



## **Solartech International Holdings Limited**

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

Solartech International  
Solartech International Holdings Limited  
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**Interim Report 2010-2011**

# 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)

## Auditors

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## Legal Advisor

Herbert Smith

23/F, Gloucester Tower

15 Queen Road Central

Hong Kong

## Bermuda Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

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 (in alphabetical order)

Bank of China Limited

China CITIC Bank Corporation Limited

DBS Bank (Hong Kong) Limited

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

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 2010, as follows:

	Notes	Continuing operations		Discontinued operations		Total	
		For the six months ended		For the six months ended		For the six months ended	
		31 December 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)	31 December 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)	31 December 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Turnover	3	<b>375,115</b>	357,668	—	469,391	<b>375,115</b>	827,059
Cost of sales		<b>(344,308)</b>	(329,745)	—	(375,593)	<b>(344,308)</b>	(705,338)
Gross profit		<b>30,807</b>	27,923	—	93,798	<b>30,807</b>	121,721
Interest income		<b>829</b>	349	—	3	<b>829</b>	352
Other income		<b>3,988</b>	747	—	3,134	<b>3,988</b>	3,881
General and administrative expenses		<b>(63,865)</b>	(40,186)	—	(51,136)	<b>(63,865)</b>	(91,322)
Selling and distribution expenses		<b>(5,685)</b>	(5,688)	—	(4,755)	<b>(5,685)</b>	(10,443)
Change in fair value of derivative financial instruments	12	<b>19,034</b>	5,059	—	—	<b>19,034</b>	5,059
Change in fair value of embedded derivatives in convertible bond	16	<b>462,158</b>	—	—	—	<b>462,158</b>	—
Reversal of allowance/ (impairment loss recognised) for doubtful debts		<b>432</b>	(1,169)	—	889	<b>432</b>	(280)
Impairment loss arising from adjustment to fair value less costs to sell		—	—	—	(230,418)	—	(230,418)
Finance costs		<b>(16,046)</b>	(6,950)	—	(571)	<b>(16,046)</b>	(7,521)
Share of results of associates		<b>(1,692)</b>	(1,881)	—	—	<b>(1,692)</b>	(1,881)
Gain on disposal of a subsidiary	18	<b>5,295</b>	—	—	—	<b>5,295</b>	—
Profit/(loss) before taxation	4	<b>435,255</b>	(21,796)	—	(189,056)	<b>435,255</b>	(210,852)
Taxation	5	<b>(462)</b>	1,082	—	(23,171)	<b>(462)</b>	(22,089)
Profit/(loss) for the period		<b>434,793</b>	(20,714)	—	(212,227)	<b>434,793</b>	(232,941)

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

	Notes	Continuing operations		Discontinued operations		Total	
		For the six months ended		For the six months ended		For the six months ended	
		31 December 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)	31 December 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)	31 December 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Other comprehensive income:							
Exchange differences on translating foreign operations		662	(3,312)	—	17,443	662	14,131
Reclassification adjustments of exchange reserves upon disposal of a subsidiary	18	(4,683)	—	—	—	(4,683)	—
<b>Other comprehensive income for the period</b>		<b>(4,021)</b>	<b>(3,312)</b>	<b>—</b>	<b>17,443</b>	<b>(4,021)</b>	<b>14,131</b>
Total comprehensive income for the period		<b>430,772</b>	<b>(24,026)</b>	<b>—</b>	<b>(194,784)</b>	<b>430,772</b>	<b>(218,810)</b>
Profit/(loss) for the period attributable to:							
Owners of the Company		434,793	(20,714)	—	(212,227)	434,793	(232,941)
Non-controlling interest		—	—	—	—	—	—
		<b>434,793</b>	<b>(20,714)</b>	<b>—</b>	<b>(212,227)</b>	<b>434,793</b>	<b>(232,941)</b>
Total comprehensive income attributable to:							
Owners of the Company		430,772	(24,026)	—	(194,784)	430,772	(218,810)
Non-controlling interest		—	—	—	—	—	—
		<b>430,772</b>	<b>(24,026)</b>	<b>—</b>	<b>(194,784)</b>	<b>430,772</b>	<b>(218,810)</b>
Earnings/(loss) per share:	7						
from continuing and discontinued operations							
— Basic (HK cents)						2.90	(25.09)
— Diluted (HK cents)						(0.08)	(25.09)
from continuing operations							
— Basic (HK cents)						2.90	(2.23)
— Diluted (HK cents)						(0.08)	(2.23)

# Condensed Consolidated Statement of Financial Position

	Notes	31 December 2010 HK\$'000 (Unaudited)	30 June 2010 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	285,640	294,277
Prepaid lease payments for land		93,385	96,573
Intangible asset	9	1,144,487	1,163,828
Interest in an associate		7,707	9,185
Convertible bond	16	—	141,081
Total non-current assets		1,531,219	1,704,944
<b>Current assets</b>			
Inventories		128,269	112,449
Debtors, other loans and receivables, deposits and prepayments	10	196,191	216,558
Bills receivable	11	7,781	18,662
Prepaid lease payments for land		2,603	2,631
Tax recoverable		643	872
Pledged deposits and bank balances		39,111	49,988
Bank balances and cash		226,930	217,244
Total current assets		601,528	618,404
<b>Current liabilities</b>			
Creditors, other advances and accrued charges	13	45,087	63,258
Bills payable	14	95,455	120,128
Taxation		166	347
Obligations under finance leases		462	665
Borrowings	15	56,381	165,338
Derivative financial liabilities	12	1,474	11,766
Deferred consideration payable		—	6,825
Total current liabilities		199,025	368,327
<b>Net current assets</b>		<b>402,503</b>	250,077
<b>Total assets less current liabilities</b>		<b>1,933,722</b>	1,955,021

