



# **Solartech International Holdings Limited**

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

**2012-2013**  
***Interim Report***

## CORPORATE INFORMATION

### Directors

#### Executive Directors

CHAU Lai Him  
*(Chairman and Managing Director)*  
ZHOU Jin Hua *(Deputy Chairman)*  
LIU Dong Yang  
BUYAN-OTGON Narmandakh

#### Independent Non-Executive Directors

CHUNG Kam Kwong  
LO Wai Ming  
LO Chao Ming

#### Company Secretary

CHAN Kam Yee

#### 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

#### Stock Code

1166

#### Website

[www.1166hk.com](http://www.1166hk.com)

#### Auditor

BDO Limited  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

#### Legal Advisor

Herbert Smith Freehills  
23/F, Gloucester Tower  
15 Queen Road Central  
Hong Kong

#### Bermuda Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda)  
Limited  
26 Burnaby Street  
Hamilton HM 11  
Bermuda

#### Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited  
26/F Tesbury Centre  
28 Queen Road East  
Wanchai  
Hong Kong

#### Principal Banks

Bank of China Limited  
China CITIC Bank Corporation Limited  
DBS Bank (Hong Kong) Limited

The Board of Directors (the “**Directors**”) of Solartech International 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

		For the six months ended	
		31 December 2012	31 December 2011
	<i>Notes</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Turnover	3	308,613	313,014
Cost of sales		<u>(293,643)</u>	<u>(303,013)</u>
Gross profit		14,970	10,001
Interest income		4,314	146
Other income		7,348	15,876
General and administrative expenses		(45,397)	(56,991)
Selling and distribution expenses		(4,311)	(3,953)
Change in fair value of derivative financial instruments	14	848	(23,598)
Change in fair value of financial assets at fair value through profit or loss	15	13,611	(1,080)
Change in fair value of investment properties (Impairment loss)/reversal of impairment loss recognised for doubtful debts, net	9	3,586	—
Finance costs		(7,388)	(8,215)
Share of results of jointly-controlled entities		(196)	—
Share of results of an associate		—	(471)
Loss on disposal of an associate		—	(1,509)
Loss before taxation	4	<u>(12,848)</u>	<u>(69,366)</u>
Taxation	5	<u>(290)</u>	<u>(273)</u>
<b>Loss for the period attributable to owners of the Company</b>		<u><b>(13,138)</b></u>	<u><b>(69,639)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	For the six months ended	
	31 December 2012	31 December 2011
Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	(1,919)	609
Reclassification adjustment of exchange reserve on disposal of an associate	–	(2,816)
	<u>(1,919)</u>	<u>(2,207)</u>
Other comprehensive income for the period		
	<u>(1,919)</u>	<u>(2,207)</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<u>(15,057)</u>	<u>(71,846)</u>
Loss per share		(Restated)
– Basic and diluted (HK cents)	7 <u>(9.34)</u>	<u>(80.38)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2012 HK\$'000 <i>(Unaudited)</i>	30 June 2012 HK\$'000 <i>(Audited)</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	181,320	186,112
Prepayments for acquisition of property, plant and equipment		8,575	8,426
Investment properties	9	123,150	119,564
Prepaid lease payments for land		92,937	92,597
Mining right	10	1,164,029	1,164,218
Exploration and evaluation assets	11	24,470	25,355
Interests in jointly-controlled entities		99,794	99,990
Total non-current assets		<u>1,694,275</u>	<u>1,696,262</u>
<b>Current assets</b>			
Inventories		81,985	78,511
Debtors, other loans and receivables, deposits and prepayments	12	223,894	176,248
Bills receivable	13	3,555	425
Financial assets at fair value through profit or loss	15	40,212	26,601
Prepaid lease payments for land		2,744	2,694
Derivative financial assets	14	403	117
Pledged deposits and bank balances		52,153	47,931
Bank balances and cash		108,116	191,727
Total current assets		<u>513,062</u>	<u>524,254</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		31 December 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	30 June 2012 <i>HK\$'000</i> <i>(Audited)</i>
	<i>Notes</i>		
<b>Current liabilities</b>			
Creditors, other advances and accrued charges	16	36,190	40,491
Bills payable	17	120,091	109,935
Taxation		97	308
Obligations under finance leases		222	460
Borrowings	18	129,049	138,636
Derivative financial liabilities	14	—	446
Total current liabilities		<u>285,649</u>	<u>290,276</u>
<b>Net current assets</b>		<u>227,413</u>	<u>233,978</u>
<b>Total assets less current liabilities</b>		<u>1,921,688</u>	<u>1,930,240</u>
<b>Non-current liabilities</b>			
Obligations under finance leases		240	332
Deferred tax liabilities		35,468	35,119
Total non-current liabilities		<u>35,708</u>	<u>35,451</u>
<b>Total net assets</b>		<u>1,885,980</u>	<u>1,894,789</u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	19	1,562	27,719
Reserves		1,883,918	1,866,570
Equity attributable to owners of the Company		1,885,480	1,894,289
Non-controlling interest		500	500
<b>Total equity</b>		<u>1,885,980</u>	<u>1,894,789</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 July 2011 (Audited)	12,613	1,014,901	612,360	3,574	4,866	183,046	1,831,360	500	1,831,860
Placements of new shares	5,045	93,282	–	–	–	–	98,327	–	98,327
Transactions with owners	5,045	93,282	–	–	–	–	98,327	–	98,327
Loss for the period	–	–	–	–	–	(69,639)	(69,639)	–	(69,639)
Exchange difference on translating foreign operations	–	–	–	609	–	–	609	–	609
Reclassification adjustment of exchange reserve on disposal of an associate	–	–	–	(2,816)	–	–	(2,816)	–	(2,816)
Total comprehensive income for the period	–	–	–	(2,207)	–	(69,639)	(71,846)	–	(71,846)
At 31 December 2011 (Unaudited)	17,658	1,108,183	612,360	1,367	4,866	113,407	1,857,841	500	1,858,341

