

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the period from 1 April 2004 to 30 June 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 13, 14 and 15 to the financial statements, respectively.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution passed on 14 August 2004, the Directors resolved to change the Company's financial year end date from 31 March to 30 June. The financial statements presented therefore cover the 15 month period from 1 April 2004 to 30 June 2005.

RESULTS

The results of the Group for the period from 1 April 2004 to 30 June 2005 are set out in the consolidated income statement on page 21.

The directors do not recommend the payment of a dividend.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 76.

PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$28,324,000 on the acquisition of property, plant and equipment to expand the Group's production facilities.

The leasehold land and buildings of the Group were revalued on 30 June 2005. The revaluation resulted in a net surplus over book values of HK\$15,068,000 which has been credited directly to the asset revaluation reserve.

Details of these and other movements during the period in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of changes during the period in the share capital of the Company are set out in note 26 to the financial statements.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the period and up to the date of this report were:

Executive directors:

Mr. Chau Lai Him (*Chairman and Managing Director*)

Mr. Zhou Jin Hua

Mr. Lau Man Tak

Mr. Liu Jiu Rong

Independent non-executive directors:

Mr. Chung Kam Kwong

Mr. Lo Kao Cheng

Mr. Lo Wai Ming

Except for the Chairman, all Directors are subject to retirement by rotation.

In accordance with Clause 87(1) and Clause 86(2) of the Company's Bye-Laws, Messrs. Lau Man Tak and Lo Wai Ming shall retire and, being eligible, offer themselves for re-election. The remaining directors continue in office.

Independent non-executive directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2005, the interests of the Directors and their associates in the shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long 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	81,992,000	20.90% (Note)

Note: These shares are held by Chau's Family 1996 Limited which is wholly owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau Lai Him is a discretionary object.

DIRECTORS' INTERESTS IN SECURITIES (continued)

Other than as disclosed above, as at 30 June 2005, none of the directors, nor their associates had any interests or short position in the securities of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company

On 16 September 2002, 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"). Particulars of these share option schemes are set out in note 36 to the financial statements.

The following table discloses movements in the Company's New Share Option Scheme during the period:

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Number of share options		
				Outstanding at 1.4.2004	Granted during the period	Outstanding at 30.6.2005
Others	26 May 2005	26 May 2005 to 25 May 2008	0.32	–	18,950,000	18,950,000

No shares options under the Old Share Option Scheme were outstanding since 1 April 2004.

At the balance sheet date, the Company had 18,950,000 share options outstanding under the New Share Option Scheme, which represented approximately 4.8% of the Company's shares in issue as at that date. The exercise in full in the remaining share options would, under the present capital structure of the Company, result in the issue of 18,950,000 additional ordinary shares of the Company and additional share capital of HK\$189,500 and share premium of HK\$5,874,500 (before issue expenses).

The Directors do not consider it appropriate to disclose the value of the options granted under the New Share Option Scheme during the period as any such valuation would be subject to a number of uncertain assumptions. The Directors believe that the evaluation of share options based on speculative assumption would not be meaningful to shareholders.

The closing price of the Company's shares immediately before the date of grant was HK\$0.32.

Directors' Report

SHARE OPTIONS (continued)

Subsidiary

On 4 December 2003, Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a subsidiary of the Company, adopted a new share option scheme (the "Hua Yi New Share Option Scheme") which replaced its old share option scheme adopted in 1996 (the "Hua Yi Old Share Option Scheme").

The following table discloses movements in the Hua Yi New Share Option Scheme during the period:

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Number of share options		Number of share options exercisable for the period			
				Outstanding at 1.4.2004	Granted during the period	Outstanding at 30.6.2005	1.4.2005 to 31.3.2006	1.4.2006 to 31.3.2007	1.4.2007 to 31.3.2008
Employees	1 April 2005	1 April 2005 to 31 March 2008	0.87	–	1,600,000	1,600,000	1,200,000	1,400,000	1,600,000
Employees	1 April 2005	1 April 2005 to 31 March 2007	0.87	–	1,500,000	1,500,000	750,000	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	9,856,000	9,856,000	9,856,000
Total				–	12,956,000	12,956,000	11,806,000	12,756,000	12,956,000

On 29 September 2005, the Directors of Hua Yi Copper resolved to cancel all the outstanding share options under the Hua Yi New Share Option Scheme.

The following table discloses movements in the Hua Yi Old Share Option Scheme during the period:

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
				Balance at 1.4.2004	Lapsed during the period	Adjustment during the period (Note)	Balance at 30.6.2005
Employees	7 March 1997	7 March 1997 to 6 March 2007	0.7056 14.1120	9,500,000 –	(5,500,000) –	(4,000,000) 200,000	– 200,000
Total				9,500,000	(5,500,000)	(3,800,000)	200,000

SHARE OPTIONS (continued)

Subsidiary (continued)

Note:

Following the share consolidation of Hua Yi Copper which took effect on 30 December 2004, the number of and the exercise price of the outstanding share options were adjusted and the adjusted number of the outstanding share options and the exercise price payable upon the exercise of the subscription rights attaching to the outstanding share options under the Hua Yi Old Share Option Scheme are as follows:

Number of outstanding share options		Exercise price	
Before adjustment	After adjustment	Before adjustment	After adjustment
		HK\$	HK\$
4,000,000	200,000	0.7056	14.112

The Directors of Hua Yi Copper do not consider it appropriate to disclose the value of the options granted under the Hua Yi New Share Option Scheme during the period as any such valuation would be subject to a number of uncertain assumptions. The Directors of Hua Yi Copper believe that the evaluation of share options based on speculative assumptions would not be meaningful to the shareholders.

The closing price of Hua Yi Copper's shares immediately before the date of grant was HK\$0.87.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having an interest of 5% or more in the issued share capital of the Company as at 30 June 2005.

MAJOR CUSTOMERS AND SUPPLIERS

For the period from 1 April 2004 to 30 June 2005, the five largest customers of the Group together accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 55% of the Group's total purchases during the period, with the largest supplier accounted for approximately 22%.

At no time during the period did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

Directors' Report

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 period.

EMOLUMENT POLICY

Emolument policy on the remuneration of the directors and the employees of the Group is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the period with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all of the Directors, the Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

AUDIT COMMITTEE

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Group's internal controls procedures and the financial reporting disclosures.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the period from 1 April 2004 to 30 June 2005.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 39 of the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chau Lai Him

Chairman

29 September 2005

As at the date of this report, the executive directors of the Company are Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Lau Man Tak and Mr. Liu Jin Rong, and the independent non-executive directors of the Company are Mr. Lo Kao Cheng, Mr. Lo Wai Ming and Mr. Chung Kam Kwong.