Hua Yi Copper Holdings Limited

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

Interim Report 2005/2006

CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAU Lai Him *(Chairman and Managing Director)*
CHU Yuk Kuen
LAU Man Tak

Independent Non-Executive Directors

CHOW Kin Ming
CHUNG Kam Kwong
LEE Kin Keung

COMPANY SECRETARY

LAU Man Tak

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 7, 2nd Floor
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS (in alphabetical order)

Bank of China (Hong Kong) Limited
Bank Sinopac, Hong Kong Branch
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Equitable PCI Bank, Inc., Hong Kong Branch
HSH Nordbank, Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited
Wing Hang Bank, Limited

The Board of Directors (the "Directors") of Hua Yi Copper Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2005, as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2005

	Notes	For the six months ended 31 December 2005 HK$'000 (Unaudited)	2004 HK$'000 (Unaudited)
Turnover	3	**748,531**	505,987
Cost of sales		**(699,075)**	(489,770)
Gross profit		**49,456**	16,217
Other income		**7,105**	12,309
Interest income		**1,296**	251
General and administrative expenses		**(19,867)**	(6,764)
Selling and distribution expenses		**(4,133)**	(2,786)
Change in fair value of derivative financial instruments		**2,474**	–
Finance costs		**(12,442)**	(9,254)
Discount arising on acquisition		**–**	10,341
Profit before taxation	4	**23,889**	20,314
Taxation	5	**(2,710)**	(7,112)
Profit for the period		**21,179**	13,202
Earnings per share			
– basic	7	**3.19 cents**	2.64 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Notes	At 31 December 2005 HK$'000 (Unaudited)	At 30 June 2005 HK$'000 (Audited) (Restated)
Non-current assets			
Property, plant and equipment	8	**215,819**	138,733
Prepaid lease payments for land – non-current portion		**63,940**	61,151
Interest in a jointly controlled entity	9	**5,153**	–
		284,912	199,884
Current assets			
Inventories		**132,560**	160,958
Television programmes and sub-licensing rights		**1,000**	963
Debtors, deposits and prepayments	10	**163,861**	147,814
Bills receivable	11	**35,531**	3,268
Prepaid lease payments for land – current portion		**1,501**	1,368
Amounts due from fellow subsidiaries	18	**90,343**	71,991
Pledged deposits		**28,112**	31,801
Bank balances and cash		**149,840**	62,048
		602,748	480,211
Current liabilities			
Creditors and accrued charges	12	**35,867**	49,163
Bills payable	13	**58,966**	9,749
Taxation		**3,750**	2,882
Obligations under finance leases		**253**	340
Borrowings	14	**345,363**	289,850
Derivative financial instruments	15	**517**	–
		444,716	351,984

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2005

	Notes	At 31 December 2005 HK$'000 (Unaudited)	At 30 June 2005 HK$'000 (Audited) (Restated)
Net current assets		**158,032**	128,227
Total assets less current liabilities		**442,944**	328,111
Non-current liabilities			
Obligations under finance leases		**325**	429
Deferred tax liabilities		**8,965**	7,640
		9,290	8,069
		433,654	320,042
Capital and reserves			
Share capital	16	**133,295**	111,095
Reserves		**300,359**	208,947
		433,654	320,042

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005

	Share capital HK$'000 (Note 16(a))	Share premium HK$'000	Contributed surplus HK$'000 (Note 16(b))	Exchange reserve HK$'000	Asset revaluation reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2004	72,680	–	–	–	–	–	52,993	125,673
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	(55)	–	–	–	(55)
Profit for the period	–	–	–	–	–	–	13,202	13,202
Total recognised income and expense for the period	–	–	–	(55)	–	–	13,202	13,147
Paid-in capital eliminated on reverse acquisition	(72,680)	–	–	–	–	–	–	(72,680)
Adjustments arising from reverse acquisition	105,913	182,564	–	–	–	(43,246)	–	245,231
Expenses incurred in relation to the issue of new shares	–	(9,907)	–	–	–	–	–	(9,907)
At 31 December 2004	105,913	172,657	–	(55)	–	(43,246)	66,195	301,464
At 1 July 2005								
– as originally stated	111,095	190,496	–	–	4,333	(43,246)	60,594	323,272
– effect of changes in accounting policies *(Note 2)*	–	–	–	–	(3,230)	–	(2,991)	(6,221)
– as restated	111,095	190,496	–	–	1,103	(43,246)	57,603	317,051

