

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



## SOLARTECH INTERNATIONAL HOLDINGS LIMITED

星凱控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1166)

### 2020/2021 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 2020, as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Notes	For the six months ended	
		31 December 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Unaudited)
Turnover	3(a)	191,520	146,580
Cost of sales		(160,825)	(128,570)
Gross profit		30,695	18,010
Interest income		6,754	6,166
Other income		8,200	1,238
General and administrative expenses		(36,992)	(58,746)
Selling and distribution expenses		(5,478)	(3,622)
Change in fair value of derivative financial instruments	14	4	335
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	15	3,207	(7,799)
Change in fair value of investment properties	10	14,561	(275)
Finance costs	5	(8,276)	(8,589)
Loss on disposal of a subsidiary	19	(9,824)	–
Share of results of associates		71	255
Share of results of joint ventures		(3)	(78)

\* For identification purposes only

	Notes	For the six months ended	
		31 December 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Unaudited)
Profit/(loss) before taxation	4	2,919	(53,105)
Income tax (expenses)/credit	6	(274)	813
<b>Profit/(loss) for the period</b>		<b>2,645</b>	<b>(52,292)</b>
<b>Other comprehensive income</b>			
<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		(5,593)	4,232
Reclassification adjustment on exchange difference for a foreign operation disposal of during the period		7,982	–
Other comprehensive income for the period		2,389	50,853
<b>Total comprehensive income for the period</b>		<b>5,034</b>	<b>(1,439)</b>
Profit/(loss) for the period attributed to:			
Owners of the Company		2,204	(51,492)
Non-controlling interests		441	(800)
		2,645	(52,292)
Total comprehensive income for the period attributable to:			
Owners of the Company		4,710	(1,140)
Non-controlling interests		324	(299)
		5,034	(1,439)
Earnings/(loss) per share			
– Basic (HK cents)	8	0.09	(2.17)
– Diluted (HK cents)		0.09	(2.17)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2020 <i>HK\$'000</i> (Unaudited)	30 June 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	27,632	28,373
Investment properties	10	541,281	515,356
Right-of-use assets		7,583	8,460
Intangible assets	11	427,350	427,349
Prepayments		–	3,680
Interests in associates		35,582	33,125
Interests in joint ventures		12,375	12,379
Other receivables		11,614	11,614
		1,063,417	1,040,336
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		25,795	23,354
Debtors, other loans and receivables, deposits and prepayments	12	323,690	241,778
Bills receivable	13	226	20
Financial assets at fair value through profit or loss	15	5,025	8,768
Pledged bank deposits		2,372	2,191
Bank balances held on behalf of brokerage clients		28	28
Bank balances and cash		41,270	63,634
		398,406	339,773
<b>Total current assets</b>			
<b>Current liabilities</b>			
Creditors, other advances and accrued charges	16	172,645	86,404
Borrowings	17	156,219	105,344
Promissory notes	18	8,674	8,251
Lease liabilities		1,579	2,894
Provision for litigation		16,615	15,348
Taxation		84	47
		355,816	218,288
<b>Total current liabilities</b>			
<b>Net current assets</b>		42,590	121,485
<b>Total assets less current liabilities</b>		1,106,007	1,161,821

		<b>31 December</b>	30 June
		<b>2020</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Other payables and advances	16	<b>10,688</b>	14,569
Borrowing	17	<b>20,532</b>	69,294
Deferred tax liabilities		<b>66,250</b>	69,092
		<hr/>	<hr/>
Total non-current liabilities		<b>97,470</b>	152,955
		<hr/>	<hr/>
<b>Total net assets</b>		<b>1,008,537</b>	1,008,866
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	20	<b>23,745</b>	23,745
Reserves		<b>998,336</b>	993,626
		<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>		<b>1,022,081</b>	1,017,371
<b>Non-controlling interests</b>		<b>(13,544)</b>	(8,505)
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,008,537</b>	1,008,866
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

	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 2019 (audited)	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>
	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 2020 (audited)	23,745	1,828,432	612,360	(16,998)	4,878	123,233	8,734	(1,567,013)	1,017,371	(8,505)	1,008,866
Profit for the period	-	-	-	-	-	-	-	2,204	2,204	441	2,645
Exchange difference on translating foreign operations	-	-	-	(5,476)	-	-	-	-	(5,476)	(117)	(5,593)
Reclassification adjustment on exchange difference for a foreign operation disposal of during the period (Note 19)	-	-	-	7,982	-	-	-	-	7,982	-	7,982
Total comprehensive income for the period	-	-	-	2,506	-	-	-	2,204	4,710	324	5,034
Disposal of a subsidiary	-	-	-	-	-	(14,980)	-	14,980	-	(5,363)	(5,363)
Lapsed of share options	-	-	-	-	-	-	(27)	27	-	-	-
At 31 December 2020 (unaudited)	<u>23,745</u>	<u>1,828,432</u>	<u>612,360</u>	<u>(14,492)</u>	<u>4,878</u>	<u>108,253</u>	<u>8,707</u>	<u>(1,549,802)</u>	<u>1,022,081</u>	<u>(13,544)</u>	<u>1,008,537</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

