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SOLARTECH INTERNATIONAL HOLDINGS LIMITED

星凱控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

2019/2020 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Directors**” or the “**Board**”) 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 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

		For the six months ended	
		31 December	31 December
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3(a)	146,580	168,226
Cost of sales		(128,570)	(148,863)
Gross profit		18,010	19,363
Interest income		6,166	1,016
Other income		1,238	9,686
General and administrative expenses		(58,746)	(66,687)
Selling and distribution expenses		(3,622)	(3,902)
Expected credit loss/reversal of impairment loss for doubtful debts, net		–	925
Change in fair value of derivative financial instruments	14	335	(908)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	15	(7,799)	(24,649)
Change in fair value of investment properties	10	(275)	13,099
Finance costs	5	(8,589)	(5,256)
Share of results of associates		255	(1,889)
Share of results of joint ventures		(78)	(81)

* For identification purposes only

		For the six months ended	
		31 December	31 December
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss before taxation	4	(53,105)	(59,283)
Taxation	6	813	(38)
Loss for the period		<u>(52,292)</u>	<u>(59,321)</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Surplus on transfer from prepaid lease payments for land and property, plant and equipment to investment properties, net of deferred tax	9	46,621	–
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		4,232	7,597
Other comprehensive income for the period		<u>50,853</u>	<u>7,597</u>
Total comprehensive income for the period		<u>(1,439)</u>	<u>(51,724)</u>
(Loss)/profit for the period attributed to:			
Owners of the Company		(51,492)	(59,507)
Non-controlling interests		(800)	186
		<u>(52,292)</u>	<u>(59,321)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(1,140)	(50,924)
Non-controlling interests		(299)	(800)
		<u>(1,439)</u>	<u>(51,724)</u>
Loss per share			
– Basic (<i>HK cents</i>)	8	(2.17)	(2.51)
– Diluted (<i>HK cents</i>)		<u>(2.17)</u>	<u>(2.51)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2019 <i>HK\$'000</i> (Unaudited)	30 June 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	37,798	58,543
Prepayment for acquisition of property, plant and equipment	9	33,527	34,134
Investment properties	10	406,990	321,160
Prepaid lease payments for land		–	100,354
Right-of-use assets		89,132	–
Intangible assets	11	456,710	456,723
Other assets		–	200
Interests in associates		52,362	52,238
Interests in joint ventures		16,338	16,407
Deferred tax assets		54	–
		1,092,911	1,039,759
Total non-current assets			
Current assets			
Inventories		17,712	22,685
Debtors, other loans and receivables, deposits and prepayments	12	250,064	229,449
Bills receivable	13	1,174	4,261
Financial assets at fair value through profit or loss	15	11,820	26,699
Derivative financial assets	14	6	24
Prepaid lease payments for land		–	2,853
Pledged bank deposits		2,234	2,274
Bank balances held on behalf of brokerage clients		28	46
Bank balances and cash		34,957	59,992
		317,995	348,283
Assets classified as held for sale	19	–	13,119
		317,995	361,402
Total current assets			

		31 December	30 June
		2019	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Creditors, other advances and accrued charges	16	56,829	61,399
Lease liabilities		2,632	–
Borrowings	17	160,750	158,090
Taxation		87	72
		<hr/>	<hr/>
Total current liabilities		220,298	219,561
		<hr/>	<hr/>
Net current assets		97,697	141,841
		<hr/>	<hr/>
Total assets less current liabilities		1,190,608	1,181,600
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		1,465	–
Promissory notes	18	7,853	14,004
Deferred tax liabilities		67,379	53,575
		<hr/>	<hr/>
Total non-current liabilities		76,697	67,579
		<hr/>	<hr/>
Total net assets		1,113,911	1,114,021
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Capital and reserves			
Share capital	20	23,745	23,745
Reserves		1,098,688	1,098,499
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,122,433	1,122,244
		<hr/>	<hr/>
Non-controlling interests		(8,522)	(8,223)
		<hr/>	<hr/>
Total equity		1,113,911	1,114,021
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 July 2018 (audited)	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,131,502)	1,408,706	(8,678)	1,400,028
Initial application of HKFRS 9	-	-	-	-	-	-	-	(550)	(550)	-	(550)
At 1 July 2018 (as restated)	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,132,052)	1,408,156	(8,678)	1,399,478
Loss for the period	-	-	-	-	-	-	-	(59,507)	(59,507)	186	(59,321)
Exchange difference on translating foreign operations	-	-	-	8,583	-	-	-	-	8,583	(986)	7,597
Total comprehensive income for the period	-	-	-	8,583	-	-	-	(59,507)	(50,924)	(800)	(51,724)
Changes in non-controlling interests without change in control	-	-	-	-	-	-	-	782	782	218	1,000
Exercise of share options	95	4,809	-	-	-	-	(1,532)	-	3,372	-	3,372
Lapse of share options	-	-	-	-	-	-	(11,975)	11,975	-	-	-
At 31 December 2018 (unaudited)	<u>23,745</u>	<u>1,828,432</u>	<u>612,360</u>	<u>4,310</u>	<u>4,866</u>	<u>66,475</u>	<u>-</u>	<u>(1,178,802)</u>	<u>1,361,386</u>	<u>(9,260)</u>	<u>1,352,126</u>