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 July 2012 (Audited)	27,719	1,171,588	612,360	842	4,866	76,914	1,894,289	500	1,894,789
Capital reorganisation (Note 19(i))	(26,333)	-	-	-	-	26,333	-	-	-
Placements of new shares	176	6,072	-	-	-	-	6,248	-	6,248
Transactions with owners	176	6,072	-	-	-	-	6,248	-	6,248
Loss for the period	-	-	-	-	-	(13,138)	(13,138)	-	(13,138)
Exchange difference on translating foreign operations	-	-	-	(1,919)	-	-	(1,919)	-	(1,919)
Total comprehensive income for the period	-	-	-	(1,919)	-	(13,138)	(15,057)	-	(15,057)
At 31 December 2012 (Unaudited)	1,562	1,177,660	612,360	(1,077)	4,866	90,109	1,885,480	500	1,885,980

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	For the six months ended	
	31 December 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2011 <i>HK\$'000</i> <i>(Unaudited)</i>
Net cash used in operating activities	(65,453)	(102,560)
Net cash used in investing activities	(4,630)	(78,898)
Net cash (used in)/generated from financing activities	<u>(13,188)</u>	<u>190,493</u>
Net (decrease)/increase in cash and cash equivalents	(83,271)	9,035
Cash and cash equivalents at beginning of the period	191,727	181,369
Effect of foreign exchange rate changes	<u>(340)</u>	<u>—</u>
Cash and cash equivalents at end of the period	<u>108,116</u>	<u>190,404</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u>108,116</u>	<u>190,404</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

### 1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements 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 included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2012. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used 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 11	Joint Arrangements (i)
HKFRS 12	Disclosure of Interests in Other Entities (i)
HKFRS 13	Fair Value Measurement (i)
HKAS 27 (2011)	Separate Financial Statements (i)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (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

#### *(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 two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's segments are as follows:

- (i) manufacture and trading of cables and wires; and
- (ii) manufacture and trading of copper rods

On 4 May 2010, the Group completed its acquisition of mining operation located in the State of Mongolia and became engaged in the mining business, details of which are set out in the Company's announcements dated 30 November 2009 and 4 May 2010, and circular dated 9 April 2010. However, no active operation took place between the date of acquisition and 31 December 2012 and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 31 December 2011 and 2012 and for the periods then ended for the purpose of segment reporting.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which are measure of adjusted profit/(loss) before taxation. The adjusted profit/(loss) before taxation is measured consistently with the Group's profit/(loss) before taxation except that head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude taxation, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

**3. TURNOVER AND SEGMENTAL INFORMATION** *(Continued)*

*(a) Reportable segments (Continued)*

For the six months ended 31 December 2012 (Unaudited)

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	100,157	208,456	—	308,613	—	308,613
Inter-segment revenue	—	35,723	—	35,723	(35,723)	—
Reportable segment revenue	100,157	244,179	—	344,336	(35,723)	308,613
Reportable segment (loss)/profit	(10,587)	2,511	(120)	(8,196)	—	(8,196)
Finance costs	(1,736)	(5,652)	—	(7,388)	—	(7,388)
Change in fair value of derivative financial instruments	249	234	365	848	—	848
Change in fair value of financial assets at fair value through profit or loss	—	—	13,611	13,611	—	13,611
Impairment loss recognised for doubtful debts, net	(233)	—	—	(233)	—	(233)
Share of results of jointly-controlled entities	—	—	(196)	(196)	—	(196)
Depreciation of property, plant and equipment	(5,630)	(2,847)	(577)	(9,054)	—	(9,054)
Unallocated	—	—	—	—	—	(4,225)
						(13,279)
Taxation	—	(229)	(61)	(290)	—	(290)

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

(a) Reportable segments (Continued)