	<b>For the six months ended</b>	
	<b>31 December</b>	31 December
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Net cash used in operating activities	<b>(8,245)</b>	(33,499)
Net cash generated from investing activities	<b>5,193</b>	12,240
Net cash used in financing activities	<b>(15,556)</b>	(2,487)
Net decrease in cash and cash equivalents	<b>(18,608)</b>	(23,746)
Cash and cash equivalents at beginning of the period	<b>63,634</b>	59,992
Effect of foreign exchange rate changes	<b>(3,756)</b>	(1,289)
Cash and cash equivalents at end of the period	<b><u>41,270</u></b>	<u>34,957</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<b><u>41,270</u></b>	<u>34,957</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 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.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2020. 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 2020.

### 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 2020, 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 Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies for the current and prior periods have been prepared or presented.

### 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 (“CODM”) that are used to make strategic decisions.

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

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

(iii) investment properties.

During the six months ended 31 December 2020, the CODM considers that the Group's other operation's did not constitute a business segment as at 31 December 2020 and for the period then ended for the purpose of segment reporting. Accordingly, the segment information below for the prior year is represented to confirm the period then ended presentation.

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 2019 and 31 December 2020, 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 mining right, interests in associates and joint ventures, 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 2020 (Unaudited)*

	Cables and wires HK\$'000	Copper rods HK\$'000	Investment properties HK\$'000	Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customers	118,991	64,858	7,671	191,520	-	191,520
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	118,991	64,858	7,671	191,520	-	191,520
Reportable segment profit	186	2,281	10,868	13,335	-	13,335
Finance costs	(4,400)	(2,278)	(1,059)	(7,737)	-	(7,737)
Change in fair value of derivative financial instruments, net	-	4	-	4	-	4
Change in fair value of investment properties	-	-	14,561	14,561	-	14,561
Loss on disposal of property, plant and equipment	3	-	-	3	-	3
Loss on disposal of a subsidiary	-	-	(9,824)	(9,824)	-	(9,824)
Depreciation of right-of-use assets						
– allocated	(4)	(102)	(22)	(128)	-	(128)
– unallocated						(1,224)
						(1,352)
Depreciation of property, plant and equipment						
– allocated	(2,439)	(670)	(198)	(3,307)	-	(3,307)
– unallocated						(1,362)
						(4,669)
Taxation						
– allocated	(37)	-	(237)	(274)	-	(274)

*For the six months ended 31 December 2019 (unaudited) (represented)*

	Cables and wires HK\$'000	Copper rods HK\$'000	Investment properties HK\$'000	Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customers	89,339	51,819	5,422	146,580	–	146,580
Inter-segment revenue	–	14,257	–	14,257	(14,257)	–
Reportable segment revenue	89,339	66,076	5,422	160,837	(14,257)	146,580
Reportable segment loss	(16,449)	(1,224)	(896)	(18,569)	(1,355)	(19,924)
Finance costs	(4,853)	(2,215)	–	(7,068)	–	(7,068)
Change in fair value of derivative financial instruments	–	335	–	335	–	335
Change in fair value of investment properties	–	–	(275)	(275)	–	(275)
Impairment loss on property, plant and equipment	–	(137)	(470)	(607)	–	(607)
Depreciation of right-of-use assets						
– allocated	(4)	(810)	(303)	(1,117)	–	(1,117)
– unallocated						(1,297)
						(2,414)
Depreciation of property, plant and equipment						
– allocated	(2,713)	(1,950)	(662)	(5,325)	–	(5,325)
– unallocated						(1,385)
						(6,710)
Taxation						
– allocated	(46)	349	439	742	–	742
– unallocated						71
						813

*As at 31 December 2020 (Unaudited)*

	Cables and wires HK\$'000	Copper rods HK\$'000	Investment properties HK\$'000	Total HK\$'000
Reportable segment assets	163,220	195,314	591,032	949,566
Additions to non-current assets	2,046	–	24,575	26,621
Reportable segment liabilities	216,130	89,651	68,012	373,793

*As at 30 June 2020 (audited)*

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	105,781	197,139	567,644	870,564
Additions to non-current assets	1,056	–	45,644	46,700
Reportable segment liabilities	151,708	79,089	52,394	283,191