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 31 December 2005

	Share capital HK$'000 (Note 16(a))	Share premium HK$'000	Contributed surplus HK$'000 (Note 16(b))	Exchange reserve HK$'000	Asset revaluation reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	2,839	–	–	–	2,839
Profit for the period	–	–	–	–	–	–	21,179	21,179
Total recognised income for the period	–	–	–	2,839	–	–	21,179	24,018
Placement of new shares	22,200	75,480	–	–	–	–	–	97,680
Expenses incurred in relation to the issue of new shares	–	(5,095)	–	–	–	–	–	(5,095)
Capital reorganization *(Note 16(b))*	–	(260,881)	172,724	–	–	–	88,157	–
At 31 December 2005	133,295	–	172,724	2,839	1,103	(43,246)	166,939	433,654

Share capital as at 1 July 2004 represents the paid-in capital of the companies comprising the Copper Group on that date.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005

	For the six months ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**35,225**	57,222
Net cash (used in) from investing activities:		
Additions to property, plant and equipment	**(81,181)**	(6,738)
Acquisition of subsidiaries	**–**	41,546
Other investing cash flows	**(2,934)**	(3,119)
	(84,115)	31,689
Net cash from (used in) financing activities:		
New borrowings raised	**603,880**	471,128
Repayments of borrowings	**(547,025)**	(474,121)
Net proceeds from placement of shares	**92,584**	–
Other financing cash flows	**(11,948)**	(8,469)
	137,491	(11,462)
Net increase in cash and cash equivalents	**88,601**	77,449
Cash and cash equivalents at beginning of the period	**60,868**	38,406
Effect of foreign exchange rate changes	**371**	–
Cash and cash equivalents at end of the period	**149,840**	115,855

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2005

1. BASIS OF PREPARATION

The condensed financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 (HKAS 34), "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors consider Solartech International Holdings Limited ("Solartech"), also incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Stock Exchange, to be its ultimate holding company.

As described in the consolidated financial statements of Group for the year ended 30 June 2005, the Company underwent a group restructuring which involved, inter alia, the acquisition (the "Acquisition") of Solartech's interest in certain companies (the "Copper Group") and other plant and machinery and land and buildings engaging in the business of manufacture and trading of copper rods and related products. The Acquisition was completed in 11 August 2004.

The business combination has been accounted for as a reverse acquisition. For the purpose of the preparation of the Group's consolidated financial statements, the Copper Group is treated as the acquirer while the Company and its subsidiaries before the completion of Acquisition (the "Former FT Group") were deemed to have been acquired by the Copper Group.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the period from 1 January 2004 to 30 June 2005 except as described below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business combinations", HKAS 36 "Impairment of assets" and HKAS 38 "Intangible assets" which the Group had early adopted in the accounting period ended 30 June 2005. The application of the other new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Owner-occupied leasehold interest in land

The Group has land use rights in the People's Republic of China (the "PRC"), with buildings erected on them for manufacturing purposes. In previous years, these property interests were included in property, plant and equipment and measured using the revaluation model. Under HKAS 17 "Leases", the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively.

As a result of adopting HKAS 17, the carrying amounts of land and buildings and the related deferred tax liabilities at 1 July 2005 have been reduced by HK$4,281,000 and HK$1,051,000 respectively, with the corresponding adjustment, a decrease in asset revaluation reserve of HK$3,230,000, being made at 1 July 2005. There was no material effect on the Group's retained profits at 1 July 2005 and the result of the current period. No prior period adjustments have been made on the deferred tax liabilities, asset revaluation reserve and retained profits of the Group at 1 July 2004.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summaried below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30 June 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gain or losses included in the profit or loss. "Held-to-maturity investments" are carried at amortised cost less impairment loss (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 July 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Derivatives financial instruments

By 30 June 2005, the Group's derivative financial instruments, mainly comprised future contracts, foreign exchange forward contracts and interest rates swaps, were previously recorded off balance sheet except for net interest on interest rate swaps, which were previously accounted for on an accrual basis.