For the six months ended 31 December 2011 (Unaudited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Others HK\$'000	Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customers	106,234	206,780	—	313,014	—	313,014
Inter-segment revenue	—	39,457	—	39,457	(39,457)	—
Reportable segment revenue	106,234	246,237	—	352,471	(39,457)	313,014
Reportable segment loss	(21,634)	(7,659)	(35,490)	(64,783)	—	(64,783)
Finance costs	(1,513)	(6,702)	—	(8,215)	—	(8,215)
Change in fair value of derivative financial instruments	(9,889)	(5,454)	(8,255)	(23,598)	—	(23,598)
Change in fair value of financial assets at fair value through profit or loss	—	—	(1,080)	(1,080)	—	(1,080)
Reversal of impairment loss recognised for doubtful debts, net	428	—	—	428	—	428
Share of results of an associate	—	—	(471)	(471)	—	(471)
Loss on disposal of an associate	—	—	(1,509)	(1,509)	—	(1,509)
Depreciation of property, plant and equipment	(6,784)	(3,842)	(539)	(11,165)	—	(11,165)
Unallocated	—	—	—	—	—	(4,185)
						(15,350)
Taxation	(87)	(186)	—	(273)	—	(273)

**3. TURNOVER AND SEGMENTAL INFORMATION** *(Continued)*

*(a) Reportable segments (Continued)*

As at 31 December 2012 (Unaudited)

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	218,863	342,086	1,568,323	2,129,272
Additions to non-current assets	3,773	20	1,810	5,603
Reportable segment liabilities	72,677	208,831	4,284	285,792

As at 30 June 2012 (audited)

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	218,305	365,577	1,555,396	2,139,278
Additions to non-current assets	11,346	542	90,205	102,093
Reportable segment liabilities	74,546	211,890	3,864	290,300

*(b) Reconciliation of reportable segment profit or loss*

	For the six months ended 31 December	
	2012 <i>HK\$'000</i> <i>(Unaudited)</i>	2011 <i>HK\$'000</i> <i>(Unaudited)</i>
<b>Loss before taxation</b>		
Reportable segment loss	(8,196)	(64,783)
Unallocated corporate income	—	24
Unallocated corporate expenses	(4,652)	(4,607)
Consolidated loss before taxation	<u>(12,848)</u>	<u>(69,366)</u>

3. TURNOVER AND SEGMENTAL INFORMATION *(Continued)**(c) Geographical information*

The Group's operations are located in Hong Kong, the Mainland China, Americas, Europe and other Asian regions.

The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods:

	For the six months ended 31 December	
	2012 HK\$'000 <i>(Unaudited)</i>	2011 HK\$'000 <i>(Unaudited)</i>
Mainland China	249,673	254,743
Americas	19,202	21,730
Europe	14,158	11,619
Hong Kong	9,816	8,917
Other Asian regions	15,764	16,005
	<u>308,613</u>	<u>313,014</u>

## 4. LOSS BEFORE TAXATION

This has been arrived at after charging:

	For the six months ended 31 December	
	2012 HK\$'000 <i>(Unaudited)</i>	2011 HK\$'000 <i>(Unaudited)</i>
Depreciation of property, plant and equipment	13,279	15,350
Write-down of inventories, net	182	1,744
Charge of prepaid lease payments for land	1,358	945
	<u>15,819</u>	<u>18,039</u>

**5. TAXATION**

	For the six months ended 31 December	
	2012 <i>HK\$'000</i> <i>(Unaudited)</i>	2011 <i>HK\$'000</i> <i>(Unaudited)</i>
Taxation in other jurisdictions	<u>290</u>	<u>273</u>

No Hong Kong profits tax has been provided during the current and prior periods as the Group did not derive any assessable profit attributable to its operations in Hong Kong. Taxation in other countries and jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

**6. DIVIDEND**

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

**7. LOSS PER SHARE**

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period as adjusted to reflect the capital reorganisation during the current period (Note 19 (i)).

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

<i>Loss</i>	For the six months ended 31 December	
	2012 <i>HK\$'000</i> <i>(Unaudited)</i>	2011 <i>HK\$'000</i> <i>(Unaudited)</i>
Loss for the purpose of basic loss per share	<u>(13,138)</u>	<u>(69,639)</u>

*Number of shares*

	For the six months ended 31 December	
	2012 <i>HK\$'000</i> <i>(Unaudited)</i>	2011 <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Restated)</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>140,621,061</u>	<u>86,635,520</u>

Since there is no potential dilutive share during the current and prior periods, the basic and diluted losses per share in the current and prior periods are equal.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2012, the Group purchased property, plant and equipment of HK\$5,603,000 (six months ended 31 December 2011: HK\$8,959,000). In addition, the Group disposed of property, plant and equipment with a carrying value of HK\$Nil (six months ended 31 December 2011: HK\$150,000).