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2019 (audited)	23,745	1,828,432	612,360	3,601	4,878	66,475	8,414	(1,425,661)	1,122,244	(8,223)	1,114,021
Initial application of HKFRS 16	-	-	-	-	-	-	-	(189)	(189)	-	(189)
At 1 July 2019 (as restated)	23,745	1,828,432	612,360	3,601	4,878	66,475	8,414	(1,425,850)	1,122,055	(8,223)	1,113,832
Loss for the period	-	-	-	-	-	-	-	(51,492)	(51,492)	(800)	(52,292)
Surplus on transfer from prepaid lease payments for land and property, plant and equipment to investment properties, net of deferred tax	-	-	-	-	-	46,621	-	-	46,621	-	46,621
Exchange difference on translating foreign operations	-	-	-	3,731	-	-	-	-	3,731	501	4,232
Total comprehensive income for the period	-	-	-	3,731	-	46,621	-	(51,492)	(1,140)	(299)	(1,439)
Share-based payment by granting share options	-	-	-	-	-	-	1,518	-	1,518	-	1,518
At 31 December 2019 (unaudited)	<u>23,745</u>	<u>1,828,432</u>	<u>612,360</u>	<u>7,332</u>	<u>4,878</u>	<u>113,096</u>	<u>9,932</u>	<u>(1,477,342)</u>	<u>1,122,433</u>	<u>(8,522)</u>	<u>1,113,911</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	For the six months ended	
	31 December	31 December
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(33,499)	(76,978)
Net cash generated from investing activities	12,240	13,539
Net cash (used in)/generated from financing activities	(2,487)	38,727
Net decrease in cash and cash equivalents	(23,746)	(24,712)
Cash and cash equivalents at beginning of the period	59,992	87,065
Effect of foreign exchange rate changes	(1,289)	(3,928)
Cash and cash equivalents at end of the period	<u>34,957</u>	<u>58,425</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u>34,957</u>	<u>58,425</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

These unaudited condensed interim 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 “**Stock Exchange**”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2019. 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 2019, except the new revised HKFRSs as described below.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2019, which comprise HKFRSs; Hong Kong Accounting Standards (“**HKASs**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated interim financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

The impact of the adoption of HKFRS 16 Leases has been summarised below. The other new or amended HKFRSs that are effective from 1 July 2019 did not have any material impact on the Group’s accounting policies.

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“**HKAS 17**”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the condensed consolidated interim financial statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on condensed consolidated interim financial statement of financial position as of 30 June 2019 to that of 1 July 2019 as follows (increase/(decrease)):

Statement of financial position as at 1 July 2019	<i>HK\$'000</i>
Right-of-use assets	108,395
Prepaid lease payments for land	(103,207)
Lease liabilities (non-current)	2,585
Lease liabilities (current)	2,792
Accumulated losses	189

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated interim financial statement of financial position as at 1 July 2019:

Reconciliation of operating lease commitment to lease liabilities	<i>HK\$'000</i>
Operating lease commitment as of 30 June 2019	5,657
Less: short term leases for which lease terms end within 12 months at the commencement date	(75)
Less: future interest expenses	(205)
	<hr/>
Total lease liabilities as of 1 July 2019 (Unaudited)	<u>5,377</u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 3.55%.

(ii) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the condensed consolidated interim financial statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 July 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 July 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

The Group has elected to recognise all the right-of-use assets at 1 July 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 July 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 July 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 July 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

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

- (i) manufacture and trading of cables and wires;
- (ii) Trading of copper rods;
- (iii) trading of metallurgical grade bauxite; and
- (iv) investment properties.

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 31 December 2018 and 31 December 2019, and for the periods then ended for the purpose of segment reporting.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment 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 interest income as well as head office and corporate 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 2019 (Unaudited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Metallurgical grade bauxite HK\$'000	Investment properties HK\$'000	Others HK\$'000	Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customers	89,875	51,819	-	4,886	-	146,580	-	146,580
Inter-segment revenue	-	14,257	-	-	-	14,257	(14,257)	-
Reportable segment revenue	89,875	66,076	-	4,886	-	160,837	(14,257)	146,580
Reportable segment (loss)/profit	(19,447)	(1,296)	(9)	4,848	(14,859)	(30,763)	(1,111)	(31,874)
Finance costs	(4,939)	(2,215)	-	-	-	(7,154)	-	(7,154)
Change in fair value of derivative financial instruments	-	335	-	-	-	335	-	335
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	-	-	-	-	(7,799)	(7,799)	-	(7,799)
Change in fair value of investment properties	(3,069)	(14)	-	2,808	-	(275)	-	(275)
Impairment on other assets	-	-	-	-	(200)	(200)	-	(200)
Impairment loss on property, plant and machinery	-	(137)	-	(470)	(31)	(638)	-	(638)
Share of results of joint ventures	-	-	-	-	(78)	(78)	-	(78)
Depreciation of property, plant and equipment								
- allocated	(2,920)	(1,950)	-	(453)	(2)	(5,325)	-	(5,325)
- unallocated								(1,385)
Depreciation of right-of-use assets								
- allocated	(1,301)	(810)	-	(11)	(292)	(2,414)	-	(2,414)
Taxation	8	370	-	435	-	813	-	813

