



Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

2014-2015
INTERIM REPORT

Corporate Information

Directors

Executive Directors

CHAU Lai Him

(Chairman and Managing Director)

ZHOU Jin Hua

(Deputy Chairman)

LIU Dong Yang

BUYAN-OTGON Narmandakh

Independent Non-Executive Directors

CHUNG Kam Kwong

LO Wai Ming

LO Chao Ming

Company Secretary

CHAN Kam Yee

Registered Office

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2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business

No. 7, 2nd Floor

Kingsford Industrial Centre

13 Wang Hoi Road

Kowloon Bay

Kowloon

Hong Kong

Stock Code

1166

Website

www.1166hk.com

Auditor

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

Legal Advisor

Herbert Smith Freehills

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15 Queen's Road Central

Hong Kong

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM 08

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Principal Banks (in alphabetical order)

Bank of China Limited

China CITIC Bank Corporation Limited

DBS Bank (Hong Kong) Limited

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2014

The Board of Directors (the “**Directors**”) of Solartech International Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2014, as follows:

		For the six months ended	
	Notes	31 December 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Unaudited)
Turnover	3	410,910	402,816
Cost of sales		(395,395)	(389,590)
Gross profit		15,515	13,226
Interest income		944	298
Other income		7,639	6,446
General and administrative expenses		(63,886)	(55,538)
Selling and distribution expenses		(10,983)	(4,896)
Change in fair value of derivative financial instruments	14	(3,101)	3,222
Change in fair value of financial assets at fair value through profit or loss	15	(18,861)	20,767
Change in fair value of investment properties	9	(573)	3,859
Reversal of/(additional) impairment loss recognised for doubtful debts, net		38	(397)
Finance costs		(4,824)	(4,969)
Gain on acquisition of a subsidiary		278	–
Share of results of joint ventures		(96)	(58)
Loss before taxation	4	(77,910)	(18,040)
Taxation	5	(349)	(351)
Loss for the period		(78,259)	(18,391)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2014

		For the six months ended	
		31 December 2014	31 December 2013
Note		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		9,405	2,044
Other comprehensive income for the period		9,405	2,044
Total comprehensive income for the period		(68,854)	(16,347)
Loss for the period attributed to:			
Owners of the Company		(78,214)	(18,391)
Non-controlling interests		(45)	–
		(78,259)	(18,391)
Total comprehensive income for the period attributable to:			
Owners of the Company		(68,809)	(16,347)
Non-controlling interests		(45)	–
		(68,854)	(16,347)
Loss per share			
– Basic and diluted (HK cents)		(4.14)	(7.34)

Condensed Consolidated Statement of Financial Position

	Notes	31 December 2014 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	162,047	192,963
Investment properties	9	259,968	135,941
Prepaid lease payments for land		73,237	89,475
Mining right	10	856,017	856,160
Exploration and evaluation assets	11	17,868	18,538
Interests in joint ventures		84,639	84,686
Total non-current assets		1,453,776	1,377,763
Current assets			
Inventories		77,320	85,324
Debtors, other loans and receivables, deposits and prepayments	12	260,717	195,678
Bills receivable	13	138	2,245
Financial assets at fair value through profit or loss	15	31,325	50,186
Prepaid lease payments for land		2,294	2,694
Derivative financial assets	14	—	778
Pledged deposits and bank balances		7,529	47,553
Bank balances and cash		125,736	268,497
Total current assets		505,059	652,955
Current liabilities			
Creditors, other advances and accrued charges	16	105,111	88,302
Bills payable	17	4,705	74,351
Taxation		205	135
Obligations under finance leases		49	146
Borrowings	18	135,378	158,219
Derivative financial liabilities	14	1,230	—
Total current liabilities		246,678	321,153
Net current assets		258,381	331,802

Condensed Consolidated Statement of Financial Position

	Note	31 December 2014 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Audited)
Total assets less current liabilities		1,712,157	1,709,565
Non-current liabilities			
Deferred tax liabilities		42,273	35,956
Total non-current liabilities		42,273	35,956
Total net assets		1,669,884	1,673,609
EQUITY			
Capital and reserves			
Share capital	19	18,899	18,899
Reserves		1,640,239	1,652,379
Equity attributable to owners of the Company		1,659,138	1,671,278
Non-controlling interests		10,746	2,331
Total equity		1,669,884	1,673,609

Condensed Consolidated Statement of Changes In Equity

For the six months ended 31 December 2014

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Accumulated losses HK\$'000	Property revaluation reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2013 (Audited)	1,875	1,189,524	612,360	(2,480)	4,866	(311,824)	-	1,494,321	500	1,494,821
Placements of new shares (Note 19(i))	1,275	37,033	-	-	-	-	-	38,308	-	38,308
Transactions with owners	1,275	37,033	-	-	-	-	-	38,308	-	38,308
Loss for the period	-	-	-	-	-	(18,391)	-	(18,391)	-	(18,391)
Exchange difference on translating foreign operations	-	-	-	2,044	-	-	-	2,044	-	2,044
Total comprehensive income for the period	-	-	-	2,044	-	(18,391)	-	(16,347)	-	(16,347)
At 31 December 2013 (Unaudited)	3,150	1,226,557	612,360	(436)	4,866	(330,215)	-	1,516,282	500	1,516,782