# Condensed Consolidated Statement of Financial Position

	Notes	<b>31 December 2010 HK\$'000 (Unaudited)</b>	30 June 2010 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Convertible bond	16	—	1,028,621
Obligations under finance leases		<b>522</b>	755
Deferred tax liabilities		<b>24,000</b>	23,573
Total non-current liabilities		<b>24,522</b>	1,052,949
<b>Total net assets</b>		<b>1,909,200</b>	902,072
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	17	<b>252,256</b>	47,056
Reserves		<b>1,656,444</b>	854,516
<b>Equity attributable to owners of the Company</b>		<b>1,908,700</b>	901,572
<b>Non-controlling interest</b>		<b>500</b>	500
<b>Total equity</b>		<b>1,909,200</b>	902,072

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve fund	Share option reserve	Accumulated losses	Discontinued operations	Total	Non- controlling interest	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 July 2009 (Audited)	31,685	274,304	587,012	3,794	5,652	667	(277,614)	—	625,500	500	626,000
Total comprehensive income for the period	—	—	—	14,131	—	—	(232,941)	—	(218,810)	—	(218,810)
Capital reorganisation	(25,348)	—	25,348	—	—	—	—	—	—	—	—
Placements of new shares	6,787	93,220	—	—	—	—	—	—	100,007	—	100,007
Discontinued operations	—	—	—	(13,837)	—	—	—	13,837	—	—	—
At 31 December 2009 (Audited)	13,124	367,524	612,360	4,088	5,652	667	(510,555)	13,837	506,697	500	507,197

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Retained profits/ (accumulated 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
Total comprehensive income for the period	—	—	—	(4,021)	—	434,793	430,772	—	430,772
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
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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2010

	For the six months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Audited)
Net cash used in operating activities	<b>(31,465)</b>	(54,645)
Net cash generated from/(used in) investing activities	<b>1,737</b>	(14,561)
Net cash generated from financing activities	<b>33,781</b>	117,456
Net increase in cash and cash equivalents	<b>4,053</b>	48,250
Cash and cash equivalents at beginning of the period	<b>217,244</b>	98,442
Effect of foreign exchange rate changes	<b>5,633</b>	5,919
Cash and cash equivalents at end of the period	<b>226,930</b>	152,611
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>226,930</b>	130,703
Bank balances and cash attributable to assets classified as held for sale	—	21,908
	<b>226,930</b>	152,611

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 1. Basis of Preparation

These condensed consolidated 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 2010. 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 2010.

## 2. Adoption of Hong Kong Financial Reporting Standards (“HKFRSs”)

(a) The Group has adopted the following new/revised Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for the current accounting period:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
Amendments to HKAS 32	Classification of Rights Issues
HK(IFRIC)-Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HK-Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the above new/revised HKFRSs had no material effect on the financial statements of the Group for both the current and prior reporting periods.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 2. Adoption of Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### (b) Potential impact arising on the HKFRSs not yet effective

The following new or 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)	Improvements to HKFRSs 2010	(i)
HKAS 24 (Revised)	Related Party Disclosures	(i)
Amendments to HK(IFRIC) Interpretation 14	Prepayments of a Minimum Funding Requirement	(i)
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets	(ii)
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets	(iii)
HKFRS 9	Financial Instruments	(iv)

*Effective date:*

- (i) Annual periods beginning on or after 1 January 2011
- (ii) Annual periods beginning on or after 1 July 2011
- (iii) Annual periods beginning on or after 1 January 2012
- (iv) 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 HKFRSs and the directors so far concluded that the application of the these new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 3. Turnover and Segmental Information

### (a) Reportable segments

The Group manages its business by divisions, which are organised by a mixture of both business lines and geography. The Group's reportable segments under HKFRS 8 and are as follows:

- (i) manufacture and trading of cables and wires;
- (ii) copper rods; and
- (iii) connectors and terminals.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance.

On 31 December 2009, the Company entered into a conditional sale and purchase agreement to dispose of its business of the manufacture and trading of connectors and terminals and it has completed on 30 April 2010. Further details are set out in the Company's announcement and circular dated 8 January 2010 and 9 April 2010 respectively. Accordingly, the business segment of manufacture and trading of connectors and terminals was classified as discontinued operations.

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 2010 and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 31 December 2010 and for the period then ended for the purpose of segment reporting.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 3. Turnover and Segmental Information (Continued)

### (a) Reportable segments (Continued)

For the six months ended 31 December 2010 (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	179,728	195,387	—	375,115	—	375,115
Inter-segment revenue	—	54,732	—	54,732	(54,732)	—
Reportable segment revenue	179,728	250,119	—	429,847	(54,732)	375,115
Reportable segment (loss)/profit	(3,291)	10,330	432,785	439,824	—	439,824
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 embedded derivatives in convertible bond	—	—	462,158	462,158	—	462,158
Reversal of allowance for doubtful debts, net	432	—	—	432	—	432
Share of results of associates	(1,692)	—	—	(1,692)	—	(1,692)
Amortisation on intangible asset	—	—	(19,341)	(19,341)	—	(19,341)
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						(2,377)
						(16,054)
Taxation	(184)	(236)	(42)	(462)	—	(462)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 3. Turnover and Segmental Information (Continued)

### (a) Reportable segments (Continued)

For the six months ended 31 December 2009 (Audited)

