meanwhile, as the Group's financial year end date has been changed from 31 December to 30 June, the Group's results for the 18 months from 1 January 2004 to 30 June 2005 (the "Period") were not directly comparable with those for the 12 months from 1 January to 31 December 2003 (the "Previous Year") or prior periods. However, such results still reflected continued improvement in the Group's performance.

RESULTS

The Directors are pleased to announce that the Group's total turnover, profit from operations and profit attributable to shareholders for the Period amounted to HK\$1,453,821,000, HK\$52,970,000 and HK\$20,443,000 respectively, with earnings per share of HK4.26 cents. The Group's total turnover, profit from operations and profit attributable to shareholders for the Previous Year amounted to HK\$535,666,000, HK\$17,671,000 and HK\$7,244,000 respectively, with earnings per share of HK1.81 cents.

On average, profit attributable to shareholders for the Period was approximately HK\$1,136,000 per month, representing an increase of 88.1% over HK\$604,000 for the Previous Year. Without taking into account the loss on disposal of subsidiaries of approximately HK\$7,502,000 and loss on multi-media businesses of approximately HK\$5,589,000, actual profit attributable to shareholders for the Period should be HK\$33,534,000, representing a marked increase of over 200% in monthly average profit attributable to shareholders as compared with the Previous Year.

FINAL DIVIDEND

In view of the rapid development of the copper rod business, the Directors resolved not to pay any final dividend for the 18 months period ended 30 June 2005 (the Previous Year: Nil).

BUSINESS REVIEW

During the Period, sales of copper rods was approximately HK\$1,410,857,000, accounting for approximately 97% of the total turnover. Turnover of life-like plants and multi-media businesses amounted to HK\$40,710,000 and HK\$2,254,000 respectively. By geographical breakdown, during the Period, turnover of the PRC market totalled HK\$1,413,111,000, accounting for approximately 97.2% of the total turnover. The rest was mainly contributed by the North America market.

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BUSINESS REVIEW (continued)

Copper rod business

Copper rod business refers to the manufacture and trading of copper rods in various diameters and copper wires with tinsel, enamel or tin coating. The products are mainly sold as raw materials for cable and wires used in electrical appliances.

Despite increased supply of global copper smelting raw materials, global copper stocks continued to decline to a record low as constricted by the bottleneck of copper smelting capacity and increasing global copper consumption. As of 30 June 2005, the visible stocks published by the world's three sizable metal futures exchanges (i.e. London Metal Exchange ("LME"), Shanghai Futures Exchange and New York Mercantile Exchange) recorded a historic lows of merely 25,900 tonnes, 29,800 tonnes and 13,800 tonnes respectively. On the other hand, following the rapid global economic growth, the robust increase in demand for copper products led to rising copper consumption. The result was a continued decline in the global copper stocks owing to the shortage of supply. In respect of the PRC copper market, the difference between copper supply and demand for the Period was particularly significant. The fast-growing electricity, electronics and real estate sectors triggered further PRC demand for copper and maintaining the status of the PRC as the largest consumer of copper in the world. As a consequence of the fundamental imbalance between global supply and demand, copper prices on the international market have broken the highest historic level repeatedly. As at 28 September 2005, copper cash price in LME reached a record-high of US\$4,005 per ton. The LME average cash settlement price for the Period was US\$3,020, representing an increase of US\$1,241 or 69.8% as compared with the Previous Year.

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On average, turnover for the Period was approximately HK\$78,381,000 per month, representing a month-on-month increase of 75.6% compared with the HK\$44,639,000 per month in the Previous Year. Apart from the rise in copper price in LME, which together with pre-agreed processing fee serve as a basis for determining the selling price and in turn the turnover, the increase in turnover was also attributable to a growth of approximately 14.8% in monthly sales from an average of 2,714 tonnes in the Previous Year to 3,116 tonnes in the Period. At present, high value-added downstream products accounted for 40% of the total turnover of the Group. The Group will continue to enhance the sales contribution of such high value-added products such as stranded copper wires, tinsel-coated copper wires, enamelled copper wires and tin-coated copper wires to 100% of its total sales.

The Dongguan plant of the Group is one of the three sizable plants within the Pearl River Delta Region, Guangdong Province, the PRC. During the Period, the plant achieved an average utilization rate of approximately 60% for products manufactured and sold by the Group, are close to 100% taking into account processing products. It is estimated that the existing facilities of the Group will be able to cope with an additional business growth of 50% or more. At present, PRC demand for copper remains strong as a result of the robust development of the electricity, electronics and real estate sectors of the PRC. Meanwhile, the shortage of copper material and lower increase of copper smelting capacity compared with growth in consumption rate further gravitated the imbalance between supply and demand of the raw material. As a strategic move to capture the relevant market potential, the Group is aggressively expanding the production capacity of copper rods and copper wires under the existing scale of its Dongguan plant.