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Accumulated losses HK\$'000	Property revaluation reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2014 (Audited)	18,899	1,394,932	612,360	(10,246)	4,866	(349,533)	-	1,671,278	2,331	1,673,609
Loss for the period	-	-	-	-	-	(78,214)	-	(78,214)	(45)	(78,259)
Exchange difference on translating foreign operations	-	-	-	9,405	-	-	-	9,405	-	9,405
Total comprehensive income for the period	-	-	-	9,405	-	(78,214)	-	(68,809)	(45)	(68,854)
Surplus on transfer from prepaid lease payments for land and property, plant and equipment to investment properties, net of deferred tax	-	-	-	-	-	-	56,858	56,858	-	56,858
Deemed acquisition of a subsidiary	-	-	-	-	-	-	-	-	8,460	8,460
Acquisition of additional interest in a subsidiary (Note 24)	-	-	-	-	-	(189)	-	(189)	-	(189)
At 31 December 2014 (Unaudited)	18,899	1,394,932	612,360	(841)	4,866	(427,936)	56,858	1,659,138	10,746	1,669,884

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2014

	For the six months ended	
	31 December 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Unaudited)
Net cash used in operating activities	(139,983)	(47,386)
Net cash from investing activities	31,592	18,869
Net cash used in financing activities	(34,069)	(22,387)
Net decrease in cash and cash equivalents	(142,460)	(50,904)
Cash and cash equivalents at beginning of the period	268,497	142,316
Effect of foreign exchange rate changes	(301)	(232)
Cash and cash equivalents at end of the period	125,736	91,180
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	125,736	91,180

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

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 “Listing Rules”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2014. 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 2014.

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

(a) Adoption of revised HKFRSs – effective 1 July 2014

Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
HK(IFRIC)21	Levies

Except as explained below, the adoption of these amendments has no material impact on the unaudited condensed consolidated interim financial statements of the Group for both the current and prior reporting periods.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

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

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s operations, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRS (Amendments)	Annual Improvements 2012-2014 cycle ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 15	Revenue from Contracts with Customers ²

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the potential impact of these pronouncements. The Directors so far concluded that the application of these pronouncements will have no material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

3. Turnover and Segmental Information

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

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

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

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 consider that the mining operation did not constitute a business segment as at 31 December 2013 and 31 December 2014, 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 (loss)/profit, which is measure of adjusted (loss)/profit before taxation. The adjusted (loss)/profit before taxation is measured consistently with the Group's (loss)/profit 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

3. Turnover and Segmental Information (Continued)

(a) Reportable segments (Continued)

For the six months ended 31 December 2014 (Unaudited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Others HK\$'000	Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customers	110,875	203,519	96,516	410,910	–	410,910
Inter-segment revenue	–	10,045	16,507	26,552	(26,552)	–
Reportable segment revenue	110,875	213,564	113,023	437,462	(26,552)	410,910
Reportable segment loss	(26,792)	(12,867)	(33,230)	(72,889)	–	(72,889)
Finance costs	(1,615)	(3,209)	(761)	(5,585)	761	(4,824)
Change in fair value of derivative financial instruments	–	(576)	(2,525)	(3,101)	–	(3,101)
Change in fair value of financial assets at fair value through profit or loss	–	–	(18,861)	(18,861)	–	(18,861)
Change in fair value of investment properties	–	–	(573)	(573)	–	(573)
Reversal of impairment loss recognised for doubtful debts, net	38	–	–	38	–	38
Share of results of joint ventures	–	–	(96)	(96)	–	(96)
Depreciation of property, plant and equipment	(5,056)	(3,192)	(5,713)	(13,961)	–	(13,961)
Taxation	17	(233)	(133)	(349)	–	(349)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

3. Turnover and Segmental Information (Continued)

(a) Reportable segments (Continued)

For the six months ended 31 December 2013 (Unaudited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Others HK\$'000	Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customers	108,954	280,686	13,176	402,816	–	402,816
Inter-segment revenue	–	5,538	–	5,538	(5,538)	–
Reportable segment revenue	108,954	286,224	13,176	408,354	(5,538)	402,816
Reportable segment (loss)/profit	(18,593)	2,565	2,404	(13,624)	–	(13,624)
Finance costs	(1,633)	(3,336)	–	(4,969)	–	(4,969)
Change in fair value of derivative financial instruments	–	(219)	3,441	3,222	–	3,222
Change in fair value of financial assets at fair value through profit or loss	–	–	20,767	20,767	–	20,767
Change in fair value of investment properties	–	–	3,859	3,859	–	3,859
Impairment loss recognised for doubtful debts, net	(397)	–	–	(397)	–	(397)
Share of results of jointly-controlled entities	–	–	(58)	(58)	–	(58)
Depreciation of property, plant and equipment	(5,161)	(2,708)	(97)	(7,966)	–	(7,966)
Unallocated						(5,571)
						(13,537)
Taxation	–	(351)	–	(351)	–	(351)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

3. Turnover and Segmental Information (Continued)

(a) Reportable segments (Continued)

As at 31 December 2014 (Unaudited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	309,233	248,929	1,364,765	1,922,927
Additions to non-current assets	2,238	7,405	19,271	28,914
Reportable segment liabilities	78,974	99,588	66,467	245,029