**(b) Reconciliation of reportable segment profit or loss, assets and liabilities**

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(Represented)</b>
<b>Profit/(loss) before taxation</b>		
Reportable segment profit/(loss)	<b>13,335</b>	(19,924)
Change in fair value and profit/(loss) on disposal of financial assets at fair value through profit or loss, net	<b>3,207</b>	(7,799)
Loss on disposal of property, plant and equipment	–	(9)
Impairment on other assets	–	(200)
Impairment on property, plant and equipment	–	(31)
Share of results of joint ventures	<b>(3)</b>	(78)
Share-based payment expenses	–	(1,518)
Share of results of associates	<b>71</b>	255
Unallocated finance costs	<b>(539)</b>	(1,521)
Unallocated corporate expenses	<b>(13,152)</b>	(22,280)
Consolidated profit/(loss) before taxation	<b>2,919</b>	(53,105)
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Assets</b>		
Reportable segment assets	<b>949,566</b>	870,564
Mining right	<b>427,350</b>	427,349
Interests in joint ventures	<b>12,375</b>	12,379
Interests in associates	<b>35,582</b>	33,125
Unallocated bank balances and cash	<b>10,071</b>	3,427
Unallocated corporate assets	<b>26,879</b>	33,265
Consolidated total assets	<b>1,461,823</b>	1,380,109

	<b>31 December</b>	30 June
	<b>2020</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Liabilities</b>		
Reportable segment liabilities	<b>373,793</b>	283,191
Taxation	<b>84</b>	47
Promissory notes	<b>8,674</b>	8,251
Deferred tax liabilities	<b>66,250</b>	69,092
Unallocated corporate liabilities	<b>4,485</b>	10,662
	<hr/>	<hr/>
Consolidated total liabilities	<b>453,286</b>	371,243
	<hr/> <hr/>	<hr/> <hr/>

**(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:

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>Revenue from external customers</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(represented)
The PRC	<b>115,410</b>	100,040
Americas	<b>20,196</b>	9,831
Europe	<b>30,895</b>	19,127
Hong Kong	<b>15,207</b>	9,955
Other Asian regions	<b>9,812</b>	7,627
	<hr/>	<hr/>
	<b>191,520</b>	146,580
	<hr/> <hr/>	<hr/> <hr/>

#### 4. PROFIT/(LOSS) BEFORE TAXATION

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

	For the six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	4,669	6,710
Depreciation of right-of-use assets	1,352	2,414
Government subsidies	556	–
Loss on disposal of property, plant and equipment	3	9
Reversal of write-down on inventories	(109)	(279)
Impairment loss on other assets	–	200
Impairment loss on property, plant and equipment	–	638
	<u>4,669</u>	<u>6,710</u>

#### 5. FINANCE COSTS

	For the six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings	7,801	7,573
Imputed interest on promissory notes	423	930
Interest on lease liabilities	52	86
	<u>8,276</u>	<u>8,589</u>

#### 6. TAXATION

	For the six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – other jurisdictions		
Tax for period	37	46
Deferred tax for the period	237	(859)
	<u>274</u>	<u>(813)</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 2020 (six months ended 31 December 2019: HK\$Nil).

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share amounts for the six months ended 31 December 2020 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.

<i>Earnings/(loss)</i>	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit/(loss) attributable to owners of the Company for the purpose of basic earnings/(loss) per share	<b>2,204</b>	(51,492)
	<b><u>2,204</u></b>	<u>(51,492)</u>
<i>Number of shares</i>	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>2,374,532,340</b>	2,374,532,340
	<b><u>2,374,532,340</u></b>	<u>2,374,532,340</u>

The computation of diluted earnings/(loss) per share for the six months ended 31 December 2020 and 2019 does not assume the subscription of the Company's outstanding potential dilutive ordinary shares as they were anti-dilutive. Therefore, the diluted earnings/(loss) per share was the same as the basic loss per share for the six months ended 31 December 2020 and 2019.

## 9. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENT FOR CONSTRUCTION OF INVESTMENT PROPERTIES

During the six months ended 31 December 2020, the Group purchased and disposal of property, plant and equipment of HK\$2,046,000 (six months ended 31 December 2019: HK\$924,000) and HK\$4,600 (six months ended 31 December 2019: HK\$14,000) respectively.

During the six months ended 31 December 2019, 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, items of plant and machinery were retired and accordingly an impairment loss of HK\$638,000 was recognised in profit or loss.

As at 30 June 2019, the Group made prepayment for the construction of investment properties of HK\$3,680,000. During the six months ended 31 December 2020, the prepayment was transferred to the Group's investment properties.

## 10. INVESTMENT PROPERTIES

	<b>Completed investment properties</b> <i>HK\$'000</i>	<b>Investment properties under construction</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 July 2019	321,160	–	321,160
Additions	–	2,747	2,747
Transferred from property, plant and equipment	35,980	47,318	83,298
Transferred from right-of-use assets	22,010	97,814	119,824
Change in fair value	(230)	601	371
Exchange realignment	(10,450)	(1,594)	(12,044)
	<hr/>	<hr/>	<hr/>
At 30 June 2020 and 1 July 2020	368,470	146,886	515,356
Additions	–	24,575	24,575
Disposal of a subsidiary	(53,110)	–	(53,110)
Change in fair value	6,867	7,694	14,561
Exchange realignment	26,713	13,186	39,899
	<hr/>	<hr/>	<hr/>
At 31 December 2020	<u>348,940</u>	<u>192,341</u>	<u>541,281</u>

The Group's investment properties were valued at 31 December 2020 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 based on one of the following approaches:

- (i) investment approach by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies;
- (ii) direct comparison approach by making reference to comparable sales evidence available as in the relevant market; or
- (iii) depreciated replacement cost approach by making reference to the market value of comparable land and the estimated replacement cost of the buildings.