For the six months ended 31 December 2018 (Unaudited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Metallurgical grade bauxite HK\$'000	Investment properties HK\$'000	Others HK\$'000	Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customers	93,965	67,611	-	5,046	1,604	168,226	-	168,226
Inter-segment revenue	-	14,818	-	-	-	14,818	(14,818)	-
Reportable segment revenue	93,965	82,429	-	5,046	1,604	183,044	(14,818)	168,226
Reportable segment (loss)/profit	(6,501)	(8,743)	-	16,321	(40,225)	(39,148)	797	(38,351)
Finance costs	(2,883)	(2,273)	-	-	-	(5,156)	-	(5,156)
Change in fair value of derivative financial instruments	-	(269)	-	-	(639)	(908)	-	(908)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	-	-	-	-	(24,649)	(24,649)	-	(24,649)
Change in fair value of investment properties	600	-	-	12,499	-	13,099	-	13,099
Reversal of impairment loss for doubtful debts, net	-	797	-	-	128	925	-	925
Share of results of associates	-	-	-	-	(1,889)	(1,889)	-	(1,889)
Share of results of joint ventures	-	-	-	-	(81)	(81)	-	(81)
Depreciation of property, plant and equipment								
- allocated	(3,404)	(2,350)	-	(513)	(24)	(6,291)	-	(6,291)
- unallocated								(1,384)
Taxation	(38)	-	-	-	-	(38)	-	(38)

As at 31 December 2019 (Unaudited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Metallurgical grade bauxite HK\$'000	Investment properties HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	155,073	260,705	1,469	288,067	165,707	871,021
Additions to non-current assets	924	-	-	-	-	924
Reportable segment liabilities	138,362	62,042	-	5,655	6,057	212,116

As at 30 June 2019 (audited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Metallurgical grade bauxite HK\$'000	Investment properties HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	162,759	266,080	-	319,977	154,375	903,191
Additions to non-current assets	2,914	-	-	-	47,903	50,817
Reportable segment liabilities	127,064	64,171	-	11,696	2,618	205,549

(b) Reconciliation of reportable segment profit or loss

	For the six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation		
Reportable segment loss	(31,874)	(38,351)
Unallocated corporate income	–	23
Unallocated finance costs	(1,435)	(100)
Share-based payment expenses	(1,518)	–
Unallocated corporate expenses	(18,278)	(20,855)
	<u>(53,105)</u>	<u>(59,283)</u>
Consolidated loss before taxation	<u>(53,105)</u>	<u>(59,283)</u>
	31 December	30 June
	2019	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	871,021	903,191
Mining right	456,710	456,723
Interests in joint ventures	16,338	16,407
Interests in associates	13,769	–
Unallocated bank balances and cash	3,157	2,085
Unallocated corporate assets	49,911	22,755
	<u>1,410,906</u>	<u>1,401,161</u>
Consolidated total assets	<u>1,410,906</u>	<u>1,401,161</u>
	31 December	30 June
	2019	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Liabilities		
Reportable segment liabilities	212,116	205,549
Taxation	87	72
Promissory notes	7,853	14,004
Deferred tax liabilities	67,379	53,575
Unallocated corporate liabilities	9,560	13,940
	<u>296,995</u>	<u>287,140</u>
Consolidated total liabilities	<u>296,995</u>	<u>287,140</u>

(c) **Geographical information**

The Group's operations are located in the People's Republic of China (the "PRC"), Americas, Europe, Hong Kong and other 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	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC	100,040	125,491
Americas	9,831	7,354
Europe	19,127	17,133
Hong Kong	9,955	10,487
Other regions	7,627	7,761
	<u>146,580</u>	<u>168,226</u>

4. **LOSS BEFORE TAXATION**

This has been arrived at after charging/(crediting) the following:

	For the six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	6,710	7,675
Depreciation of right-of-use assets	2,414	–
Loss on disposal of property, plant and equipment	9	–
(Reversal of write-down)/write-down on inventories	(279)	136
Charge of prepaid lease payments for land	–	1,672
Impairment loss on other assets	200	–
Impairment loss on property, plant and equipment	638	–

5. **FINANCE COSTS**

	For the six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings	7,573	5,256
Imputed interest on promissory notes	930	–
Interest on lease liabilities	86	–
	<u>8,589</u>	<u>5,256</u>

6. TAXATION

	For the six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – other jurisdictions		
Tax for the period	46	38
Deferred tax for the period	(859)	–
	<u>(813)</u>	<u>38</u>

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in Hong Kong during the current and prior periods. 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.

7. DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: HK\$Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share amounts for the six months ended 31 December 2019 is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

<i>Loss</i>	For the six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic loss per share	<u>(51,492)</u>	<u>(59,507)</u>
<i>Number of shares</i>	For the six months ended	
	31 December	
	2019	2018
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,374,532,340</u>	<u>2,369,600,646</u>

The computation of diluted loss per share does not assume the subscription of the Company's outstanding potential dilutive ordinary shares as they are anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the six months ended 31 December 2019 and 2018.

9. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2019, the Group purchased property, plant and equipment of HK\$924,000 (six months ended 31 December 2018: HK\$2,668,000). HK\$14,000 of property, plant and equipment was disposed of by the Group for the six months ended 31 December 2019 (six months ended 31 December 2018: HK\$6,830,000). Items of plant and machinery were retired and accordingly an impairment loss of HK\$638,000 (six months ended 31 December 2018: HK\$Nil) was recognised in profit or loss.

In addition, the use of certain previously self-used premises of the buildings of the Group had been changed and the management had decided to lease out the premises for rental income. Accordingly the carrying amounts of buildings of HK\$61,570,000 and related right-of-use assets of HK\$28,930,000 (after revaluation upon the transfer) as at the date of transfer had been transferred to investment properties of the Group and a surplus on transfer from property, plant and equipment to investment properties, net of deferred taxation, of HK\$46,621,000 was credited to property revaluation reserve.

During the six months ended 31 December 2019, the Group made prepayment for the acquisition of property, plant and equipment amounted to HK\$33,527,000 (30 June 2019: HK\$34,134,000).

10. INVESTMENT PROPERTIES

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Fair value:		
At the beginning of period/year	321,160	303,146
Transferred from property, plant and equipment	61,570	–
Transferred from right-of-use assets	28,930	–
Fair value (losses)/gains, net	(275)	41,618
Currency realignment	(4,395)	(10,485)
	406,990	334,279
Less: Classified as held for sale (<i>Note 19</i>)	–	(13,119)
At end of period/year	406,990	321,160

The Group's investment properties were valued at 31 December 2019 by LCH (Asia-Pacific) Surveyors Limited and Peak Vision Appraisals Limited. They are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies using the investment approach. For the portion of the properties which are currently vacant, direct comparison approach is used by making reference to comparable sales evidence in the relevant market. These valuations gave rise to net fair value loss of HK\$275,000 during the current period (six months ended 31 December 2018: gain of HK\$13,099,000).

Direct operating expenses arising on the investment properties during the period amounted to HK\$73,000 (six months ended 31 December 2018: HK\$77,000).

11. INTANGIBLE ASSETS

	Mining right <i>HK\$'000</i>	Trading right <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST:				
At 1 July 2019 (Audited)	1,167,711	630	57,570	1,225,911
Exchange realignments	(14)	–	–	(14)
	<u>1,167,697</u>	<u>630</u>	<u>57,570</u>	<u>1,225,897</u>
At 31 December 2019 (Unaudited)	<u>1,167,697</u>	<u>630</u>	<u>57,570</u>	<u>1,225,897</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
At 1 July 2019 (Audited)	710,988	630	57,570	769,188
Exchange realignments	(1)	–	–	(1)
	<u>710,987</u>	<u>630</u>	<u>57,570</u>	<u>769,187</u>
At 31 December 2019 (Unaudited)	<u>710,987</u>	<u>630</u>	<u>57,570</u>	<u>769,187</u>
NET CARRYING AMOUNT:				
At 31 December 2019 (Unaudited)	<u>456,710</u>	<u>–</u>	<u>–</u>	<u>456,710</u>
At 30 June 2019 (Audited)	<u>456,723</u>	<u>–</u>	<u>–</u>	<u>456,723</u>

Mining right

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

Trading right

Trading right confers a right to the Group to trade securities and options contracts on or through The Stock Exchange of Hong Kong Limited such that the Group can conduct the business of securities brokerage.

Trading right is considered by the directors of the Group as having indefinite useful life because there is no foreseeable limit on the period over which the trading right is expected to generate cash flows to the Group. Trading right is not amortised until its useful life is determined to be finite.

During the year ended 30 June 2019, the Group determined not to continue to carry out regulated activities under the Securities and Futures Ordinances (“SFO”) and voluntarily surrendered its licenses under the SFO.

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

At 31 December 2019, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of approximately HK\$53,839,000 (30 June 2019: HK\$45,421,000).

- (i) The Group allows an average credit period of 30 to 60 days to its trade customers.
- (ii) The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Within 30 days	21,228	21,100
31 – 60 days	15,635	9,226
61 – 90 days	15,139	7,283
Over 90 days	1,837	7,812
	<u>53,839</u>	<u>45,421</u>

- (iii) At 31 December 2019, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to approximately HK\$2,343,000 (30 June 2019: HK\$2,023,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

13. BILLS RECEIVABLE

As at 31 December 2019 and 30 June 2019, all bills receivable aged within 90 days.

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair values of copper future contracts are determined based on the quoted market prices provided by banks or financial institutions at the end of reporting periods. The gain on change in fair value of derivative financial instruments of approximately HK\$335,000 (six months ended 31 December 2018: loss of HK\$908,000) has been recognised in the profit or loss during the period. All of these derivative financial instruments are not designated as hedging instruments.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Equity securities held for trading and listed in Hong Kong	<u>11,820</u>	<u>26,699</u>

The fair values of the equity securities are determined based on the quoted market prices. During the period, a loss on change in fair value of HK\$3,252,000 (six months ended 31 December 2018: loss of HK\$20,924,000) and a net loss on disposal of HK\$4,547,000 (six months ended 31 December 2018: loss of HK\$3,725,000) were recognised in profit or loss.

16. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 31 December 2019, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$28,926,000 (30 June 2019: HK\$23,136,000).

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

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Within 30 days	16,295	11,821
31 – 60 days	4,596	5,393
61 – 90 days	1,477	854
Over 90 days	6,558	5,068
	<u>28,926</u>	<u>23,136</u>

17. BORROWINGS

During the six months ended 31 December 2019, the Group raised new borrowings of HK\$104,670,000 (six months ended 31 December 2018: HK\$91,241,000) to provide for additional working capital and made repayment of HK\$100,076,000 (six months ended 31 December 2018: HK\$56,886,000). The borrowings of HK\$160,750,000 of the Group are secured. The average effective interest rates of the bank borrowings range from 5.44% to 7.83% (30 June 2019: 6.53%) per annum. The average effective interest rates of the other loans were 10% to 13% (30 June 2019: 10% to 15.8%) per annum.

18. PROMISSORY NOTES

On 30 April 2019, the Company issued promissory note with principal amount of HK\$15,000,000 as the consideration to acquire 17% equity interest of Ocean Pride Ventures Limited. The promissory note was unsecured, bear interest at 6% per annum and matured at 30 April 2021.

The promissory note was initially recognised at their fair values at the dates of issue and subsequently measured at amortised cost using the effective interest method.

The movements of the promissory notes during the year are as follows:

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
At the beginning of the period/year	14,004	–
Issued at fair value	–	13,769
Imputed interest	930	235
Redemption	(7,081)	–
	<u>7,853</u>	<u>14,004</u>

19. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 30 June 2019, the Group and certain independent third parties entered into sale and purchase agreements, pursuant to which the Group agreed to dispose of and the independent third parties agreed to purchase certain investment properties of the Group at an aggregate consideration of HK\$13,700,000. As at 30 June 2019, the disposal of the investment properties has not been completed and these investment properties were classified as held for sale and measured at fair value at HK\$13,119,000 (31 December 2018: HK\$Nil).

On 5 December 2019, the disposal of the investment properties has been completed.

20. SHARE CAPITAL

	Number of shares		Share capital	
	31 December 2019 '000 (Unaudited)	30 June 2019 '000 (Audited)	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Ordinary shares of HK\$0.01 each:				
Authorised	<u>50,000,000</u>	<u>50,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At beginning of the period/year	2,365,032	2,365,032	23,745	23,650
Issue of shares on exercise of share options	<u>–</u>	<u>9,500</u>	<u>–</u>	<u>95</u>
At end of the period/year	<u>2,374,532</u>	<u>2,374,532</u>	<u>23,745</u>	<u>23,745</u>

21. CAPITAL COMMITMENTS

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated interim financial statements in respect of acquisition of:		
Buildings	<u>156,460</u>	<u>22,756</u>

22. SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a new share option scheme (the “Scheme”) for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries or associated companies or such persons who from time to time are determined by the board of directors (the “Board”) at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the “Participants”), to strive for future developments and expansion of the Group. The Scheme will end on 17 December 2022.

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the offer date, which must be a business day; (ii) the average of the

closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 235,233,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of special general meeting on 6 December 2019.

The following share options were outstanding under the scheme during the period:

	Weighted average exercise price HK\$	Number
Outstanding at 1 July 2019	0.108	162,260,000
Granted during the year	<u>0.10</u>	<u>53,800,000</u>
Outstanding at 31 December 2019	<u><u>0.106</u></u>	<u><u>216,060,000</u></u>

During the year ended 31 December 2019, the weighted average fair value of each option granted was HK\$0.028. The following information is relevant in the determination of the fair value of options granted under the Scheme operated by the Company.

	2019
Option pricing model used	Binomial lattice
Weighted average share price at grant date	0.061
Exercise price	0.10
Weighted average contractual life	2.4 years
Expected volatility	110%
Expected dividend rate	0%
Risk-free interest rate	<u><u>1.53%</u></u>

The volatility assumption, measured at the standard deviation of expected share price returns, is based on the daily share price on the grant date of the share options.

During the six months ended 31 December 2019, 53,800,000 share options were granted (six months ended 31 December 2018: Nil). Equity-settled share-based payment expenses amounted to HK\$1,518,000 (six months ended 31 December 2018: HK\$Nil) was recognised in profit or loss accordingly. All share options were vested and exercisable with the exercise price of HK\$0.10. No share options were exercised and lapsed during the six months ended 31 December 2019. As at 31 December 2019, the Company had 216,060,000 share options outstanding under the Scheme (30 June 2019: 162,260,000).

23. RELATED PARTY TRANSACTIONS

In addition to the information detailed elsewhere in these unaudited condensed consolidated interim financial statements, and except for the compensation of key management personnel as disclosed below, the Group has no other related party transaction for both periods.

Compensation of key management personnel of the Group

Members of key management personnel of the Group during the periods comprised only of the directors.