As at 30 June 2014 (audited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	213,051	335,150	1,430,383	1,978,584
Additions to non-current assets	8,243	6,270	27,902	42,415
Reportable segment liabilities	89,191	196,944	34,759	320,894

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

3. Turnover and Segmental Information (Continued)

(b) Reconciliation of reportable segment profit or loss

For the six months ended 31 December

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss before taxation		
Reportable segment loss	(72,889)	(13,624)
Unallocated corporate income	968	–
Unallocated corporate expenses	(5,989)	(4,416)
Consolidated loss before taxation	(77,910)	(18,040)

(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

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
PRC	345,496	337,931
Americas	25,179	23,354
Europe	22,101	15,353
Hong Kong	9,105	14,424
Other regions	9,029	11,754
	410,910	402,816

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

4. Loss Before Taxation

This has been arrived at after charging:

	For the six months ended 31 December	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	13,961	13,537
Write-down of inventories, net	2,547	251
Charge of prepaid lease payments for land	1,590	1,400

5. Taxation

	For the six months ended 31 December	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Taxation in other jurisdictions	349	351

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

6. Dividend

The Directors do not recommend the payment of any dividend for the six months ended 31 December 2014 (six months ended 31 December 2013: HK\$Nil).

7. Loss Per Share

The calculation of basic loss per share amounts for the six months ended 31 December 2014 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.

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

<i>Loss</i>	For the six months ended 31 December	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the purpose of basic loss per share	(78,214)	(18,391)

<i>Number of shares</i>	For the six months ended 31 December	
	2014 (Unaudited)	2013 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	1,889,853,900	250,517,671

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

8. Property, Plant and Equipment

During the six months ended 31 December 2014, the Group purchased property, plant and equipment of HK\$28,914,000 (six months ended 31 December 2013: HK\$11,898,000). In addition, the Group disposed of property, plant and equipment with a carrying value of HK\$157,000 (six months ended 31 December 2013: HK\$671,000).

During the current interim period, the use of certain previously self-used premises of the buildings of the Group had been changed and the management decided to lease out the premises for rental income. Accordingly the carrying amounts of buildings and related prepaid lease payments for land of HK\$46,365,000 and HK\$15,060,000 respectively, with an aggregate total fair value of HK\$124,600,000 as at the date of transfer are transferred to investment properties of the Group and a surplus on transfer from property, plant and equipment and prepaid lease payments for land to investment properties, net of deferred taxation, of HK\$56,858,000 is credited to property revaluation reserve.

9. Investment Properties

	The Group	
	31 December 2014 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Audited)
Fair value:		
At the beginning of period/year	135,941	131,771
Transferred from property, plant and equipment and prepaid lease payments for land (Note 8)	124,600	–
Fair value (losses)/gains, net	(573)	5,614
Currency realignment	–	(1,444)
At end of period/year	259,968	135,941

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

9. Investment Properties (Continued)

Investment properties were valued as at 31 December 2014 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. This valuation gave rise to net fair value losses of HK\$573,000 during the current period (six months ended 31 December 2013: gains of HK\$3,859,000).

The property rental income earned by the Group from its investment properties amounted to HK\$5,236,000 (six months ended 31 December 2013: HK\$4,802,000). Direct operating expenses arising on the investment properties during the period amounted to HK\$9,000 (six months ended 31 December 2013: HK\$12,000).

The Group's investment properties were located in the PRC held under medium leases.

10. Mining Right

	HK\$'000
<hr/>	
COST:	
At 1 July 2014 (Audited)	1,168,933
Exchange realignments	(146)
<hr/>	
At 31 December 2014 (Unaudited)	1,168,787
<hr/>	
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:	
At 1 July 2014 (Audited)	312,773
Exchange realignments	(3)
<hr/>	
At 31 December 2014 (Unaudited)	312,770
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NET CARRYING AMOUNT:	
At 31 December 2014 (Unaudited)	856,017
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At 30 June 2014 (Audited)	856,160
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Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

10. Mining Right (Continued)

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.

11. Exploration and Evaluation Assets

	31 December 2014 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Audited)
Exploration permits		
Cost:		
At the beginning of period/year	18,538	23,447
Exchange realignments	(670)	(4,909)
At end of period/year	17,868	18,538

As at 31 December 2014, the amount represented exploration permits in the locations of Uguujit of Orkhontuul soum in Selenge province and Undur of Bugat soum in Gobi-Altai province, the State of Mongolia. The valid period of these exploration permits were granted for an initial periods of 3 years and have been extended to April 2015. In the opinion of the Directors, in the event that the exploration and evaluation works have not been completed before the respective expiry dates of the exploration permits, the Group is confident that it can renew all exploration permits before the respective expiry dates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

12. Debtors, Other Loans and Receivables, Deposits and Prepayments

At 31 December 2014, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of approximately HK\$131,517,000 (30 June 2014: HK\$114,359,000).