From 1 July 2005 onwards, HKAS 39 requires derivative financial instruments that are within the scope of HKAS 39 to be carried at fair value at each balance sheet date, regardless of whether they are designated as effective hedging instruments. Derivatives (including embedded derivatives separately accounted for from non-derivative host contracts) are deemed as held for trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. Derivative financial instruments that do not qualify for hedge accounting are deemed as investments held for trading. Changes in fair value of such derivative financial instruments are recognised in profit or loss as they arise.

The Group has applied the relevant transitional positions in HKAS 39. As a result, for derivatives financial instruments that are not held for hedging purposes and do not quality for hedge accounting in accordance with HKAS 39, the Group recognised the fair value loss on 1 July 2005 amounting to HK$2,991,000 in the Group's retained earnings. The effect of the change of this accounting policy resulted are increase of profit for the current period by HK$2,474,000.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 July 2005. As a result, the Group's bills receivable with full recourse which were derecognised prior to 1 July 2005 have not been restated. As at 31 December 2005, the Group's bills receivable with recourse have not been derecognised. Instead, the related borrowings of HK$26,814,000 have been recognised on the balance sheet date. This change has had no material effect on the results for the current period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Share-based payments

In the current period, the Group has applied HKFRS 2 "*Share-based Payment*" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of employees' and other eligible parties' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 July 2005. In relation to share options granted before 1 July 2005, the Group has not applied HKFRS 2 to share options granted after 7 November 2002 and had vested before 1 July 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 July 2005. There was no material effect on the Group's retained profits and the current period's result as a result of adoption of HKFRS 2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors anticipate that the adoption of the following standards and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.

3. SEGMENT INFORMATION

The Group reports its primary segment information based on product categories. Turnover and profit before taxation for the six months ended 31 December 2005 and 2004, analysed by product category, are as follows:

	For the six months ended 31 December			
	2005		2004	
	Turnover	**Profit before taxation**	Turnover	Profit (loss) before taxation
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Copper products	**677,761**	**35,228**	482,231	22,505
Life like plants	**69,722**	**120**	21,674	(871)
Television programmes production, distribution and licensing	**1,048**	**617**	2,082	(2,302)
	748,531	**35,965**	505,987	19,332
Unallocated corporate income		**2,537**		–
Unallocated corporate expenses		**(2,171)**		(105)
Finance costs		**(12,442)**		(9,254)
Discount arising on acquisition		**–**		10,341
Profit before taxation		**23,889**		20,314

3. SEGMENT INFORMATION (Continued)

The Group's turnover for the six months ended 31 December 2005 and 2004, analysed by geographical market, is as follows:

	For the six months ended 31 December	
	2005	2004
	Turnover	Turnover
	HK$'000	*HK$'000*
Mainland China	**678,814**	484,313
North America	**67,169**	20,111
Europe	**1,474**	727
Hong Kong	**896**	813
Other Asian regions	**178**	23
	748,531	505,987

4. PROFIT BEFORE TAXATION

	For the six months ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**5,400**	5,432
Charge of prepaid lease premium for land	**722**	594

5. TAXATION

	For the six months ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**730**	35
Taxation in Mainland China	**655**	3,164
Deferred tax	**1,325**	3,913
	2,710	7,112

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

Enterprise Income tax in Mainland China is calculated at 12% (1.7.2004 to 31.12.2004: 27%).

Dongguan Hua Yi Brass Products Company Limited ("Dongguan Hua Yi"), a wholly owned subsidiary is a foreign enterprise and was regarded as an export-oriented enterprise with annual exports exceeding 70% of the total production value. Accordingly, Dongguan Hua Yi has applied for special tax treatments and provided for the PRC Foreign Enterprise Income tax at the reduced rate of 12% during the current period.