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BUSINESS REVIEW (continued)

Copper rod business (continued)

The copper rod business of the Group mainly involves processing businesses. As such, the burden of high copper price is borne by the customers themselves. In addition, the Group also enjoys a stronger bargaining power under the supply shortage. Nevertheless, the sustained high copper price also increased the finance cost of the Group as it is required to order copper cathodes from overseas suppliers with letters of credit and trust receipt loans. The hike in interest rate during the Period also contributed to a substantial increase in finance cost. The Group is actively studying the opportunities brought about by the reform of Renminbi exchange rate system promulgated by the PRC government, with an aim of reducing import cost of raw materials and increasing the selling price of its copper rod products by various approaches.

Life-like plants and multi-media businesses

For the Period, the Group only consolidated the results of these businesses from 11 August 2004 to 30 June 2005. These businesses recorded a total turnover of approximately HK\$42,964,000, of which HK\$40,710,000 was attributable to life-like plants business. Profit generated from this segment was HK\$2,303,000 compared with a loss of HK\$27,222,000 for the Previous Year. As a result of the vigorous efforts of the Group for improving operation and production efficiency, the life-like plants business segment successfully turned over during the Period. Turnover of the multi-media business was approximately HK\$2,254,000, while a segment loss of approximately HK\$2,277,000 was recorded. The Group has implemented stringent cost control measures and efficient production modes, thereby significantly narrowing the loss from this business segment.

In view of the strenuous market competition, the Company will continue to closely monitor the market conditions and endeavour to minimise impact on the overall performance of the Group by the adverse environment under which these businesses operate.

PROSPECTS

Copper is an important resource for the electronics, electricity, infrastructure and real estate sectors. As such, demand for copper will continue to grow along with economic development. Given the strong growth momentum of the PRC economy, demand for copper and related products will maintain its robust growth. According to sources from the industry, PRC demand for copper in the coming ten years is expected to increase at a rate of at least 10% per year. Moreover, copper price is expected to remain high given the historically low visible stock of the material in the global market. In view of the fluctuation of PRC and international copper prices, the Company will continue to strengthen market research efforts and closely monitor movements of copper price, so as to adjust its pricing strategies in a prompt and prudent manner.

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PROSPECTS (continued)

Mid-last year, the Group has concluded a HK\$78 million investment in a new plant in Kunshan, Jiangsu Province, the PRC. By now, construction of the infrastructure has been substantially completed. Implementation and testing of machineries will be launched shortly, with operation expected to commence by the end of 2005. With an annual production capacity of 10,000 tonnes of copper wires of various specifications, the new plant, with an area of approximately 38,000 sq.m., will focus on the production of high value-added downstream copper wire products such as annealed copper wires, tin-coated copper wires, stranded copper wires and enamelled copper wires. Kunshan Hua Yi Copper Products Company Limited will actively explore the copper wire markets in eastern and northern PRC with an aim of achieving net profit in the shortest time.

Apart from aggressively developing markets for its high valued-added downstream products, the Group is also actively seeking opportunities to explore other copper products. After years of rapid development, the air-conditioner and refrigerator sectors of the PRC are gradually becoming mature. As domestic consumption power continues to grow along with the PRC's economy, demand for air-conditioners and refrigerators as household necessities increases steadily. Against this background, the PRC air-conditioner and refrigerator markets are expected to maintain a steady growth momentum given the relatively low penetration rate of these appliances in the PRC. In view of the above, the Group entered into an agreement with Fujian Zijin Investment Co., Ltd. and Minxi Xinghang State-owned Assets Investment Co., Ltd., a substantial shareholder of Zijin Mining, subsequent to the period end in respect of the establishment of a joint venture company ("JV") in Shanghang, Fujian Province, the PRC. The proposed JV will mainly engage in the production and sales of copper pipes for use in air-conditioners and refrigerators. It is expected that the existing business network of the Group will facilitate the development of the JV. Zijin Mining Group Co., Ltd., an H share company listed on the Main Board of The Stock Exchange of Hong Kong Limited, possesses a substantial copper stock of 3.45 million tonnes within the PRC as at 31 December 2004. This joint venture marked a new milestone in the development of copper business of the Group.