## 9. INVESTMENT PROPERTIES

	31 December 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	30 June 2012 <i>HK\$'000</i> <i>(Audited)</i>
<b>Fair value:</b>		
At the beginning of period/year	119,564	—
Additions on acquisition of subsidiaries	—	64,850
Fair value gains, net	<u>3,586</u>	<u>54,714</u>
At end of period/year	<u><u>123,150</u></u>	<u><u>119,564</u></u>

Investment properties were valued at 31 December 2012 by Peak Vision Appraisals Limited, an independent firm of professionally qualified valuers, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies. This valuation gave rise to net fair value gains of HK\$3,586,000 during the period (six months ended 31 December 2011: HK\$Nil).

The property rental income earned by the Group from its investment properties amounted to HK\$2,481,000 (six months ended 31 December 2011: HK\$Nil). Direct operating expenses arising on the investment properties during the period amounted to HK\$33,000 (six months ended 31 December 2011: HK\$Nil).

The Group's investment properties were located in the People Republic of China held under medium to long term leases.

**10. MINING RIGHT**

	<i>HK\$'000</i>
<b>COST:</b>	
At 1 July 2012 (Audited)	1,170,425
Exchange realignments	<u>(193)</u>
At 31 December 2012 (Unaudited)	<u>1,170,232</u>
<b>ACCUMULATED AMORTISATION:</b>	
At 1 July 2012 (Audited)	6,207
Exchange realignments	<u>(4)</u>
At 31 December 2012 (Unaudited)	<u>6,203</u>
<b>NET CARRYING AMOUNT:</b>	
At 31 December 2012 (Unaudited)	<u>1,164,029</u>
At 30 June 2012 (Audited)	<u><u>1,164,218</u></u>

The mining right represents the right to conduct mining activities in the location of Nergui, Delgerkhangaï soum, Dundgobi aimag, the State of Mongolia, for a period of 30 years, expiring on 23 November 2039. The mining operating license is issued by the Mineral Resources Authority of the State of Mongolia. It is extendable by 2 successive 20 years each.

**11. EXPLORATION AND EVALUATION ASSETS**

	31 December 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	30 June 2012 <i>HK\$'000</i> <i>(Audited)</i>
<b>Exploration permits</b>		
<b>Cost:</b>		
At the beginning of period/year	25,355	—
Additions	—	25,355
Exchange realignments	<u>(885)</u>	—
At end of period/year	<u><u>24,470</u></u>	<u><u>25,355</u></u>

As at 31 December 2012, the amount represented exploration permits in the locations of Uguujit of Orkhontuul soum in Selenge province and Undur of Bugat soum in Gobi-Altai province, the State of Mongolia. These exploration permits were granted for an initial periods of 3 years. As at 31 December 2012, the residual valid period of the permits was within 4 months. In the opinion of the directors, in the event that the exploration and evaluation works have not been completed before the respective expiry dates of the exploration permits, the Group is confident that it can renew all exploration permits before the respective expiry dates.

## 12. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS

At 31 December 2012, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK\$71,971,000 (30 June 2012: HK\$67,658,000).

- (i) The Group allows an average credit period of 90 days to its trade customers.
- (ii) The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

	31 December 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	30 June 2012 <i>HK\$'000</i> <i>(Audited)</i>
Within 30 days	64,912	63,457
31 - 60 days	5,188	1,271
61 - 90 days	1,087	452
Over 90 days	784	2,478
	<u>71,971</u>	<u>67,658</u>

At 31 December 2012, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK\$3,316,000 (30 June 2012: HK\$2,949,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at the end of reporting period.

## 13. BILLS RECEIVABLE

As at 31 December 2012 and 30 June 2012, all bills receivable aged within 90 days.

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into copper future contracts to manage the copper price risk of raw materials.

The fair value of the derivative financial assets at 31 December 2012 as provided by the banks or financial institutions was HK\$403,000 (30 June 2012: derivative financial assets and liabilities of HK\$117,000 and HK\$446,000 respectively). The fair values of copper future contracts are determined based on the quoted market prices and the fair values of foreign exchange forward contracts were provided by banks or financial institutions at the end of reporting periods. The gain on change in fair value of derivative financial instruments of HK\$848,000 (six months ended 31 December 2011: loss of HK\$23,598,000) has been recognised in the profit or loss during the period. All of these derivative financial instruments are not designated as hedging instruments.

**15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	31 December 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	30 June 2012 <i>HK\$'000</i> <i>(Audited)</i>
Equity securities held for trading and listed in Hong Kong	<u>40,212</u>	<u>26,601</u>

The fair values of the equity securities are determined based on the quoted market prices and the gain on change in fair value of HK\$13,611,000 (six months ended 31 December 2011: loss of HK\$1,080,000) has been recognised in the profit or loss during the period.

**16. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES**

At 31 December 2012, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$15,892,000 (30 June 2012: HK\$18,429,000).