6. DIVIDEND

No dividend was paid for the six months ended 31 December 2005 (1.7.2004 to 31.12.2004: Nil). The directors have determined that an interim dividend of HK$0.01 per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 9 June 2006.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	For the six months ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Results for the period and results for the purpose of basic earnings per share	**21,179**	13,202
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**664,664,717**	500,692,595

In the prior period, the 8,000,000,000 ordinary shares issued by the Company to acquire the Copper Group were deemed to be in issue on 1 July 2004 for the purpose of computing earnings per share. In addition, the weighted average number of ordinary shares for the purpose of earnings per share has been adjusted for the consolidation of shares pursuant to the share consolidation scheme of the Company which took effect on 30 December 2004.

The effect of share options was excluded from the calculation of diluted earnings per share in both periods because the exercise price of the Company's share options was higher than the average market price of ordinary shares in both periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 December 2005, the Group spent HK$81,181,000 on acquisition of property, plant and equipment.

The net book value of property, plant and equipment of the Group as at 31 December 2005 includes an amount of HK$605,000 in respect of assets held under finance leases.

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2005, the directors considered the carrying amount of the Group's buildings carried at revalued amounts did not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit was recognised in the current period.

9. INTEREST IN A JOINTLY CONTROLLED ENTITY

During the period, the Group has entered into joint venture agreements with other PRC joint venture partners to establish a joint venture company in PRC to engage in the manufacturing and sales of copper pipes. The Group has made a capital contributions of HK$5,153,000 up to 31 December 2005.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

At 31 December 2005, included in the balance are trade debtors of HK$122,225,000 (30.6.2005: HK$85,759,000). The Group allows a credit period of 30 days to 90 days to its trade customers.

The aged analysis of trade debtors is as follows:

	31.12.2005	30.6.2005
	HK$'000	*HK$'000*
Within 30 days	**60,298**	56,826
31 – 60 days	**41,303**	16,964
61 – 90 days	**14,498**	6,429
Over 90 days	**6,126**	5,540
	122,225	85,759

The directors consider the trade debtors approximate their fair values.

11. BILLS RECEIVABLE

The aged analysis of bills receivable as at 31 December 2005 and 30 June 2005 are within 180 days.

The directors consider the bills receivable approximate their fair values.

12. CREDITORS AND ACCRUED CHARGES

At 31 December 2005, included in the balance are trade creditors of HK$7,776,000 (30.6.2005: HK$22,731,000).

The aged analysis of trade creditors is as follows:

	31.12.2005	30.6.2005
	HK$'000	*HK$'000*
Within 30 days	**4,483**	13,712
31 – 60 days	**1,343**	7,527
61 – 90 days	**688**	900
Over 90 days	**1,262**	592
	7,776	22,731

The directors consider the trade creditors approximate their fair values.

13. BILLS PAYABLE

The aged analysis of bills payable as at 31 December 2005 and 30 June 2005 are within 90 days.

The directors consider the bills payable approximate their fair values.

14. BORROWINGS

During the year, the Group raised new borrowings of HK$603,880,000 to provide for additional working capital and repaid borrowings of HK$547,025,000.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into future contracts, foreign exchange forward contracts and interest rates swaps contracts to manage the price risk of raw materials, interest rate risk and foreign exchange risk.

The fair value losses of the derivative financial instruments at 31 December 2005 as provided by the banks are HK$517,000 (At 1 July 2005: HK$2,991,000). All of these derivative financial instruments do not qualify for hedge accounting and fair value gain of HK$2,474,000 has been recognised in income statement.

16. SHARE CAPITAL

	THE COMPANY	
	Number of shares	Amount
		HK$'000
As at 1 July 2005	555,474,500	111,095
Placement of new shares *(note (a))*	111,000,000	22,200
As at 31 December 2005	666,474,500	133,295

Note:

(a) During the period, pursuant to the subscription agreement entered into between the Company and Skywalk Assets Management Limited ("Skywalk"), a wholly owned subsidiary of Solartech, 111,000,000 ordinary shares of HK$0.2 each in the Company were issued at a price of HK$0.88 per share. All the new shares issued rank pari passu in all respects with the then existing shares.

(b) During the period, the Group undertook a capital reorganisation resulting in eliminating the share premium account of the Company as at 30 September 2005 of HK$260,881,000 against the unaudited accumulated losses as at 30 September 2005 of HK$88,157,000 with the remaining balance of HK$172,724,000 credited to contributed surplus of the Company.

