

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SOLARTECH INTERNATIONAL HOLDINGS LIMITED

蒙古礦業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

2011/2012 INTERIM RESULTS ANNOUNCEMENT

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 2011, as follows:-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

		For the six months ended	
		31 December	31 December
		2011	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Turnover	3	313,014	375,115
Cost of sales		<u>(303,013)</u>	<u>(344,308)</u>
Gross profit		10,001	30,807
Interest income		146	829
Other income		15,876	3,988
General and administrative expenses		(56,991)	(63,865)
Selling and distribution expenses		(3,953)	(5,685)
Change in fair value of derivative financial instruments	16	(23,598)	19,034
Change in fair value of financial assets at fair value through profit or loss	17	(1,080)	—
Change in fair value of convertible bond		—	462,158
Reversal of impairment loss recognised for doubtful debts, net		428	432
Finance costs		(8,215)	(16,046)
Share of results of an associate	13	(471)	(1,692)
Gain on disposal of a subsidiary		—	5,295
Loss on disposal of an associate	13	<u>(1,509)</u>	<u>—</u>
(Loss)/profit before taxation	4	(69,366)	435,255
Taxation	5	<u>(273)</u>	<u>(462)</u>
(Loss)/profit for the period		<u>(69,639)</u>	<u>434,793</u>

		For the six months ended	
		31 December	31 December
		2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>		(Unaudited)	(Unaudited)
Other comprehensive income			
	Exchange differences on translating foreign operations	609	662
	Reclassification adjustment of exchange reserve on disposal of a subsidiary	—	(4,683)
13	Reclassification adjustment of exchange reserve on disposal of an associate	<u>(2,816)</u>	<u>—</u>
	Other comprehensive income for the period	<u>(2,207)</u>	<u>(4,021)</u>
	Total comprehensive income for the period	<u>(71,846)</u>	<u>430,772</u>
	(Loss)/profit attributable to:		
	Owners of the Company	<u>(69,639)</u>	<u>434,793</u>
	Total comprehensive income attributable to:		
	Owners of the Company	<u>(71,846)</u>	<u>430,772</u>
	(Loss)/earnings per share	7	
	- Basic (HK cents)	<u>(4.02)</u>	<u>2.90</u>
	- Diluted (HK cents)	<u>(4.02)</u>	<u>(0.08)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2011	30 June 2011
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	229,113	230,971
Prepaid lease payments for land		94,971	94,048
Intangible asset	9	1,164,515	1,164,515
Exploration and evaluation assets	10	24,215	—
Deposit for acquisition of available-for-sale financial asset	11	50,000	—
Deposits for acquisition of subsidiaries	12	12,969	—
Interest in an associate	13	<u>—</u>	<u>7,666</u>
 Total non-current assets		 <u>1,575,783</u>	 <u>1,497,200</u>
Current assets			
Inventories		108,877	112,513
Debtors, other loans and receivables, deposits and prepayments	14	242,091	218,387
Bills receivable	15	2,409	2,539
Prepaid lease payments for land		2,723	2,659
Derivative financial assets	16	580	806
Financial assets at fair value through profit or loss	17	13,920	—
Tax recoverable		633	721
Pledged deposits and bank balances		23,752	39,713
Bank balances and cash		<u>190,404</u>	<u>181,369</u>
 Total current assets		 <u>585,389</u>	 <u>558,707</u>