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

	The Group	
	31 December 2014 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Audited)
Within 30 days	109,849	113,439
31–60 days	1,105	612
61–90 days	640	264
Over 90 days	19,923	44
	131,517	114,359

- (iii) At 31 December 2014, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to approximately HK\$2,677,000 (30 June 2014: HK\$3,388,000) 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 2014 and 30 June 2014, all bills receivable aged within 90 days.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

14. Derivative Financial Instruments

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

The fair value of the derivative financial assets and liabilities at 31 December 2014 as provided by the banks or financial institutions amounted to approximately HK\$Nil and HK\$1,230,000 respectively (30 June 2014: derivative financial assets and liabilities of approximately HK\$778,000 and HK\$Nil respectively). The fair values of copper future contracts are determined based on the quoted market prices and the fair values of foreign exchange forward contracts were provided by banks or financial institutions at the end of reporting periods. The loss on change in fair value of derivative financial instruments of approximately HK\$3,101,000 (six months ended 31 December 2013: gain of HK\$3,222,000) 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

	The Group	
	31 December 2014 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Audited)
Equity securities held for trading and listed in Hong Kong	31,325	50,186

The fair values of the equity securities are determined based on the quoted market prices and the loss on change in fair value of HK\$18,861,000 (six months ended 31 December 2013: gain of HK\$20,767,000) has been recognised in the profit or loss during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

16. Creditors, Other Advances and Accrued Charges

At 31 December 2014, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$72,282,000 (30 June 2014: HK\$61,770,000).

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

	The Group	
	31 December 2014 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Audited)
Within 30 days	52,545	36,643
31–60 days	14,221	21,602
61–90 days	1,846	927
Over 90 days	3,670	2,598
	72,282	61,770

17. Bills Payable

As at 31 December 2014 and 30 June 2014, all bills payable aged within 90 days.

18. Borrowings

During the six months ended 31 December 2014, the Group raised new borrowings of HK\$207,445,000 (six months ended 31 December 2013: HK\$161,104,000) to provide for additional working capital; made repayment of HK\$236,593,000 (six months ended 31 December 2013: HK\$216,738,000); and assumed borrowings of HK\$6,246,000 upon the completion of the deemed acquisition (Note 23). The borrowings of the Group are secured, due within one year and carried at average effective interest rates ranging from 4.83% to 6.90% (30 June 2014: 5.31% to 6.68%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

19. Share Capital

	Number of shares		Share capital	
	31 December 2014 '000 (Unaudited)	30 June 2014 '000 (Audited)	31 December 2014 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Audited)
Ordinary shares of HK\$0.01 each:				
Authorised	50,000,000	50,000,000	500,000	500,000
Issued and fully paid:				
At beginning of the period/year	1,889,854	187,486	18,899	1,875
Placements of new shares (Note (i))	–	127,490	–	1,275
Open offer of new shares (Note (ii))	–	1,574,878	–	15,749
At end of the period/year	1,889,854	1,889,854	18,899	18,899

Notes:

- (i) In the year ended 30 June 2014, an aggregate number of 127,490,000 new ordinary shares of par value of HK\$0.01 each were issued at subscription prices ranging from HK\$0.30 each to HK\$0.32 each to the then independent third parties of the Company at aggregate proceeds of approximately HK\$38,306,000, net of issuing expenses directly related to respective placements of HK\$990,000, of which HK\$1,275,000 was credited to share capital and the remaining balance of HK\$37,031,000 was credited to the share premium account.
- (ii) In the year ended 30 June 2014, 1,574,878,250 new ordinary shares of par value of HK\$0.01 each were issued at subscription price of HK\$0.12 per offer share on the basis of five offer shares for every one existing share at aggregate proceeds of HK\$184,126,000, net of issuing expenses directly related to the open offer of HK\$4,859,000, of which approximately HK\$15,749,000 was credited to share capital and the remaining balance of approximately HK\$168,377,000 was credited to the share premium account.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

20. Capital Commitments

	31 December 2014 HK\$'000 (Unaudited)	30 June 2014 HK\$'000 (Audited)
Capital expenditure contracted but not provided for in respect of acquisition of:		
Plant and machinery	—	887

21. 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

	For the six months ended 31 December	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Short-term benefits	3,695	3,846
Retirement benefit scheme contributions	50	58
	3,745	3,904

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

22. Pledge of Assets

As at 31 December 2014, the Group has pledged property, plant and equipment, prepaid lease payments for land and pledged deposits and bank balances in the aggregate amount of HK\$232,429,000 (30 June 2014: HK\$202,182,000).

23. Deemed Acquisition of a Subsidiary

On 13 August 2014, the Group, through an indirect wholly-owned subsidiary, entered into an agreement with two independent third-party shareholders to inject RMB8,200,000 into 河南盛祥實業有限公司 (Henan Shengxiang Industry Co., Ltd.) (the “**PRC Company**”) and the PRC Company has been 51% owned by the Group thereafter. The principal activity of the PRC Company is engaged in import of metallurgical grade bauxite and sales to a sizeable state-owned enterprise in Henan for production of aluminum oxide. Upon the completion of the injection, the PRC Company became an indirect non-wholly-owned subsidiary of the Group.