17. SHARE OPTIONS

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 the beginning of the period	12,956,000
Cancelled during the period	(12,956,000)
Granted during the period	15,000,000
Outstanding at the end of the period	15,000,000

As mentioned in note 2, the Group has, for the first time, applied HKFRS 2 "Share-based Payment" to account for its share options. In accordance with HKFRS 2, the fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. This change has no material effect on the results for the current period.

The closing price of the Company's shares immediately before 9 December 2005, the date of grant of the 2005 options, was HK$0.27.

18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with fellow subsidiaries:

	For the six months ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Amounts due from	**90,343**	71,991
Sales of goods	**95,114**	91,575
Rental of office premises	**90**	70

18. RELATED PARTY TRANSACTIONS (Continued)

The amounts due from fellow subsidiaries are trade in nature, unsecured, non-interest bearing and repayable within a credit period of 45 days. The directors consider the amounts due from fellow subsidiaries approximate their fair values.

In addition, Solartech and the Company had entered into an indemnity agreement dated 6 August 2004 pursuant to which Solartech will indemnify the Company and hold the Company harmless in relation to the continued provision of the joint and several corporate guarantees by the remaining Solartech Group and the Copper Group to their bankers for banking facilities granted to both of them.

A director of the Group has provided personal guarantee to the extent of HK$16,000,000 (30.6.2005: HK$16,000,000) to banks for credit facilities granted to certain subsidiaries of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

All the businesses of the Group have experienced significant improvements.

Results

The Directors are pleased to announce that for the six months ended 31 December 2005 (the "period under review"), the total turnover of the Group amounted to approximately HK$748,531,000, representing an increase of approximately 47.9% over HK$505,987,000 for the corresponding period last year. Profit attributable to shareholders was HK$21,179,000, representing an increase of approximately 60.4% over HK$13,202,000 for the corresponding period last year. Earnings per share was HK3.19 cents, up approximately 20.8% compared to an earnings per share of HK2.64 cents for the corresponding period last year.

Interim dividend

The Directors resolved to pay an interim dividend of HK1 cent per share for the six months ended 31 December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business review

During the period under review, the Group's total turnover was HK$748,531,000, of which HK$677,761,000 was arising from the sales of copper rods, accounting for 90.5% of the total turnover. Turnover of life-like plants and multi-media businesses amounted to HK$70,770,000. The major customers of the copper rod business of the Group are mainly Taiwan based and Hong Kong based corporations. By geographical breakdown, during the period under review, turnover of the PRC market totalled HK$678,814,000, accounting for 90.7% of the total turnover. The rest was mainly contributed by the North America market.

Copper rod business

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

During the period under review, despite the sufficient supply of global copper smelting raw materials, the restrictions arising from the bottleneck of copper smelting production capacity and the continued growth of global copper consumption, in particular, the strong growth in the copper demands in the PRC market, which have resulted in tight domestic and overseas copper supply and stock decrease. Consequently, boosted by the said fundamental elements, the domestic and overseas copper prices recorded historical highs.

On 24 March 2006, the cash price of copper quoted by London Metal Exchange (the "LME") has reached a record high of US$5,313 per tonne. The LME recorded an average cash settlement price of copper transacted between January to December 2005 of US$3,678.89 per tonne, representing an increase of US$813 or 28.4% over the corresponding period last year; while the average cash settlement price of copper transacted between July to December 2005 represented an increase of 36% compared to the corresponding period in 2004. The Shanghai Futures Exchange (上海期貨交易所) recorded the average spot month copper price (including VAT) of RMB36,143 per tonne, representing an increase of RMB7,500.17 or 26.2% over the corresponding period last year. The copper rod business of the Group is processing-oriented, and the costs increase arising from the high copper prices are borned by customers and affected by the sustained high copper prices. Besides, under the demand-over-supply situation, the Group will have stronger bargaining power to obtain higher gross profits.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Copper rod business (Continued)

Benefiting from the strong demand for copper products and the continuing economic growth in the PRC, the turnover of copper rods and related products has increased approximately 40.5% to HK$677,761,000 (2004: HK$482,231,000) compared to the corresponding period last year. Operating profits before tax has risen 17.6% to HK$23,889,000 (2004: HK$20,314,000). Currently, the high value-added, downstream products has accounted for 40% of the total turnover of the Group. The Group is now gradually expanding the proportion of its high value-added downstream products in terms of sales, such as stranded copper wires, enameled copper wires and tin-coating copper wires. The existing production facilities located in Dongguan city, Guangdong Province, China is able to support an extra of 50% or more growth in business volume.