These valuations gave rise to net fair value gain of HK\$14,561,000 during the current period (six months ended 31 December 2019: loss of HK\$275,000).

Direct operating expenses arising on the investment properties during the period amounted to HK\$Nil (six months ended 31 December 2019: HK\$73,000).

## 11. INTANGIBLE ASSETS

	<b>Mining right</b> <i>HK\$'000</i>	<b>Trading right</b> <i>HK\$'000</i>	<b>Goodwill</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
COST:				
At 1 July 2020 (Audited)	1,167,684	630	57,570	1,225,884
Exchange realignments	<u>1</u>	<u>–</u>	<u>–</u>	<u>1</u>
<b>At 31 December 2020 (Unaudited)</b>	<b><u>1,167,685</u></b>	<b><u>630</u></b>	<b><u>57,570</u></b>	<b><u>1,225,885</u></b>
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
<b>At 1 July 2020 (Audited) and 31 December 2020 (Unaudited)</b>	<b><u>740,335</u></b>	<b><u>630</u></b>	<b><u>57,570</u></b>	<b><u>798,535</u></b>
NET CARRYING AMOUNT:				
<b>At 31 December 2020 (Unaudited)</b>	<b><u>427,350</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>427,350</u></b>
At 30 June 2020 (Audited)	<b><u>427,349</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>427,349</u></b>

### Mining right

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

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. During the business combination of the aforesaid trading of securities and options business, a goodwill of HK\$57,570,000 is arised.

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. Accordingly, full impairment loss on the Group’s trading right and goodwill was recognised in profit or loss.



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

At 31 December 2020, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of approximately HK\$71,140,000 (30 June 2020: HK\$56,514,000).

- (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:

	<b>31 December 2020 HK\$'000 (Unaudited)</b>	30 June 2020 HK\$'000 (Audited)
Within 30 days	<b>23,304</b>	27,401
31 – 60 days	<b>22,504</b>	12,549
61 – 90 days	<b>17,925</b>	10,130
Over 90 days	<b>7,407</b>	6,434
	<b>71,140</b>	56,514

- (iii) At 31 December 2020, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to approximately HK\$7,000 (30 June 2020: HK\$2,056,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.
- (iv) As 31 December 2020, included in debtors, other loans and receivables, deposits and prepayment was consideration receivable of approximately HK\$14,100,000 in respect of the disposal of a subsidiary, details of which are set out in Note 19.

## 13. BILLS RECEIVABLE

As at 31 December 2020 and 30 June 2020, 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\$4,000 (six months ended 31 December 2019: HK\$335,000) 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

	<b>31 December 2020 HK\$'000 (Unaudited)</b>	30 June 2020 HK\$'000 (Audited)
Equity securities held for trading and listed in Hong Kong	<b>5,025</b>	8,768

The fair values of the equity securities are determined based on the quoted market prices. During the period, a gain on change in fair value of HK\$1,757,000 (six months ended 31 December 2019: loss of HK\$3,252,000) and a net gain on disposal of HK\$1,450,000 (six months ended 31 December 2019: loss of HK\$4,547,000) were recognised in profit or loss.

## 16. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 31 December 2020, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$97,866,000 (30 June 2020: HK\$40,056,000).

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

	<b>31 December 2020 HK\$'000 (Unaudited)</b>	30 June 2020 HK\$'000 (Audited)
Within 30 days	48,588	21,525
31 – 60 days	28,527	7,670
61 – 90 days	4,332	4,040
Over 90 days	16,419	6,821
	<u>97,866</u>	<u>40,056</u>

## 17. BORROWINGS

During the six months ended 31 December 2020, the Group raised new borrowings of HK\$52,679,000 (six months ended 31 December 2019: HK\$104,670,000) to provide for additional working capital and made repayment of HK\$60,385,000 (six months ended 31 December 2019: HK\$100,076,000). The borrowings of HK\$176,751,000 of the Group are secured. The average effective interest rates of the bank borrowings range from 6.53% to 7.83% (30 June 2020: 6.53% to 7.6%) per annum. The average effective interest rates of the other loans were 11.5% (30 June 2020: 10% to 11.5%) 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:

	<b>31 December 2020 HK\$'000 (Unaudited)</b>	30 June 2020 HK\$'000 (Audited)
At the beginning of the period/year	8,251	14,004
Imputed interest	423	797
Redemption	–	(7,000)
Interest paid	–	(81)
Loss on early redemption	–	531
	<u>8,674</u>	<u>8,251</u>
At the end of the period/year	<u>8,674</u>	<u>8,251</u>

## 19. DISPOSAL OF A SUBSIDIARY

On 24 November 2020, the Group, through a wholly-owned subsidiary, entered into an agreement with Dongguan Taizhou Industrial Investment Co., Ltd., an independent third party, to dispose of the entire issued share capital in a subsidiary, Dongguan Xin Bao Fine Chemical Co., Ltd. (the “**Disposal Subsidiary**”), at the consideration of HK\$44,460,000 in cash. The Disposal Subsidiary is principally engaged in property holding in the PRC.

On 18 December 2020, the disposal of equity interest in the Disposal Subsidiary has been completed.

Details of the assets and liabilities of the Disposal Subsidiary at the date of disposal are:

	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	91
Investment properties	53,110
Debtors, other loans and receivables, deposits, and prepayments	6,918
Bank balances and cash	1,329
Creditors, other advances and accrued charges	(990)
Deferred tax liabilities	(8,793)
Non-controlling interests	(5,363)
	<hr/>
Net assets disposed of	46,302
Cumulative exchange differences in respect of the net assets of the Disposal Subsidiary reclassified from equity to profit or loss on loss of control of the Disposal Subsidiary	7,982
Loss on disposal	(9,824)
	<hr/>
Total consideration	44,460
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration ( <i>Note</i> )	30,360
Less: Cash and bank balances disposed of	(1,329)
	<hr/>
	29,031
	<hr/> <hr/>

*Note:* During the six months ended 31 December 2020, HK\$30,360,000 out of the total consideration of HK\$44,460,000 has been received by the Group.

## 20. SHARE CAPITAL

	Number of shares		Share capital	
	31 December 2020 '000 (Unaudited)	30 June 2020 '000 (Audited)	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 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 and 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 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of construction of:		
Buildings	<u>294,276</u>	<u>337,833</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 of 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 237,453,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of the annual general meeting on 6 December 2019.

No share options were granted during the six months ended 31 December 2020 (six months ended 31 December 2019: 53,800,000). No equity-settled share-based payment was recognised in profit or loss accordingly (six months ended 31 December 2019: HK\$1,518,000). During the six months ended 31 December 2020, 500,000 share options were lapsed. As at 31 December 2020, the Company had 191,520,000 share options outstanding under the Scheme (30 June 2020: 192,020,000).

## 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 2020, the Group has pledged property, plant and equipment, investment property, right-of-use assets for land and pledged deposits and bank balances in the aggregate amount of HK\$340,093,000 (30 June 2020: HK\$312,647,000).

## 25. LITIGATION

During the year ended 30 June 2019, a subsidiary of the Company (the “**Subsidiary**”) entered into a service agreement with a constructor (the “**Constructor**”) in connection with the development of an industrial complex in Dongguan, the PRC.

During the year ended 30 June 2020, the Subsidiary resolved to suspend the development and accordingly terminated the service agreement without the consent of the Constructor. The Constructor took legal action against the Subsidiary for an aggregate compensation of RMB14,000,000 for the breach of the service agreement by the Subsidiary. On 20 March 2020, according to the first court judgement (the “**First Judgement**”), the Subsidiary is liable for the payment of RMB14,000,000 to the Constructor. On 6 May 2020, the Subsidiary lodged an objection to appeal against the First Judgement (the “**First Appeal**”).

In October 2020, the Subsidiary was informed by its legal counsel that the First Appeal was rejected (the “**Second Judgement**”). On 27 October 2020, the Subsidiary lodged another objection to appeal against the Second Judgement (the “**Second Appeal**”). On 4 December 2020, the Second Appeal was rejected by Higher People’s Court of Guangdong Province (the “**Third Judgement**”). Subsequent to the end of this period, the Subsidiary lodged another objection to the People’s Procuratorate of Dongguan City to appeal against the Third Judgement (the “**Third Appeal**”). Up to the date of this announcement, no judgement has been made with regard to the Third Appeal.

Details of movements of the provision for litigation are as follows:

	<b>31 December 2020 HK\$’000 (Unaudited)</b>	30 June 2020 HK\$’000 (Audited)
At the beginning of the year	<b>15,348</b>	–
Additions	–	15,514
Exchange realignment	<b>1,267</b>	(166)
At the end of the year	<b>16,615</b>	15,348

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

The Board announced that for the six months ended 31 December 2020 (the “**period under review**”), the total turnover of the Group was approximately HK\$191,520,000, representing an increase of 30.7% as compared to approximately HK\$146,580,000 recorded for the corresponding period last year. During the period under review, profit attributable to the owners of the Company was approximately HK\$2,204,000, as compared to loss attributable to the owners of the Company of approximately HK\$51,492,000 for the corresponding period last year. Earnings per share for the period under review was approximately HK0.09 cent (Loss per share for 2019/2020 interim: HK2.17 cents).