In the coming year, the Group will continue to focus on furthering its vertical business model for the copper processing business, developing more high value-added products and improving its profits and revenue. Leveraging on its established status in the market, the Group intends to consolidate and expand its leadership in the sector, so as to realise another successful financial year for shareholders of the Company.

EMPLOYEES

As at 30 June 2005, the Group had approximately 650 employees in Hong Kong and the PRC. 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.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

During the period from 1 January 2004 to 30 June 2005 ("the 18 months period ended 30 June 2005"), the Group had implemented a prudent financial management policy. As at 30 June 2005, the Group had cash and bank balances (including pledged bank deposits) amounted to approximately HK\$94 million (31 December 2003: HK\$89 million) and net current assets value being over HK\$127 million (31 December 2003: HK\$77 million). The Group's gearing ratios as at 30 June 2005 was 0.90 (31 December 2003: 1.71), being a ratio of total bank borrowings of approximately HK\$291 million (31 December 2003: HK\$193 million) to shareholders' funds of approximately HK\$323 million (31 December 2003: HK\$112 million).

As at 30 June 2005, the Group pledged certain property, plant and machinery and fixed deposits with an aggregate net book value of approximately HK\$79 million to secure general banking facilities granted to the Group.

As at 30 June 2005, the Company has issued guarantees to the extent of approximately HK\$312 million to banks to secure general banking facilities granted to certain subsidiaries, of which, approximately HK\$196 million was utilised.

The transactions of the Group are mostly denominated in HK\$, US\$ and RMB. In managing the foreign currency exchange risk, the Group has adopted a prudent hedging policy through booking of forward foreign exchange contracts with the principal banks.

INCREASE IN AUTHORISED SHARE CAPITAL

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 30 June 2004, the authorised ordinary share capital of the Company was increased from HK\$100,000,000 of HK\$0.01 each ("Shares") to HK\$200,000,000 by creation of an additional 10,000,000,000 Shares.

MAJOR AND CONNECTED TRANSACTION

On 25 March 2004, the Company and Solartech entered into the Acquisition Agreement for the major and connected transaction involving acquisition of the Copper Group from Solartech. Details of the transaction were set out in the Company's circular to the shareholders dated 14 June 2004.

Pursuant to a special resolution passed at the special general meeting held on 30 June 2004 and the granting of a Whitewash Waiver by the Executive Director of the Corporate Finance Division of the Securities and Future Commission, the acquisition was completed on 11 August 2004 and the Company issued and allotted 8,000,000,000 new ordinary shares of the Company of HK\$0.01 each at a notional price of HK\$0.04 each shares to Skywalk Assets Management Limited ("Skywalk"), a wholly owned subsidiary of Solartech.

Upon completion of the Acquisition Agreement, the Company obtained ownership of the Copper Group and has resulted in the control of the combined enterprise being transferred to Solartech. Under the generally accepted accounting principles in Hong Kong, the transaction was accounted for as a reverse acquisition. The Copper Group was treated as the acquirer and the Company and its subsidiaries immediately before the issue of the new shares were deemed to have been acquired by the Copper Group.

Chairman's Statement

CHANGE OF PRINCIPAL PLACE OF BUSINESS

On 11 August 2004, the Directors resolved to change the principal place of business of the Company to No. 7, 2/F Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong with effect from 12 August 2004.

CHANGE OF FINANCIAL YEAR END DATE

On 20 August 2004, the Directors resolved to change the Company's financial year end date from 31 December to 30 June. Accordingly, the financial year end date of the Company for 2005 was 30 June 2005.

CHANGE OF NAME

Pursuant to a special resolution passed at the special general meeting held on 17 September 2004, the English name of the Company was changed from "FT Holdings International Limited" to "Hua Yi Copper Holdings Limited". In line with such change in English name, the Company adopted the new Chinese name "華藝銅業控股有限公司" in place of the previous Chinese name "星采控股有限公司" for identification purpose.

CHANGE OF AUDITORS

On 28 October 2004, the Directors announced that CCIF CPA Limited ("CCIF") had resigned as auditors of the Company with effect from 21 October 2004. Following the resignation of CCIF, the Directors resolved to propose to the shareholders of the Company to appoint Deloitte Touche Tohmatsu ("Deloitte") as the new auditors of the Company. Pursuant to an ordinary resolution passed at the special general meeting held on 24 November 2004, Deloitte has been appointed as the auditors of the Company to fill the vacancy following the resignation of CCIF and to hold the office until the conclusion of the next annual general meeting of the Company.