In addition, leveraging on the favourable condition of the surging in domestic and overseas copper prices, together with its effort to keep abreast of the development of both the domestic and overseas copper market, the Group has concluded/increased investment in the following subsidiaries in 2005:

1. *Kunshan Hua Yi Copper Products Co. Ltd. ("Kunshan Hua Yi")*
   In view of the increasing demands on copper raw materials and related products, as well as the growing importance of the Yangtze River Delta region, the construction in Kunshan Hua Yi at Jiangsu Province, China, with a site area of 38,000 sq.m. has been substantially completed and the operation is expected to commence in early April 2006. With an annual output of 10,000 tonnes of copper wires of various specifications, the factory, will be principally engaged in the production of high value-added downstream copper wire products such as annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires. Based on current copper prices, its annual production value will be over RMB500,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Copper rod business (Continued)

2. *東莞華聯銅業有限公司(「東莞華聯」)*
   靖江長凌銅業有限公司(「靖江長凌」)

   The use of recycled copper (callback of scrap copper) as raw materials has long been encouraged and supported by the state government and various government authorities. The use of recycling technology may perserve mineral resources and alleviate environmental pollution, thus, the industry is regarded as "smokeless metallurgical industry". The project has been approved to import and use waste motors and electrical wires and cables by the State Office of Electricity (國家電辦) legitimately so as to meet production requirement.

   靖江長凌 with an area of 10,740 sq.m., the trial operation of the factory in 靖江長凌 is expected to commence in early April 2006. 靖江長凌 is able to produce 48,000 tonnes of copper rods per annum upon full operation. 東莞華聯 with a site area of 4,320 sq.m. is expected to commence operations in April this year. Leveraging on its annual production capacity of approximately 30,000 tonnes of copper rod products, the factory will mainly produce copper rods with specifications of 2.6mm, 3mm and 8mm, which are the key materials for industries such as telecommunication cable industry and electrical cable industry. Given the further development of infrastructure for the implementation of west exploitation strategy, there is huge room for development in the market. In addition, the production of 8mm copper rods will increase the supply of its own copper raw materials of the Group in a stable and moderate manner. Besides, this project also involved integrated utilization of resources and environment protection, and is currently an advanced technology in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Copper rod business (Continued)

3. *Fujian Jinyi Copper Products Co. Ltd. ("Fujian Jinyi")*

   On 8 September 2005, the Group has agreed with the subsidiary and the ultimate controlling company of Zijin Mining Group Co., Ltd. to establish Fujian Jinyi Copper Products Co. Ltd. at the Shang Hang County, the Fujian Province, China. With a registered capital of RMB40,500,000, the Group accounted for 45% of the equity capital of Fujian Jinyi. Fujian Jinyi, with a site area of 12,000 sq.m., will be principally engaged in the production and trading of copper pipes at the Shang Hang County, the Fujian Province. It is expected to commence operation in January 2007. Benefitted from the rich resources from the copper mine in the Shang Hang County, the Fujian Province, Fujian Jinyi enjoys lower production cost, creating the price competitiveness among the peers.

Life-like plants and multimedia businesses

These businesses recorded a total turnover of HK$70,770,000, of which HK$69,722,000 was arising from the lifelike plants business and HK$1,048,000 arising from the multimedia business. The Group has implemented vigorous cost control measures and efficient production modes, resulting in the significantly narrowed loss.