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2020 (31 December 2019 interim: nil).

### BUSINESS REVIEW

The Group’s turnover for the period under review was approximately HK\$191,520,000, representing an increase of 30.7% as compared to approximately HK\$146,580,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK\$118,991,000, representing an increase of 33.2% as compared to approximately HK\$89,339,000 (represented) for the same period of last year and accounted for 62.1% of the Group’s total turnover. Turnover of the copper rod business was approximately HK\$64,858,000, representing an increase of 25.2% as compared to approximately HK\$51,819,000 for the same period of last year and accounted for 33.9% of the Group’s total turnover. Turnover of the leasing business was approximately HK\$7,671,000, representing an increase of 41.5% as compared to approximately HK\$5,422,000 (represented) for the same period of last year and accounted for 4.0% 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 105.4% to approximately HK\$20,196,000 from approximately HK\$9,831,000 for the same period of last year, accounting for 10.6% of the Group’s total turnover. Turnover from the business in Mainland China and Hong Kong increased by 18.7% to approximately HK\$130,617,000 from approximately HK\$109,995,000 for the same period of last year, accounting for 68.2% of the Group’s total turnover. Turnover from the business in Europe increased by 61.5% to approximately HK\$30,895,000 from approximately HK\$19,127,000 for the same period of last year, accounting for 16.1% of the Group’s total turnover. Turnover from the business in other regions increased by 28.7% to approximately HK\$9,812,000 from approximately HK\$7,627,000 for the same period of last year, accounting for 5.1% 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\$118,991,000, representing an increase of 33.2% as compared to approximately HK\$89,339,000 (represented) for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the period under review, despite the ongoing COVID-19 pandemic worldwide, China managed to curb the spread of the virus through appropriate control measures and bring its economy back on track. In addition to adopting stringent anti-epidemic measures, the Group adjusted its sales strategy in a timely manner, which resulted in the growth of the cables and wires business during the period under review.

## **Copper Rod Business**

The copper rod business includes 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\$64,858,000, representing an increase of 25.2% as compared to approximately HK\$51,819,000 for the corresponding period of last year. International copper prices increased during the period under review, and the 3-month London Metal Exchange copper price increased from approximately US\$6,300 per tonne at the beginning of the year to approximately US\$7,700 per tonne at the end of the period under review. With the COVID-19 pandemic gradually coming under control and the prospects of economic recovery, copper prices rebounded markedly, and the copper rod trading business saw improvement in operating environment and recorded growth. The Group has been closely monitoring the development of the operating environment and adopted targeted marketing strategies accordingly.

## **Rental Income**

Investment properties of the Group mainly comprise industrial properties in Hong Kong and the People's Republic of China ("PRC"). During the period under review, rental income was approximately HK\$7,671,000, representing an increase of approximately 41.5% as compared with approximately HK\$5,422,000 (represented) for the same period of last year. During the period under review, the Group made good use of its land resources to generate more rental income.

## **Mining**

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. No revenue was recorded for the period under review as these projects did not carry out any production activities. To cope with the COVID-19 pandemic, Mongolia imposed lockdown measures for most of the time during the period under review, which limited the work of geologists at the mining sites of the projects. Apart from the work required to maintain mining rights, no large-scale capital investment was made during the period under review. The Group will closely monitor the development of the above factors and adjust its development strategy in a timely manner.



## **Advertising Business**

The Group owns 49% of the issued capital of Idea International Holdings Limited (“**Idea**”). To cope with the impact of the COVID-19 pandemic, corporate customers slashed their budget on advertisements to reduce operating costs during the period under review. As a result, China’s advertising market as a whole experienced a significant decline, with the conventional advertising segment being the worst hit. Furthermore, the rise of new media and the de-intermediation of brands have greatly squeezed the development space of traditional advertising companies. The aforementioned factors had material adverse impact on the advertising business and its prospect during the period under review.

## **PROSPECTS**

As the COVID-19 pandemic has been gradually brought under control, various countries and their central banks have rolled out stimulus policies. It is expected that the global economy will gradually recover in 2021, and the operating environment of the Group’s cables and wires and copper rod business will improve accordingly. The Group will closely monitor the impact of the pandemic on its business, and take advantage of the improvement of the operating environment, adjust its sales strategy and ramp up its production capacity to increase revenue.

During the period under review, the Group proceeded with the construction of its factory building in Dongguan, the PRC. The Directors are keen to fully utilize the Group’s existing land resources by constructing modern factory buildings thereon, with a view to generating new income for the Group.

During the period under review, due to the uncertainty brought by the COVID-19 pandemic, the Group has suspended the construction works of 廉江市周氏石材有限公司 (Lianjiang Zhou’s Marble Company Limited\*) (“**Zhou’s Marble**”), an indirect non-wholly owned subsidiary of the Group, to reconsider the development prospect of the project and look for potential partner(s) to jointly develop the project.