		31 December	30 June
		2011	2011
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Creditors, other advances and accrued charges	18	33,332	45,258
Bills payable	19	84,729	95,876
Taxation		55	54
Obligations under finance leases		481	471
Borrowings	20	<u>161,518</u>	<u>59,831</u>
Total current liabilities		<u>280,115</u>	<u>201,490</u>
Net current assets		<u>305,274</u>	<u>357,217</u>
Total assets less current liabilities		<u>1,881,057</u>	<u>1,854,417</u>
Non-current liabilities			
Obligations under finance leases		41	284
Deferred tax liabilities		<u>22,675</u>	<u>22,273</u>
Total non-current liabilities		<u>22,716</u>	<u>22,557</u>
Total net assets		<u>1,858,341</u>	<u>1,831,860</u>
EQUITY			
Capital and reserves			
Share capital		17,658	12,613
Reserves		<u>1,840,183</u>	<u>1,818,747</u>
Equity attributable to owners of the Company		1,857,841	1,831,360
Non-controlling interest		<u>500</u>	<u>500</u>
Total equity		<u>1,858,341</u>	<u>1,831,860</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Retained profits/ losses) HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 1 July 2010 (Audited)	47,056	644,224	612,360	7,887	4,866	(414,821)	901,572	500	902,072
Placements of new shares	72,000	68,317	—	—	—	—	140,317	—	140,317
Issue of shares upon conversion of convertible bond	133,200	302,839	—	—	—	—	436,039	—	436,039
Transactions with owners	205,200	371,156	—	—	—	—	576,356	—	576,356
Profit for the period	—	—	—	—	—	434,793	434,793	—	434,793
Exchange differences arising on translation	—	—	—	662	—	—	662	—	662
Reclassified upon disposal of a subsidiary	—	—	—	(4,683)	—	—	(4,683)	—	(4,683)
Total comprehensive income for the period	—	—	—	(4,021)	—	434,793	430,772	—	430,772
At 31 December 2010 (Unaudited)	252,256	1,015,380	612,360	3,866	4,866	19,972	1,908,700	500	1,909,200

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
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 differences arising on translation	—	—	—	609	—	—	609	—	609
Reclassified upon 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 CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	For the six months ended	
	31 December	31 December
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(102,560)	(31,465)
Net cash (used in)/generated from investing activities	(78,898)	1,737
Net cash generated from financing activities	<u>190,493</u>	<u>33,781</u>
Net increase in cash and cash equivalents	9,035	4,053
Cash and cash equivalents at beginning of the period	181,369	217,244
Effect of foreign exchange rate changes	<u>—</u>	<u>5,633</u>
Cash and cash equivalents at end of the period	<u>190,404</u>	<u>226,930</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u>190,404</u>	<u>226,930</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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 2011. 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 2011.

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

(a) Adoption of new/revised HKFRSs — effective 1 July 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
Amendments to HK(IFRIC) — Interpretation 14	Prepayments of a Minimum Funding Requirement
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets

The adoption of these new/revised HKFRSs has no material effect on the unaudited condensed consolidated interim financial statements of the Group for both the current and prior reporting periods.

(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
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets	(i)
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income	(ii)
HKAS 19 (2011)	Employee Benefits	(iii)
HKAS 27 (2011)	Separate Financial Statements	(ii)
HKAS 28 (2011)	Investments in Associates and Joint Ventures	(iii)
HKFRS 9	Financial Instruments	(iii)
HKFRS 10	Consolidated Financial Statements	(ii)
HKFRS 11	Joint Arrangements	(ii)
HKFRS 12	Disclosure of Interests in Other Entities	(ii)
HKFRS 13	Fair Value Measurement	(ii)
HK(IFRIC) — Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine	(iii)

Effective date:

(i) *Annual periods beginning on or after 1 January 2012*

(ii) *Annual periods beginning on or after 1 July 2012*

(iii) *Annual periods beginning on or after 1 January 2013*

The Group is in the process of making an assessment of the potential impact of these new/revised standards and interpretation and the directors so far concluded that the application of these new/revised standards and interpretation 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 reportable 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 2011 and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 31 December 2010 and 2011 and for the period 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 profit/(loss), which is 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 deferred tax assets, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

For the six months ended 31 December 2011 (Unaudited)

	Cables and wires	Copper rods	Others	Total	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	106,234	206,780	—	313,014	—	313,014
Inter-segment revenue	<u>—</u>	<u>39,457</u>	<u>—</u>	<u>39,457</u>	<u>(39,457)</u>	<u>—</u>
Reportable segment revenue	<u>106,234</u>	<u>246,237</u>	<u>—</u>	<u>352,471</u>	<u>(39,457)</u>	<u>313,014</u>
Reportable segment loss	<u>(21,634)</u>	<u>(7,659)</u>	<u>(35,490)</u>	<u>(64,783)</u>	<u>—</u>	<u>(64,783)</u>
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,185)</u>
						(15,350)
Taxation	<u>(87)</u>	<u>(186)</u>	<u>—</u>	<u>(273)</u>	<u>—</u>	<u>(273)</u>