SHARE CONSOLIDATION

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 29 December 2004, every 20 ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one ordinary share of HK\$0.20 each with effect from 30 December 2004.

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

Pursuant to the placing and subscription agreements dated 26 April 2005, Skywalk placed 25,912,000 ordinary shares of HK\$0.20 each in the capital of the Company to independent investors at a price of HK\$0.93 per share and subscribed for 25,912,000 new ordinary shares of HK\$0.20 each in the capital of the Company at a price of HK\$0.93 per share. The net proceeds of approximately HK\$23 million from the subscription were used for acquiring machinery and equipment in anticipation of the completion of construction of the Group's manufacturing plant in Kunshan, Jiangsu province, the PRC.

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PROPOSED PLACING OF UP TO 80,000,000 NEW SHARES

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 24 May 2005, the Directors were authorized to allot and issue up to 80,000,000 new shares of HK\$0.20 each in the capital of the Company to independent investors at a price of HK\$0.93 per share (the "New Shares Placing") pursuant to the placing agreement dated 26 April 2005 between the Company and the placing agent (the "New Shares Placing Agreement"). The details of the New Shares Placing were set out on the circular dated and despatched to the shareholders of the Company on 9 May 2005.

On 15 July 2005, the Directors announced that certain conditions of the New Shares Placing Agreement (as amended by a supplemental agreement dated 14 June 2005) had neither been fulfilled nor waived on or before 15 July 2005 and that the New Shares Placing Agreement had lapsed consequently. Under the terms of the New Shares Placing Agreement, the Company and the placing agent were released from all rights and obligations pursuant to the New Shares Placing.

POST BALANCE SHEET EVENTS

Top-Up Placing of Existing Shares and Subscription of New Shares

On 4 July 2005, Skywalk entered into the agreements to place and subscribe for new shares in the Company. Pursuant to the agreements, Skywalk placed 111,000,000 ordinary shares of HK\$0.20 each in the capital of the Company to independent investors at a price of HK\$0.88 per share ("Top-Up Placing") and, upon the completion of the Top-Up Placing, subscribed for 111,000,000 new ordinary shares of HK\$0.20 each in the capital of the Company at a price of HK\$0.88 per share (the "Subscription"). The Top-Up Placing and the Subscription were completed on 7 July 2005 and 18 July 2005 respectively. The net proceeds of approximately HK\$92.68 million from the subscription were used by the Group as working capital.

Prior to the Top-Up Placing and the Subscription, Skywalk had held 397,121,875 shares in the Company, representing approximately 71.49% of the issued share capital of the Company. Upon completion of the Top-Up Placing and the Subscription, Skywalk held 397,121,875 shares in the Company, representing 59.59% of the enlarged issued share capital of the Company.

Proposed Formation of a Joint Venture Company for the Production of Copper Pipe Products

On 8 September 2005, the Group entered into an agreement with Fujian Zijin Investment Co., Ltd and Minxi Xinghang State-owned Assets Investment Co., Ltd under which the parties have agreed to jointly establish a limited liability joint venture company ("JV") in Fujian Province, the PRC to mainly engage in copper pipes production and sales in Shanghang, Fujian. Pursuant to the agreement, the proposed registered capital of the JV is RMB40.5 million, of which RMB18.2 million, representing a 45% equity interest in the JV, will be contributed by the Group in cash.

Cancellation of the Outstanding Share Options

On 29 September 2005, the Directors resolved to cancel all the outstanding share options under the Company's New Share Option Scheme. Particulars of the share option schemes are set out in note 32 of the financial statements.

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ANNUAL GENERAL MEETING

The 2005 Annual General Meeting of the Company ("2005 Annual General Meeting") will be held on Thursday, 10 November 2005.

CLOSURE OF REGISTERS OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2005 Annual General Meeting, the registers of members will be closed from Tuesday, 8 November 2005 to Wednesday, 9 November 2005, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong for registration not later than 4:00 p.m. on Monday, 7 November 2005.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the 18 months period ended 30 June 2005.

PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), subject to certain transitional arrangements, came into effect on 1 January 2005. The Directors resolved to propose certain amendments to the Bye-laws of the Company in compliance with the requirements of the CG Code and certain amendments to the Listing Rules which took effect on 31 March 2004. Details of the proposed amendments will be set out in the Notice of the 2005 Annual General Meeting of the Company.

APPRECIATION

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

On behalf of the Board

Chau Lai Him

Chairman and Managing Director

Hong Kong SAR, 29 September 2005