	Continuing operations			Discontinued operations			
	Cables and wires HK\$'000	Copper rods HK\$'000	Others HK\$'000	Total HK\$'000	Connectors and terminals HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customers	187,934	169,702	32	357,668	469,391	—	827,059
Inter-segment revenue	7,361	54,618	—	61,979	155	(62,134)	—
Reportable segment revenue	195,295	224,320	32	419,647	469,546	(62,134)	827,059
Reportable segment (loss)/profit	(10,475)	(1,581)	2,570	(9,486)	(188,901)	—	(198,387)
Finance costs	(1,800)	(5,150)	—	(6,950)	(571)	—	(7,521)
(Impairment loss recognised)/reversal of allowance for doubtful debts, net	(1,065)	(104)	—	(1,169)	889	—	(280)
Change in fair value of derivative financial instruments	1,184	1,390	2,485	5,059	—	—	5,059
Share of results of associates	(1,881)	—	—	(1,881)	—	—	(1,881)
Impairment loss arising from adjustment to fair value less cost to sell	—	—	—	—	(230,418)	—	(230,418)
Depreciation of property, plant and equipment	(8,561)	(4,658)	(984)	(14,203)	(8,693)	—	(22,896)
Unallocated							(3,939)
							(26,835)
Taxation	612	470	—	1,082	(23,171)	—	(22,089)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 3. Turnover and Segmental Information (Continued)

### (a) Reportable segments (Continued)

As at 31 December 2010 (Unaudited)

	Continuing operations				Discontinued operations	
	Cables and wires HK\$'000	Copper rods HK\$'000	Others HK\$'000	Total HK\$'000	Connectors and terminals	Total HK\$'000
					HK\$'000	
Reportable segment assets	309,625	357,407	1,373,889	2,040,921	—	2,040,921
Additions to non-current assets	3,414	145	109	3,668	—	3,668
Reportable segment liabilities	38,755	182,825	1,967	223,547	—	223,547

As at 30 June 2010 (Audited)

	Continuing operations				Discontinued operations	
	Cables and wires HK\$'000	Copper rods HK\$'000	Others HK\$'000	Total HK\$'000	Connectors and terminals	Total HK\$'000
					HK\$'000	
Reportable segment assets	350,786	359,493	1,593,150	2,303,429	—	2,303,429
Additions to non-current assets	3,081	154	1,167,206	1,170,441	21,572	1,192,013
Reportable segment liabilities	115,852	230,958	1,045,450	1,392,260	—	1,392,260

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 3. Turnover and Segmental Information (Continued)

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

	<b>For the six months ended 31 December</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
<b>Profit/(Loss) before taxation and discontinued operations</b>		
Reportable segment profit/(loss)	<b>439,824</b>	(198,387)
Segment loss from discontinued operations	—	188,901
Unallocated corporate expenses	<b>(4,569)</b>	(12,310)
Consolidated profit/(loss) before taxation from continuing operations	<b>435,255</b>	(21,796)

### (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 from continuing operations, irrespective of the origin of the goods:

	<b>For the six months ended 31 December</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Mainland China	<b>264,615</b>	278,648
Americas	<b>57,723</b>	41,326
Europe	<b>20,781</b>	15,613
Hong Kong	<b>17,861</b>	10,177
Other Asian regions	<b>14,135</b>	11,904
	<b>375,115</b>	357,668

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 4. Profit/(Loss) Before Taxation

	Continuing operations		Discontinued operations		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Audited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Audited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Audited)
This has been arrived at after charging:						
Depreciation of property, plant and equipment	16,054	18,142	—	8,693	16,054	26,835
Amortisation of intangible asset	19,341	—	—	—	19,341	—
Write-down of inventories, net	1,037	1,417	—	13,887	1,037	15,304
Charge of prepaid lease payments for land	1,284	1,301	—	90	1,284	1,391
Loss on disposal of property, plant and equipment	50	200	—	4,318	50	4,518

## 5. Taxation

	Continuing operations		Discontinued operations		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Audited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Audited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Audited)
Hong Kong profits tax	42	—	—	—	42	—
Taxation in other jurisdictions	420	(230)	—	23,171	420	22,941
	462	(230)	—	23,171	462	22,941
Deferred taxation	—	(852)	—	—	—	(852)
Tax charge/(credit) for the period	462	(1,082)	—	23,171	462	22,089

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 5. Taxation (Continued)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong during the period. No Hong Kong profits tax had been provided during the prior period as the Group did not derive any assessable profit attributable to its operations in Hong Kong for the six months ended 31 December 2009. 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 2010 (six months ended 31 December 2009: HK\$Nil).

## 7. Earnings/(Loss) Per Share

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 7. Earnings/(Loss) Per Share (Continued)

### From continuing and discontinued operations

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

<i>Earnings/(loss)</i>	<b>For the six months ended 31 December</b>	
	<b>2010 HK\$'000 (Unaudited)</b>	2009 HK\$'000 (Audited)
Profit/(loss) for the purpose of basic earnings/(loss) per share from continuing and discontinued operations	<b>434,793</b>	(232,941)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond (net of tax)	<b>8,957</b>	—
Change in fair value of embedded derivatives in convertible bond	<b>(462,158)</b>	—
Loss for the purpose of diluted loss per share	<b>(18,408)</b>	(232,941)

<i>Number of shares</i>	<b>For the six months ended 31 December</b>	
	<b>2010 (Unaudited)</b>	2009 (Audited)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>15,004,697,237</b>	928,384,134
Effect of dilutive potential ordinary shares:		
Convertible bond	<b>7,181,967,213</b>	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>22,186,664,450</b>	928,384,134

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 7. Earnings/(Loss) Per Share (Continued)

### From continuing operations

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

<i>Earnings/(loss)</i>	<b>For the six months ended 31 December</b>	
	<b>2010</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2009 HK\$'000 (Audited)
Profit/(loss) for the purpose of basic earnings/(loss) per share	<b>434,793</b>	(20,714)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond (net of tax)	<b>8,957</b>	—
Change in fair value of embedded derivatives in convertible bond	<b>(462,158)</b>	—
Loss for the purpose of diluted loss per share	<b>(18,408)</b>	(20,714)

The denominators used are the same as those detailed above for basic and diluted loss per share for continuing and discontinued operations.