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

	31 December 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	30 June 2012 <i>HK\$'000</i> <i>(Audited)</i>
Within 30 days	12,465	14,052
31 - 60 days	2,321	3,642
61 - 90 days	623	401
Over 90 days	483	334
	<u>15,892</u>	<u>18,429</u>

**17. BILLS PAYABLE**

As at 31 December 2012 and 30 June 2012, all bills payable aged within 90 days.

**18. BORROWINGS**

During the six months ended 31 December 2012, the Group raised new borrowings of HK\$125,076,000 (six months ended 31 December 2011: HK\$161,518,000) to provide for additional working capital and made repayment of HK\$136,810,000 (six months ended 31 December 2011: HK\$60,904,000). The borrowings of the Group are secured, due within one year and carried at average effective interest rates of the bank borrowings ranging from 3.51% to 6.93% (30 June 2012: 2.98% to 6.74%) per annum.

## 19. SHARE CAPITAL

	Number of shares		Share capital	
	31 December 2012 '000 (Unaudited)	30 June 2012 '000 (Audited)	31 December 2012 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Audited)
Ordinary shares of HK\$0.01 each:				
Authorised	<u>50,000,000</u>	<u>50,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At beginning of the period/year	2,771,913	1,261,283	27,719	12,613
Capital reorganisation (Note (i))	(2,633,317)	—	(26,333)	—
Placements of new shares (Note (iii))	17,650	1,384,510	176	13,845
Exercise of share options (Note (iii))	—	126,120	—	1,261
At end of the period/year	<u>156,246</u>	<u>2,771,913</u>	<u>1,562</u>	<u>27,719</u>

*Notes:*

- (i) Pursuant to a resolution passed at the special general meeting of the Company held on 14 November 2012, a capital reorganisation was effected such that the authorised share capital of the Company remained at HK\$500,000,000 being represented by 50,000,000,000 shares. The capital reorganisation involved (i) share consolidation of every 20 issued shares of HK\$0.01 each into 1 consolidated share of HK\$0.20 each; and (ii) capital reduction for each issued consolidated share from HK\$0.20 each to HK\$0.01 each by cancellation of HK\$0.19 each on each issued consolidated share. Details are set out in the Company's circular dated 22 October 2012.

The credit arising from the capital reduction of HK\$26,333,000 was transferred from share capital to the contributed surplus account and immediately offset the same amount of accumulated losses of the Company.

- (ii) During the six months ended 31 December 2012, an aggregate number of 17,650,000 (30 June 2012: 1,384,510,000) new ordinary shares of par value of HK\$0.01 each were issued at subscription price of HK\$0.375 each to the then independent third parties of the Company at aggregate proceeds of HK\$6,248,000, net of issuing expenses, of which HK\$176,000 was credited to share capital and the remaining balance of HK\$6,072,000 was credited to the share premium account.

During the year ended 30 June 2012, an aggregate number of 1,384,510,000 new ordinary shares of par value of HK\$0.01 each were issued at subscription prices ranging from HK\$0.07 each to HK\$0.20 each to the then independent third parties of the Company at aggregate proceeds of HK\$158,360,000, net of issuing expenses, of which HK\$13,845,000 was credited to share capital and the remaining balance of HK\$144,515,000 was credited to the share premium account.

**19. SHARE CAPITAL** *(Continued)*

- (iii) During the year ended 30 June 2012, 126,120,000 new ordinary shares of par value of HK\$0.01 each were issued at option price of HK\$0.092 each on exercise of 126,120,000 share options at aggregate proceeds of HK\$11,601,000, net of issuing expenses, of which HK\$1,261,000 was credited to share capital and the remaining balance of HK\$10,340,000 was credited to the share premium account. In addition, the amount attributable to the related share options of HK\$1,832,000 was transferred from share option reserve to the share premium account.

All the new shares issued above rank pari passu in all respects with the existing shares.

**20. CAPITAL COMMITMENTS**

	31 December 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	30 June 2012 <i>HK\$'000</i> <i>(Audited)</i>
Capital expenditure contracted but not provided for in respect of acquisition of: Plant and machinery	—	1,854

**21. 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 a related company:

Related party relationship	Type of transaction	For the six months ended 31 December	
		2012 <i>HK\$'000</i> <i>(Unaudited)</i>	2011 <i>HK\$'000</i> <i>(Unaudited)</i>
Company in which a close family member of a director of the Company was a director	Rental income on leases of motor vehicles	—	835
Company in which a close family member of a director of the Company was a director	Loan interest income	—	661

The above transactions were determined with reference to the terms mutually agreed between the Group and the counterparties.

21. RELATED PARTY TRANSACTIONS *(Continued)**Compensation of key management personnel of the Group*

	For the six months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short-term benefits	3,745	3,529
Retirement benefit scheme contributions	45	7
	<u>3,790</u>	<u>3,536</u>

## 22. PLEDGE OF ASSETS

As at 31 December 2012, the Group has pledged property, plant and equipment, prepaid lease payments for land and pledged deposits and bank balances in the aggregate amount of HK\$241,201,000 (30 June 2012: HK\$240,933,000).