For the six months ended 31 December 2010 (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	179,728	195,387	—	375,115	—	375,115
Inter-segment revenue	<u>—</u>	<u>54,732</u>	<u>—</u>	<u>54,732</u>	<u>(54,732)</u>	<u>—</u>
Reportable segment revenue	<u>179,728</u>	<u>250,119</u>	<u>—</u>	<u>429,847</u>	<u>(54,732)</u>	<u>375,115</u>
Reportable segment (loss)/profit	<u>(3,291)</u>	<u>10,330</u>	<u>432,785</u>	<u>439,824</u>	<u>—</u>	<u>439,824</u>
Finance costs	(1,228)	(4,090)	(10,728)	(16,046)	—	(16,046)
Change in fair value of derivative financial instruments	3,054	2,138	13,842	19,034	—	19,034
Change in fair value of convertible bond	—	—	462,158	462,158	—	462,158
Reversal of impairment loss recognised for doubtful debts, net	432	—	—	432	—	432
Share of results of an associate	(1,692)	—	—	(1,692)	—	(1,692)
Gain on disposal of a subsidiary	—	5,295	—	5,295	—	5,295
Depreciation of property, plant and equipment	(8,981)	(4,657)	(39)	(13,677)	—	(13,677)
Unallocated	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,377)</u>
						(16,054)
Taxation	<u>(184)</u>	<u>(236)</u>	<u>(42)</u>	<u>(462)</u>	<u>—</u>	<u>(462)</u>

As at 31 December 2011 (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	243,142	398,219	1,433,006	2,074,367
Additions to non-current assets	8,786	173	87,184	96,143
Reportable segment liabilities	73,284	205,084	1,733	280,101

As at 30 June 2011 (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	274,851	330,506	1,361,285	1,966,642
Additions to non-current assets	11,636	144	124	11,904
Reportable segment liabilities	33,954	165,764	1,976	201,694

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

	For the six months ended 31 December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit before taxation		
Reportable segment (loss)/profit	(64,783)	439,824
Unallocated corporate income	24	—
Unallocated corporate expenses	<u>(4,607)</u>	<u>(4,569)</u>
Consolidated (loss)/profit before taxation	<u><u>(69,366)</u></u>	<u><u>435,255</u></u>

(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	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Mainland China	254,743	264,615
Americas	21,730	57,723
Europe	11,619	20,781
Hong Kong	8,917	17,861
Other Asian regions	16,005	14,135
	<u>313,014</u>	<u>375,115</u>

4. (LOSS)/PROFIT BEFORE TAXATION

This has been arrived at after charging:

	For the six months ended	
	31 December	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	15,350	16,054
Write-down of inventories, net	1,744	1,037
Charge of prepaid lease payments for land	945	1,284
Loss on disposal of property, plant and equipment	—	50

5. TAXATION

	For the six months ended	
	31 December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong profits tax	—	42
Taxation in other jurisdictions	<u>273</u>	<u>420</u>
Tax charge for the period	<u><u>273</u></u>	<u><u>462</u></u>

No Hong Kong profits tax has been provided during the current period as the Group did not derive any assessable profit attributable to its operations in Hong Kong. Hong Kong profits tax was calculated at 16.5% of the estimated assessable profit arising in Hong Kong for the six months ended 31 December 2010. 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 2011 (six months ended 31 December 2010: HK\$Nil).