### From discontinued operations

During the six months ended 31 December 2009, basic and diluted loss per share from discontinued operations was 22.86 HK cents per share based on the loss for the period from discontinued operations of HK\$212,227,000. The denominators used are the same as those detailed above for basic and diluted loss per share.

## 8. Property, Plant and Equipment

During the six months ended 31 December 2010, the Group purchased property, plant and equipment of HK\$3,668,000 (six months ended 31 December 2009: HK\$15,234,000). In addition, the Group disposed of property, plant and equipment with a carrying value of HK\$453,000 (six months ended 31 December 2009: HK\$4,518,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 9. Intangible Asset

	<b>Mining right</b> HK\$'000
<hr/>	
<b>COST</b>	
<b>At 1 July 2010 (Audited) and 31 December 2010 (Unaudited)</b>	<b>1,170,025</b>
<hr/>	
<b>ACCUMULATED AMORTISATION</b>	
At 1 July 2010 (Audited)	6,197
Charge for the period	19,341
<hr/>	
<b>At 31 December 2010 (Unaudited)</b>	<b>25,538</b>
<hr/>	
<b>NET CARRYING AMOUNT</b>	
<b>At 31 December 2010 (Unaudited)</b>	<b>1,144,487</b>
<hr/>	
At 30 June 2010 (Audited)	1,163,828
<hr/>	

The mining right represents the right to conduct mining activities in the location of Nergui, Delgerkhantai 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.

The mining right is amortised using the straight-line method over the expected useful life of 30 years.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 10. Debtors, Other Loans and Receivables, Deposits and Prepayments

As at 31 December 2010, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK\$107,680,000 (30 June 2010: HK\$113,970,000).

- (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:

	<b>The Group</b>	
	<b>31 December 2010 HK\$'000 (Unaudited)</b>	30 June 2010 HK\$'000 (Audited)
Within 30 days	<b>101,759</b>	108,610
31–60 days	<b>4,618</b>	4,533
61–90 days	<b>652</b>	575
Over 90 days	<b>651</b>	252
	<b>107,680</b>	113,970

At 31 December 2010, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK\$7,118,000 (30 June 2010: HK\$19,769,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at the end of reporting period.

## 11. Bills Receivable

As at 31 December 2010 and 30 June 2010, all bills receivable aged within 90 days.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 12. 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 at 31 December 2010 as provided by the banks or financial institutions was HK\$1,474,000 (30 June 2010: HK\$11,766,000). 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 gain on change in fair value of derivative financial instruments of HK\$19,034,000 (six months ended 31 December 2009: HK\$5,059,000) has been recognised in the profit or loss during the period. All of these derivative financial instruments are not designated as hedging instruments.

## 13. Creditors, Other Advances and Accrued Charges

As at 31 December 2010, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$22,143,000 (30 June 2010: HK\$33,426,000).

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

	The Group	
	31 December 2010 HK\$'000 (Unaudited)	30 June 2010 HK\$'000 (Audited)
Within 30 days	17,102	20,572
31–60 days	3,983	6,944
61–90 days	774	3,234
Over 90 days	284	2,676
	<b>22,143</b>	<b>33,426</b>

## 14. Bills Payable

As at 31 December 2010 and 30 June 2010, all bills payable aged within 90 days.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 15. Borrowings

During the six months ended 31 December 2010, the Group raised new borrowings of HK\$116,966,000 (six months ended 31 December 2009: HK\$118,092,000) to provide for additional working capital and made repayment of HK\$228,554,000 (six months ended 31 December 2009: HK\$94,399,000). The borrowings of the Group are secured, due within one year and carried at average effective interest rates of the bank borrowings range from 3.28% to 6.25% (30 June 2010: 4.60% to 9.35%) per annum.

## 16. Convertible Bond

On 4 May 2010, the Company issued a convertible bond with principal amount of HK\$1,432,000,000 as part of the purchase consideration for the acquisition of subsidiaries. The convertible bond bears zero coupon interest and has maturity date of 36 months from date of issue with a right to convert at a maximum of 9,546,666,667 shares of the Company at conversion price of HK\$0.15 per share. As detailed in the Company's announcement dated 4 May 2010, the conversion price of the convertible bond was reset to HK\$0.10 and accordingly the maximum number of shares can be converted was adjusted to 14,320,000,000. Unless previously converted, the convertible bond will mature and will be redeemed by the Company at par on the maturity date. Other principal terms of the convertible bond are set out below:

- (1) Subject to the conversion restrictions (as described in (3) below), convertible bond holder shall have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the convertible bond registered in its name into shares and provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the convertible bond is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the convertible bond may be converted. This option of the convertible bond holder is referred to the Call Option.
- (2) Subject to the conversion restriction (as described in (3) below), the Company has the right to require the convertible bond holder to mandatorily convert any convertible bond remaining outstanding at the maturity date into conversion shares at the then applicable conversion price. This option of the Company as the issuer of the convertible bond is referred to the Put Option.

## 16. Convertible Bond (Continued)

- (3) The convertible bond may not be converted to the extent that, following such conversion, a holder of the convertible bond, together with its concert parties, would directly or indirectly control or be interested in an aggregate of 29.9% or more of the issued shares immediately following the issue of the relevant conversion shares (or such other amount as may from time to time be specified in The Code on Takeovers and Mergers as being the level for triggering a mandatory general offer), or if a holder of the convertible bond would otherwise be obliged to make a general offer for the issued shares under Rule 26 of The Code on Takeovers and Mergers.