24. Acquisition of Additional Interest in a Subsidiary

During the six months ended 31 December 2014, the Group acquired further 49% equity interest in 東莞市韻鑫高份子科技有限公司 (formerly known as 東莞市帝象高分子科技有限公司), increasing its equity interest from 51% to 100% by acquiring the non-controlling interests for a consideration of RMB1,470,000 which was satisfied by payment of cash. The difference of approximately RMB151,000 (equivalent to HK\$189,000) between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest has been debited to accumulated losses.

25. Event After Reporting Period Capital Reorganisation

On 6 February 2015, the Directors announced that the Company proposed to implement a reorganisation of the share capital (the **"Proposed Capital Reorganisation"**) which will involve (i) a share consolidation pursuant to which every ten existing issued and unissued shares of the Company of HK\$0.01 each will be consolidated into one consolidated share of HK\$0.1 each (the **"Share Consolidation"**); (ii) a share reduction pursuant to which the existing issued share capital of the Company will be reduced by a cancellation of (a) the paid-up capital of the Company to the extent of HK\$0.09 on each of the issued consolidated shares such that the nominal value of each issued consolidated share will be reduced from HK\$0.10 to HK\$0.01 and (b) any fractional consolidated share in the issued capital of the Company arising from the Share Consolidation (the **"Capital Reduction"**); (iii) immediately following the Share Consolidation and the Capital Reduction, each of the authorised but unissued consolidated shares of HK\$0.10 each will be sub-divided into ten adjusted share of HK\$0.01 each (the **"Share Sub-Division"**); and (iv) the credit arising from the Capital Reduction of approximately HK\$17,008,685 will be transferred to the contributed surplus account of the Company (the **"Credit Transfer"**). The Share Consolidation, the Capital Reduction, the Share Sub-Division and the Credit Transfer are collectively referred to as the Capital Reorganisation. The ordinary share of HK\$0.01 each in the share capital of the Company immediately upon the completion of the Capital Reorganisation is referred to as the Adjusted Share.

Open Offer

On 6 February 2015, the Directors announced that the Company proposed to raise approximately HK\$189 million, before expenses, by way of open offer of 944,926,950 offer shares at an offer price of HK\$0.20 per offer share on the basis of five offer shares for every one Adjusted share held on the record date.

As at the date of this report, the Proposed Capital Reorganisation and the Proposed Open Offer have not been completed. Further details of the Proposed Capital Reorganisation and the Proposed Open Offer are set out in the Company's announcement dated 6 February 2015.

Management Discussion and Analysis

Financial Results

The Board announced that for the six months ended 31 December 2014 (the “**period under review**”), the total turnover of the Group was approximately HK\$410,910,000, representing an increase of 2.0% as compared to approximately HK\$402,816,000 recorded for the corresponding period last year. During the period under review, loss attributable to the owners of the Company was approximately HK\$78,214,000, as compared to loss attributable to the owners of the Company of approximately HK\$18,391,000 for the corresponding period last year. Loss per share for the period under review was approximately HK4.14 cents (loss per share for 2013/14 interim: HK7.34 cents).

The Board has resolved not to recommend the payment of any interim dividend for the year ending 30 June 2015 (2013/14 interim: nil).

Business Review

The Group’s turnover for the period under review was approximately HK\$410,910,000, representing an increase of 2.0% as compared to approximately HK\$402,816,000 for the corresponding period last year. By business segments, the turnover of the cables and wires business was approximately HK\$110,875,000, representing an increase of 1.8% as compared to approximately HK\$108,954,000 for the corresponding period last year and accounted for approximately 27.0% of the total turnover of the Group. Turnover of the copper rod business was approximately HK\$203,519,000 representing a decrease of 27.5% as compared to HK\$280,686,000 for the corresponding period last year and accounted for approximately 49.5% of the total turnover of the Group. Turnover of other businesses was approximately HK\$96,516,000, as compared to approximately HK\$13,176,000 for the corresponding period last year and accounted for approximately 23.5% of the total turnover of the Group.

By geographical segments, turnover from the business in the Americas increased by 7.8% to approximately HK\$25,179,000 from approximately HK\$23,354,000 for the corresponding period last year, accounting for approximately 6.1% of the Group’s total turnover. Turnover from the business in Mainland China and Hong Kong increased by 0.6% to approximately HK\$354,601,000 from approximately HK\$352,355,000 for the corresponding period last year, accounting for approximately 86.3% of the Group’s total turnover. Turnover from the European business increased by 44.0% to approximately HK\$22,101,000 from approximately HK\$15,353,000 for the corresponding period last year, accounting for approximately 5.4% of the Group’s total turnover. Turnover from the business in other markets decreased by 23.2% to approximately HK\$9,029,000 from approximately HK\$11,754,000 for the corresponding period last year, accounting for approximately 2.2% of the Group’s total turnover.

Management Discussion and Analysis

Cables and Wires

The major customers of the Group's cables and wires business are primarily manufacturers of domestic white goods appliances. During the period under review, the economy of Mainland China maintained a steady growth, of which the competition in manufacturing industry was relatively keen. The Group has closely monitored the market development. The Group has won certain major customers in European market which increased the turnover from that region. Based on the economic data of the PRC and global market, the Group reviewed the market layout and proportion. As such, the overall turnover continued to improve.

Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and their related products, which are primarily used in the production of electric wires or cables for domestic appliances, electronic products and power supply in infrastructure facilities. International copper price slumped during the period under review. The 3-month London Metal Exchange copper price fell to approximately US\$6,300 at the end of the period from approximately US\$6,900 at the beginning of the period. The price and demand of China's commodities, such as copper, has dropped. Hence, banks took a stricter credit and investment control towards granting funding to the domestic companies which are engaged in copper business. At the end of 2014, as oil price and copper price continued to drop, the stricter credit and investment control by banks has cast more severe impact. Certain bankers of the Group have lowered the amount of loans and facilities granted to the Company which caused a decrease of approximately HK\$77,000,000 in the turnover of copper rod business. The Group took a cautious attitude on the copper inventory and maintained an adequate amount of total inventory for order required to cater for the demand of customers.

Other businesses

Dongguan Xin Bao Precision Chemical Co., Ltd., a subsidiary of the Group, applied the molecular distillation technology to produce biodiesel (fatty acid methyl ester), which is a renewable energy. During the period under review, the turnover was approximately HK\$20,412,000, representing an increase of approximately 54.9% as compared to approximately HK\$13,176,000 for the corresponding period last year and accounted for approximately 5.0% of the total turnover of the Group. Due to the continuous decline of international oil price, the production capacity was adjusted in line with the market demand.

In August 2014, the Group acquired 51% of the enlarged registered capital of Henan Shengxiang Industry Co., Ltd ("**Henan Shengxiang**"). Henan Shengxiang is engaged in import of metallurgical grade bauxite and selling to a sizeable state-owned enterprise in Henan for the production of aluminum oxide. During the period under review, the turnover was approximately HK\$75,789,000, accounted for approximately 18.4% of the Group's total turnover.

Management Discussion and Analysis

In August 2014, the Group acquired the remaining 49% equity interest of Dongguan Yunxin Polymer Technology Co., Ltd. (formerly known as Dongguan Dixiang Polymer Technology Co., Ltd.), which has become a wholly-owned subsidiary of the Group and is engaged in developing PVC beads and sheets. It primarily provides upstream materials for the Group's cables and wires business. During the period under review, the external turnover was approximately HK\$315,000, accounted for approximately 0.1% of the Group's total turnover.

Rental income

During the period under review, rental income was approximately HK\$5,236,000, as compared to approximately HK\$4,802,000 for the corresponding period last year. The rental income was primarily generated from the Group's Santai Industrial Zone located at Changping Town, Dongguan City and property in Changping Town, Dongguan City.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia, and the Group conducted the necessary preparations before the mining work could be started during the period. Due to the decrease in international mineral prices and instability of Mongolia's internal policies, Mongolia's local economy and foreign investment suffered a rapid decline. To restore investment confidence of the foreign investors, Mongolia amended its Minerals Law during the period under review so as to bring positive impacts on the mining industry in Mongolia. The Group is seeking suitable partners for the mining business.

Prospects

The Group will keep abreast of the market demands and stay tuned with the latest economic conditions of the major markets in the world and the PRC to formulate business plans and make adjustments, in order to strengthen the Group's positions in the cables and wires business markets.

The Group is optimistic and full of confidence towards the new trading business of metallurgical grade bauxite of Henan Shengxiang. In order to obtain larger orders and attract more customers, the Group is contemplating to establish a new subsidiary or make an additional investment of approximately HK\$50,000,000 to Dongguan Hua Yi Brass Products Co., Ltd ("**Dongguan Hua Yi**") to expand the trading volume for such new business. If the trading volume of the metallurgical grade metal oxide increases, it is expected that the sales to other alumina enterprises will increase and generate profits for the Group. As such, the Board proposed to raise funds by way of the open offer for facilitating the development and expansion of the new trading business. The details of the open offer were set out in the announcement of the Company dated 6 February 2015.

Management Discussion and Analysis

In addition, the Group makes good use of the lands and fixed asset resources of the Group, such as renovating the plants and properties located in Changping Town, Dongguan City for leasing purposes, with a view to generating more diversified sources of income for the Group.

Employees and Remuneration Policies

As at 31 December 2014, the Group had approximately 750 employees in Hong Kong, the People's Republic of China ("PRC") and overseas (30 June 2014: 900). 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 2014, the Group implemented a prudent financial management policy. As at 31 December 2014, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK\$133 million (30 June 2014: HK\$316 million) and value of net current assets was approximately HK\$258 million (30 June 2014: HK\$332 million). The Group's gearing ratio as at 31 December 2014 was 0.08 (30 June 2014: 0.09), being a ratio of total borrowings of approximately HK\$135 million (30 June 2014: HK\$158 million) to shareholders' funds of approximately HK\$1,659 million (30 June 2014: HK\$1,671 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 2014, the Group had pledged certain property, plant and machinery, land use rights and fixed bank deposits with an aggregate net book value of approximately HK\$232 million (30 June 2014: HK\$202 million) to secure general banking facilities granted to the Group.

Management Discussion and Analysis

Contingent Liabilities

As at 31 December 2014, the Company had issued guarantees to the extent of approximately HK\$15.5 million (30 June 2014: HK\$15.5 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$15.5 million (30 June 2014: HK\$15.5 million) was utilised. The Company had issued guarantees to a financial institution amounting to approximately HK\$23.3 million (30 June 2014: HK\$23.3 million) in respect of commodity trading of copper by its subsidiaries.