PROSPECTS

Looking forward to the second half year, with the rapid economic development of the PRC and the positive global economic sentiment, the growth in copper consumption is expected to remain, while the copper prices, according to the industry forecast, will remain high within a period of time as the bottleneck of copper smelting capacity still exists. In order to capture this opportunity, the Group will continue to enhance the efficiency of on-site production and safety control by fully utilizing the existing technical equipment so as to maintain production capacity as at the first half year or slightly over its designed capacity with the fewer operating days of the Group due to annual factory repair and maintenance.

With the Group's extensive experience and renowned reputation, established favourable relationships with customers as well as its quality products, measures to improve its existing products, research and development of new products and cost control measures and emphasis on core business, the Group is confident that it is ready to meet the challenges and achieve remarkable results in the coming years.

INTERIM DIVIDEND

The Directors has declared an interim dividend of HK 1 cent per ordinary share (30 June 2005: nil) in respect of the financial year ending 30 June 2006. The interim dividend will be paid on or about 16 June 2006 to those shareholders as registered at the close of business on 9 June 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 June 2006 to Tuesday, 13 June 2006, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 8 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 9 June 2006.

EMPLOYEES

As at 31 December 2005, the Group had approximately 600 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.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 31 December 2005, the Group has implemented prudent financial management policy. As at 31 December 2005, the Group had cash and bank balances (including pledged bank deposits) amounted to approximately HK$177 million (30 June 2005: HK$93 million) and net current assets value being over approximately HK$158 million (30 June 2005: HK$128 million restated). The Group's gearing ratio as at 31 December 2005 was 0.80 (30 June 2005: 0.90 restated), being a ratio of total bank borrowings of approximately HK$345 million (30 June 2005: HK$289 million) to shareholders' funds of approximately HK$433 million (30 June 2005: HK$320 million restated). Net asset value per share was HK$0.65 (30 June 2005: HK$0.58).

As at 31 December 2005, the Group had pledged certain property, plant and machinery, land use rights and fixed deposits with an aggregate net book value of approximately HK$74 million (30 June 2005: HK$78 million restated) to secure general banking facilities granted to the Group.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

As at 31 December 2005, the Company had issued guarantees to the extent of approximately HK$324 million (30 June 2005: HK$311 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$157 million (30 June 2005: HK$196 million) was utilised.

For the six months ended 31 December 2005, the Group entered into future contracts, foreign exchange forward contracts and interest rates swap contracts to manage the copper price risks, interest rate risks and foreign exchange risks. The fair value losses of the derivative financial instruments as at 31 December 2005 as provided by banks were approximately HK$517,000 (1 July 2005: HK$2,991,000).

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 authorised 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.

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$92.58 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.

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. The JV is named "Fujian Jinyi Copper Products Company Limited". Pursuant to the agreement, the registered capital of the JV is RMB40.5 million, of which RMB18.2 million, representing a 45% equity interest in the JV, has to be contributed by the Group. In November 2005, the Group contributed RMB5.4 million in cash. The details of the formation of the JV were set out in the circular dated and despatched to the shareholders of the Company on 17 November 2005.

CAPITAL REORGANISATION INVOLVING THE CANCELLATION OF SHARE PREMIUM AND INCREASE IN AUTHORISED SHARE CAPITAL ("CAPITAL REORGANISATION")

Pursuant to a special resolution passed at the special general meeting of the Company held on 30 November 2005 (the "SGM"), the cancellation of the share premium as at 30 September 2005 was approved. The credit amount of HK$260,881,000 arising from the cancellation of share premium has been eliminated the unaudited accumulated losses as at 30 September 2005 of HK$88,157,000 and the remaining balance of the credit amount of HK$172,724,000 has been credited to the contributed surplus account of the Company.

Pursuant to an ordinary resolution passed at the SGM, the authorised ordinary share capital of the Company was increased from HK$200,000,000 of HK$0.20 each ("Shares") to HK$300,000,000 by creation of an additional 500,000,000 Shares.