The exercise of conversion options embedded in the convertible bond would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The embedded derivatives of conversion options are therefore accounted for as a financial asset and liability in respect of the Put Option and the Call Option respectively. The principal of HK\$1,432,000,000 with initial recognition of fair value of HK\$1,081,526,000 of the convertible bond have been split into liability and derivative components. On issue of the convertible bond, the fair values of the derivative components were determined using an option pricing model and the amounts were carried as derivative component of an asset (the Put Option) and liability (the Call Option) until extinguished on conversion or redemption of the convertible bond. The liability component was initially recognised at fair value based on a discount rate of 10.36% per annum and was carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative components were measured at respective fair values on the issue date and any subsequent changes in fair value of the derivative components as at the end of reporting period were recognised in profit or loss.

The convertible bond was fully converted into shares of the Company as at 31 December 2010. Details of the conversions are set out in the Note 17(iv).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 16. Convertible Bond (Continued)

During the current period, fair value of the derivative component of the convertible bond increased and resulted in a fair value gain of HK\$462,158,000 (six months ended 31 December 2009: HK\$Nil).

	<b>Liability component of convertible bond</b> HK\$'000	<b>The Call Option</b> HK\$'000	<b>The Put Option</b> HK\$'000	<b>Total</b> HK\$'000
Liability/(asset) at issue date	1,065,072	92,145	(75,691)	1,081,526
Issue of shares upon partial conversion of convertible bond	(75,410)	(2,925)	9,000	(69,335)
Fair value gain	—	(66,954)	(74,390)	(141,344)
Effective interest expense recognised	16,693	—	—	16,693
Liability/(asset) at 30 June 2010 and 1 July 2010	1,006,355	22,266	(141,081)	887,540
Fair value loss/(gain)	—	5,003	(467,161)	(462,158)
Issue of shares upon conversion of convertible bond	(1,017,082)	(27,269)	608,242	(436,109)
Effective interest expense recognised	10,727	—	—	10,727
At 31 December 2010	—	—	—	—

Imputed interest on the convertible bond of HK\$10,727,000 for the six months ended 31 December 2010 (six months ended 31 December 2009: HK\$Nil) is calculated using the effective interest method by applying the effective interest rate of 9.91% per annum.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 16. Convertible Bond (Continued)

The fair values of the derivative components of the convertible bond are determined taking into account the valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professionally qualified valuers, using the Binomial Model with the major inputs as at issue date, 30 June 2010 and respective conversion dates:

	Issue date	Conversion date	At	Conversion date								
				4 May 2010	23 June 2010	30 June 2010	2 July 2010	13 July 2010	15 July 2010	20 July 2010	27 July 2010	30 July 2010
Share price	HK\$0.139	HK\$0.073	HK\$0.054	HK\$0.046	HK\$0.037	HK\$0.025	HK\$0.023	HK\$0.026	HK\$0.030	HK\$0.025	HK\$0.023	HK\$0.022
Exercise price	HK\$0.100	HK\$0.100	HK\$0.100	HK\$0.100	HK\$0.100	HK\$0.100	HK\$0.100	HK\$0.100	HK\$0.100	HK\$0.100	HK\$0.100	HK\$0.100
Volatility	81%	83%	83%	83%	84%	84%	85%	86%	86%	86%	88%	88%
Risk-free rate	1.21%	1.16%	1.06%	1.03%	0.91%	0.83%	0.74%	0.71%	0.67%	0.60%	0.53%	0.53%

## 17. Share Capital

	Number of shares		Share capital	
	31 December 2010 '000 (Unaudited)	30 June 2010 '000 (Audited)	31 December 2010 HK\$'000 (Unaudited)	30 June 2010 HK\$'000 (Audited)
Ordinary shares of HK\$0.01 each:				
Authorised (Note (i))	50,000,000	30,000,000	500,000	300,000
Increase of authorised ordinary shares (Note (i))	—	20,000,000	—	200,000
	<b>50,000,000</b>	50,000,000	<b>500,000</b>	500,000
Issued and fully paid:				
At beginning of the period/year	4,705,660	3,168,451	47,056	31,685
Capital reorganisation (Note (i))	—	(2,534,761)	—	(25,348)
Placements of new shares (Note (ii))	7,200,000	2,940,730	72,000	29,407
Exercise of share options (Note (iii))	—	131,240	—	1,312
Issue of shares upon conversion of convertible bond (Note (iv))	13,320,000	1,000,000	133,200	10,000
At end of the period/year	<b>25,225,660</b>	4,705,660	<b>252,256</b>	47,056

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 17. Share Capital (Continued)

Notes:

- (i) Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 9 July 2009, a capital reorganisation was effected such that the authorised share capital of the Company remains at HK\$300,000,000 represented by 30,000,000,000 shares. The capital reorganisation involved (i) share consolidation of every 5 shares of HK\$0.01 each into 1 consolidated share of HK\$0.05 each; (ii) capital reduction for each issued consolidated share from HK\$0.05 each to HK\$0.01 each by cancellation of HK\$0.04 each on each issued consolidated share; and (iii) sub-division of each of the authorised but unissued consolidated share into 5 ordinary shares of HK\$0.01 each.

The credit arising from the capital reduction of HK\$25,348,000 was transferred to the contributed surplus account of the Company during the year ended 30 June 2010.