Financial Instruments for Hedging Purposes

For the period under review, the Group entered into copper forward contracts (“**Derivative Financial Instruments**”) to manage copper price risks. The Group’s overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group’s policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 31 December 2014 and the changes in fair value were charged to the income statement. The net loss of the Derivative Financial Instruments for the period under review was approximately HK\$3,101,000 (2013/14 interim: net gain of HK\$3,222,000).

Capital Structure

Proposed Capital Reorganisation, Proposed Change of Board Lot Size and Proposed Open Offer

Proposed Capital Reorganisation

On 6 February 2015, the Company announced that it proposed to implement a reorganisation of the share capital of the Company (the “**Proposed Capital Reorganisation**”) which would involve (a) a consolidation of every ten existing issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Shares**”) into one consolidated share (the “**Consolidated Share**”) of HK\$0.10 each (the “**Share Consolidation**”); (b) a reduction in the nominal value of the issued Consolidated Shares from HK\$0.10 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.09 on each issued Consolidated Share (the “**Capital Reduction**”); and (c) each of the authorised but unissued Consolidated Shares of HK\$0.10 each being sub-divided into ten adjusted shares of HK\$0.01 each (the “**Adjusted Shares**”) immediately following the Share Consolidation and the Capital Reduction (the “**Share Sub-division**”). The credit of approximately HK\$17,008,685.10 arising from the Capital Reduction would be transferred to the contributed surplus account of the Company such that the Company may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-laws of the Company including but not limited to setting off against accumulated losses of the Company.

Management Discussion and Analysis

The Board is of the opinion that (i) the Proposed Capital Reorganisation will provide the Company with greater flexibility for equity funding raising in the future; (ii) the credit in the contributed surplus account arising as a result of the Proposed Capital Reorganisation will enable the Company to apply the amount standing to the credit of its contributed surplus account to eliminate the accumulated losses of the Company and this will facilitate the payment of dividends as and when the Directors consider it appropriate in the future; and (iii) the Proposed Capital Reorganisation can reduce the transaction costs for dealing in the Shares, including charges by reference to the number of share certificates issued. The Board believes that the Proposed Capital Reorganisation is in the interest of the Company and its shareholders (the “**Shareholders**”) as a whole.

The Proposed Capital Reorganisation is subject to the approval by the Shareholders of the Company at a special general meeting to be held by the Company (the “**SGM**”).

Proposed Change of Board Lot Size

The Shares are currently traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in board lot size of 5,000 Shares. In light of the Proposed Capital Reorganisation, the Company announced on 6 February 2015 that it proposed to change the board lot size for trading in the Shares from 5,000 Shares to 20,000 Adjusted Shares (the “**Proposed Change of Board Lot Size**”) subject to the Proposed Capital Reorganisation becoming effective.

Proposed Open Offer

On 6 February 2015, the Company announced that it proposed to raise approximately HK\$189 million, before expenses, by way of open offer of 944,926,950 offer shares at the offer price of HK\$0.20 per offer share on the basis of five (5) offer shares for every one (1) Adjusted Share (the “**Proposed Open Offer**”). The gross proceeds from the Proposed Open Offer will be approximately HK\$189 million. It is intended that the estimated net proceeds, after deducting the underwriting commission of 2.5% on gross proceeds and other expenses in connection with the Proposed Open Offer, will be approximately HK\$182 million which are intended to be used as to (i) approximately HK\$90 million for repayment of short term loans; (ii) approximately HK\$50 million for financing new trading business on metallurgical grade bauxite of the Group; and (iii) the remaining of approximately HK\$42 million as the working capital of the Group.

The Proposed Open Offer will be fully underwritten by Kingston Securities Limited (the “**Underwriter**”), on the terms and subject to the conditions of the underwriting agreement dated 6 February 2015 entered into between the Company and the Underwriter. As the Proposed Open Offer will increase the issued share capital or the market capitalisation of the Company by more than 50%, the Proposed Open Offer is subject to the approval of the independent Shareholders of the Company.

Management Discussion and Analysis

It is expected that the SGM will be held on 1 April 2015 for the purpose of considering and, if thought fit approving, among other things, (i) the Proposed Capital Reorganisation; and (ii) the Proposed Open Offer. As mentioned in the announcement dated 6 February 2015, the Company expects to despatch the circular on 9 March 2015 containing, among other things, (i) further details of the Proposed Capital Reorganisation; (ii) further details of the Proposed Open Offer; (iii) a letter of recommendation from the independent board committee of the Company to the independent Shareholders in respect of the Proposed Open Offer; (iv) a letter of advice from the independent financial adviser to the independent board committee of the Company and the independent Shareholders on the Proposed Open Offer; and (v) a notice convening the SGM to Shareholders.

Details of the Proposed Capital Reorganisation, the Proposed Change of Board Lot Size and the Proposed Open Offer were set out in the announcement of the Company dated 6 February 2015.