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/earnings for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

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

(Loss)/profit

	For the six months ended	
	31 December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit for the purpose of basic (loss)/earnings per share	(69,639)	434,793
Effect of dilutive potential ordinary shares:		
Interest on convertible bond (net of tax)	—	8,957
Change in fair value of convertible bond	<u>—</u>	<u>(462,158)</u>
Loss for the purpose of diluted loss per share	<u>(69,639)</u>	<u>(18,408)</u>

Number of shares

	For the six months ended	
	31 December	
	2011	2010
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,732,710,395	15,004,697,237
Effect of dilutive potential ordinary shares:		
Convertible bond	<u>—</u>	<u>7,181,967,213</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,732,710,395</u>	<u>22,186,664,450</u>

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2011, the Group purchased property, plant and equipment of HK\$8,959,000 (six months ended 31 December 2010: HK\$3,668,000). In addition, the Group disposed of property, plant and equipment with a carrying value of HK\$150,000 (six months ended 31 December 2010: HK\$453,000).

9. INTANGIBLE ASSET

	Mining right <i>HK\$'000</i>
COST:	
At 1 July 2011 (Audited) and 31 December 2011 (Unaudited)	<u>1,170,729</u>
ACCUMULATED AMORTISATION:	
At 1 July 2011 (Audited) and 31 December 2011 (Unaudited)	<u>6,214</u>
NET CARRYING AMOUNT:	
At 31 December 2011 (Unaudited)	<u>1,164,515</u>
At 30 June 2011 (Audited)	<u>1,164,515</u>

The mining right represents the right to conduct mining activities in the location of Nergui, Delgerkhangai soum, Dundgobi aimag, 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.

10. EXPLORATION AND EVALUATION ASSETS

	Exploration rights <i>HK\$'000</i>
COST:	
Additions and at 31 December 2011 (Unaudited)	<u>24,215</u>

The amount represents acquisition of exploration permits in the State of Mongolia. Exploration licenses are granted for initial periods of 3 years. As at 31 December 2011, the remaining valid period of the exploration permits ranged from 12 to 15 months.

11. DEPOSIT FOR ACQUISITION OF AVAILABLE-FOR-SALE FINANCIAL ASSET

On 5 July 2011, the Group entered into a sale and purchase agreement with Hero Wisdom Limited (the “Vendor”), pursuant to which the Company has conditionally agreed to acquire from the Vendor its 10% equity interest in Venture Max Limited (“VML”), a company incorporated in the British Virgin Islands which holds mining and exploration licences in the State of Mongolia through Mongolian Copper Mining LLC, VML’s wholly-owned subsidiary incorporated in the State of Mongolia (the “First Proposed Acquisition”). The consideration of the First Proposed Acquisition is HK\$100,000,000, of which the Group paid HK\$50,000,000 as deposit upon signing the agreement. The completion of the First Proposed Acquisition is subject to several conditions and up to 31 December 2011 and the date of this report, the First Proposed Acquisition has not yet been completed and further details are set out in the Company’s announcement dated 5 July 2011.

12. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

On 12 December 2011, the Group entered into two agreements with SCT Electronics Limited and Santai Corporate Services Limited (collectively the “Santai Vendors”), and Santai Corporate Services Limited (the “Aberdeen Vendor”), in which the Company will subscribe 100% of registered capital of Santai Electronics Limited (“SEL”) at RMB43,000,000 (equivalent to approximately HK\$52,675,000) from the Santai Vendors and Aberdeen Investments Limited (“AIL”) at RMB10,000,000 (equivalent to approximately HK\$12,250,000) from the Aberdeen Vendor respectively (collectively the “Second Proposed Acquisition”). The Group recognised the aggregate initial payment of HK\$12,969,000 as deposits for the Second Proposed Acquisition upon signing the agreements. Up to 31 December 2011 and the date of this report, the Second Proposed Acquisition has not yet been completed and further details are set out in the Company’s announcement dated 12 December 2011.

13. INTEREST IN AN ASSOCIATE

On 23 December 2011, the Group entered into a sale and purchase agreement with an independent third party for the disposal of its entire 20% equity interest in 候馬普天榮盛光纜有限公司 at a cash consideration of RMB2,400,000, net of direct costs incurred on disposal. A net loss on disposal of interest in the associate of HK\$1,509,000, including reclassification adjustment of exchange reserve of HK\$2,816,000 upon the disposal, was recognised in the profit or loss for the six months ended 31 December 2011.

During the six months ended 31 December 2011 and prior to the disposal of the associate, share of loss of an associate of HK\$471,000 was recognised in profit or loss (six months ended 31 December 2010: HK\$1,692,000).

14. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 31 December 2011, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK\$60,681,000 (30 June 2011: HK\$107,384,000).

- (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:

	The Group	
	31 December	30 June
	2011	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 30 days	56,915	99,821
31 - 60 days	2,542	5,682
61 - 90 days	377	838
Over 90 days	847	1,043
	<u>60,681</u>	<u>107,384</u>

As at 31 December 2011, included in the Group's debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK\$8,687,000 (30 June 2011: HK\$9,555,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

15. BILLS RECEIVABLE

As at 31 December 2011 and 30 June 2011, all bills receivable aged within 90 days.

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

The net fair value of the derivative financial instruments as at 31 December 2011 as provided by the banks or financial institutions was HK\$580,000 (30 June 2011: HK\$806,000). 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 loss on change in fair value of derivative financial instruments of HK\$23,598,000 (six months ended 31 December 2010: gain of HK\$19,034,000) has been recognised in the profit or loss during the period. All of these derivative financial instruments are not designated as hedging instruments.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	31 December 2011 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Audited)
Equity securities held for trading and listed in Hong Kong	<u>13,920</u>	<u>—</u>

The fair values of the equity securities are determined based on the quoted market prices and the loss on change in fair value of HK\$1,080,000 (six months ended 31 December 2010: HK\$Nil) has been recognised in the profit or loss during the period.

18. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

As at 31 December 2011, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$15,733,000 (30 June 2011: HK\$21,423,000).

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

	The Group	
	31 December 2011 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Audited)
Within 30 days	12,037	17,437
31 - 60 days	2,687	3,253
61 - 90 days	491	392
Over 90 days	<u>518</u>	<u>341</u>
	<u>15,733</u>	<u>21,423</u>

19. BILLS PAYABLE

As at 31 December 2011 and 30 June 2011, all bills payable aged within 90 days.

20. BORROWINGS

During the six months ended 31 December 2011, the Group raised new borrowings of HK\$161,518,000 (six months ended 31 December 2010: HK\$116,966,000) to provide for additional working capital and made repayment of HK\$60,904,000 (six months ended 31 December 2010: HK\$228,554,000). The borrowings of the Group are secured, due within one year and carried at average effective interest rates of the bank borrowings ranging from 4.36% to 6.58% (30 June 2011: 2.65% to 6.40%) per annum.

21. PLEDGE OF ASSETS

As at 31 December 2011, the Group has pledged property, plant and equipment, prepaid lease payments for land and bank deposits and bank balances in the aggregate amount of HK\$226,336,000 (30 June 2011: HK\$244,775,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announced that for the six months ended 31 December 2011 (the “**period under review**”), the total turnover of the Company and its subsidiaries (the “**Group**”) was approximately HK\$313,014,000, representing a decrease of 16.6% as compared to approximately HK\$375,115,000 recorded for the corresponding period last year. During the period under review, loss attributable to the owners of the Company was approximately HK\$69,639,000, which was attributable to the decrease in turnover as a result of the recent deteriorating global macroeconomic conditions, overall gross profit margin due to the rising production costs and loss arising from changes in the fair value of the derivative financial instruments, as compared to the profits attributable to the owners of the Company of approximately HK\$434,793,000 for the corresponding period last year. Loss per share for the period under review was approximately HK4.02 cents (Earnings per share for 2010/11 Interim: HK2.90 cents).

The Board has resolved not to recommend the payment of any interim dividend for the year ending 30 June 2012 (2010/11 Interim: nil).

BUSINESS REVIEW

The Group’s turnover for the period under review was approximately HK\$313,014,000, representing a decrease of 16.6% as compared to approximately HK\$375,115,000 for the corresponding period last year. By business segments, the turnover of the cables and wires business was approximately HK\$106,234,000, representing a decrease of 40.9% as compared to approximately HK\$179,728,000 for the corresponding period last year and accounted for 33.9% of the total turnover of the Group. Turnover of the copper rod business was approximately HK\$206,780,000, representing an increase of 5.8% as compared to HK\$195,387,000 for the corresponding period last year and accounted for 66.1% of the total turnover of the Group.