## 23. CONTINGENT LIABILITIES

- (i) During the year ended 30 June 2011, certain subsidiaries of the Company (collectively the "Chau's") and other unrelated parties were named as joint defendants in a lawsuit brought by a number of plaintiffs, and alleges that the Chau's was causally related to its electrical cord incorporated within certain air-conditioning units, which were involved in fires, resulting in deaths and personal injuries (the "Claim 1"). On 29 August 2011, the Chau's legal counsel filed an appearance and responsive pleading and vigorously defended the Chau's in response to the First Amended Complaint for Damages received from the plaintiffs' counsel. No amount of claim was ascertained in respect of the Claim 1 since the year ended 30 June 2011 and as of the date of this interim report.

The allegations of liability, as against the Chau's, for the Claim 1 have been denied and are contested. The Chau's has been retained by its product liability insurer who will pay any related legal costs and expenses.

Up to the date of this interim report, legal counsel of the plaintiffs of the Claim 1 expressed an interest in scheduling mediation in this matter and mediation has been scheduled to be held on 4 March 2013.

**23. CONTINGENT LIABILITIES** *(Continued)*

- (ii) Certain plaintiffs sustained damage to their home and personal property due to a fire that was allegedly caused by products of a customer of the Chau's (the "Customer"). The Chau's is not a party to the lawsuits. During the year ended 30 June 2012, the Customer has demanded defense and indemnification under the Chau's liability insurance policy (the "Claim 2"). On 23 July 2012, the Chau's legal counsel issued a reservation of rights letter on the behalf of the liability insurer of the Chau's in response to the Customer's demand letter and has been obtaining additional documentation from the Customer regarding the claim to assess its demand for defense and indemnification in respect of the Claim 2. No amount of claim was ascertained as of the date of this interim report.

Up to the date of this interim report, the lawsuits among the plaintiffs and the Customer are still in the discovery stage and it is premature to determine the probable outcome, responsibility and liability of the Chau's in the Claim 2.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

The Board announced that for the six months ended 31 December 2012 (the “**period under review**”), the total turnover of the Group was approximately HK\$308,613,000, representing a decrease of 1.4% as compared to approximately HK\$313,014,000 recorded for the corresponding period last year. During the period under review, loss attributable to the owners of the Company was approximately HK\$13,138,000, representing a decrease of 81.1%, as compared to loss attributable to the owners of the Company of approximately HK\$69,639,000 for the corresponding period last year. Loss per share for the year under review was approximately HK9.34 cents (Loss per share for 2011/12 Interim: HK80.38 cents (restated)).

The Board has resolved not to recommend the payment of any interim dividend for the year ending 30 June 2013 (2011/12 Interim: nil).

### BUSINESS REVIEW

The Group’s turnover for the period under review was approximately HK\$308,613,000, representing a decrease of 1.4% as compared to approximately HK\$313,014,000 for the corresponding period last year. By business segments, the turnover of the cables and wires business was approximately HK\$100,157,000, representing a decrease of 5.7% as compared to approximately HK\$106,234,000 for the corresponding period last year and accounted for 32.5% of the total turnover of the Group. Turnover of the copper rod business was approximately HK\$208,456,000, representing an increase of 0.8% as compared to HK\$206,780,000 for the corresponding period last year and accounted for 67.5% of the total turnover of the Group.

By geographical segments, turnover from the business in the Americas decreased by 11.6% to approximately HK\$19,202,000 from approximately HK\$21,730,000 for the corresponding period last year, accounting for 6.2% of the Group’s total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 1.6% to approximately HK\$259,489,000 from approximately HK\$263,660,000 for the corresponding period last year, accounting for 84.1% of the Group’s total turnover. Turnover from the business in other Asian markets decreased by 1.5% to approximately HK\$15,764,000 from approximately HK\$16,005,000 for the corresponding period last year, accounting for 5.1% of the Group’s total turnover. Turnover from the European business increased by 21.9% to approximately HK\$14,158,000 from approximately HK\$11,619,000 for the corresponding period last year, accounting for 4.6% of the Group’s total turnover.

### **Cables and Wires**

The major customers of the Group's cables and wires business are primarily manufacturers of white domestic appliances. During the period under review, while ongoing uncertainties in the world's economies such as America and Europe remained unsettled, the economy of Mainland China grew at a moderate and stable pace. With the Group's effort to reduce costs and increase efficiencies, it resulted in overall improved profit margins of the Group.

The Group owned certain interests in wire factories and residential units in Dongguan which are currently being leased and have generated stable rent income for the Group. The Group is actively negotiating with the local government on the feasibility of developing the land on which such factories are situated.