Acquisition of 51% of the Enlarged Registered Capital of Henan Shengxiang

On 13 August 2014, the Company announced that Dongguan Hua Yi, an indirect wholly-owned subsidiary of the Company, entered into an agreement dated 13 August 2014 (the “**Agreement**”) with the shareholders of Henan Shengxiang. Pursuant to the Agreement, Dongguan Hua Yi agreed to inject capital in the amount of RMB8,200,000 (approximately HK\$10,332,000) to Henan Shengxiang (the “**Capital Injection**”). The existing core business of Henan Shengxiang is engaged in import of metallurgical grade bauxite and selling to a sizeable state-owned enterprise in Henan for the production of aluminum oxide.

As at the date of the Agreement, the total registered capital of Henan Shengxiang amounted to RMB8,000,000 (approximately HK\$10,080,000). The Capital Injection was completed on 19 August 2014 and the total registered capital of Henan Shengxiang was increased to RMB16,200,000 (approximately HK\$20,412,000). Henan Shengxiang is held as to 51% and 49% of the enlarged registered capital by Dongguan Hua Yi and the existing shareholders of Henan Shengxiang, who are two individuals and independent third parties, respectively. Henan Shengxiang has become an indirect non-wholly owned subsidiary of the Company upon completion of the Capital Injection. The details of the Capital Injection were set out in the announcement of the Company dated 13 August 2014.

Acquisition of 49% of the Registered Capital of Dongguan Dixiang Polymer Technology Co., Ltd.

On 15 August 2014, Dongguan Qiaozi Chau's Electrical Co., Ltd ("**Dongguan Qiaozi Chau's**"), an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with the joint venture partner of 東莞市帝象高分子科技有限公司 (Dongguan Dixiang Polymer Technology Co., Ltd.) ("**Dongguan Dixiang**") to acquire 49% equity interest in Dongguan Dixiang at a consideration of RMB1,470,000 (approximately HK\$1,852,000) (the "**Share Transfer**"). Before the Share Transfer, Dongguan Qiaozi Chau's held 51% of the registered capital of Dongguan Dixiang. The Share Transfer was completed on 5 September 2014 and Dongguan Dixiang has become an indirect wholly-owned subsidiary of the Company.

With effect from 4 February 2015, the company name of Dongguan Dixiang has been changed to 東莞市韻鑫高份子科技有限公司 (Dongguan Yunxin Polymer Technology Co Ltd.).

The Possible Acquisition of the Entire Issued Share Capital of China Elect Investments Limited

On 17 December 2014, the Board announced that Chau's Industrial Investments Limited (the "**Purchaser**"), a direct wholly owned subsidiary of the Company, entered into the non-legally binding memorandum of understanding (the "**MOU**") with Jinhui Holdings Limited, an independent third party (the "**Vendor**") on 17 December 2014 in relation to the possible acquisition by the Purchaser of the entire issued share capital of China Elect Investments Limited (the "**Target**") from the vendor (the "**Possible Acquisition**").

The consideration for the Possible Acquisition would be agreed in a formal agreement to be entered into by the Purchaser and the Vendor and is expected to be satisfied by the Purchaser either by way of cash or by the Purchaser procuring the Company to allot and issue new Shares, convertible bonds, convertible preference shares and/or bonds of the Company or a combination of any of the above.

The Target, incorporated in the British Virgin Islands, is principally engaged in investment holding and upon completion of the transactions contemplated under the MOU, the Target and its subsidiaries (the "**Target Group**") would be engaged in the research, development, manufacture and sale of nanozirconia powder by applying the nano related technology.

Management Discussion and Analysis

Upon completion of the transactions contemplated under the MOU, the Purchaser would be interested in the entire issued share capital of the Target and members of the Target Group would become wholly owned subsidiaries of the Company. The details of the Possible Acquisition were set out in the announcement of the Company dated 17 December 2014.

Significant Investment

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

Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company

As at 31 December 2014, none of the Directors and the chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares of the Company

So far as is known to any of the Directors and chief executives of the Company, as at 31 December 2014, there were no persons other than a Director or a chief executive of the Company who had an interest or short positions in the shares or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO.

Management Discussion and Analysis

Share Options

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company conditionally adopted the 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.

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

Purchase, Sale Or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the six months ended 31 December 2014.

Compliance With the Code Provisions

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

Code provision A.2.1

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

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

Management Discussion and Analysis

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 annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures are in place to ensure that the non-executive Directors are subject to appropriate mechanisms to avoid holding office indefinitely.

Code provision A.4.3

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

Mr. Chung Kam Kwong has served as an independent non-executive Director for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung retired from office by rotation at the 2013 annual general meeting (the “**2013 AGM**”) and offered himself for re-election at the 2013 AGM. An ordinary resolution was passed at the 2013 AGM to approve the 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 for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo retired from office by rotation at the 2014 annual general meeting (the “**2014 AGM**”) and offered himself for re-election at the 2014 AGM. An ordinary resolution was passed at the 2014 AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive Director of the Company.

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

Audit Committee

The audit committee 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. The Audit Committee has adopted terms of reference which are in line with the Code provisions set out in Appendix 14 to the Listing Rules. The Audit Committee has reviewed the unaudited interim results for the period under review and agreed with the accounting treatments adopted.

Compliance With the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all of the Directors, each of the Directors confirmed that he had complied with the required standards set out in the Model Code throughout the period under review.

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

Hong Kong, 26 February 2015