By geographical segments, turnover from the business in Americas decreased by 62.4% to approximately HK\$21,730,000 from approximately HK\$57,723,000 for the corresponding period last year, accounting for 6.9% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 6.7% to approximately HK\$263,660,000 from approximately HK\$282,476,000 for the corresponding period last year, accounting for 84.3% of the Group's total turnover. Turnover from the business in other Asian markets increased by 13.2% to approximately HK\$16,005,000 from approximately HK\$14,135,000 for the corresponding period last year, accounting for 5.1% of the Group's total turnover. Turnover from the European business decreased by 44.1% to approximately HK\$11,619,000 from approximately HK\$20,781,000 for the corresponding period last year, accounting for 3.7% 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, as a result of the European debt crisis, the sluggish US economy and the gradual slowdown of economic growth in the People's Republic of China (the "PRC"), the growth in Gross Domestic Product in the PRC in the third quarter of 2011 fell to the lowest point in more than two years from the first quarter of 2011, together with a rise in the costs of production, the profit margins of the Group were squeezed. The Group endeavored to reduce costs while increasing efficiency, implementing technology integration and transformation actively, and enhancing product quality in order to minimize the impact on the turnover of the cables and wires business during the period under review.

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 infrastructural facilities. During the period under review, international copper prices declined significantly, with the 3-month London Metal Exchange copper price fell from approximately US\$9,400 at the beginning of the period to approximately US\$7,600 at the end of the period. Nevertheless, the Group has been adopting a more cautious view towards such a metal market trend. Most of the production capacity of its Dongguan copper rod business was deployed to provide processing services for customers, and a slight growth in the turnover of the copper rod business was recorded during the period under review.

Mining

During the period under review, the business of the Group's copper-gold-silver mines in Mongolia included additional exploration and site surveying, such as road transport planning, power supply laying works and search for closer water sources for the proposed ore processing plant. The Mongolian team of the Group is currently preparing the relevant documents for delivery to the State authority for obtaining the required written consents, permits, approvals and agreements before commencement of operation. Unstable weather, shortage of professional staff and increased demand for relevant equipment in Mongolia have certain impacts on the progress.

The Group expects to complete the acquisition of 10% of the issued shares of another Mongolian mining company in the second half of the year. The Group expects that its competitiveness will be enhanced through the synergy created between the Mongolian mining company under this acquisition and the existing mining business of the Group by reducing operating costs, providing beneficial conditions for the Group's business in Mongolia and leveraging on the vast human relationship network of the substantial shareholder of the Mongolian mining company in Mongolia.

PROSPECTS

With a slow recovery in the US economy and the aggravated sovereign debt crisis in Europe, the global economy remains at a difficult stage. The government of the PRC has implemented a series of monetary policies and administrative restraints in 2011 to prevent the economy from overheating and formation of asset bubbles. Constraints in credit facilities have resulted in tight capital liquidity for numerous domestic production enterprises and, together with the shortage in labour and rising wage costs, the domestic operation environment has become more challenging. At the current stage, the Group will continue to operate in the PRC as the basis for its manufacturing and trading businesses of cables, wires and copper products to minimise the potential negative impacts from the uncertainties in Europe and America.

During the period under review, the Group entered into an agreement with an independent third party for the acquisition of shares in two companies, each of which holds property interests in units in a factory building and land site, respectively, located in the city of Dongguan, the PRC through their respective subsidiaries. The Directors believe that the transactions under the acquisition agreement will provide good opportunities for expansion of new product lines in the production of cables, wires and copper products. The acquisition will be completed at or around the end of June 2012.