The Group will proactively identify potential business partner(s) 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.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had approximately 500 employees in Hong Kong, the PRC and overseas (30 June 2020: 500). The Group’s remuneration policy is reviewed periodically and determined by reference to market terms, performance of the Group, 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 2020, the Group implemented a prudent financial management policy. As at 31 December 2020, the Group had cash and bank balances amounting to approximately HK\$41 million (30 June 2020: HK\$64 million) and value of net current assets was approximately HK\$43 million (30 June 2020: HK\$121 million). The Group's gearing ratio as at 31 December 2020 was 0.18 (30 June 2020: 0.18), being a ratio of total borrowings of approximately HK\$185 million (30 June 2020: HK\$183 million) to shareholders' funds of approximately HK\$1,022 million (30 June 2020: HK\$1,017 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 other exchange risks.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2020, the Group had pledged investment properties with an aggregate net book value of approximately HK\$338 million (30 June 2020: HK\$310 million) and pledged bank deposit of HK\$2 million (30 June 2020: HK\$2 million) to secure general banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

As at 31 December 2020, the Company had issued guarantees to the extent of approximately HK\$50 million (30 June 2020: HK\$54 million) to secure the total loans of approximately HK\$50 million (30 June 2020: HK\$54 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 2020 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\$4,000 (31 December 2019 interim: net gain of HK\$335,000).

## **CAPITAL STRUCTURE**

The Company did not have 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.

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 89.62% EQUITY INTEREST IN DONGGUAN XIN BAO FINE CHEMICAL CO., LTD.\***

On 24 November 2020 (after trading hours), Chau's Electrical Company Limited (the “**Vendor**”), Dongguan Taizhou Industrial Investment Co., Ltd.\* (東莞市泰舟實業投資有限公司) (the “**Purchaser**”), Mr. Chau Lai Him (an executive Director and chairman of the Company), Mr. Chau Chi Ho (an executive Director), Mr. Fang Yanjun (房燕軍) (a tenant of the Group and an Independent Third Party) and Dongguan Xin Bao Fine Chemical Co., Ltd.\* (東莞新寶精化有限公司) as the Vendor Guarantors and Mr. Lu Weicheng (盧偉成), a family member of Mr. Lu Guoxiong (盧國雄) (“**Mr. Lu**”), and Mr. Feng Xiaotao (馮曉桃) (“**Mr. Feng**”) as the Purchaser Guarantors entered into an equity transfer agreement (the “**Equity Transfer Agreement**”), pursuant to which the Vendor agreed conditionally to sell and the Purchaser agreed conditionally to acquire 89.62% equity interest in Dongguan Xin Bao Fine Chemical Co., Ltd.\* (東莞新寶精化有限公司) (the “**Target Company**”, 89.62% equity interest of which was owned by the Vendor) at the consideration of RMB38,000,000 (equivalent to HK\$44,460,000) in cash.

The Vendor is a company incorporated in Hong Kong on 2 March 1984 with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in manufacture and trading of cable and wire products and property holding.

The Purchaser is a company established under the laws of the PRC on 13 November 2020 with limited liability. It is owned as to (i) 27% by Mr. Lu, a private investor; (ii) 25% by Dongguan Daotian Investment Co., Ltd. (東莞市道天創業投資有限公司), which engages in business investment and consulting, and whose ultimate beneficial owner is a private investor named as Mr. Feng; (iii) 24% by Mr. Lu Guojie (盧國杰), a private investor; and (iv) 24% by Mr. Tian Yuwang (田育旺), a private investor. The Purchaser is principally engaged in industrial investment, leasing of properties and factories, and sale of construction materials.

The Target Company, a company established under the laws of the PRC on 27 September 2001 with limited liability, was owned as to (i) 89.62% by the Vendor; and (ii) 10.38% by Luckyman Assets Management Limited (運明資產管理有限公司) which is incorporated in the British Virgin Islands with limited liability and the beneficial owner of which is Mr. Zhou Yaoliang (周耀祥).

The Target Company is principally engaged in property holding, and it legally holds the Certificate of State-owned Land Use Right in respect of a parcel of land known as Lot No. 1924130100054 (the “**Land**”) located at Songbaitang Village, Changping, Dongguan, Guangdong Province, the PRC (中國廣東省東莞市常平鎮松柏塘村), having a site area of approximately 40,010.40 square meters for industrial use. A factory complex is erected on the Land (the “**Factory Complex**”) with total gross floor area of approximately 13,857.40 square meters, of which approximately 13,368.25 square meters have been leased out by the Target Company.