In addition, pursuant to an ordinary resolution passed at the special general meeting of the Company held on 27 April 2010, the authorised share capital of the Company was increased from HK\$300,000,000 to HK\$500,000,000 and the number of authorised shares was also increased from 30,000,000,000 shares to 50,000,000,000 shares.

- (ii) During the six months ended 31 December 2010, aggregate number of 7,200,000,000 new ordinary shares of par value of HK\$0.01 each were issued at subscription price HK\$0.02 each to the then independent third parties of the Company at aggregate proceeds of HK\$140,317,000, net of issuing expenses, of which HK\$72,000,000 was credited to share capital and the remaining balance of HK\$68,317,000 was credited to the share premium account.

During the year ended 30 June 2010, aggregate number of 2,940,730,000 new ordinary shares of par value of HK\$0.01 each were issued at subscription prices ranging from HK\$0.10 each to HK\$0.220 each to the then independent third parties of the Company at aggregate proceeds of HK\$325,444,000, net of issuing expenses, of which HK\$29,407,000 was credited to share capital and the remaining balance of HK\$296,037,000 was credited to the share premium account.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 17. Share Capital (Continued)

Notes: (Continued)

- (iii) During the year ended 30 June 2010, 131,240,000 shares new ordinary shares of par value of HK\$0.01 each were issued at option price of HK\$0.0904 each on exercise of 131,240,000 share options at an aggregate proceeds of HK\$11,864,000, net of issuing expenses, of which HK\$1,312,000 was credited to share capital and the remaining balance of HK\$10,552,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK\$3,996,000 had been transferred from share option reserve to the share premium account.
- (iv) During the six months ended 31 December 2010, 13,320,000 new ordinary shares of par value of HK\$0.01 each were issued at a conversion price of HK\$0.10 each on exercise of the convertible bond, resulting in release of the financial derivative components and the liability component in aggregate, at the date of conversion of approximately HK\$436,039,000 net of issuing expenses. The conversions gave rise to a credit to share capital of HK\$133,200,000 and the remaining balance of HK\$302,839,000 was credited to the share premium account.

During the year ended 30 June 2010, 1,000,000 new ordinary shares of par value of HK\$0.01 each were issued at a conversion price of HK\$0.10 each on exercise of the convertible bond, resulting in release of the financial derivative components and the liability component in aggregate, at the date of conversion of approximately HK\$69,335,000, net of issuing expenses. The partial conversion gave rise to a credit to share capital of HK\$10,000,000 and the remaining balance of HK\$59,335,000 was credited to the share premium account.

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

## 18. Disposal of Subsidiaries

On 19 November 2010, the Group entered into a conditional sale and purchase agreement with a purchaser in relation to the disposal of its entire equity interest in Jingjiang Hua Ling Copper Products Co., Limited ("Jingjiang"), a then wholly-owned subsidiary of the Company, for a cash consideration of Renminbi ("RMB") 4,500,000, equivalent to approximately HK\$5,173,000.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 18. Disposal of Subsidiaries (Continued)

The disposed net assets of Jingjiang at the date of disposal are summarised as follows:

	HK\$'000
Net assets disposed of:	
Prepaid lease payments for land	4,345
Debtors, other loans and receivables, deposits and prepayments	194
Bank balances and cash	22
Net identifiable assets and liabilities	4,561
Reclassification adjustment of exchange reserves upon disposal	(4,683)
Gain on disposal of a subsidiary	5,295
Total consideration	5,173
Consideration satisfied by:	
Cash consideration	5,173
Net cash inflow arising on disposal:	
Cash consideration	5,173
Bank balances and cash	(22)
	5,151

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 19. Capital Commitments

	<b>The Group</b>	
	<b>31 December 2010 HK\$'000 (Unaudited)</b>	30 June 2010 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in these financial statements in respect of acquisition of:		
Plant and machinery	<b>8,400</b>	8,400

## 20. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following transactions with related companies:

	<b>The Group For the six months ended 31 December</b>	
	<b>2010 HK\$'000 (Unaudited)</b>	2009 HK\$'000 (Audited)
Sale of goods	—	631
Purchases of goods	—	23,258

During the current period, a director of the above related companies is also a director of the Company. In the opinion of the directors of the Company, the Group and related companies are under the common significant influence.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

## 20. Related Party Transactions (Continued)

### Compensation of key management personnel of the Group

	For the six months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Audited)
Short-term benefits	2,827	3,577
Retirement benefit scheme contributions	6	40
	<b>2,833</b>	3,617

## 21. Pledge of Assets

As at 31 December 2010, the Group has pledged property, plant and equipment, prepaid lease payments for land and fixed bank deposits and bank balances in the aggregate amount of HK\$253,842,000 (30 June 2010: HK\$266,477,000).

## 22. Event after Reporting Period

On 5 January 2011, the Company and Mr. Uuld Vojin Gantumur (the "Proposed Vendor"), holder of a Mongolia identity card, who is currently the legal and beneficial owner of the entire issued share capital of the Vangyunshing LLC (the "Target Company"), entered into a memorandum of understanding (the "MOU") pursuant to which the Group proposes to acquire from the Proposed Vendor the entire issued share capital of the Target Company, at a price and on further terms and conditions to be agreed.

The Target Company is incorporated in Mongolia and is the registered holder of a mining licence and two exploration licences in respect of certain rare earth mining sites located in a place named Sondiin Am, Bayantsagaan soum, Tov province, Mongolia.

Further details are set out in the Company announcement dated 5 January 2011.

## 23. Comparative Figures

Certain comparative amounts have been re-classified to conform with the current period's and the annual report 2010's presentation.

## Financial Results

The Board announced that for the six months ended 31 December 2010 (the “**period under review**”), total turnover of the Company and its subsidiaries (the “**Group**”) was approximately HK\$375,115,000, an increase of 4.9% over turnover from continuing operations of approximately HK\$357,668,000 for the corresponding period last year. During the period under review, the Company recorded a profit attributable to owners of the Company of approximately HK\$434,793,000 which is attributable to the significant fair value gain of the derivative component of the convertible bond, as compared to the loss attributable to owners of the Company of approximately HK\$232,941,000 for the corresponding period last year. Earnings per share for the period was approximately HK2.90 cents (2009/10 interim: loss per share HK25.09 cents).

## Interim Dividends

The Board has resolved not to recommend the payment of any interim dividend for the year ended 30 June 2011 (2009/10 interim: nil).

## Business Review

During the period under review, the Group deployed its resources on the businesses of manufacturing and trading of cables, wires and copper products, which are based in Mainland China. Moreover, for the mining business, the Group has been engaging technical advisors to formulate a mining proposal for its copper-gold-silver mine in Mongolia, laying a solid foundation for diversifying into this burgeoning sector.

By business segments, the Group’s turnover for the period under review was approximately HK\$375,115,000. Turnover for the cables and wires business was approximately HK\$179,728,000, representing a decrease of 4.4% over the corresponding period last year of approximately HK\$187,934,000, and accounted for 47.9% of the Group’s total turnover. Turnover for the copper rod business was approximately HK\$195,387,000, representing an increase of 15.1% over the corresponding period last year of approximately HK\$169,702,000, and accounted for 52.1% of the Group’s total turnover.

# Management Discussion and Analysis

By geographical segments, turnover from continuing operations of the American business increased by 39.7% from HK\$41,326,000 for the corresponding period last year to approximately HK\$57,723,000, accounting for 15.4% of the Group's total turnover. Turnover from continuing operations of the Mainland China and Hong Kong business decreased by 2.2% from approximately HK\$288,825,000 for the corresponding period last year to approximately HK\$282,476,000, accounting for 75.3% of the Group's total turnover. Turnover from continuing operations of other Asian markets business increased by 18.7% from approximately HK\$11,904,000 for the corresponding period last year to approximately HK\$14,135,000, accounting for 3.8% of the Group's total turnover. Turnover from continuing operations of the European business increased by 33.1% from approximately HK\$15,613,000 for the corresponding period last year to approximately HK\$20,781,000, accounting for 5.5% 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, economic recovery and increase in domestic demands in China eased the pressure on the Group's production and operation. Under the stress of, among others, rising costs of raw material and decrease in selling prices of the Group's products, compounded with further intensifying market competition, the Group endeavored to reduce costs while increasing efficiency, focus on technology integration and transformation, and enhance product quality to ensure a stable turnover from its cables and wires business during the period under review.

## Copper Rod Business

Copper rod business comprises the manufacturing and trading of copper rods and copper wires related products, which are primarily used in the production of power cords or cables for domestic appliances, electronic products and infrastructure facilities power supply. During the period under review, notwithstanding the rising trend of copper prices in international markets, the Group adopted a more cautious operation model by allocating the majority of the production capacity of its Dongguan copper rod business to the provision of processing services to its customers. That allowed the Group to transfer its financing costs and the fluctuations in copper prices to its customers. Such move not only protected the Group from the material impact of soaring international copper prices, but also enabled the Group to achieve better utilization of its machinery and equipment, and in turn enhanced its production efficiency.

## Prospects

Following the implementation of a series of fiscal and monetary stimulus policies as well as credit easing measures by various countries, although the global economy has started to stabilize and improve, recovery of certain economies remains uncertain. However, the economy of China outperforms that of the western countries. As such, the Group will continue to concentrate its resources to its China-based businesses of manufacturing and trading of cables and wires and copper products and believes that in doing so the Group would be able to avoid the negative impacts arising from the uncertainties over the economic development of the relevant countries.

With the global economy starting to show recovery and improvement and in turn raising living standards, demands for consumer electronics have been growing with a corresponding persistent growth in demands for mineral resources from various countries. However, copper is in short supply as reflected by the low level of copper stockpiles of both the London Metal Exchange and the New York Mercantile Exchange. In light of this, the Group intends to further expand into the mineral sector by, building on the foundation of its existing operations, continuing to identify and explore new mineral business opportunities so as to gain a niche in this burgeoning industry.

Looking forward, the Group will continue to take steps to cope with such negative factors as the anticipated appreciation in the value of Renminbi, ever-rising costs in raw materials and operating costs as well as the labor shortage in China.

## Employees and Remuneration Policies

As at 31 December 2010, the Group had approximately 1,300 employees in Hong Kong, the People's Republic of China ("PRC") and overseas (30 June 2010: 1,500). 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 and Financial Resources

During the six months ended 31 December 2010, the Group implemented a prudent financial management policy. As at 31 December 2010, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK\$266 million (30 June 2010: HK\$267 million) and net current assets value being approximately HK\$403 million (30 June 2010: HK\$250 million). The Group's gearing ratio as at 31 December 2010 was 0.03 (30 June 2010: 0.18), being a ratio of total bank borrowings of approximately HK\$57 million (30 June 2010: HK\$167 million) to shareholders' funds of approximately HK\$1,909 million (30 June 2010: HK\$902 million).

As at 31 December 2010, 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\$254 million (30 June 2010: HK\$266 million) to secure general banking facilities granted to the Group.

As at 31 December 2010, the Company had issued guarantees to the extent of approximately HK\$3.5 million (30 June 2010: HK\$5.3 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$3.5 million (30 June 2010: HK\$5.3 million) was utilised. In addition, the Company had issued guarantees to a financial institution amounting to approximately HK\$23.3 million (30 June 2010: HK\$23.3 million) in respect of commodity trading of copper by its subsidiaries.

For the six months ended 31 December 2010, the Group entered into copper forward contracts to manage the copper price risks. The Group's overall financial risk management focuses on the unpredictability of the financial markets, controls the level of financial risks that the Group can bear, and minimises any potential adverse effects on the financial performance of the Group. The purpose of the 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 have been revalued and stated at their fair value as at 31 December 2010 and the net gain of the derivative financial instruments for the six months ended 31 December 2010 was approximately HK\$19,034,000 (six months ended 31 December 2009: net gain of HK\$5,059,000).

The majority of the Group's operations are located in the PRC and the main operational currencies are Hong Kong dollars, United States dollars and Renminbi. The Company pays regular and active attention to the fluctuations in the Renminbi exchange rate and consistently assesses any exchange risks.

## Capital Structure

### Full conversion of the Convertible Bond

On 4 May 2010, the Company issued a convertible Bond (the “**Convertible Bond**”) in the principal amount of HK\$1,432,000,000. During the period from 23 June 2010 to 9 September 2010 (the “**Conversion Period**”), the total principal amount of the Convertible Bond was converted into 14,320,000,000 new ordinary shares of HK\$0.01 each of the Company, and the total issued share capital of the Company increased to approximately HK\$180,256,000 as at the end of the Conversion Period. Upon full conversion of the Convertible Bond and subsequent sales of the conversion shares, no single shareholder of the Company held more than 30% of the issued share capital of the Company. Reference is made to the Next Day Disclosure Returns filed by the Company with The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the Conversion Period. Details of the Convertible Bond are set out in the Note 16.

### Placing of new shares under specific mandate

On 21 October 2010, the Company completed a placing of 7,200,000,000 new shares of the Company (the “**Placing Shares**”) at a price of HK\$0.02 per Placing Share (the “**Conditional Placing**”). The Placing Shares were issued pursuant to a specific mandate obtained at the special general meeting of the Company held on 18 October 2010 and the issued share capital of the Company increased to HK\$252,256,000 upon completion of the Conditional Placing. The net proceeds from the Conditional Placing amounted to approximately HK\$140 million of which (i) approximately HK\$75 million is intended to be used as initial set-up costs for Phase 1 of the establishment of a copper processing plant at the first zone of a copper-gold-silver mine located in Nergui of Delgerkhantai soum in Dundgobi aimag, Mongolia (details of which are set out in the circular of the Company dated 9 April 2010), (ii) approximately HK\$13 million is intended to be used for repayment of short term loans of the Group and (iii) approximately HK\$52 million is intended to be used for general working capital of the Group. Details of the Conditional Placing are set out in the announcement and circular of the Company dated 16 September 2010 and 29 September 2010 respectively.

# Management Discussion and Analysis

## Significant Investment

The Group did not make any new significant investment during the six months ended 31 December 2010.

## Possible Material Acquisition

On 5 January 2011, the Company and Mr. Uuld Vojin Gantumur (the “**Proposed Vendor**”) entered into a memorandum of understanding (the “**MOU**”) pursuant to which the Company proposes to acquire from the Proposed Vendor the entire issued share capital of Vangyunshing LLC (the “**Target Company**”), at a price and on further terms and conditions to be agreed. The Target Company is incorporated in Mongolia and is the registered holder of a mining licence and two exploration licences in respect of certain rare earth mining sites located in Mongolia. Under the MOU, the Proposed Vendor has granted the Company the exclusive right to negotiate with the Proposed Vendor with a view to agreeing and executing a definitive agreement in relation to the acquisition of the Target Company for a period of four months from the date of the MOU and expiring on 4 May 2011. Details of the MOU were set out in the announcement of the Company dated 5 January 2011.

## Other Information

### Directors' Interests in Securities of the Company

As at 31 December 2010, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), as recorded in the register required to be kept pursuant to 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 Securities of the Company

So far as is known to any of the Directors and chief executives of the Company, as at 31 December 2010, the persons or corporations other than a Director or a chief executive of the Company who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

#### Long positions in the securities of the Company

Name of substantial shareholder	Capacity in which the shares are held	Number of shares interested	Approximate shareholding
Top Esteem Holdings Limited (Note)	Beneficial owner	2,520,000,000	9.99%

Note: Top Esteem Holdings Limited is wholly owned by Mr. Soyol Samdan who is an independent third party.

#### Other persons having interests or short positions in the Company and the Group

Name of the Company's subsidiary	Substantial shareholder of such subsidiary	Nature of interest	Number of existing shares/fully paid registered capital	Percentage of issued share capital/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	14.24%

## Other Information

Save as disclosed above, so far as is known to any of the Directors and chief executives of the Company, as at 31 December 2010, 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 required to be kept by the Company pursuant to section 336 of the SFO.

### Share Options

On 16 September 2002, the Company adopted a new share option scheme (the “**New Share Option Scheme**”) which replaced the Company's old share option scheme adopted in 1996.

During the six months ended 31 December 2010, the Company did not grant any share option under the New Share Option Scheme.

As at 31 December 2010, the Company had no share options outstanding under 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 2010 (the “**Half-year Period**”).

### Compliance with the Code on Corporate Governance Practices

During the Half-year period, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the “**Code**”) in Appendix 14 of the Listing Rules, save and except for the deviation from code A.2.1 and A.4.1 of the Code which is 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 Half-year Period, 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 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.

## Other Information

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 reelection.

During the Half-year Period, the existing 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 reelection 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 Half-year Period and they agreed with the accounting treatment adopted.

### **Compliance with the Model Code**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors of the Company, all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Half-year Period.

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

Hong Kong SAR, 25 February 2011