Looking forward, under the current difficult business operation environment, the Group will continue to implement strict measures for cost control to enhance operation efficiency and productivity and to expand market shares. The Group will also continue to engage experts and geological consultancy firms with professional geological experience to accelerate the production and mining plans of the mining business.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had approximately 1,000 employees in Hong Kong, the PRC and overseas (30 June 2011: 1,300). 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, the 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 period under review, the Group implemented a prudent financial management policy. As at 31 December 2011, the Group had cash and bank balances (including pledged bank deposits) of approximately HK\$214 million (30 June 2011: HK\$221 million) and net current assets value at approximately HK\$305 million (30 June 2011: HK\$357 million). As at 31 December 2011, the Group had the total bank borrowings of approximately HK\$162 million (30 June 2011: HK\$61 million). The Group's gearing ratio as at 31 December 2011 was 0.09 (30 June 2011: 0.03), being a ratio of total borrowings of approximately HK\$162 million (30 June 2011: HK\$61 million) to shareholders' funds of approximately HK\$1,858 million (30 June 2011: HK\$1,832 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 2011, 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\$226 million (30 June 2011: HK\$245 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2011, the Company had issued guarantees to the extent of approximately HK\$18.9 million (30 June 2011: HK\$19.6 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$18.9 million (30 June 2011: HK\$19.6 million) was utilised. In addition, the Company had issued guarantees to a financial institution amounting to approximately HK\$23.3 million (30 June 2011: 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 and foreign exchange 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 the balance sheet date and the changes in fair value were charged to the income statement. The net loss of the Derivative Financial Instruments for the period under review was approximately HK\$23,598,000 (2010/11: net gain of HK\$19,034,000).

CAPITAL STRUCTURE

Placing of New Shares under Specific Mandate

On 13 July 2011, the Company and Kingston Securities Ltd., as placing agent, entered into a conditional placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 504,510,000 new shares of the Company to independent investors at a price of HK\$0.20 per placing share (the “**Conditional Placing**”). The maximum gross proceeds and net proceeds from the Conditional Placing were approximately HK\$100.9 million and HK\$98 million, respectively. The Company intended to utilise approximately HK\$50 million of the net proceeds from the Conditional Placing as part of the consideration for the Acquisition (as defined below) and the balance of the net proceeds for the general working capital of the Group. The maximum number of 504,510,000 placing shares placed under the Conditional Placing were issued pursuant to a specific mandate which was obtained at the special general meeting of the Company held on 15 August 2011. The Conditional Placing was completed on 28 October 2011. Details of the Conditional Placing were set out in the announcement of the Company dated 13 July 2011 and the shareholders’ circular issued by the Company on 28 July 2011.

SIGNIFICANT INVESTMENT

Save as otherwise disclosed in this report, the Group did not make any new significant investment during the period under review.

DISCLOSEABLE TRANSACTIONS

Acquisition of 10% of the total issued share capital of Venture Max Limited

On 5 July 2011, the Company and Expert Assets Management Limited (“**Expert Assets**”), an indirect wholly-owned subsidiary of the Company), entered into a sale and purchase agreement (the “**Agreement**”) with Hero Wisdom Limited (the “**Vendor**”) and Mr. Batmunkh Dulamjav (the “**Guarantor**”) pursuant to which Expert Assets conditionally agreed to acquire from the Vendor ten issued Shares (the “**Sale Shares**”) of Venture Max Limited (“**Venture Max**”) (the “**Acquisition**”), representing 10% of the total issued share capital of Venture Max upon completion of the Acquisition. Venture Max is a company incorporated in the British Virgin Islands and was directly wholly-owned by the Vendor. Venture Max holds the entire equity interest in Mongolian Copper Mining LLC (“**MCM**”) which is a company incorporated in Mongolia with limited liability and the holder of the Minerals Exploration Special Licence 5481X. The consideration for the Sale Shares payable under the Agreement is HK\$100,000,000 and shall be satisfied by Expert Assets by (i) payment of HK\$50,000,000 in cash as a deposit upon signing of the Agreement and (ii) payment of HK\$50,000,000 in cash at completion of the Acquisition. The Vendor is directly wholly-owned by the Guarantor. The Vendor and the Guarantor are third parties independent of the Company and its connected persons.

The Company has been seeking suitable opportunities to facilitate its ongoing expansion into the mining business and the Directors believe the Acquisition represents such an opportunity. The completion of the Acquisition is conditional on the conditions in the Agreement being satisfied or waived on or before 10 March 2012. Details of the Agreement and the Acquisition, which constitutes a discloseable transaction under the Listing Rules, were set out in the announcement of the Company dated 5 July 2011.