### **Copper Rod Business**

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and their related products, which are primarily used in the production of electric wires or cables for domestic appliances, electronic products and power supply in infrastructure facilities. During the period under review, international copper prices rose slightly, with the 3-month London Metal Exchange copper price rising from approximately US\$7,600 at the beginning of the period to approximately US\$7,900 at the end of the period. The Group was cautious towards its inventory and deployed most of the production capacity of its copper rod business in Dongguan city to provide processing services for customers. During the period under review, a slight growth in the turnover of the copper rod business was recorded.

### **Mining**

The investment environment in Mongolia was quite uncertain after its parliamentary election. The Foreign Investment Act and new acts which prohibit mineral exploration and mining operations in riverheads, reservoir preservation areas and forest regions have been implemented, and a new draft minerals act is also in the course of consultation for revision. The new minerals act is expected to establish new regulations governing the minerals industry. Considering the current economic conditions and the market environment, the Group is updating the feasibility report for the copper mine in Dundgobi Aimag, based on which our management would optimise its decision in relation to the development direction of this project in the future.

The drilling and surveying works for the copper mine in Bayan-Ulgii Aimag, Mongolia, which accounted for 10% of the equity interests for the Group, have not yet completed before last winter. These field works will continue to proceed after the weather becomes warm.

## PROSPECTS

With the slow recovery in the US economy and the unresolved sovereign debt crisis in Europe, the global economy remains at an uncertain stage. In contrast, the new Chinese leaders manifested during the opening ceremony of the 18th National People's Congress that the foremost economic task for the PRC government shall be the reform of domestic economic structures in order for it to increase reliance on domestic demand rather than on export. Therefore, the Group remains optimistic on the prospects of the Mainland China market, and will continue to base its businesses of manufacturing and trading of cables, wires and copper products in the Mainland China.

In the second half of 2012, Dongguan Xin Bao Precision Chemical Company Limited, a subsidiary of the Group, began using molecular distillation technology to produce biodiesel (fatty acid methyl ester), which is a renewable energy. The project applies waste oil and greases as raw materials for production, which complies with China's relevant requirements to vigorously develop the recycling economy and the low-carbon economy as well as building a resource-efficient and environmentally friendly society. As such, the project is one of the renewable energy projects encouraged and supported by the State and enjoys tax incentives such as consumption tax relief and preferential enterprise income tax provided by the State to the industry. As prices of petrochemical diesel are rising due to the shortage of supply in the current market, profit margins for biodiesel are becoming higher accordingly. This project is currently in the stage of trial production and is expected to commence production by the second quarter of 2013, with an annual output of up to 50,000 tons.

Looking forward, in the face of a difficult world economy, the Group has effectively devised measures for further cost control and market expansion at the end of last year, expecting improvement on profitability through enhanced operation efficiency and market share, under a challenging environment.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had approximately 900 employees in Hong Kong, the People's Republic of China ("PRC") and overseas (30 June 2012: 1,100). 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.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the six months ended 31 December 2012, the Group implemented a prudent financial management policy. As at 31 December 2012, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK\$160 million (30 June 2012: HK\$240 million) and net current assets value being approximately HK\$227 million (30 June 2012: HK\$234 million). The Group's gearing ratio as at 31 December 2012 was 0.07 (30 June 2012: 0.07), being a ratio of total bank borrowings of approximately HK\$130 million (30 June 2012: HK\$139 million) to shareholders' funds of approximately HK\$1,886 million (30 June 2012: HK\$1,895 million).

## EXCHANGE RISKS

The cash and cash equivalents of the Group are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The majority of the Group's operations are located in the PRC. The Company continues to pay regular and active attention to fluctuations in the Renminbi exchange rate and any exchange risks.

## CHARGES ON GROUP ASSETS

As at 31 December 2012, the Group had pledged certain property, plant and machinery, land use rights and fixed bank deposits with an aggregate net book value of approximately HK\$241 million (30 June 2012: HK\$241 million) to secure general banking facilities granted to the Group.

## CONTINGENT LIABILITIES

As at 31 December 2012, the Company had issued guarantees to the extent of approximately HK\$19.1 million (30 June 2012: HK\$18.5 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$19.1 million (30 June 2012: HK\$18.5 million) was utilised. The Company had issued guarantees to a financial institution amounting to approximately HK\$23.3 million (30 June 2012: HK\$23.3 million) in respect of commodity trading of copper by its subsidiaries.

## Financial instruments for hedging purposes

For the period under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 31 December 2012 and the changes in fair value were charged to the income statement. The net gain of the Derivative Financial Instruments for the period under review was approximately HK\$848,000 (2011/12 Interim: net loss of HK\$23,598,000).