24. PLEDGE OF ASSETS

As at 31 December 2019, the Group has pledged investment property and pledged deposits and bank balances in the aggregate amount of HK\$242,914,000 (30 June 2019: HK\$243,034,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announced that for the six months ended 31 December 2019 (the “**period under review**”), the total turnover of the Group was approximately HK\$146,580,000, representing a decrease of 12.9% as compared to approximately HK\$168,226,000 recorded for the corresponding period last year. During the period under review, loss attributable to the owners of the Company was approximately HK\$51,492,000, representing a decrease of 13.5% as compared to loss attributable to the owners of the Company of approximately HK\$59,507,000 for the corresponding period last year. Loss per share for the period under review was approximately HK2.17 cents (Earning per share for 2018/19 interim: HK2.51 cents).

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2019 (31 December 2018 interim: nil).

BUSINESS REVIEW

The Group’s turnover for the period under review was approximately HK\$146,580,000, representing a decrease of 12.9% as compared to approximately HK\$168,226,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK\$89,875,000, representing a decrease of 4.4% as compared to approximately HK\$93,965,000 for the same period of last year and accounted for 61.3% of the Group’s total turnover. Turnover of the copper rod business was approximately HK\$51,819,000, representing a decrease of 23.4% as compared to approximately HK\$67,611,000 for the same period of last year and accounted for 35.4% of the Group’s total turnover. Turnover of the leasing business was approximately HK\$4,886,000, representing an decrease of 3.2% as compared to approximately HK\$5,046,000 for the same period of last year and accounted for 3.3% of the Group’s total turnover. Other business had no turnover during the period under review.

By geographical market segments, turnover from the business in the Americas increased by 33.7% to approximately HK\$9,831,000 from approximately HK\$7,354,000 for the same period of last year, accounting for 6.7% of the Group’s total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 19.1% to approximately HK\$109,995,000 from approximately HK\$135,978,000 for the same period of last year, accounting for 75.0% of the Group’s total turnover. Turnover from the business in Europe increased by 11.6% to approximately HK\$19,127,000 from approximately HK\$17,133,000 for the same period of last year, accounting for 13.1% of the Group’s total turnover. Turnover from the business in other regions decreased by 1.7% to approximately HK\$7,627,000 from approximately HK\$7,761,000 for the same period of last year, accounting for 5.2% of the Group’s total turnover.

Cables and Wires

The Group's turnover of the cables and wires business for the period under review was approximately HK\$89,875,000, representing a decrease of 4.4% as compared to approximately HK\$93,965,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the period under review, the ongoing Sino-US trade war brought uncertainties to China's and overseas economy, which adds to the difficult operating conditions in the manufacturing industry. The Group has been proactively monitoring the development of the Sino-US trade war as well as the direction of upcoming policies in Mainland China and has carried out research and adjustments accordingly to adopt appropriate market strategies.

Copper Rod Business

The copper rod business comprises the trading of copper rods and copper wires and their related products. During the period under review, the turnover of the copper rod business was approximately HK\$51,819,000, representing a decrease of 23.4% as compared to approximately HK\$67,611,000 for the same period of last year. International copper prices dropped during the period under review and the 3-month London Metal Exchange copper price decreased from approximately US\$6,000 per tonne at the beginning of the period under review to approximately US\$5,900 per tonne at the end of the period under review. Since the Sino-US trade war has cast shadow to economic prospects and resulted in continuous low copper prices, the operating condition of the copper rod trading business is expected to remain difficult. The Group will closely monitor the development of the Sino-US trade war and adopt corresponding strategies.

Rental Income

Investment properties of the Group mainly comprise industrial properties in Hong Kong and the PRC. During the period under review, rental income was approximately HK\$4,886,000, representing an decrease of approximately 3.2% as compared to approximately HK\$5,046,000 for the same period last year. Such decrease was mainly due to the depreciation of Renminbi during the period.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. During the period under review, since there are still many uncertainties in the Mongolian and international mining market, the Group has adopted a more cautious investment strategy in relation to the mining investment development in Mongolia. During the period under review, apart from the necessary work to maintain the mining rights, no large-scale capital investment was undertaken.

Advertising Business

The Group owns 49% of the issued capital of Idea International Holdings Limited (“**Idea**”). During the period under review, as China’s economy continued to slow down, corporate customers reduced excessive spending on brand advertisement and significantly reduced their budget on advertisements, in order to reduce operating costs. While there had been an overall significant decline in the advertising market of the PRC, conventional advertising markets experienced an even greater decline. Given the rise of new media, and the disintermediation of brands, the room for development for traditional advertisement companies is severely cramped. The aforementioned factors had material adverse impact on the advertising business and its prospect during the period under review.

PROSPECTS

Since the outbreak of the novel coronavirus (COVID-19) epidemic, the Group will closely take note its development and its impact on the Company’s business. The Group will proactively take preventive measures to mitigate the impact of the epidemic on the Group’s business.