Acquisition of the entire issued share capital of Santai Electronics Limited and Aberdeen Investments Limited

On 12 December 2011, (i) China Glory Management Limited (“**China Glory**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**Santai Acquisition Agreement**”) with SCT Electronics Limited and Santai Corporate Services Limited (the “**Santai Vendors**”) and Shougang Concord Technology Holdings Limited (the “**Santai Guarantor**”) pursuant to which China Glory conditionally agreed to acquire from the Santai Vendors the entire share capital of Santai Electronics Limited (“**Santai**”) at a total cash consideration of RMB43,000,000 (equivalent to approximately HK\$52,675,000); and (ii) Winteractive Development Limited (“**Winteractive**”), an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement (the “**Aberdeen Acquisition Agreement**”) with Santai Corporate Services Limited (the “**Aberdeen Vendor**”) and the Santai Guarantor pursuant to which Winteractive conditionally agreed to acquire from the Aberdeen Vendor the entire share capital of Aberdeen Investments Limited (“**Aberdeen**”) at a total cash consideration of RMB10,000,000 (equivalent to approximately HK\$12,250,000).

Santai and Aberdeen are wholly-owned subsidiaries of the Santai Guarantor, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Santai is an investment holding company and is interested in the entire registered capital of Dongguan Santai Electronics Limited* (東莞三泰電器有限公司) (“**Dongguan Santai**”) and Dongguan Shoutai Electronic Enterprise Limited* (東莞首泰電子實業有限公司). Dongguan Santai holds the land use rights in respect of an industrial complex located at Qiao Zi Lu, Qiao Zi Village, Changping Town, Dongguan City, the PRC * (東莞市常平鎮橋梓管理區) as described in the State-owned Land Use Rights Certificate No. 144 [東府國用(1999)字第特144號] (the “**Santai Property**”). Aberdeen is principally engaged in property investment and holds Flats A, B, C, D, E, F, G, H, I, J, K and L on each of the 11th Floor and 15th Floor of Ping On Court, Peace Plaza, Shangzhong Yuan Road, Changping Town, Dongguan, the PRC* (東莞市常平鎮常平廣場平安閣) (the “**Aberdeen Property**”).

The Company has been seeking suitable properties for the purpose of expansion of its production facilities for a new production line for cables, wires and copper products. The Directors believe that the transactions under the Santai Acquisition Agreement represent an opportunity to acquire land use rights for such expansion but the Company has not decided the development schedule for the Santai Property at this stage. The Company intends to use the Aberdeen Property as staff quarters for employees of the Group.

The completion of the transactions under the Santai Acquisition Agreement and the Aberdeen Acquisition Agreement are conditional on the respective conditions thereunder being satisfied or waived on or before 30 June 2012. Details of the transactions under the Santai Acquisition Agreement and the Aberdeen Acquisition Agreement, which constitute discloseable transactions under the Listing Rules, were set out in the announcement of the Company dated 12 December 2011.

Save for the above, the Group does not have any other plans for material investments or capital assets in the coming year.

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 period under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Listing Rules, save and except for the deviations from code provisions A.2.1 and A.4.1 of the Code which are explained below.

Code Provision A.2.1

Under code provision A.2.1 of the Code, 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 industry experience. Mr. Chau is responsible for effective running of the board of Directors and for formulating business strategies. The Directors believe that (i) it is in the best interests of the Group to have Mr. Chau to continue to be both the Chairman and the Managing Director of the Company and (ii) the current management structure has been effective in the development of the Group and implementation of its 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 Managing Director of the Company, are necessary.

Code Provision A.4.1

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

During the period under review, the independent non-executive Directors of the Company were not appointed for a specific term as required under code provision A.4.1 of the Code, but were subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

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 of the Code. 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 as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors confirmed that they 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, 28 February 2012

As at the date of this announcement, the executive Directors are Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Liu Dong Yang and Mr. Buyan-Otgon Narmandakh and the independent non-executive Directors are Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming.

* *For identification purpose only*