## CAPITAL STRUCTURE

### Capital Reorganisation

On 8 October 2012, the Board announced that the Company proposed to implement a reorganisation of the share capital of the Company (the "**Capital Reorganisation**") which involved (a) a consolidation of every twenty issued Shares of HK\$0.01 each into one consolidated share of HK\$0.20 each (the "**Consolidated Share**"); and (b) a reduction in the nominal value of the issued Consolidated Shares from HK\$0.20 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.19 on each of the issued Consolidated Share (the "**Capital Reduction**"). The credit of approximately HK\$26,333,000 arising from the Capital Reduction would be transferred to the contributed surplus account of the Company such that the Company may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to setting off against accumulated losses of the Company.

The Board believed that the Capital Reorganisation was beneficial to the Company and the shareholders as a whole. The Board was of the opinion that the Capital Reorganisation would provide the Company with greater flexibility for equity funding raising in the future and the credit in the contributed surplus account arising as a result of the Capital Reorganisation would enable the Company to apply part of the amount standing to the credit of its contributed surplus account to eliminate the accumulated losses of the Company and this would facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

The Capital Reorganisation was approved by the shareholders of the Company at the special general meeting of the Company held on 14 November 2012 and became effective on 15 November 2012. Details of the Capital Reorganisation were set out in announcements of the Company dated 8 October 2012 and 14 November 2012 and the shareholders' circular issued by the Company on 22 October 2012.

### Placing of New Shares under General Mandate

On 29 November 2012, Kingston Securities Limited (the "Placing Agent") and the Company entered into a placing agreement, pursuant to which the Placing Agent conditionally agreed to place, on a best effort basis, a maximum of 17,650,000 shares, to independent investors at a price of HK\$0.375 per placing share (the "Placing"). The gross proceeds from the Placing amounted to approximately HK\$6.62 million. The net proceeds of approximately HK\$6.25 million were intended to be used for general working capital of the Group. The shares were allotted and issued under the general mandate granted to the Directors by the independent shareholders of the Company at the annual general meeting of the Company held on 2 December 2011. The Placing was completed on 10 December 2012. Details of the Placing were set out in the announcements of the Company dated 29 November 2012 and 10 December 2012.

### SIGNIFICANT INVESTMENT

The Group did not make any new significant investment during the period under review and the Group does not have any other plans for material investments or capital assets in the coming year.

### DIRECTORS' AND CHIEF EXECUTIVES INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2012, none of the Directors and the chief executives of the Company had any interests and short positions 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 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").

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any of the Directors and chief executives of the Company, as at 31 December 2012, there were no persons or corporations other than a Director or a chief executive of the Company who had an interest or long 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.

As at 31 December 2012, other persons, having interests or short positions in the shares and underlying shares of the Group, were as follows:

Name of the Company's subsidiary	Substantial shareholder of the subsidiary	Capacity and nature of interest	Amount of fully paid registered capital of the subsidiary interested	Percentage of the subsidiary's registered capital
東莞新實精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.	Luckyman Assets Management Limited	Beneficial owner	HK\$6,750,000	11.84%

Save as disclosed above, so far as is known to any of the Directors and chief executives of the Company, as at 31 December 2012, no other person or corporation other than a Director or a chief executive of the Company had any interests or short positions in any shares or underlying shares of the Company which was recorded in the register kept by the Company under section 336 of the SFO.

## SHARE OPTIONS

The old share option scheme conditionally adopted by the Company by an ordinary resolution passed on 16 September 2002 ("Old Share Option Scheme") has expired. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company conditionally adopted the new share option scheme (details of which are set out in a circular to shareholders of the Company dated 24 October 2012) ("New Share Option Scheme").

During the period under review, no share options were granted, exercised, lapsed, cancelled or outstanding under the Old Share Option Scheme or the New Share Option Scheme.

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

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 PROVISIONS

During the period under review, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Listing Rules, save and except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 which are explained below.

### Code provision A.2.1

Under Code provision A.2.1, the role of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

During the period under review, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company 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.

### Code provision A.4.1

Under Code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The existing independent non-executive directors of the Company were not appointed for a specific term as required under Code provision A.4.1 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 are in place to ensure that the non-executive directors of the Company are subject to appropriate mechanisms to avoid holding office indefinitely.

### Code provision A.4.3

Under Code provision A.4.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders of the Company.

Mr. Lo Wai Ming has served as an independent non-executive director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo retired from office by rotation at the 2012 annual general meeting of the Company (the "AGM") which was held on 18 December 2012 and offered himself for re-election at the AGM. An ordinary resolution was passed at the AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive director of the Company.

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.

### AUDIT COMMITTEE

The Audit Committee comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions set out in Appendix 14 to the Listing Rules. The Audit Committee and external auditors have reviewed the unaudited interim results for the period under review and they agreed with the accounting treatments adopted.

### 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") as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all of the Directors, each of the Directors confirmed that he had complied with the required standards set out in the Model Code throughout the period under review.

On behalf of the Board  
Solartech International Holdings Limited  
Chau Lai Him  
*Chairman and Managing Director*

Hong Kong SAR, 27 February 2013