The details of the Capital Reorganisation were set out in the circular dated and despatched to the shareholders of the Company on 7 November 2005.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2005, the directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept by the Company under 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 (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long position in the shares of the Company

Name of director	Number of issued ordinary shares beneficially held	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	2,894,000	0.43%
Mr. Lau Man Tak	970,000	0.15%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES (Continued)

Other than as disclosed above, none of the directors, chief executive or their associates had any right to subscribe for securities of the Company, or had exercised any such right during the period, and at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the substantial shareholders (within the meaning of the Listing Rules) of the Company and certain persons other than a director or a chief executive of the Company who are required to disclose their interests pursuant to Part XV of the SFO had the following interests or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:–

	Number of ordinary shares held	
Name	**Corporate interest**	**Percentage of holding**
Solartech International Holdings Limited ("Solartech")	397,121,875 *(Note)*	59.59%
Skywalk Assets Management Limited ("Skywalk")	397,121,875 *(Note)*	59.59%

Note: Given Skywalk is a wholly owned subsidiary of Solartech, Solartech was deemed to be interested in the shares of the Company by virtue of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in which the Company or any of its subsidiaries was a party to and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the six months ended 31 December 2005.

DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

As at 31 December 2005, the circumstances giving rise to the disclosure obligations under rule 13.13 of the Listing Rules continued to exist and in accordance with rule 13.20 of the Listing Rules, details are, as follows:

The Company's aggregate trade receivables balance due from Chau's Electrical Company Limited, a wholly owned subsidiary of Solartech, and Dongguan Qiaozi Chau's Electrical Company Limited, a 75% owned subsidiary of Solartech, was approximately HK$90,343,000, representing 34.1% of the market capitalization of the Company and approximately 10.2% of the unaudited total assets of the Company as at 31 December 2005.

SHARE OPTIONS

On 4 December 2003, the Company adopted a New Share Option Scheme (the "New Share Option Scheme") which replaced the Company's old share option scheme adopted in 1996 (the "Old Share Option Scheme").

SHARE OPTIONS (Continued)

The following table sets out the changes in the Company's outstanding share options under the New Share Option Scheme during the six months ended 31 December 2005:

Capacity	Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.7.2005	Number of share options Granted during the period	Cancelled during the period	Outstanding at 31.12.2005	Number of share options exercisable for the period 1.1.2006 to 31.12.2006	1.1.2007 to 31.12.2007	1.1.2008 to 31.12.2008
Employees	1 April 2005	1 April 2005 to 31 March 2008	0.87	1,600,000	–	(1,600,000)	–	–	–	–
Employees	1 April 2005	1 April 2005 to 31 March 2007	0.87	1,500,000	–	(1,500,000)	–	–	–	–
Others	1 April 2005	1 April 2005 to 31 March 2008	0.87	9,856,000	–	(9,856,000)	–	–	–	–
Employees	9 December 2005	1 January 2006 to 31 December 2008	0.275	–	3,000,000	–	3,000,000	1,000,000	1,000,000	1,000,000
Others	9 December 2005	1 January 2006 to 31 December 2008	0.275	–	12,000,000	–	12,000,000	4,000,000	4,000,000	4,000,000
Total				12,956,000	15,000,000	(12,956,000)	15,000,000	5,000,000	5,000,000	5,000,000

The following table sets out the changes in the Company's outstanding share options under the Old Share Option Scheme during the six months ended 31 December 2005:

Capacity	Date of grant	Exercisable period	Adjusted exercise price HK$	Number of share options Balance at 1.7.2005	Lapsed during the period	Balance at 31.12.2005
Employees	7 March 1997	7 March 1997 to 6 March 2007	14.1120	200,000	(200,000)	–
Total				200,000	(200,000)	–

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 six months ended 31 December 2005.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2005, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Listing Rules, save and except that there has not been separation between the roles of the chairman and chief executive officer.

Mr. Chau Lai Him acts as the Chairman and Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive industry experience. Mr. Chau is responsible for effective running of the board and for formulating business strategies. The Directors believe that it is the best interest of the Group to have Mr. Chau remained to be the executive chairman and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and the chief executive officer, are necessary.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the six months ended 31 December 2005.

AUDIT COMMITTEE

The Company has revised the term of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee comprises the three independent non-executive directors of the Company. The unaudited interim results for the six months ended 31 December 2005 have been reviewed by the Audit Committee and external auditors.

On behalf of the Board
Chau Lai Him
Chairman and Managing Director

Hong Kong SAR, 24 March 2006