廉江市周氏石材有限公司 (Lianjiang Zhou’s Marble Limited*) (“**Zhou’s Marble**”), an indirect non-wholly owned subsidiary of the Group, is proactively considering and planning the land development with the help of a constructor. Zhou’s Marble is expected to commence the construction and pre-sales of the plants and other matters in 2020. The Company is determined to establish a stone industry processing and trading base on the lands in Lianjiang, hoping to generate new income for the Group and diversify the business of the Group.

The Group intends to take full use of part of the land located in Dongguan. The Directors are actively considering the possibility of the land to develop into a commercial project, covering the matters relating to developing into a commercial area and constructing modern plants. It is expected to commence the preliminary work such as land planning and preparation for the land development by the end of 2020.

The Group will proactively identify potential business partners and new business opportunities with growth potential to achieve a balanced development with existing operations, expand its income sources, realize diversified and sustainable development and increase shareholders’ values.

* For identification purposes only

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 500 employees in Hong Kong, the People's Republic of China ("PRC") and overseas (30 June 2019: 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, FINANCIAL RESOURCES AND GEARING RATIO

During the six months ended 31 December 2019, the Group implemented a prudent financial management policy. As at 31 December 2019, the Group had cash and bank balances amounting to approximately HK\$35 million (30 June 2019: HK\$60 million) and value of net current assets was approximately HK\$98 million (30 June 2019: HK\$142 million). The Group's gearing ratio as at 31 December 2019 was 0.15 (30 June 2019: 0.15), being a ratio of total borrowings of approximately HK\$169 million (30 June 2019: HK\$172 million) to shareholders' funds of approximately HK\$1,122 million (30 June 2019: HK\$1,122 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 2019, the Group had pledged investment properties with an aggregate net book value of approximately HK\$241 million (30 June 2019: HK\$241 million) and pledged bank deposit of HK\$2 million (30 June 2019: HK\$2 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Company had issued guarantees to the extent of approximately HK\$58 million (30 June 2019: HK\$50 million) to secure the total loans of approximately HK\$58 million (30 June 2019: HK\$50 million) granted to its subsidiaries.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

For the period under review, the Group entered into copper forward contracts (“**Derivative Financial Instruments**”) to manage copper price risks. The Group’s overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group’s policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 31 December 2019 and the changes in fair value were charged to the income statement. The net gain of the Derivative Financial Instruments for the period under review was approximately HK\$335,000 (31 December 2018 interim: net loss of HK\$908,000).

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

On 2 July 2019, the Company announced that with effect from 11 July 2019, the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, has changed its address to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

CHANGE OF ADDRESS OF BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

On 22 July 2019, the Company announced that with effect from 19 July 2019, the principal share registrar and transfer office of the Company in Bermuda, MUFG Fund Services (Bermuda) Limited, had changed its address to 4th floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

CAPITAL STRUCTURE

The Company did not make any fund raisings or any capital reorganisation during the period under review and the Group does not have any other fund raising plans as at the date of this announcement.

SIGNIFICANT INVESTMENT

The Group did not make any significant investment during the period under review and the Group does not have any other plans for material investments or capital assets or disposals as at the date of this announcement.

SHARE OPTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company adopted a share option scheme (the “**Share Option Scheme**”). The details of the Share Option Scheme are set out in a circular to the shareholders of the Company dated 24 October 2012 and a summary of the Share Option Scheme was set out in the Company’s 2019 Annual Report.

On 25 July 2019, the Company resolved to grant share options to subscribe for a total of 53,800,000 shares of HK\$0.01 each (“**Shares**”) in the share capital of the Company to certain eligible persons, subject to acceptance of the grantees, under the Share Option Scheme. None of the grantees is a director, chief executive or substantial shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) of the Company or is an associate (as defined in the Listing Rules) of any of them. The details of the options granted are set out in the announcement of the Company dated 25 July 2019.

Details of the share options granted, exercised, cancelled and lapsed during the period under review under the Share Option Scheme are set out below:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK\$	Number of Share Options					Outstanding at 31.12.2019
				Outstanding at 1.7.2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
(A) Share Options Granted on 20 March 2019			<i>Note (1)</i>						
Directors									
Chau Lai Him	20 March 2019	1 April 2019 to 30 June 2021	0.108	23,740,000	-	-	-	-	23,740,000
Zhou Jin Hua (<i>Note 2</i>)	20 March 2019	1 April 2019 to 30 June 2021	0.108	23,740,000	-	-	-	-	23,740,000
Liu Dong Yang	20 March 2019	1 April 2019 to 30 June 2021	0.108	23,740,000	-	-	-	-	23,740,000
Chau Chi Ho	20 March 2019	1 April 2019 to 30 June 2021	0.108	14,240,000	-	-	-	-	14,240,000
Chung Kam Kwong	20 March 2019	1 April 2019 to 30 June 2021	0.108	1,000,000	-	-	-	-	1,000,000
Lo Wai Ming	20 March 2019	1 April 2019 to 30 June 2021	0.108	1,000,000	-	-	-	-	1,000,000
Lo Chao Ming	20 March 2019	1 April 2019 to 30 June 2021	0.108	1,000,000	-	-	-	-	1,000,000
Employees	20 March 2019	1 April 2019 to 30 June 2021	0.108	10,800,000	-	-	-	-	10,800,000