The consideration for the Disposal (the “**Consideration**”) was RMB38,000,000 (equivalent to HK\$44,460,000). It was arrived at after arm’s length negotiations between the Vendor and the Purchaser and was determined with reference to (i) the net liability value of the Target Company as at 30 June 2020; (ii) 89.62% of the market value of the Land as appraised by an independent valuer (the “**Appraised Value**”), which is equivalent to approximately RMB36,880,342; and (iii) other factors as set out in the below paragraph headed “Reasons for and Benefits of the Disposal” and in an announcement published by the Company on 24 November 2020. The Consideration represented a premium of approximately 3.0% over the Appraised Value, which is a commercial decision of the Vendor and the Purchaser after arm’s length negotiations. The Company intends to apply the proceeds of the Disposal for repayment of bank loans and general working capital for the Group.

### **Reasons for and benefits of the Disposal**

The Target Company was principally engaged in the manufacturing and trading of chemical products prior to cessation of these business activities in 2015 due to continuous loss over years.

Since December 2019, the Target Company has leased out the Factory Complex. However, the local real estate market has been adversely affected by the outbreak of COVID-19 and the trend of relocation of manufacturers outside Dongguan, leading to lower transaction volume and liquidity recently.

In addition, the maintenance costs for the aging and obsolete Factory Complex are high. Absence of building ownership certificates (房產證) for several buildings comprising the Factory Complex also makes it more difficult to attract potential buyers and tenants.

Coupled with the said trend of relocation of manufacturers, the Directors are of the view that future returns from leasing the Factory Complex may not be favourable.

Having considered the uncertainty caused by COVID-19 to the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, the Directors consider that the Disposal would allow the Group to save considerable amount of maintenance costs, mitigate the risks of the real estate market and re-allocate its financial resources to better uses.

In view of the above, the Directors consider that (i) the Disposal and the transaction contemplated under the Equity Transfer Agreement are on normal commercial terms; and (ii) the terms of the Equity Transfer Agreement, which are determined after arm's length negotiations between the parties, are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

The details of the Disposal were set out in the announcements of the Company dated 24 November 2020 and 26 November 2020 and in Note 19 to the consolidated financial statements of this announcement.

### **Implications under the Listing Rules**

As one or more of the applicable percentage ratios (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the “**Listing Rules**”) in respect of the Disposal exceed 5%, but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

### **Completion of the Disposal**

On 22 December 2020, the Company announced that all the conditions precedent under the Equity Transfer Agreement have been fulfilled and completion of the Disposal took place on 18 December 2020.

Following the completion of the Disposal, the Vendor ceased to have any interest in the Target Company and the Target Company ceased to be a subsidiary of the Group.

Details regarding the completion of the Disposal was set out in the announcement of the Company dated 22 December 2020.

### **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 2020 Annual Report.

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 31.12.2020
				Outstanding at 1.7.2020	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
(A) Share Options Granted on 20 March 2019			Note (1)						
<b>Directors</b>									
Chau Lai Him	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
Liu Dong Yang	20 March 2019	1 April 2019 to 30 June 2021	0.108	23,740,000	-	-	-	-	23,740,000
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
<b>Employees</b>	20 March 2019	1 April 2019 to 30 June 2021	0.108	10,500,000	-	-	-	(500,000)	10,000,000
<b>Consultants</b>	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 (2)						
<b>Employees</b>	25 July 2019	2 October 2019 to 31 December 2021	0.100	53,800,000	-	-	-	-	53,800,000
				192,020,000	-	-	-	(500,000)	191,520,000

*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) 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 2020, there were a total of 191,520,000 outstanding share options entitling the grantees thereof to subscribe for a total of 191,520,000 Shares, representing approximately 8.07% of 2,374,532,340 Shares then in issue (“**Shares in issue**”) of the Company.

As at 31 December 2020, 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 pursuant to the Share Option Scheme.

During the period under review, 500,000 share options were lapsed and no share options were exercised or cancelled.

The Company has not adopted any new share option scheme during the six months ended 31 December 2020.

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

As at 31 December 2020, 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 <i>(Note 3)</i>	1.00%
Chau Chi Ho	Beneficial owner	38,000,000	14,240,000 <i>(Note 3)</i>	2.20%
Liu Dong Yang	Beneficial owner	0	23,740,000 <i>(Note 3)</i>	1.00%
Chung Kam Kwong	Beneficial owner	0	1,000,000 <i>(Note 3)</i>	0.04%
Lo Wai Ming	Beneficial owner	400,000	1,000,000 <i>(Note 3)</i>	0.06%
Lo Chao Ming	Beneficial owner	300,000	1,000,000 <i>(Note 3)</i>	0.05%

*Note:*

- (3) 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 2020, 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 2020, 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 2020.

## **COMPLIANCE WITH THE CODE PROVISIONS**

During 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 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 2020 annual general meeting of the Company held on 4 December 2020 (the “**2020 AGM**”) and offered himself for re-election at the 2020 AGM. An ordinary resolution was passed at the 2020 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, 26 February 2021

*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.*