Name or category of participants	Date of grant	Exercisable period	Exercise price HK\$	Number of Share Options					Outstanding at 31.12.2019
				Outstanding at 1.7.2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Consultants	20 March 2019	1 April 2019 to 30 June 2021	0.108	63,000,000	-	-	-	-	63,000,000
(B) Share Options Granted on 25 July 2019			Note (3)						
Employees	25 July 2019	2 October 2019 to 31 December 2021	0.100	-	53,800,000	-	-	-	53,800,000
				162,260,000	53,800,000	-	-	-	216,060,000

Notes:

- (1) The closing price per share as stated in the Stock Exchange's daily quotation sheet on 20 March 2019 was HK\$0.104 and the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding 20 March 2019 was HK\$0.108.
- (2) Mr. Zhou Jin Hua passed away on 13 June 2019. Pursuant to the Share Options Scheme, the personal representative of Mr. Zhou Jin Hua can exercise the share options within 12 months from the date of the participant's death or such longer period as the Board may determine.
- (3) The closing price per share as stated in the Stock Exchange's daily quotation sheet on 25 July 2019 was HK\$0.061 and the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding 25 July 2019 was HK\$0.062.

As at 31 December 2019, there were a total of 216,060,000 outstanding share options entitling the holders thereof to subscribe for 216,060,000 Shares, representing approximately 9.1% of the number of 2,374,532,340 Shares in issue ("**Shares in issue**") of the Company.

As at 31 December 2019, under the refreshed scheme mandate limit which was approved by way of an ordinary resolution of the shareholders at the annual general meeting of the Company held on 6 December 2019, the Company could grant share options for up to 237,453,234 Shares, representing 10% of the Shares in issue of the Company, pursuant to the Share Option Scheme.

During the period under review, no share options granted was exercised, lapsed or cancelled.

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

As at 31 December 2019, the interest of the Directors and their associates in the Shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") are as follows:

Name of Director	Capacity	Number of Shares held in long position	Number of underlying Shares held in long position	Total percentage of the issued share capital of the Company
Chau Lai Him	Beneficial owner	0	23,740,000 (Note 4)	1.00%
Zhou Jin Hua (Note 2)	Beneficial owner	0	23,740,000 (Note 4)	1.00%
Liu Dong Yang	Beneficial owner	0	23,740,000 (Note 4)	1.00%
Chau Chi Ho	Beneficial owner	36,500,000	14,240,000 (Note 4)	2.14%
Chung Kam Kwong	Beneficial owner	0	1,000,000 (Note 4)	0.04%
Lo Wai Ming	Beneficial owner	400,000	1,000,000 (Note 4)	0.06%
Lo Chao Ming	Beneficial owner	300,000	1,000,000 (Note 4)	0.05%

Note

- (4) Long position in the underlying shares of the Company pursuant to the share options granted on 20 March 2019 under the Share Option Scheme.

Other than as disclosed above, as at 31 December 2019, none of the Directors nor the Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Directors and chief executives of the Company, as at 31 December 2019, there were no persons who had a notifiable interest or short position in the shares or underlying shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

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 2019.

COMPLIANCE WITH THE CODE PROVISIONS

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

Code provision A.2.1

Under Code provision A.2.1, the roles 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 (“**Mr. Chau**”) acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for the effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective for the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Code provision A.4.1

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

The existing independent non-executive Directors were not appointed for a specific term as required under Code provision A.4.1 but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures are in place to ensure that the non-executive Directors are subject to appropriate mechanisms to avoid holding office indefinitely.

Code provision A.4.3

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

Mr. Chung Kam Kwong has been an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung Kam Kwong retired from office by rotation at the 2019 annual general meeting of the Company held on 6 December 2019 (the “**2019 AGM**”) and offered himself for re-election at the 2019 AGM. An ordinary resolution was passed at the 2019 AGM to approve the re-appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company.

Mr. Lo Wai Ming has been an independent non-executive Director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the 2019 AGM and offered himself for re-election at the 2019 AGM. An ordinary resolution was passed at the 2019 AGM to approve the re-appointment of Mr. Lo Wai Ming as an independent non-executive Director of the Company.

Mr. Lo Chao Ming has been an independent non-executive Director of the Company for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming retired from office by rotation at the 2018 annual general meeting of the Company held on 7 December 2018 (the “**2018 AGM**”) and offered himself for re-election at the 2018 AGM. An ordinary resolution was passed at the 2018 AGM to approve the re-appointment of Mr. Lo Chao Ming as an independent non-executive Director of the Company.

AUDIT COMMITTEE

The audit committee of the Company (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. It has adopted terms of reference which are in line with the Code provisions.

The Audit Committee has reviewed the unaudited interim results of the Group for the period under review and has agreed with the accounting treatments adopted.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all of the Directors, each of the Directors confirmed that he had complied with the required standards set out in the Model Code throughout the period under review.

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

Hong Kong, 27 February 2020

As at the date of this announcement, the executive Directors are Mr. Chau Lai Him, Mr. Chau Chi Ho and Mr. Liu Dong Yang and the independent non-executive Directors are Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming.